ANNUAL REPORT 2016

Linamar Corporation

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LETTER TO OUR SHAREHOLDERS

Linamar Corporation

LETTER TO OUR SHAREHOLDERS

We are pleased to report to you on another very successful year at Linamar, another record in our history in terms of both sales and earnings performance. This represents six consecutive years of record results which we are very proud of!!

We would characterize 2016 as another year of strong growth reflecting excellent competitiveness in all of our businesses, a great deepening of our global bench, and solid financial and operational performance through simplification and a focus on what our shareholders really want which is exactly what we set out to do at the outset of the year.

Growth Through Competitive Dominance

We enjoyed a very successful year in 2016 in terms of outstanding performance for our customers, focused execution of our vertical integration/process diversification strategies and securing targeted business wins to continue to support our growth into the future. New Business Wins and quote levels are at record highs and market share is growing in each of our businesses.

Innovation

Innovation continues to play a key role in driving our competitiveness by meeting customer/consumer needs and enabling our growth. Our innovation agenda has 3 key paths; product innovation to develop products our customers need, process innovation to find ways to produce those products as cost effectively as possible and material development to continue to drive lighter, stronger materials to improve product efficiency.

Clearly, our product innovation agenda on the vehicle side is about light weighting, fuel efficiency and noise reduction. At Skyjack it continues to focus on simple, high quality designs that our customers can rely on. We are taking that same concept to the digital world as well for Skyjack in terms of telematics to better manage next generation equipment. Both are winning innovation strategies helping us to grow market share.

Process innovation happens every day in every plant and office as we continually challenge ourselves to find a better, quicker, more reliable, less costly way to do the work we do. We set new levels of achievement for ourselves this year in terms of our improvement systems and goals with great success which resulted in terrific bottom line performance.

A key enabler in this regard is the whole field of Artificial Intelligence and Machine Learning. Southern Ontario is the leading global hub for research and development in this field and Linamar's proximity to such is giving us a key advantage in terms of access to the latest thinking and technology in this field. We have several projects underway including:

- **Development of advanced collaborative robots to drive more efficient and safer automation;**
- **Creation of data collection and analysis systems to identify ways to improve equipment uptime, improve tool life and reduce cycle times;**
- **Evolving vision systems to more accurately gauge and inspect products for better product integrity; and**
- **Assessing other processes of analysis and prediction that can be more efficiently and accurately done by machine.**

Continuing to develop comprehensive technology roadmaps for every priority product at Linamar was a key project for 2016. We only stay competitive if we can be continually delivering product innovation for our customers and that means putting a plan together for a variety of technology innovations to roll out over the coming years.

To enable the innovation work we revitalized our Detroit Technology Campus with a new dynamic building that is driving excellent collaboration between sales and engineering teams to come up with products our customers really need. An advanced gear development lab is helping us to continue to build this important market where we already hold a leadership position. Extensive product testing benches, 3D printing capabilities for rapid prototyping, and an open area for product validation and assembly work completes the picture for a fantastic facility designed to enhance the customer experience and our competitiveness and win us business!

A great example of their work is a series of critical development projects underway for propulsion systems for electric and hybrid electric vehicles for both passenger car and light commercial vehicles. Several key projects are underway in both Europe and North America for e-axles which look very promising. We have also incorporated vehicle-to-vehicle communication concepts into our driveline solutions

that allow for much quicker response time to slip conditions than human response could ever achieve to engage the AWD systems and prevent loss of control. We are excited about driving leading edge technology in this important growth area.

Skyjack also continues to innovate on the product side by the ongoing development and launch of new boom products and telehandlers which are helping to deepen our market share in these products globally. Our rental house customers love the simple designs that keep our product in the field delivering revenue and not in the shop costing money. We are also driving many design enhancements to meet customers' needs for efficient use in the field – features such as omni-directional wheels to manoeuver the base without changing machine orientation, terrain detection and laser targeting systems to enhance path selections to name a few.

Vertical Integration – Light Metal Casting

Process diversification was another key focus for 2016 which we made significant progress in and in which innovation played a key role.

In the first quarter we completed the acquisition of a global leader in aluminum gravity and low pressure die castings with a particular specialty in cylinder heads, Montupet S.A. Montupet is a European-based business with 7 world class foundries. Montupet is also a powerhouse in both advanced material technologies and intricate coring capabilities to enable production of very thin walled castings that can optimize fuel efficiencies and reduce emissions dramatically. Cylinder heads are absolutely a priority product for us at Linamar as we are the global leader in machined heads and this acquisition significantly enhances our ability to again streamline design through a collaborative approach to machining and casting.

Montupet also has developed capabilities in structural aluminum castings that can replace steel stampings in vehicles in complement to those in our GF Linamar joint venture. Structural aluminum components are expected to represent more than 150 pounds per vehicle within the next 10 years and these 2 strategic plays set us up perfectly to be a leader in that market.

Of course Montupet was only the latest step in a multi phased plan around vertical integration that started with high precision forgings achieved through the Seissenschmidt acquisition, proceeded to the GF Linamar joint venture in High Pressure Die Cast aluminum and magnesium products and finished with the Montupet acquisition.

These strategic moves are a game changer for us at Linamar, giving us incredible flexibility, technology and cost and quality leadership to drive fantastic market share gains in several priority products.

Exceptional Customer Performance

Our customer performance was exceptional in 2016 with mature plants running at world class quality and delivery levels and programs representing approximately $530 million of additional business launched during the year. We are really proud of the operational systems at Linamar which drive flawless launch and serial production in all our facilities.

Our accomplishments were recognized by our customers with several important awards seen in the year from key customers such as Ford, GM and Caterpillar. Most notable was being named the World Excellence ABF Award Winner for 2016 by Ford Motor Company, our largest customer.

Market Share Growth

Continued business wins have resulted in a backlog of nearly $4.8 billion in annualized sales under launch at Linamar today. In fact, 2016 was a record year in new business wins with total wins more than 25% higher than seen in 2015 and we continue to quote a large book of opportunities. New business wins in total for the year were greater than $1.25 billion, with particular success seen around products for new 9 and 10 speed transmissions launching in North America to drive improved fuel efficiency, complex gear machining and associated differential assembly programs and continued penetration around global engine platforms in key products such as cylinder heads, blocks and camshafts. All in all, we have secured enough new business to see us well on our way to longer term growth goals; in fact we have between $7.5 and $8 billion of annual sales based on booked business already lined up to be reached by 2021.

All of this success is driving significant improvements in market share in all areas of our business. Content per vehicle is up in every region globally for our on highway vehicle business and Skyjack continues to grow market share particularly in new boom and telehandler products.

Market share growth is a key element in our growth strategy. **With market share growth we grow regardless of how much our markets are growing. As an example, our vehicle and access markets grew less than 5% in 2016 whereas Linamar sales were up 16%.** In a timeframe of market volumes leveling this is a key element to the Linamar story – we continue to target driving growth regardless of flat global markets and our market share growth is what will achieve that.

Deepening the Global Bench

We have continued to build our global employee base, now over 25,000 strong, through a focus on readiness of our people to fill key positions globally whether they be in technical, leadership or support areas.

We have continued to focus on Leadership Development as a key priority through intensive internally developed programs supported by excellent internal and external resources.

We were thrilled to be recognized twice externally for the excellence of our Leadership Development programs both by the National Training Association and later the Institute for Learning and Performance with Awards of Excellence and Best of the Best Awards for our programs.

Developing our technical strength is absolutely critical to our success whether in skilled trades, technologists, engineers, metallurgists or a variety of other technical support functions. Technical strength is what drives innovation in both product, process and material development, which drives continuous improvement every day, and ensures we quote and purchase at optimal levels.

Our work starts externally where we are involved in many programs to encourage young people into a career in trades, science, technology, engineering and mathematics. We also have invested heavily in trades, engineering and accounting schools at universities and colleges globally to help build fantastic programs and faculties and facilitate young people into these careers.

Internal development is the next step. **With approximately 600 apprentices in our plants globally, continued setup training and international recruitment efforts, we are definitely growing our bench of skilled tradespeople and gaining some momentum.**

Our Linamar Entrepreneurial Advancement Program (LEAP) continues to deliver in terms of developing young enthusiastic team members for managing our facilities. Each year we pick a handful of talented future leaders to put through a comprehensive, cross functional, multiyear training program designed to make them our General Managers of the future. **Enhancements to the LEAP recruitment process in 2016 resulted in a fantastic cohort to select from for this key program.** LEAP is a pivotal part of helping us to deepen our leadership bench strength to support future growth.

Succession overall has been a key focus for us with engagement and ownership at all levels for such. Our Each One Teach One program means every manager is developing at least one other person for growth in the organization. **We are each responsible for grooming our own successor and it is key we all realize we are only truly successful if those who follow us are at least as successful if not more so than we are!**

We had a fun year celebrating our 50th anniversary in business with different initiatives every month involving employees, customers and our communities. One of the most satisfying was our Amazing Employee Program in which fantastic employees were nominated by their peers to be recognized. From over 1,000 nominations, 15 individuals were selected for the incredible contribution they make to our business and teams. We are so proud of the team at Linamar who hold themselves to an incredibly high standard and deliver on that year after year.

We launched a new social media strategy during the year to improve communications through a variety of new channels with our current and potential employees. These are fantastic tools to get messages out and attract folks to come join our team.

Turnover is at record lows, employee engagement is up and motivation levels high as we continue to strengthen and build the employee base.

Driving Improvements to Financial Performance – Focused and Effective

2016 was a year of exceptional financial performance in sales and earnings growth and cash generation at Linamar. **Sales reached a new record of $6 billion**, up 16% or nearly $850 million thanks to our new Montupet business, new program launches, a moderately growing global vehicle market and Skyjack's solid performance. **Earnings also reached record levels of $522 million,** up an incredible $85 million or 20%, driving another year of great margin improvements. **Q4 represented our 22nd consecutive quarter of double digit operating earnings growth, an incredible record we are very proud of.**

Investing in Montupet created some debt on the balance sheet early in the year, but solid cash generation has allowed us to rapidly deleverage way ahead of schedule. We had anticipated bringing net debt to EBITDA levels down under 1 within 12 to 18 months of the acquisition and ended up meeting that goal in only 3 quarters. Our balance sheet is again one of the strongest in our industry and giving us lots of flexibility to invest in further growth.

Linamar's cultural instinct for constant improvement and lean systems continues to drive fantastic efficiencies in our operations. Our teams go out every single day to the shop floor to look for ways to reduce cost and every day we find them, big and small. Creating that culture that not only constantly improves but also is very comfortable with change is critical in this world of rapidly changing technology and resultant opportunity.

Return on Equity was again over our goal of 20% clocking in at 21.5%. Earnings growth exceeded sales growth in our powerful Powertrain/Driveline segment to drive great margin improvement which of course drove our terrific improvements to return. Return on Capital and Return on Equity remain the key driving metrics for us as a business – we must improve earnings but they must do so in proportion to the capital we utilize in order to build a strong business capable of continued growth.

Our strategy at Linamar is the formula to this success.

Strategy

The overarching principle in strategy development at Linamar is to develop a strategy that will drive success in a variety of outcomes; a strategy based on optionality. That means identifying long term markets of opportunity, reviewing technology challenges and opportunities in each and assessing the likelihood of a variety of scenarios. We then endeavour to develop a strategy that is not betting on success in a particular market, technology or outcome but can in fact have great success regardless of outcomes. We can't predict technology changes – what we know is that change will come. We need to be ready to supply a variety of industries with a variety of products to ensure long term success.

Our enterprise strategy is to focus on "Diversified Manufactured Products to Power Vehicles, Motion, Work and Lives".

This scope gives us a wide range of markets we can focus on. As we look to the future we see a variety of interesting markets that will be significant over the next 100 years. Markets we are already well entrenched in like Transportation and Infrastructure will absolutely continue to be key markets and we will continue to build a broad portfolio of business for these markets. Other interesting markets include Energy, Food, Water, and Age Management, all of which we have some exposure to but not significant. We are interested in developing strategies for these markets to give Linamar added opportunities for growth in the long term and intend to make significant progress on enhancing those strategies in 2017.

These markets are hugely opportunistic. Take the global vehicle machined component and assembly business as an example. There is roughly $3,500-$4,000 of content in the engine, transmission and driveline systems of a passenger car, much more in a commercial vehicle. **Coupled with global vehicle production volumes this represents a market that today is north of $500 billion and will grow to more than $650 billion over the next 5 years.** Approximately 70% of this work is still done by our OEM customers themselves but they are increasingly looking to tap into great supplier technology and efficiency by outsourcing this work. Powertrain/Driveline is the last major area of the vehicle to undergo this transition. This outsourcing won't happen overnight; it will take a decade or two to manifest itself. **This is exciting because it means a sustained period of time where Linamar can enjoy superior growth to what will come strictly from market growth.** Linamar is perfectly aligned to be the supplier of choice to these companies given our outstanding processing and product technology in every machined part in these systems and our unparalleled performance on quality and delivery for such.

Our vehicle product strategy in line with our strategic principle of optionality is centred around a variety of types of powertrains – Internal Combustion Engines (ICE), Hybrid Vehicles, Electric Vehicles and Fuel Cell Vehicles.

We see the most opportunities on Hybrid systems where we have all the potential of the engine, transmission and driveline in addition to the electric drive systems. Our E-Axle product, which can be utilized to basically turn any vehicle architecture into a hybrid, will be a key product for us in this space and the pure electric vehicles. Our design is compact, lightweight and quiet thereby catching the attention of a number of vehicle manufacturers. We believe hybrid technology will be the dominant form of electrification in the vehicle in the medium term given the better balance of power utilization on board and better impact overall on the environment than pure electric vehicles given the emissions we see in many countries related to the energy infrastructure.

Electric vehicles also offer great growth opportunities for Linamar where our electronic axle can be utilized as well as a variety of machined parts in the electric motor assembly, driveline and chassis systems, multi-speed gear boxes for some applications and importantly cast aluminum structural components which will increasingly replace steel stampings in the vehicle. These components can represent up to $2,000 potential content in a vehicle and are much more likely to be outsourced than done in house given the technology is new, which means a market potential of $200 billion! This compares to an addressable market of $100 billion on the mainly ICE vehicles today given the low current level of outsourcing, resulting in a bigger market potential!

In fact, if we map out the content potential of all the different vehicle types, expected levels of outsourcing and expected levels of production for each **over the next 30 years, we see a fantastic, consistently growing level of addressable market from around $100 billion today to over $300 billion in the future**.

Linamar will be a key driver of technology for vehicle electrification which will drive great growth potential.

ICE vehicles continue to represent massive opportunity for Linamar as well. ICE vehicles are expected to continue to be the dominant technology in the market for at least the next 20 years. More importantly than that, even if the overall volumes decline the outsourcing of content in the engine and transmission will still spin off massive additional addressable market in this area. The key to success here is developing and marketing technology that will help improve fuel efficiency and lower emissions through product design, light weighting and noise reduction, all key priorities of our product development organization.

The access market where our Skyjack business is based is also highly opportunistic. Although a smaller market at $10 billion globally, the number of players in this business is much smaller meaning the potential for a much larger slice of the market is very real.

Our growth strategy at Linamar remains focused in three key areas – Diversification, Globalization, and Green Technologies.

Diversification has taken many forms for us over the years at Linamar. It has meant expanding our product offering in our targeted markets as well as finding new customers and markets for the products we already make. Increasingly diversification is translating into process diversification as we vertically integrate forward into more complex modules or assemblies of the products we already make and backward into selective, strategic types of castings or forgings. This has been an area of significant focus for us and execution over the past 18 months as already described.

We have been steadily diversifying our product lineup at Skyjack as we add to our growing boom offering. Building out our telehandler lineup is under way and will be the next step in diversifying the Skyjack offering happening over the next few years. We have seen great success here with market share gains in booms and telehandlers seen in every global market in 2016.

Diversification is also about exploring new industries to take our manufacturing skills in metallic product to. The long term markets mentioned earlier are the areas we are most focused on in this regard. To that end, we established in 2016 a separate Group focused on the Agriculture market. We have only one plant today focused on designing and manufacturing agricultural equipment but think it is an interesting area of expansion worth concentrating on. We took the first step by creating a Group to really deep dive the market, the players, the technologies and the challenges to develop a strategy for us in this dynamic market, which will be the Group's focus in 2017.

Globalization is really just an element of diversification in terms of finding new geographic markets but is important to articulate as a separate element of our strategy in light of the huge impact that growing globally can bring us.

Look at the on highway vehicle business as an example. In 2016 the industry made approximately 18 million vehicles in North America while Europe made 21 million and Asia 48 million. Markets outside of North America are vastly larger than the markets within it.

Growth is prioritized in Europe and Asia to take advantage of these large markets even as we continue to grow strongly in North America thanks to additional outsourcing of targeted product.

In Europe, the economy has stabilized and we are seeing opportunities for healthy suppliers with available cash such as ourselves needed to start to ramp production back up and to help launch new programs. With our recent acquisitions in Europe we have significantly grown our revenue, plant base and employee base in the region. Over 35% of our employee base now resides in Europe with a growing book of business in the region.

In China, continued strong growth is creating many exciting opportunities for suppliers such as ourselves with proven technology and quality performance. We're constructing our 4th plant in China based on robust business wins in the region.

In India, the auto market is really just starting to build to more meaningful levels which are creating opportunities in a variety of areas as our customers look for suppliers to help them put needed capacity in place. In 2015, we established our first foothold in India and added to that in 2016 with 2 facilities in a joint venture that were part of the Montupet acquisition. We are starting slowly in the region in order to build our understanding of the culture and business environment there.

Global expansion continues to play out very successfully as well for Skyjack who saw great market share growth in both Europe and Asia in 2016.

Finally focusing on **Green Technologies** is important because developing products that are more fuel efficient, drive lower emissions or are environmentally beneficial in some other way are the products the market is looking for. These are the markets of the future, whether it is more fuel efficient vehicles, rail products, wind energy installations or more efficient access equipment, and we want to be a key part of them. Today we have increased content in smaller, more fuel efficient vehicles such as cars, electric cars and crossovers. We have specifically targeted the smaller engines and multi speed or dual clutch technology transmissions. Our priority in product development is around light weighting, smaller packages and noise reduction, all to drive better fuel economy. A customer in our AWD system business called our product "the global benchmark" in terms of technology and capability. What a fantastic acknowledgement to the capabilities of our hard working R&D team!

As we turn to 2017, our focus continues in 3 key themes:

- **Continued focus on the innovation agenda – Bold Innovation to drive future business acquisition;**
- **Deepening our Global Reach and Bench; and**
- **Driving strong Ownership and Simplification to improve efficiency and reduce waste.**

At Linamar we are very excited about our future growth plans. We have the business in hand to drive meaningful growth in the next several years, a market focus and strategy in massive growing markets to drive substantial opportunities for the longer term, the perfect combination for meeting both short and long term shareholder growth goals. We have a 1 year plan, a 5 year plan and a 100 year plan all centred on success, growth and balance.

We have the business, we have the markets, we have the innovation, we have a talented and growing group of people and we will continue to turn that into consistent sustainable growth for you our shareholders.

Sincerely,

Linda Hasenfratz
Chief Executive Officer

Jim Jarrell
President and Chief Operating Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Linamar Corporation

December 31, 2016 and December 31, 2015
(in millions of dollars)

LINAMAR CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2016

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the year ended December 31, 2016. This MD&A has been prepared as at March 8, 2017. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

Additional information regarding Linamar, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.linamar.com or through the SEDAR website at www.sedar.com.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The Company is made up of 2 operating segments – the Powertrain/Driveline segment and the Industrial segment, which are further divided into 4 operating groups – Machining & Assembly, Light Metal Casting, Forging and Skyjack, all world leaders in the design, development and production of highly engineered products. The Company's Machining and Assembly, Casting and Forging operating groups focus on precision metallic components, modules and systems for engine, transmission, driveline and body systems designed for global vehicle and industrial markets. The Company's Skyjack operating group is noted for its innovative, high quality mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 24,500 employees in 57 manufacturing locations, 6 R&D centers and 21 sales offices in 17 countries in North and South America, Europe and Asia, Linamar generated sales of $6.0 billion in 2016. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com or follow us on Twitter at @LinamarCorp.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in 2016 and 2015:

				Three Months Ended December 31				Twelve Months Ended December 31
(in millions of dollars, except content per vehicle figures)	2016 $	2015 $	+/- $	+/- %	2016 $	2015 $	+/- $	+/- %
Sales	1,374.8	1,243.0	131.8	10.6%	6,005.6	5,162.4	843.2	16.3%
Gross Margin	221.0	197.5	23.5	11.9%	1,002.6	852.7	149.9	17.6%
Operating Earnings (Loss)[1]	147.0	131.4	15.6	11.9%	696.8	597.0	99.8	16.7%
Attributable to Shareholders of the Company:								
Net Earnings (Loss)	116.1	95.3	20.8	21.8%	522.1	436.7	85.4	19.6%
Net Earnings (Loss) per Share – Diluted	1.76	1.45	0.31	21.4%	7.92	6.63	1.29	19.5%
Content per Vehicle – North America	143.26	155.08	(11.82)	(7.6%)	153.82	150.37	3.45	2.3%
Content per Vehicle – Europe	62.42	40.02	22.40	56.0%	63.60	39.47	24.13	61.1%
Content per Vehicle – Asia Pacific	8.56	6.75	1.81	26.8%	8.32	6.70	1.62	24.2%

The changes in these financial highlights are discussed in detail in the following sections of this analysis.

[1] For more information refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016.

			Three Months Ended December 31 2016			Three Months Ended December 31 2015
(in millions of dollars)	Powertrain /Driveline $	Industrial $	Linamar $	Powertrain /Driveline $	Industrial $	Linamar $
Sales	1,230.1	144.7	1,374.8	1,100.5	142.5	1,243.0
Operating Earnings (Loss)	122.4	24.6	147.0	111.1	20.3	131.4

			Twelve Months Ended December 31 2016			Twelve Months Ended December 31 2015
(in millions of dollars)	Powertrain /Driveline $	Industrial $	Linamar $	Powertrain /Driveline $	Industrial $	Linamar $
Sales	5,139.2	866.4	6,005.6	4,310.2	852.2	5,162.4
Operating Earnings (Loss)	551.6	145.2	696.8	440.8	156.2	597.0

Powertrain/Driveline Highlights

				Three Months Ended December 31				Twelve Months Ended December 31
	2016	2015	+/-	+/-	2016	2015	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	1,230.1	1,100.5	129.6	11.8%	5,139.2	4,310.2	829.0	19.2%
Operating Earnings (Loss)	122.4	111.1	11.3	10.2%	551.6	440.8	110.8	25.1%

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by $129.6 million, or 11.8% in the fourth quarter of 2016 ("Q4 2016") compared with the fourth quarter of 2015 ("Q4 2015"). The sales increase in Q4 2016 was impacted by:

- the acquisition of Montupet S.A. in Q1 2016; and
- launching programs mainly in Europe and Asia; partially offset by
- lower production volumes on certain automotive programs; and
- lower sales on commercial vehicles in North America and Europe.

The 2016 sales for Powertrain/Driveline increased by $829.0 million, or 19.2% compared with 2015. The same factors that impacted Q4 2016 were also the primary factors that impacted the full year results in addition to higher sales resulting from favourable changes in foreign exchange rates across multiple currencies for the first three quarters.

Q4 2016 operating earnings for Powertrain/Driveline were higher by $11.3 million, or 10.2% over Q4 2015. The Powertrain/Driveline segment experienced the following in Q4 2016:

- earnings related to the acquisition of the Montupet S.A.;
- improved earnings as production volumes increased on launching programs; and
- better margins as a result of productivity and efficiency improvements; partially offset by
- lower earnings related to lower production volumes on certain automotive programs; and
- lower earnings as production volumes decreased on commercial vehicles.

The 2016 operating earnings increased by $110.8 million or 25.1% compared with 2015. The same factors that impacted Q4 2016 were also the primary factors that impacted the 2016 results in addition to higher earnings resulting from favourable changes in foreign exchange rates across multiple currencies for the first three quarters.

Industrial Highlights

			Three Months Ended December 31				Twelve Months Ended December 31	
	2016	2015	+/-	+/-	2016	2015	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	144.7	142.5	2.2	1.5%	866.4	852.2	14.2	1.7%
Operating Earnings (Loss)	24.6	20.3	4.3	21.2%	145.2	156.2	(11.0)	(7.0%)

The Industrial segment ("Industrial") product sales increased 1.5%, or $2.2 million, to $144.7 million in Q4 2016 from Q4 2015. The sales increase was due to:

- increased scissor sales due to market growth and favourable product mix in Europe and North America;
- strong scissor market share growth in Asia; and
- strong telehandler sales growth due to excellent market share growth despite a softer market in North America; partially offset by
- decreased booms sales due to very soft market conditions for booms in North America and Europe.

The 2016 sales for Industrial increased by $14.2 million, or 1.7% compared with 2015. The sales increase was due to:

- very strong telehandler sales growth due to excellent market share growth despite a softer market; partially offset by
- softer scissor sales primarily the result of a soft North America market.

Industrial segment operating earnings in Q4 2016 increased $4.3 million or 21.2% over Q4 2015. The increase in Industrial operating earnings was predominantly driven by:

- improved margins as a result of the net increase in volumes; and
- better margins as a result of changes in product mix and productivity improvements.

The 2016 operating earnings for Industrial decreased by $11.0 million, or 7.0% compared with 2015. The same factors that impacted Q4 2016 were also the primary factors that impacted the 2016 results in addition to:

- lower margins in Q1 and Q2 2016 as a result of the spending delays of larger national customers; and
- the result of a bad debt provision in Q1 2016 related to a Canadian customer operating primarily in the oil & gas industry.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE[1]

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are based primarily on the Company's location of manufacturing and include both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the production vehicle units for each continent.

In addition to automotive Original Equipment Manufacturers ("OEMs"), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the Company estimates the automotive portion of the sales for inclusion in its content per vehicle ("CPV") calculations. The allocation of sales to regions is based on vehicle production volume estimates from industry sources, published closest to the quarter end date. As these estimates are updated, the Company's sales classifications can be impacted.

	Three Months Ended December 31				Twelve Months Ended December 31			
North America	2016	2015	+/-	%	2016	2015	+/-	%
Vehicle Production Units [2]	4.49	4.44	0.05	1.1%	18.30	18.01	0.29	1.6%
Automotive Sales [1]	$ 643.9	$ 688.1	$ (44.2)	(6.4%)	$ 2,815.3	$ 2,708.3	$ 107.0	4.0%
Content Per Vehicle [1]	$ 143.26	$ 155.08	$ (11.82)	(7.6%)	$ 153.82	$ 150.37	$ 3.45	2.3%
Europe								
Vehicle Production Units	5.33	5.11	0.22	4.3%	21.49	20.82	0.67	3.2%
Automotive Sales	$ 332.8	$ 204.4	$ 128.4	62.8%	$ 1,366.7	$ 821.8	$ 544.9	66.3%
Content Per Vehicle	$ 62.42	$ 40.02	$ 22.40	56.0%	$ 63.60	$ 39.47	$ 24.13	61.1%
Asia Pacific								
Vehicle Production Units	13.58	12.17	1.41	11.6%	48.26	44.85	3.41	7.6%
Automotive Sales	$ 116.2	$ 82.1	$ 34.1	41.5%	$ 401.5	$ 300.5	$ 101.0	33.6%
Content Per Vehicle	$ 8.56	$ 6.75	$ 1.81	26.8%	$ 8.32	$ 6.70	$ 1.62	24.2%

North American automotive sales for Q4 2016 decreased 6.4% from Q4 2015 in a market that saw an increase of 1.1% in production volumes for the same period. As a result, content per vehicle in Q4 2016 decreased 7.6% from $155.08 to $143.26. The decrease in North American content per vehicle was a result of lower production volumes on certain automotive programs with our North American OEM's, decreases in volumes from our on highway commercial vehicle customers, and an increase in market production for OEM's that the Company does not have significant business with. The decrease in content per vehicle was partially offset by added sales from the acquisition of our light metal castings business.

European automotive sales for Q4 2016 increased 62.8% from Q4 2015 in a market that saw an increase of 4.3% in production volumes for the same period. As a result, content per vehicle in Q4 2016 increased 56.0% from $40.02 to $62.42. The increase in content per vehicle was a result of added sales from the acquisition of our light metal castings business and increased program launches.

Asia Pacific automotive sales for Q4 2016 increased 41.5% from Q4 2015 in a market that saw an increase of 11.6% in production volumes for the same period. As a result, content per vehicle in Q4 2016 increased 26.8% from $6.75 to $8.56. The increase in content per vehicle was a result of added sales from the acquisition of our light metal castings business and increased program launches.

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[1] Automotive Sales are measured as the amount of the Company's automotive sales dollars per vehicle, not including tooling sales. CPV does not have a standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers. CPV is an indicator of the Company's market share for the automotive markets that it operates in.

[2] Vehicle production units are derived from industry sources and are shown in millions of units. North American vehicle production units used by the Company for the determination of the Company's CPV include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks and the off-road (heavy equipment) market. All vehicle production volume information is as regularly reported by industry sources. Industry sources release vehicle production volume estimates based on the latest information from the Automotive Manufacturers and update these estimates as more accurate information is obtained. The Company will, on a quarterly basis, update CPV for the current fiscal year in its MD&A as these volume estimates are revised by the industry sources. The CPV figures in this MD&A reflect the volume estimates that were published closest to the quarter end date by the industry sources. These updates to vehicle production units have no effect on the Company's financial statements for those periods.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended December 31 2016	2015	Twelve Months Ended December 31 2016	2015
Sales	$ 1,374.8	$ 1,243.0	$ 6,005.6	$ 5,162.4
Cost of Sales before Amortization	1,075.0	976.3	4,672.0	4,037.8
Amortization	78.8	69.2	331.0	271.9
Cost of Sales	1,153.8	1,045.5	5,003.0	4,309.7
Gross Margin	$ 221.0	$ 197.5	$ 1,002.6	$ 852.7
Gross Margin Percentage	16.1%	15.9%	16.7%	16.5%

Gross margin percentage increased to 16.1% in Q4 2016 from 15.9% in Q4 2015. Cost of sales before amortization as a percentage of sales decreased in Q4 2016 to 78.2% compared to 78.5% for the same quarter of last year.

The improved gross margin as a percentage of sales between Q4 2016 and Q4 2015 is a result of the items discussed earlier in this analysis such as:

- earnings related to the acquisition of Montupet S.A. in Q1 2016;
- better margins as a result of changes in product mix and productivity improvements;
- improved margins as production volumes increased on launching programs in the Powertrain/Driveline segment; and
- net increase in access equipment volumes; partially offset by
- lower earnings as production volumes decreased on automotive and commercial vehicles in the Powertrain/Driveline segment.

Q4 2016 amortization increased to $78.8 million from $69.2 million in Q4 2015 due to the acquisition of Montupet S.A. Amortization as a percentage of sales increased to 5.7% of sales as compared to 5.6% in Q4 2015.

2016 gross margin increased to 16.7% from 16.5% in 2015. The same factors that impacted Q4 2016 gross margin were also the primary factors that impacted the full year results.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31 2016	2015	Twelve Months Ended December 31 2016	2015
Selling, general and administrative	$ 82.8	$ 72.4	$ 325.4	$ 266.0
SG&A Percentage	6.0%	5.8%	5.4%	5.2%

Selling, general and administrative (“SG&A”) costs increased to $82.8 million from $72.4 million in Q4 2015, and increased as a percentage of sales to 6.0% from 5.8% when compared to Q4 2015 due to the acquisition of Montupet S.A.

On an annual basis, SG&A costs reflected a similar pattern of higher dollar costs due to the acquisition of Montupet S.A. and investments made to support launches, future growth and new facilities, driving slightly higher costs as a percentage of sales to 5.4% from 5.2% a year ago.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended December 31 2016 $	2015 $	Twelve Months Ended December 31 2016 $	2015 $
Operating Earnings (Loss)	147.0	131.4	696.8	597.0
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(1.4)	-	(3.0)	-
Finance Expenses	3.9	2.8	21.1	16.2
Provision for (Recovery of) Income Taxes	25.6	33.3	150.2	144.1
Net Earnings (Loss)	116.1	95.3	522.5	436.7
Net Earnings (Loss) Attributable to:				
Shareholders of the Company	116.1	95.3	522.1	436.7
Non-Controlling Interests	-	-	0.4	-

Finance Expenses

Finance expenses increased $1.1 million in Q4 2016 from Q4 2015 to reach $3.9 million due to:

- increased Euro borrowings due to the acquisition of Montupet S.A. in Q1 2016; partially offset by
- higher interest earned on the investment of excess cash balances.

In 2016, finance expenses increased $4.9 million to $21.1 million due to:

- increased Euro borrowings due to the acquisition of Montupet S.A. in Q1 2016;
- increased financing fees due to the renewal of the credit facility in Q1 2016; partially offset by
- higher interest earned on the higher levels of financed long-term receivables and investment of excess cash balances.

The consolidated effective interest rate for Q4 2016 decreased to 2.0% (2.1% for the full year of 2016) compared to 4.4% in Q4 2015 (4.2% for the full year of 2015). The effective interest rate was lower in 2016 versus 2015 as the total debt in 2016 was heavily weighted to Euro denominated debt and the Euro borrowing rates are lower than both the Canadian dollar borrowing rates and U.S. Private Placement Note borrowing rates.

Provision for Income Taxes

The effective tax rate for Q4 2016 was 18.1%, a decrease from the 25.9% rate in the same quarter of 2015. The effective tax rate in Q4 2016 was:

- reduced due to a more favourable mix of foreign tax rates in Q4 2016 when compared to Q4 2015;
- reduced due to adjustments in the quarter regarding tax recoveries from prior years, primarily in Asia; partially offset by
- an increase of non-deductible expenses incurred in Q4 2016 relative to Q4 2015.

The effective tax rate for 2016 was 22.3%, a decrease from the 24.8% rate in 2015. The 2016 effective tax rate was impacted by the same factors that affected Q4 2016 and in addition an increase of non-deductible expenses incurred in Q1 2016 with respect to the business acquisition in that quarter.

TOTAL EQUITY

Book value per share[1] increased to $39.69 per share at December 31, 2016 as compared to $34.66 per share at December 31, 2015.

During the quarter no options expired unexercised, 600 were forfeited and 66,400 options were exercised.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,273,726 common shares were outstanding as of March 8, 2017. The Company's common shares constitute its only class of voting securities. As of March 8, 2017, there were 1,578,045 options to acquire common shares outstanding and 4,250,000 options still available to be granted under the Company's share option plan.

[1] For more information refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

SELECTED FINANCIAL INFORMATION

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2016, 2015 and 2014. This financial data should be read in conjunction with the Company's consolidated financial statements for these years:

(in millions of dollars, except per share figures)	2016 $	2015 $	2014 $
Sales	6,005.6	5,162.4	4,171.6
Net Earnings (Loss) Attributable to Shareholders of the Company	522.1	436.7	320.6
Total Assets	5,227.2	3,799.9	2,948.4
Total Long-term Liabilities	1,370.6	615.1	509.6
Cash Dividends declared per share	0.40	0.40	0.40
Net Earnings (Loss) per Share Attributable to Shareholders of the Company:			
Basic	8.01	6.71	4.95
Diluted	7.92	6.63	4.90

On February 25, 2016, the Company completed its acquisition of 100% of the shares of Montupet S.A. for a purchase price of $1,187.3 million which was funded by a draw on an amended and restated credit facility. Montupet S.A. is a global leader in the design and manufacture of complex aluminum castings for the global automotive industry with sales and production facilities diversified across several European countries, North America and Asia.

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2015 through December 31, 2016. This information has been derived from the Company's unaudited consolidated interim financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the financial position and results of operations for those periods.

(in millions of dollars, except per share figures)	Dec 31 2016 $	Sep 30 2016 $	Jun 30 2016 $	Mar 31 2016 $	Dec 31 2015 $	Sep 30 2015 $	Jun 30 2015 $	Mar 31 2015 $
Sales	1,374.8	1,455.5	1,657.2	1,518.1	1,243.0	1,273.9	1,368.1	1,277.5
Net Earnings (Loss) Attributable to Shareholders of the Company	116.1	122.2	157.3	126.4	95.3	107.6	120.1	113.7
Net Earnings (Loss) per Share Attributable to Shareholders of the Company:								
Basic	1.78	1.88	2.41	1.94	1.46	1.65	1.84	1.75
Diluted	1.76	1.86	2.39	1.92	1.45	1.64	1.83	1.73

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Powertrain/Driveline segment, vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the OEMs and in December for maintenance shut-down periods. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(in millions of dollars)	Three Months Ended December 31 2016 $	Three Months Ended December 31 2015 $	Twelve Months Ended December 31 2016 $	Twelve Months Ended December 31 2015 $
Cash generated from (used in):				
Operating Activities	275.3	266.2	898.1	691.9
Financing Activities	(216.4)	(40.7)	789.9	(71.8)
Investing Activities	(107.2)	(98.2)	(1,574.9)	(505.0)
Effect of Translation Adjustment	(8.8)	7.6	(47.2)	29.9
Net Increase/(Decrease) in Cash Position	(57.1)	134.9	65.9	145.0
Cash and Cash Equivalents – Beginning of Period	462.1	204.2	339.1	194.1
Cash and Cash Equivalents – End of Period	405.0	339.1	405.0	339.1
Comprised of:				
Cash in bank	233.0	319.8	233.0	319.8
Short-term deposits	192.9	29.9	192.9	29.9
Unpresented Cheques	(20.9)	(10.6)	(20.9)	(10.6)
	405.0	339.1	405.0	339.1

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2016 were $405.0 million, an increase of $65.9 million compared to December 31, 2015.

Cash generated from operating activities was $275.3 million, an increase of $9.1 million from Q4 2015 due to an increase in earnings before amortization over Q4 2015 and less cash being used to fund non-cash working capital. Cash generated from operating activities was $898.1 million in 2016, $206.2 million more than was provided in 2015, due to an increase in earnings before amortization.

During the quarter, financing activities used $216.4 million of cash due to repayments on long-term debt compared to $40.7 million used in Q4 2015. Financing activities generated $789.9 million in 2016 primarily due to proceeds from long-term debt, which were used to fund the purchase of Montupet S.A.

Investing activities used $107.2 million compared to the $98.2 million used in Q4 2015 mainly for the purchase of property, plant and equipment. Investing activities used $1,574.9 million in 2016 mainly for the acquisition of Montupet S.A. and the purchase of property, plant and equipment.

Operating Activities

(in millions of dollars)	Three Months Ended December 31 2016 $	Three Months Ended December 31 2015 $	Twelve Months Ended December 31 2016 $	Twelve Months Ended December 31 2015 $
Net earnings (loss) for the period attributable to shareholders of the Company	116.1	95.3	522.1	436.7
Adjustments to earnings	86.8	77.9	378.0	295.4
	202.9	173.2	900.1	732.1
Changes in non-cash working capital	72.4	93.0	(2.0)	(40.2)
Cash generated from (used in) operating activities	275.3	266.2	898.1	691.9

Cash generated by operations before the effect of changes in non-cash working capital increased $29.7 million in Q4 2016 to $202.9 million, compared to $173.2 million in Q4 2015. Cash generated from operations before the effects of changes in non-cash working capital increased $168.0 million in 2016 to $900.1 million from $732.1 million in 2015.

Non-cash working capital decreased $72.4 million primarily due to decreases in accounts receivable during Q4 2016.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2016 $	2015 $	Twelve Months Ended December 31 2016 $	2015 $
Proceeds from (repayments of) short term bank borrowings	(2.1)	(16.7)	(2.1)	(16.3)
Proceeds from (repayments of) long-term debt	(209.7)	(22.6)	826.6	(29.9)
Proceeds from government borrowings	(0.7)	1.4	11.2	13.5
Proceeds from exercise of stock options	0.9	0.8	1.2	1.3
Dividends	(6.5)	(6.5)	(26.1)	(26.0)
Interest received (paid)	1.7	2.9	(20.9)	(14.4)
Cash generated from (used in) financing activities	(216.4)	(40.7)	789.9	(71.8)

Financing activities for Q4 2016 used $216.4 million of cash compared to $40.7 million used in Q4 2015 primarily due to increased repayments of long-term debt. Financing activities in 2016 generated $789.9 million of cash compared to $71.8 million used in 2015 due to proceeds from long-term debt used to fund the purchase of Montupet S.A.

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2016 $	2015 $	Twelve Months Ended December 31 2016 $	2015 $
Payments for purchase of property, plant and equipment	(89.8)	(99.8)	(343.3)	(341.6)
Proceeds on disposal of property, plant and equipment	6.1	0.3	7.9	7.7
Payments for purchase of intangible assets	(2.5)	(1.4)	(10.6)	(3.2)
Business acquisitions, net of cash acquired	-	-	(1,133.9)	(109.0)
(Increase) decrease in long-term receivables	(20.8)	2.7	(94.1)	(58.9)
Other	(0.2)	-	(0.9)	-
Cash generated from (used in) investing activities	(107.2)	(98.2)	(1,574.9)	(505.0)

Cash spent on investing activities for Q4 2016 was $107.2 million compared to Q4 2015 levels of $98.2 million primarily due to the purchase of property, plant and equipment. Cash spent on investing activities in 2016 was $1,574.9 million, an increase of $1,069.9 million from 2015 levels of $505.0 million primarily due to the acquisition of Montupet S.A. and the purchase of property, plant and equipment.

Capital Resources

The Company's financial condition remains solid given its strong balance sheet, which can be attributed to the Company's low cost structure, reasonable level of debt, prospects for growth and significant new program launches. Management expects that all future capital expenditures will be financed by cash flow from operations or utilization of existing financing facilities.

At December 31, 2016, cash including short-term deposits (net of unpresented cheques) was $405.0 million, and the Company's credit facilities had available credit of $733.8 million.

Commitments and Contingencies

The following table summarizes contractual obligations by category and the associated payments for the next five years:

(in millions of dollars)	Total $	1 year $	Later than 1 year and not later than 5 years $	Later than 5 years $
Long-Term Debt Principal, excluding Capital Leases	1,405.8	191.2	1,176.4	38.2
Capital Lease Obligations[1]	19.4	5.9	12.3	1.2
Operating Leases	35.1	10.5	18.0	6.6
Purchase Obligations[2]	220.9	220.9	-	-
Total Contractual Obligations	1,681.2	428.5	1,206.7	46.0

The Company occasionally provides guarantees to third parties who, in turn, provide financing to credit worthy Linamar customers under finance leases for certain industrial access products. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in Notes 8 and 29 of the Company's consolidated financial statements for the year ended December 31, 2016.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims are described in Note 15 of the Company's consolidated financial statements for the year ended December 31, 2016.

Foreign Currency Activities

The Company pursues a strategy of balancing its foreign currency cash flows, to the largest extent possible, in each region in which it operates. The Company's foreign currency outflows for the purchases of materials and capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. To manage the residual exposure, if material, the Company employs hedging programs, where rate-appropriate, through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. The Company is exposed to credit risk from potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with relationship banks in our credit facility. Despite these measures, significant long-term movements in relative currency values could affect the Company's results of operations. The Company does not currently hedge all the cash flow activities of its foreign subsidiaries and, accordingly, results of operations could be further affected by a significant change in the relative values of the currencies in which the Company operates.

The Company is committed to long-dated forward contracts to buy U.S. dollars to hedge the changes in exchange rates on the principal portion of the U.S. $130 million Private Placement Notes due 2017 ("2017 Notes") that were placed during 2010 and the U.S. $130 million Private Placement Notes due 2021 ("2021 Notes") that were placed during 2011. These forward exchange contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings with reclassifications to net earnings for the effective portion to match the net earnings impact of the principal portion.

The Company is committed to a series of forward contracts to lock in the exchange rate on the semi-annual coupon payments related to the 2017 Notes and the 2021 Notes. These forward contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings with reclassifications to net earnings for the effective portion to match the net earnings impact of the coupon portion.

During the first quarter of 2016, the Euro denominated debt used to purchase the net assets of Montupet S.A. was designated as a net investment hedge. Hedges of net investments are accounted for similarly to cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of or sold. Please see Notes 16 and 27 of the Company's consolidated financial statements for the year ended December 31, 2016.

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[1] Capital Lease Obligations includes the interest component in accordance with the definition of minimum lease payments under IFRS.

[2] Purchase Obligations means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

For a summary of the Company's forward contracts and risks related to the Company's financial instruments please see Note 29 of the Company's consolidated financial statements for the year ended December 31, 2016.

Off Balance Sheet Arrangements

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 11 years, and the majority of lease arrangements are renewable at the end of the lease period at market rates. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 7 years and require notice for termination of the agreements. The Company expects that existing leases will either be renewed or replaced, or alternatively, capital expenditures will be incurred to acquire equivalent capacity.

For a summary of these lease commitments please see Note 24 of the Company's consolidated financial statements for the year ended December 31, 2016.

TRANSACTIONS WITH RELATED PARTIES

Included in the cost of property, plant and equipment is the construction of buildings, building additions and building improvements performed by related parties in the aggregate amount of $5.4 million at December 31, 2016 ($19.0 million for 2015). Related party transactions included in the cost of sales are expenses such as rent, maintenance and transportation costs of $1.6 million for 2016 ($2.3 million for 2015). The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Amounts owed to related parties at December 31, 2016 were $1.0 million ($3.5 million at December 31, 2015).

The Company has designed an independent process to ensure all related party transactions are transacted at estimated fair value.

CURRENT AND PROPOSED TRANSACTIONS

On October 15, 2015, the Company announced its intention to file a Tender Offer for 100% of the outstanding shares and voting rights of Montupet S.A. The filing of the Tender Offer with the Autorité des Marchés Financiers ("AMF"), the French Regulatory Authority, opened to the public in early December 2015 and closed January 21, 2016 (the "First Offer") and pursuant to article 232-4 of the AMF General Regulations, the Offer was reopened and closed on February 11, 2016 (the "Second Offer"). After the Second Offer, the Company owned 96.85% of the then outstanding shares and purchased the remaining shares to reach 100% for a purchase price of $1,187.3 million at February 25, 2016. Montupet S.A. is a global leader in the design and manufacture of complex aluminum castings for the global automotive industry with sales and production facilities diversified across several European countries, North America and Asia.

RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, and the Company's Annual Information Form for the year ended December 31, 2016 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

Competition, Outsourcing and Insourcing

The Company faces numerous sources of competition in its Powertrain/Driveline segment, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. In the Industrial segment the Company also faces competition from well-established aerial work platform OEMs.

As the Company's OEM customers face continued cost pressures as well as wide ranging areas of required capital investment within their business, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for the Company. However, because of various factors affecting the OEMs, such as the level of consumer spending on automobiles and related market volumes, labour contracts, and other economic factors, this impacts the decision on whether to outsource work or not; such changes and decisions are reflected in the Company's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Other competition in machining and assembly work comes from high precision machining companies which typically have several manufacturing locations and substantial capital resources to invest in equipment for high volume, high precision, and long-term contracts. Several of these companies are heavily involved in the automotive industry and are suppliers to major OEMs.

The Company believes that there are no suppliers which have the diversified capability to produce all of the components, modules and systems which the Company currently produces. Rather, Linamar faces a higher number of suppliers that compete on a product by product basis. Some of these competitors are larger and may have access to greater resources than the Company, but the Company believes that none of them are dominant in the markets in which the Company operates. The basis for supplier selection by OEMs is not typically determined solely by price, but would usually also include such elements as quality, service, historical performance, timeliness of delivery, proprietary technologies, scope of in-house capabilities, existing agreements, responsiveness and the supplier's overall relationship with the OEM, as well as being influenced by the degree of available and unutilized capacity of resources in the OEMs' manufacturing facilities, labour relations issues and other factors. The number of competitors that OEMs solicit to bid on any individual product has, in certain circumstances, been significantly reduced and management expects that further reductions will occur as a result of the OEMs' stated intention to deal with fewer suppliers and to award those suppliers longer-term contracts.

Sources and Availability of Raw Materials

The primary raw materials utilized by the precision machining operations are iron and aluminum castings and forgings, which are readily obtained from a variety of suppliers globally that support the Company's operations. The Company is not dependent on any one supplier. A disruption in the supply of components could cause the temporary shut-down and a prolonged supply disruption, including the inability to re-source or in-source production of a critical component, could have a material adverse effect on the Company's business.

Raw materials supply factors such as allocations, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw material sourcing decisions of the Company and its plants. When appropriate and available, the Company may negotiate long-term agreements with raw material suppliers to ensure continued availability of certain raw materials on more favourable terms. In the event of significant unanticipated increase in demand for the Company's products and the supply of raw materials, the Company may be unable to manufacture certain products in a quantity sufficient to meet its customers' demand.

Labour Markets and Dependence on Key Personnel

For the development and production of products, the ability for the Company to compete successfully will depend on its ability to acquire and retain competent trades people, management, and product development staff that allow the Company to quickly adapt to technological change and advances in processes. Loss of certain members of the executive team or key technical leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The Company may be unable to retain its key employees or attract, assimilate, train or retain other necessary qualified employees, which may restrict its growth potential.

Dependence on Certain Customers

The Company's Powertrain/Driveline segment has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The global precision machining industry is characterized by a large number of manufacturers. As a result, manufacturers, such as the Company, tend to have a relatively small share of the markets they serve. Nonetheless, the Company believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the Company's Powertrain/Driveline sales.

Typically, sales are similarly concentrated for the Industrial segment as product distribution is largely through major rental companies. Through its Skyjack subsidiary, the Company engages in the production and sale of access equipment including scissor lifts, booms and telehandlers. There is a relatively defined sales cycle in this industry segment, as it is closely related to, and affected by, product life cycle and the construction sector. Therefore, the risks and fluctuations in the construction industry in the countries that Skyjack operates in also affect Skyjack's sales.

Any disruption in the Company's relationships with these major customers or any decrease in revenue from these major customers, as a consequence of current or future conditions or events in the economy or markets in general or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards. Accordingly, the Company believes that its future success depends on its ability to launch new programs as well as enhance or develop current and future products at competitive prices and in a timely manner. The Company's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. In addition, there can be no assurance that products or technologies developed by other companies will not render the Company's products uncompetitive or obsolete.

Foreign Currency Risk
Although the Company's financial results are reported in Canadian dollars, a significant portion of the Company's revenues and operating costs are realized in other currencies. Fluctuations in the exchange rates between these currencies may affect the Company's results of operations.

The Company's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure to foreign currency risk, if material, the Company will employ hedging programs as appropriate. The Company uses forecasted future cash flows of foreign currencies to determine the residual foreign exchange exposure. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. From time to time the Company will incur foreign denominated debt to finance the acquisition of foreign operations. In these cases the Company may elect to designate the foreign denominated debt as a net investment hedge of the foreign operation.

Long-term Contracts
Through its Powertrain/Driveline businesses, the Company principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Long-term contracts support the long-term sales of the Company but these contracts do not guarantee production volumes and as such the volumes produced by the Company could be significantly different than the volume capacity for which the contract was awarded.

Contracts for customer programs not yet in production generally provide for the supply of components for a customer's future production levels. Actual production volumes may vary significantly from these estimates. These contracts can be terminated by a customer at any time and, if terminated, could result in the Company incurring pre-production, engineering and other various costs which may not be recoverable from the customer.

Long term supply agreements may also include mutually agreed price reductions over the life of the agreement. The Company attempts to offset price concessions and costs in a number of ways, including through negotiations with our customers, improved operating efficiencies and cost reduction efforts.

Acquisition and Expansion Risk
The Company may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Foreign Business Risk
The Company's operations in Europe, the America's, and Asia, are subject to general business risks that do not exist in Canada. The political climate and government policies are less stable and less predictable in certain of these countries. As well, certain countries do not currently have the same economic infrastructure as exists in Canada.

Operations outside Canada subject the Company to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of public health threats, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations.

Expansion of the Company's operations in non-traditional markets is an important element of our strategy and, as a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable.

Cyclicality and Seasonality
The demand for the Company's products is cyclical and is driven by changing market conditions in which the Company's sells into. Current or future conditions or events in the economy or markets in general, or in the automotive (including medium/heavy duty trucks)

and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Powertrain/Driveline segment, vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the OEMs and in December for maintenance shut-down periods. Since the Company's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level at this time. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

Capital and Liquidity Risk

The Company is engaged in a capital-intensive business and it has fewer financial resources than some of its principal competitors. There is no assurance that the Company will be able to obtain additional debt or equity financing that may be required to successfully achieve its strategic plans.

The Company's current credit facilities, the 2017 Notes and the 2021 Notes require the Company to comply with certain financial covenants. There can be no assurance of the Company's ability to continue to comply with its financial covenants, to appropriately service its debt or to obtain continued commitments from debt providers or additional equity capital given current or future conditions or events in the economy or markets in general or in the Company's Powertrain/Driveline and Industrial segments in particular.

Legal Proceedings and Insurance Coverage

The Company may be threatened from time to time in the ordinary course of conducting its business with, or may be named as a defendant in, various legal and regulatory proceedings, including securities, environmental or occupational health and safety regulatory proceedings, as well as product liability claims, warranty or recall claims, or other consequential damages claims. A significant judgment against the Company, or the imposition of a significant fine or penalty as a result of a finding that the Company has failed to comply with laws or regulations, could have a material adverse effect on the Company.

No assurance can be given that the insurance coverage or insurance coverage limits of the Company would be adequate to protect it against any claims for product liability claims, warranty or recall claims, or business interruption claims that may arise. The Company may require additional insurance coverage in these areas as the Company advances its involvement with product design and development. This insurance is expensive and may not be available on acceptable terms, or at all. Any uninsured or underinsured product liability claims, warranty or recall claims, or business interruption claims could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and receivables. The Company's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. A substantial portion of the Company's receivables are with large customers in the automotive, truck and industrial sectors and are subject to credit risks normal to those industries. The Company cannot ensure that its customers will not experience financial difficulties in the future and therefore the Company may not be able to collect all of its receivables.

Emission Standards

Recent changes in emission standards in the United States and in certain states, such as California, may affect the future sale of certain automotive products. Even though the Company continues to implement changes to certain products via specifications from customers, there can be no assurance that the Company will be able to keep pace with these changes. The introduction of the experimental fuel cell automobile by some major automotive manufacturers may affect the products and processes the Company employs, the effect of which is currently undetermined.

Tax Laws

The tax laws in Canada and abroad are continuously changing and no assurance can be given that Canadian federal or provincial tax laws or the tax laws in foreign jurisdictions will not be changed in a manner that adversely affects the Company. Over the past several years, many countries have reduced their tax rate in an effort to attract new business investment. There is no assurance that this trend will continue or that tax rates will remain unchanged. The Company currently has tax losses and credits in a number of countries that, given unforeseen changes in tax laws, may not continue indefinitely. Also, the Company's expansion into emerging markets subjects the Company to new tax regimes that may change based on political or social conditions.

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad may change at any time. The impact of these changes on the Company cannot be predicted.

Environmental Matters
The Company's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the Company conducts business, including among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA") requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

As of December 31, 2016, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's management, inclusive of the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective in providing reasonable, not absolute assurance that the objectives of our disclosure control system have been met.

Internal Control over Financial Reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

As of December 31, 2016, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's internal control over financial reporting is effective in providing reasonable, not absolute assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2016, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

Impairment of Non-Financial Assets

The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used.

Current Income Taxes

The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Useful Lives of Depreciable Assets

Due to the significance of property, plant and equipment and intangible assets on the Company's statement of financial position, the Company considers the amortization policy relating to property, plant and equipment and intangible assets to be a "critical accounting estimate". The Company considers the expected useful life of the assets, expected residual value, and contract length when setting the amortization rates of its assets. Judgement is involved when establishing these estimates as such factors as technological innovation, maintenance programs, and relevant market information must be taken into consideration. The asset's residual values, useful lives and amortization methods are reviewed at the end of each reporting period and are adjusted if expectations differ from previous estimates. If circumstances impacting these assumptions and estimates change, the change in accounting estimates may represent a material impact to the consolidated financial statements.

Purchase Price Allocations

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2016 and for future fiscal years please see Note 4 of the Company's consolidated financial statements for the year ended December 31, 2016.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Non-GAAP Measures

The Company uses certain non-GAAP financial measures including book value per share. The Company believes this non-GAAP financial measure provides useful information to both management and investors in assessing the financial performance and financial condition of the Company.

Non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and therefore they are unlikely to be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Book Value per Share

This measure, as used by the chief operating decision makers and management, indicates the value of the Company based on the carrying value of the Company's net assets. Book value per share is calculated by the Company as total equity divided by shares outstanding at the end of the period.

(in millions of dollars except share and per share figures)	December 31 2016	December 31 2015
Total equity	$ 2,590.3	$ 2,258.7
Shares outstanding at the end of the period	65,258,426	65,173,426
Book value per share	$ 39.69	$ 34.66

Additional GAAP Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of an entity's financial position and performance. The Company presents the following additional GAAP measures in the Company's consolidated financial statements.

Operating Earnings

Operating earnings (loss) is calculated as net earnings (loss) before income taxes, finance expenses and share of net earnings (loss) of investments accounted for using the equity method, as presented on the Company's consolidated statements of earnings. This measure, along with other GAAP and non-GAAP measures are used by the chief operating decision makers and management to assess operating performance and the effective use and allocation of resources and to provide more meaningful comparisons of operating results.

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of December 31, 2016	Three Months Ended				Year to Date			
	Mar 31 2016	Jun 30 2016	Sep 30 2016	Dec 31 2016	Mar 31 2016	Jun 30 2016	Sep 30 2016	Dec 31 2016
North America								
Vehicle Production Units	4.56	4.72	4.53	4.49	4.56	9.28	13.81	18.30
Automotive Sales	$ 751.8	$ 749.5	$ 670.1	$ 643.9	$ 751.8	$ 1,501.3	$ 2,171.4	$ 2,815.3
Content Per Vehicle	$ 164.90	$ 158.75	$ 148.02	$ 143.26	$ 164.90	$ 161.77	$ 157.26	$ 153.82
Europe								
Vehicle Production Units	5.52	5.90	4.74	5.33	5.52	11.41	16.16	21.49
Automotive Sales	$ 335.8	$ 376.4	$ 321.7	$ 332.8	$ 335.8	$ 712.2	$ 1,033.9	$ 1,366.7
Content Per Vehicle	$ 60.86	$ 63.83	$ 67.82	$ 62.42	$ 60.86	$ 62.39	$ 63.99	$ 63.60
Asia Pacific								
Vehicle Production Units	11.90	11.27	11.51	13.58	11.90	23.17	34.68	48.26
Automotive Sales	$ 97.6	$ 90.5	$ 97.2	$ 116.2	$ 97.6	$ 188.1	$ 285.3	$ 401.5
Content Per Vehicle	$ 8.20	$ 8.03	$ 8.45	$ 8.56	$ 8.20	$ 8.12	$ 8.23	$ 8.32

Estimates as of September 30, 2016	Three Months Ended			Year to Date		
	Mar 31 2016	Jun 30 2016	Sep 30 2016	Mar 31 2016	Jun 30 2016	Sep 30 2016
North America						
Vehicle Production Units	4.56	4.73	4.56	4.56	9.29	13.86
Automotive Sales	$ 751.8	$ 749.5	$ 670.1	$ 751.8	$ 1,501.3	$ 2,171.4
Content Per Vehicle	$ 164.82	$ 158.40	$ 146.87	$ 164.82	$ 161.55	$ 156.72
Europe						
Vehicle Production Units	5.50	5.90	4.73	5.50	11.40	16.14
Automotive Sales	$ 335.8	$ 376.4	$ 315.3	$ 335.8	$ 712.2	$ 1,027.5
Content Per Vehicle	$ 61.01	$ 63.79	$ 66.64	$ 61.01	$ 62.45	$ 63.68
Asia Pacific						
Vehicle Production Units	11.90	11.28	11.15	11.90	23.19	34.34
Automotive Sales	$ 97.6	$ 90.5	$ 97.2	$ 97.6	$ 188.1	$ 285.3
Content Per Vehicle	$ 8.20	$ 8.02	$ 8.72	$ 8.20	$ 8.11	$ 8.31

Change in Estimates from Prior Quarter	Three Months Ended			Year to Date		
	Mar 31 2016 +/-	Jun 30 2016 +/-	Sep 30 2016 +/-	Mar 31 2016 +/-	Jun 30 2016 +/-	Sep 30 2016 +/-
North America						
Vehicle Production Units	-	(0.01)	(0.03)	-	(0.01)	(0.05)
Automotive Sales	$ -	$ -	$ -	$ -	$ -	$ -
Content Per Vehicle	$ 0.08	$ 0.35	$ 1.15	$ 0.08	$ 0.22	$ 0.54
Europe						
Vehicle Production Units	0.02	-	0.01	0.02	0.01	0.02
Automotive Sales	$ -	$ -	$ 6.4	$ -	$ -	$ 6.4
Content Per Vehicle	$ (0.15)	$ 0.04	$ 1.18	$ (0.15)	$ (0.06)	$ 0.31
Asia Pacific						
Vehicle Production Units	-	(0.01)	0.36	-	(0.02)	0.34
Automotive Sales	$ -	$ -	$ -	$ -	$ -	$ -
Content Per Vehicle	$ -	$ 0.01	$ (0.27)	$ -	$ 0.01	$ (0.08)

FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this MD&A, the Annual Report and other documents published throughout the year which are not recitation of historical facts may constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “likely”, “estimate”, “believe”, “expect”, “plan”, “forecast” and similar expressions are intended to identify forward-looking statements. Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations include, but are not limited to, changes in the competitive environment in which Linamar operates, OEM outsourcing and insourcing; sources and availability of raw materials; labour markets and dependence on key personnel; dependence on certain customers and product programs; technological change in the sectors in which the Company operates and by Linamar’s competitors; delays in or operational issues with product launches; foreign currency risk; long-term contracts that are not guaranteed; acquisition and expansion risk; foreign business risk; cyclicality and seasonality; capital and liquidity risk; legal proceedings and insurance coverage; credit risk; emission standards; tax laws; securities laws compliance and corporate governance standards; fluctuations in interest rates; environmental emissions and safety regulations; trade and labour disruptions; world political events; pricing concessions to customers; and governmental, environmental and regulatory policies.

The foregoing is not an exhaustive list of the factors that may affect Linamar’s forwarding looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Linamar’s forward-looking statements. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

CONSOLIDATED FINANCIAL STATEMENTS

Linamar Corporation

December 31, 2016 and December 31, 2015
(in thousands of dollars)

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

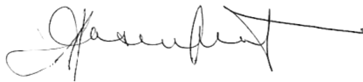
The management of Linamar Corporation (the "Company") is responsible for the preparation of all information included in this annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and necessarily include some amounts that are based on management's best estimates and judgements. Financial information included elsewhere is this annual report is consistent with that in the consolidated financial statements.

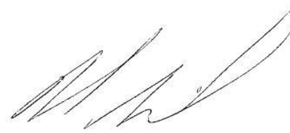
Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's external auditors, appointed by the shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company.

The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statement for issuance to the shareholders.





Linda Hasenfratz
Chief Executive Officer

Dale Schneider
Chief Financial Officer

March 8, 2017

INDEPENDENT AUDITOR'S REPORT

March 9, 2017

To the Shareholders of
Linamar Corporation

We have audited the accompanying consolidated financial statements of Linamar Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Linamar Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

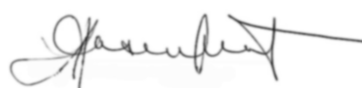
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

LINAMAR CORPORATION
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	December 31 2016 $	December 31 2015 $
ASSETS		
Cash and cash equivalents	404,966	339,079
Accounts and other receivables (Note 6)	898,445	790,534
Inventories (Note 9)	691,385	544,516
Income taxes recoverable (Note 10)	11,466	3,787
Current portion of long-term receivables (Note 7)	74,557	45,380
Current portion of derivative financial instruments (Note 29)	44,904	4,646
Other current assets	17,177	13,081
Current Assets	2,142,900	1,741,023
Long-term receivables (Note 7)	199,369	137,959
Property, plant and equipment (Note 11)	2,052,055	1,721,882
Investments accounted for using the equity method	5,881	-
Intangible assets (Note 12)	279,587	23,590
Goodwill (Note 13)	456,791	29,807
Derivative financial instruments (Note 29)	37,134	91,196
Deferred tax assets (Note 10)	53,453	54,447
Assets	5,227,170	3,799,904
LIABILITIES		
Short-term borrowings	7,972	-
Accounts payable and accrued liabilities (Note 14)	974,612	843,577
Provisions (Note 15)	31,713	26,198
Income taxes payable (Note 10)	54,836	45,477
Current portion of long-term debt (Note 16)	197,157	10,839
Current Liabilities	1,266,290	926,091
Long-term debt (Note 16)	1,228,035	537,410
Deferred tax liabilities (Note 10)	142,584	77,736
Liabilities	2,636,909	1,541,237
EQUITY		
Capital stock (Note 17)	120,385	118,609
Retained earnings	2,386,524	1,890,473
Contributed surplus	23,332	21,094
Accumulated other comprehensive earnings (loss)	60,020	228,491
Equity	2,590,261	2,258,667
Liabilities and Equity	5,227,170	3,799,904

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:



Frank Hasenfratz
Director

Linda Hasenfratz
Director

LINAMAR CORPORATION

Consolidated Statements of Earnings

For the years ended December 31, 2016 and December 31, 2015
(in thousands of Canadian dollars, except per share figures)

	2016 $	2015 $
Sales	6,005,584	5,162,450
Cost of sales (Note 18)	5,003,034	4,309,732
Gross Margin	1,002,550	852,718
Selling, general and administrative (Note 18)	325,364	265,975
Other income and (expenses) (Note 21)	19,591	10,283
Operating Earnings (Loss)	696,777	597,026
Share of net earnings (loss) of investments accounted for using the equity method	(2,976)	-
Finance expenses (Note 22)	21,071	16,239
Net Earnings (Loss) before Income Taxes	672,730	580,787
Provision for (recovery of) income taxes (Note 10)	150,202	144,116
Net Earnings (Loss) for the Year	522,528	436,671
Net Earnings (Loss) Attributable to:		
Shareholders of the Company	522,127	436,671
Non-Controlling Interests (Note 27)	401	-
	522,528	436,671
Net Earnings (Loss) per Share Attributable to Shareholders of the Company: (Note 23)		
Basic	8.01	6.71
Diluted	7.92	6.63

The accompanying notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION

Consolidated Statements of Comprehensive Earnings

For the years ended December 31, 2016 and December 31, 2015
(in thousands of Canadian dollars)

	2016 $	2015 $
Net Earnings (Loss) for the Year	522,528	436,671
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	(232,973)	172,694
Change in foreign exchange gains (losses) on long-term debt designated as a net investment hedge	65,764	-
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	(12,109)	59,388
Tax impact of change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	3,027	(15,020)
Reclassification to earnings of gains (losses) on cash flow hedges	10,426	(58,214)
Tax impact of reclassification to earnings of gains (losses) on cash flow hedges	(2,606)	14,727
Other Comprehensive Earnings (Loss)	(168,471)	173,575
Comprehensive Earnings (Loss) for the Year	354,057	610,246
Comprehensive Earnings (Loss) Attributable to:		
Shareholders of the Company	353,656	610,246
Non-Controlling Interests (Note 27)	401	-
	354,057	610,246

The accompanying notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and December 31, 2015
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Equity Attributable to Shareholders $	Non-Controlling Interests $	Total Equity $
Balance at January 1, 2015	116,701	1,479,848	19,187	55,612	(696)	1,670,652	-	1,670,652
Net Earnings (Loss)	-	436,671	-	-	-	436,671	-	436,671
Other comprehensive earnings (loss)	-	-	-	172,694	881	173,575	-	173,575
Comprehensive Earnings (Loss)	-	436,671	-	172,694	881	610,246	-	610,246
Share-based compensation	-	-	2,473	-	-	2,473	-	2,473
Shares issued on exercise of options	1,908	-	(566)	-	-	1,342	-	1,342
Dividends	-	(26,046)	-	-	-	(26,046)	-	(26,046)
Balance at December 31, 2015	118,609	1,890,473	21,094	228,306	185	2,258,667	-	2,258,667
Net Earnings (Loss)	-	522,127	-	-	-	522,127	401	522,528
Other comprehensive earnings (loss)	-	-	-	(167,209)	(1,262)	(168,471)	-	(168,471)
Comprehensive Earnings (Loss)	-	522,127	-	(167,209)	(1,262)	353,656	401	354,057
Share-based compensation	-	-	2,765	-	-	2,765	-	2,765
Shares issued on exercise of options	1,776	-	(527)	-	-	1,249	-	1,249
Acquisition of non-controlling interests	-	-	-	-	-	-	(401)	(401)
Dividends	-	(26,076)	-	-	-	(26,076)	-	(26,076)
Balance at December 31, 2016	120,385	2,386,524	23,332	61,097	(1,077)	2,590,261	-	2,590,261

The accompanying notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and December 31, 2015
(in thousands of Canadian dollars)

	2016 $	2015 $
Cash generated from (used in)		
Operating Activities		
Net earnings (loss) Attributable to Shareholders of the Company	522,127	436,671
Adjustments for:		
Amortization of property, plant and equipment	306,316	265,204
Amortization of other intangible assets	27,311	8,575
Deferred income taxes	(12,192)	8,509
Property, plant and equipment impairment provision	30,610	717
Share-based compensation	2,765	2,473
Finance expense	21,071	16,239
Other	2,097	(6,290)
	900,105	732,098
Changes in non-cash working capital		
(Increase) decrease in accounts and other receivables	(91,386)	30,044
(Increase) decrease in inventories	(81,304)	(9,721)
(Increase) decrease in other current assets	(2,761)	(1,019)
Increase (decrease) in income taxes	11,315	8,584
Increase (decrease) in accounts payable and accrued liabilities	156,753	(63,827)
Increase (decrease) in provisions	5,345	(4,302)
	(2,038)	(40,241)
Cash generated from (used in) operating activities	898,067	691,857
Financing Activities		
Proceeds from (repayments of) short-term borrowings	(2,087)	(16,313)
Proceeds from (repayments of) long-term debt	826,556	(29,864)
Proceeds from government borrowings	11,193	13,481
Proceeds from exercise of stock options	1,249	1,342
Dividends	(26,076)	(26,046)
Interest received (paid)	(20,905)	(14,417)
Cash generated from (used in) financing activities	789,930	(71,817)
Investing Activities		
Payments for purchase of property, plant and equipment	(343,273)	(341,643)
Proceeds on disposal of property, plant and equipment	7,939	7,730
Payments for purchase of intangible assets	(10,638)	(3,147)
Business acquisitions, net of cash acquired	(1,133,945)	(109,021)
(Increase) decrease in long-term receivables	(94,118)	(58,868)
Other	(883)	-
Cash generated from (used in) investing activities	(1,574,918)	(504,949)
	113,079	115,091
Effect of translation adjustment on cash	(47,192)	29,936
Increase (decrease) in cash and cash equivalents	65,887	145,027
Cash and cash equivalents - Beginning of Year	339,079	194,052
Cash and cash equivalents - End of Year	404,966	339,079
Comprised of:		
Cash in bank	233,002	319,844
Short-term deposits	192,922	29,845
Unpresented cheques	(20,958)	(10,610)
	404,966	339,079

The accompanying notes are an integral part of these consolidated financial statements.

1 General Information

Linamar Corporation and its subsidiaries, including jointly controlled entities, (together, the "Company") is a diversified global manufacturing company of highly engineered products. The Company is incorporated in Ontario, Canada with common shares listed on the Toronto Stock Exchange. The Company is domiciled in Canada and its registered office is 287 Speedvale Avenue West, Guelph, Ontario, Canada.

The annual consolidated financial statements of the Company for the year ended December 31, 2016 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 8, 2017.

2 Basis of Preparation

The Company has prepared its consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Issues Committee.

3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

Basis of Consolidation

Subsidiaries are all entities over which the Company has control. All subsidiaries are wholly owned. These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. All significant inter-company transactions are eliminated on consolidation.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value (at the date of exchange) of the assets acquired, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the acquisition cost over the fair value of the net assets acquired and liabilities and contingent liabilities recognized, is recorded in assets as goodwill. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized and estimated at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with the applicable standard either in net earnings or as a change to other comprehensive earnings. If the contingent consideration is classified as equity, it shall not be re-measured and shall be accounted for within equity.

The Company has partial ownership in joint ventures over whose activities the Company has joint control, established by contractual agreements and requiring unanimous consent for strategic, financial and operating decisions. The Company accounts for the jointly controlled entities using the equity method whereby the Company's investment is originally recognized at cost. The consolidated financial statements include the Company's share of the income and expenses and equity movements of the jointly controlled entity, after adjustments to align the accounting policies with those of the Company, from the date that the significant influence of joint control commences until the date that significant influence or joint control ceases. Dividends are recognized as a reduction in the carrying amount of the investment.

Unrealized gains on transactions between the Company and the jointly controlled entities are eliminated to the extent of the Company's interest in the joint venture. Unrealized losses are eliminated unless the transaction provides evidence of impairment.

Foreign Currency Translation

Functional and presentation currency

The Company's consolidated financial statements are presented in Canadian dollars ("dollars"), which is also the Company's functional currency. Each entity in the Company maintains its accounting records in its functional currency. An entity's functional currency is the currency of the principal economic environment in which it operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rate of the reporting period. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at period end exchange rates. Non-monetary assets and liabilities, which are measured in terms of historical cost in a foreign currency, are not re-translated. Foreign exchange gains and losses arising from borrowings are presented in the statement of earnings within finance expenses and all other foreign exchange gains and losses are presented within operating earnings except for those which relate to qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation, which are presented in other comprehensive earnings within accumulated other comprehensive earnings until realized.

Foreign Operations

For the purposes of presenting consolidated financial statements, the results and financial position of all entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rate at the reporting period end date;

(b) Income and expenses are translated at average exchange rates for the reporting period; and

(c) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, or there is a disposal involving a loss of control, exchange differences that were recorded in equity are recognized in the statement of earnings as part of the gain or loss on sale or disposal.

Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and short-term deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally qualify as cash equivalents if they have a term to maturity at the date of purchase of three months or less.

Receivables

Receivables are amounts due from customers for products sold or services performed in the ordinary course of business.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts. The allowance for doubtful accounts is determined by taking into consideration the age of the receivables, the Company's prior experience with the customer including their ability to pay, and/or an assessment of the current economic conditions. Receivables and allowance for doubtful accounts are written off when the balance is no longer considered to be collectible.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Company as a lessee

The Company leases certain property, plant and equipment under both finance leases and operating leases. Payments made under operating leases are charged to net earnings on a straight-line basis over the period of the lease. Assets leased by the Company that qualify as finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments under finance leases are allocated between finance charges and a reduction of the outstanding lease obligation. Finance charges are recognized immediately in net earnings, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Company as a lessor
The Company leases certain industrial access products to customers under both finance leases and operating leases. Amounts due from lessees under operating lease arrangements are recognized as revenue over the course of the lease arrangement. Contingent rents are recognized as revenue in the period in which they are earned. Amounts due from lessees under finance lease arrangements are recognized as receivables at the amount of the Company's net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Company's net investment outstanding.

Sale of Receivables
The sale of receivables is recognized when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a borrowing for the proceeds received.

Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of finished goods and work-in-process is comprised of material costs, direct labour costs and other direct costs and related production overheads (based on normal operating capacity). Costs are allocated to inventory on the basis of weighted average costs. Net realizable value for finished goods and work-in-process is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses. For raw materials and general stores inventories the replacement cost is considered to be the best available measure of net realizable value.

The amount of inventories recognized as an expense during the period is shown in costs of sales. Impairment losses for inventories are recorded when the net realizable value is lower than cost. The impairment losses may be reversed if the circumstances which caused them no longer exist.

Taxation
Income taxes recoverable and payable
The taxes currently payable are based on taxable earnings for the reporting period. Taxable earnings differs from earnings as reported in the consolidated statement of earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in each jurisdiction that the Company operates in.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable earnings against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The ability to realize the tax benefits for tax loss carry-forwards is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provision for current and deferred income taxes
Income tax expense represents the sum of the current and deferred income taxes for the period.

Current and deferred tax are recognized as an expense or income in net earnings, except when they relate to items that are recognized outside net earnings (whether in other comprehensive earnings or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business acquisition. In the case of a business acquisition, the tax effect is included in the accounting for the business acquisition.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization and impairment. Amortization of property, plant and equipment commences when they are ready for their intended use. Amortization is charged to earnings in amounts sufficient to depreciate the cost of property, plant and equipment over their estimated useful lives using the diminishing balance and straight-line methods as follows:

Land-use rights	Straight-line over the life of the contract
Buildings	5% diminishing balance
Machinery	Straight-line over 5 - 20 years or 15% - 20% diminishing balance
Office equipment	Straight-line over 2 - 3 years or 20% diminishing balance
Transportation equipment	10% - 30% diminishing balance
Tooling	Straight-line over 1 year

Where components of more substantial assets have differing useful lives, these are depreciated separately. Subsequent costs are capitalized in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The asset's residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Repair and maintenance costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets are capitalized as part of the acquisition costs of the qualified asset. All other borrowing costs are recognized in net earnings.

Intangibles

Intangible assets acquired through purchase are initially measured at cost. Intangible assets acquired through business combinations are initially measured at fair value at the date of acquisition. Amortization is charged to earnings in amounts sufficient to depreciate the cost of intangible assets over their estimated useful lives using the straight-line method or a unit of production basis as follows:

Trade names	Straight-line over 20 years
Customer relationships	Straight-line over 12 - 15 years
Technology	Straight-line over 10 - 15 years
Product development costs	Unit of production basis

The asset's residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortized but is reviewed for impairment annually, or more frequently when there is an indication of impairment.

Impairment of Non-Financial Assets

At the end of each reporting period, or more frequently based on specific events or changes in circumstances, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the assets are grouped at the lowest level for which there are separately identifiable cash inflows and the Company estimates the recoverable amount at the cash-generating units ("CGU") level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU's expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value less costs of disposal or value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the full impairment loss is charged against earnings and the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro-rata basis to the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in net earnings. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows. The increase in the provision due to passage of time is recognized as interest expense.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Financial Instruments

A financial instrument is any contract that at the same time gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as the Company becomes a contracting party to the financial instrument.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held to maturity" investments, "available for sale" financial assets and "loans and receivables". Financial liabilities are classified "at fair value through profit or loss" or "other financial liabilities". The classification depends on the nature and purpose of the financial asset or financial liability and is determined at the time of initial recognition.

Classification and measurement of financial instruments:

(a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, accounts and other receivables and long-term receivables. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements on loans and receivables are recorded at amortized cost using the effective interest method.

(b) Other financial liabilities include short-term bank borrowings, accounts payable and accrued liabilities and long-term debt. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements of other financial liabilities are recorded at amortized cost using the effective interest method. Debt issue and other transaction costs are netted

against the carrying value of the long-term debt and are then amortized over the life of the debt using the effective interest rate method.

(c) Cash flow hedges are derivative financial instruments measured at fair value at the end of each period with the gains or losses resulting from re-measurement recognized in other comprehensive earnings, with any ineffective portion recognized in net earnings.

Fair value hierarchy
The Company estimates fair values related to financial instruments and classifies these measurements using a fair value hierarchy that reflects the significance of their respective inputs. The Level 1, 2 and 3 classifications utilized by the Company are defined as follows:

Level 1 - Fair values are determined using inputs from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair values are determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instruments are valued based on observable market data.

Level 3 - Fair values are determined based on inputs which are not based on observable market data.

The fair value hierarchy is used for all fair value measurement requirements. The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Derivative financial instruments including hedge accounting
Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values related to the hedged item. Some of the derivatives used meet hedge effectiveness criteria and are designated in a hedge accounting relationship. There are controls in place to detect the holding or issuance of derivative financial instruments for trading or speculative purposes.

The Company applies hedge accounting for certain foreign exchange forward contracts as cash flow hedges. The Company hedges certain risks associated with the cash flows of recognized liabilities and highly probable forecast transactions. Amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the hedged transaction occurs. The fair values are determined based on observable market data.

The Company may designate certain portions of its foreign denominated long-term debt as a net investment hedge. Hedges of net investments are accounted for similarly to cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of or sold.

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive earnings at that time remains in accumulated other comprehensive earnings until the forecasted transaction is eventually recognized in net earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive earnings is immediately transferred to net earnings.

Share-based Compensation
Under the Company's share-based compensation plan, the Company with the approval of the Board of Directors may grant equity-settled stock options and, if they so choose, tandem share appreciation rights ("SARs") to its key employees and directors.

The Company recognizes a compensation expense for stock options granted and measures the compensation expense at fair value calculated on the grant date using the Black-Scholes option pricing model. The expense is recognized on a graded-vesting basis in which the fair value of each tranche is recognized over its respective vesting period when all of the specified vesting conditions are satisfied. Contributed surplus consists of accumulated share-based compensation expense less the fair value of options at the grant date that have been exercised and credited to common shares.

Accumulated Other Comprehensive Earnings Reserves

Hedging reserves

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Cumulative translation adjustment

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries along with the effective portion of the net investment hedge relationship incurred as at the reporting date.

Revenue Recognition

Revenue from the sale of products is recognized when the risks and rewards incidental to ownership are transferred. This generally corresponds to when goods are shipped to customers. Revenue from services is recognized when services are rendered.

Revenue from the sale of tooling is recognized once the tooling is substantially complete and the customer approves the initial production sample.

Engineering services are accounted for as a separate revenue element only in circumstances where the engineering has value to the customer on a standalone basis. Revenues from significant engineering service contracts that qualify as separate revenue elements are recognized on a percentage of completion basis. Percentage of completion is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures. If estimated costs to completion indicate a loss on the contract, the loss is recognized immediately.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers for the Company who are responsible for allocating resources and assessing performance of the operating segments have been identified as the Senior Executive Group that makes strategic decisions.

Research and Development

Research costs are expensed as incurred. When certain criteria are met development costs are accounted for as intangible assets and capitalized and amortized. Investment tax credits related to research and development are credited against the related qualifying expense or against the carrying amount of the related asset.

Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all required conditions.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to costs are deferred and recognized in net earnings over the period necessary to match them with the costs that they are intended to compensate and these are presented as a reduction of the related expense. Government grants relating to property, plant and equipment are recognized as a reduction in the carrying amount of the related asset.

Pension Costs

The Company has various contributory and non-contributory defined contribution pension plans which cover most employees. The Company pays these contributions to a privately administered pension insurance plan after which the Company incurs no further payment obligations. The contributions are accrued and recognized as employee benefit expense when they are due.

4 Changes in Accounting Policies

New Standards and Amendments Adopted

Certain new standards and amendments became effective during the current fiscal year; however the adoption of these new standards and amendments did not significantly impact the Company's net earnings or financial position.

New Standards and Interpretations Not Yet Adopted

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards, amendments and interpretations may have been issued but are not expected to have a material impact on the Company's financial statements.

IAS 7 Statement of Cash Flows
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2017, the IASB amended this standard to help investors evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The Company does not anticipate a significant impact to the financial statements related to this amendment.

IFRS 15 Revenue from Contracts with Customers
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the IASB issued this new standard to replace *IAS 18 Revenue* and *IAS 11 Construction Contracts.* The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. While the Company continues to assess the potential effects of the standard, the Company does not currently expect the adoption of the new standard have a significant impact on the Company's net earnings or financial position. The Company plans to adopt this guidance effective January 1, 2018; however, management has not yet selected a transition method being either the full retrospective or modified retrospective approach.

IFRS 9 Financial Instruments
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the final version of IFRS 9 was issued in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of the entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. Management is currently assessing the impact that this new standard will have on the financial statements of the Company.

IFRS 16 Leases
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued this new standard to replace *IAS 17 Leases.* The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and lease of low value assets). Management is currently assessing the impact that this new standard will have on the financial statements of the Company.

5 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

Impairment of Non-Financial Assets
The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions. The recoverable amounts of CGU's have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain

changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used.

Current Income Taxes

The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Useful Lives of Depreciable Assets

Due to the significance of property, plant and equipment and intangible assets on the Company's statement of financial position, the Company considers the amortization policy relating to property, plant and equipment and intangible assets to be a "critical accounting estimate". The Company considers the expected useful life of the assets, expected residual value, and contract length when setting the amortization rates of its assets. Judgement is involved when establishing these estimates as such factors as technological innovation, maintenance programs, and relevant market information must be taken into consideration. The asset's residual values, useful lives and amortization methods are reviewed at the end of each reporting period and are adjusted if expectations differ from previous estimates. If circumstances impacting these assumptions and estimates change, the change in accounting estimates may represent a material impact to the consolidated financial statements.

Purchase Price Allocations

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company's reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

6 Accounts and Other Receivables

	December 31 2016 $	December 31 2015 $
Accounts and other receivables	902,363	796,316
Less: allowance for doubtful accounts	3,918	5,782
	898,445	790,534

7 Leases

(i) Finance Lease Receivables

The Company enters into finance lease arrangements for certain of its industrial access products. The average term of the lease arrangements is 3 to 5 years. There are no contingent rent arrangements related to these lease arrangements.

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	December 31 2016 $	December 31 2015 $	December 31 2016 $	December 31 2015 $
Not later than 1 year	66,848	49,221	60,371	43,395
Later than 1 year and not later than 5 years	191,131	134,310	173,087	120,892
Later than 5 years	11,072	5,119	9,543	4,517
	269,051	188,650	243,001	168,804
Less: unearned finance income	26,050	19,846	-	-
Present value of minimum lease payments receivable	243,001	168,804	243,001	168,804
Other long-term receivables			30,925	14,535
Long-term receivables			273,926	183,339
Less: current portion			74,557	45,380
			199,369	137,959

The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount of the receivables. None of the finance lease receivables at December 31, 2016 or December 31, 2015 are either past due or considered impaired.

(ii) Operating Leases

The Company leases certain of its industrial access products to customers under non-cancellable operating lease arrangements. The lease terms are between 1 and 5 years, and the majority of lease arrangements include purchase options at market rates at the end of the lease period. In addition, some lease arrangements include a clause in which rental income earned by the Company is contingent on the customer renting the equipment. During the year ended December 31, 2016, contingent rental income earned was $279 (2015 – $120).

Assets under operating leases included in inventory as of December 31, 2016 were $6,478 (2015 – $9,758).

The future minimum lease payments receivable were as follows:

	December 31 2016 $	December 31 2015 $
Not later than 1 year	248	1,787
Later than 1 year and not later than 5 years	268	5,208
Later than 5 years	-	620
	516	7,615

8 Sale of Receivables

The Company sells a portion of its receivables through various purchase agreements. Under the agreements, the receivables are mostly sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company receives no fee for administration of the collection of such receivables. The Company has derecognized the receivables as substantially all of the risks and rewards of ownership of the assets have been transferred. Although the receivables have been derecognized, the Company has provided limited guarantees within the purchase agreements in regards to the risk of default. At December 31, 2016, the maximum exposure to loss is $5,910 (2015 – $6,929).

9 Inventories

	December 31 2016 $	December 31 2015 $
General stores	121,886	99,823
Raw materials	172,912	161,506
Work-in-process	182,753	135,196
Finished goods	213,834	147,991
	691,385	544,516

The cost of inventories recognized as an expense during the year ended December 31, 2016 was $4,423,974 (2015 – $3,843,772).

A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of sales. Lower of cost or net realizable value adjustments are made on a regular basis. In the year ended December 31, 2016 the Company recognized a charge to cost of sales for the write-down of slow moving and obsolete inventory, and adjustments to net realizable value aggregating $41,172 (2015 – $36,466). In the year ended December 31, 2016 the Company recognized a gain to cost of sales for reversal of inventory provisions with a value of $283 (2015 – $423). The inventory balance has been reduced by a provision of $68,633 as at December 31, 2016 (2015 – $57,759).

10 Income Taxes

(i) Income Tax Recognized in Net Earnings

	December 31 2016 $	December 31 2016 %	December 31 2015 $	December 31 2015 %
Earnings before taxes	672,730		580,787	
Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction	168,182	25.00%	145,197	25.00%
Increase (decrease) in income taxes resulting from:				
Effect of expenses that are not deductible in determining taxable earnings	3,924	0.58%	1,813	0.31%
Effect of unused tax losses not recognized as deferred tax assets	6,277	0.93%	5,794	1.00%
Effect of previously unrecognized deferred tax assets and unrecognized unused tax losses	(603)	-0.09%	(146)	-0.03%
Effect of different tax rates of subsidiaries operating in other jurisdictions	(20,090)	-2.98%	(5,851)	-1.01%
Adjustments recognized in the current year in relation to the current tax of prior years	(7,921)	-1.17%	(2,715)	-0.46%
Other	433	0.06%	24	0.00%
Income tax expense and effective income tax rate	150,202	22.33%	144,116	24.81%
Current tax	162,394		135,607	
Deferred tax	(12,192)		8,509	
Income tax expense	150,202		144,116	

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2015 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $(421) (2015 – expense of $293).

(ii) Deferred Tax Balances

	December 31 2016 $	December 31 2015 $
Tax benefit of tax credits and loss carry forwards	42,468	13,788
Goodwill deductible for tax	940	1,494
Tax benefit (liability) of derivative financial instruments	(31)	(504)
Other assets - tax value in excess of book value	62,752	55,552
Cumulative tax amortization in excess of book amortization	(123,227)	(85,081)
Other liabilities - book value in excess of tax value	(72,033)	(8,538)
Deferred tax net position	(89,131)	(23,289)

Reconciliation of deferred tax net balance:

	2016 $	2015 $
At January 1	(23,289)	(15,299)
Tax recovery (expense) during the period recognized in earnings	12,192	(8,509)
Tax recovery (expense) during the period recognized in other comprehensive earnings	421	(293)
Impact of foreign currency translation adjustment	985	3,658
Net tax liability related to business acquisition	(77,450)	(3,474)
Other	(1,990)	628
At December 31	(89,131)	(23,289)

Net deferred tax balances in the statement of financial position are comprised of the following:

	December 31 2016 $	December 31 2015 $
Deferred tax assets to be recovered after more than 12 months	106,153	73,378
Deferred tax assets to be recovered within 12 months	18,074	7,034
Total deferred tax assets	124,227	80,412
Deferred tax liabilities to be utilized after more than 12 months	(190,913)	(97,688)
Deferred tax liabilities to be utilized within 12 months	(22,445)	(6,013)
Total deferred tax liabilities	(213,358)	(103,701)
Deferred tax balances (net)	(89,131)	(23,289)

Unrecognized deferred tax assets were as follows:

	December 31 2016 $	December 31 2015 $
Tax losses	19,687	15,820
Unused tax credits	782	1,426
Temporary differences	1,940	1,630
Total deferred tax assets not recognized	22,409	18,876

The temporary difference in respect of the amount of undistributed earnings of foreign operations for December 31, 2016 was $999,186 (2015 – $631,103).

11 Property, Plant and Equipment

	Land $	Land use rights $	Buildings $	Machinery $	Office equipment $	Transportation equipment $	Tooling $	Total $
Cost	29,967	5,003	327,695	2,332,909	9,281	21,145	15,353	2,741,353
Accumulated amortization	-	(217)	(99,005)	(1,224,930)	(5,788)	(1,140)	(7,778)	(1,338,858)
Book value at January 1, 2015	29,967	4,786	228,690	1,107,979	3,493	20,005	7,575	1,402,495
Effect of cumulative translation adjustment	2,184	668	14,680	86,307	228	179	577	104,823
Additions, net of government grants	1,385	(1,198)	41,189	299,711	2,739	1,295	8,831	353,952
Business acquisition (Note 27)	9,754	419	19,250	104,156	602	242	-	134,423
Impairment provision	-	-	-	(717)	-	-	-	(717)
Disposals	(221)	(387)	(200)	(5,541)	(207)	(1,334)	-	(7,890)
Amortization	-	(73)	(14,925)	(235,640)	(1,888)	(2,283)	(10,395)	(265,204)
Book value at December 31, 2015	43,069	4,215	288,684	1,356,255	4,967	18,104	6,588	1,721,882
Cost	43,069	4,527	403,673	2,797,151	11,047	21,423	18,017	3,298,907
Accumulated amortization	-	(312)	(114,989)	(1,440,896)	(6,080)	(3,319)	(11,429)	(1,577,025)
Book value at December 31, 2015	43,069	4,215	288,684	1,356,255	4,967	18,104	6,588	1,721,882
Effect of cumulative translation adjustment	(3,298)	(505)	(18,783)	(97,378)	(163)	(158)	(219)	(120,504)
Additions, net of government grants	1,494	6,298	26,751	276,947	3,218	472	6,289	321,469
Business acquisition (Note 27)	22,189	-	86,082	363,684	2,627	1,136	-	475,718
Impairment provision	-	-	(98)	(30,501)	(7)	(4)	-	(30,610)
Disposals	(3,463)	-	(136)	(5,927)	(23)	(35)	-	(9,584)
Amortization	-	(132)	(20,576)	(272,074)	(2,611)	(2,323)	(8,600)	(306,316)
Book value at December 31, 2016	59,991	9,876	361,924	1,591,006	8,008	17,192	4,058	2,052,055
Cost	59,991	10,288	492,415	3,179,777	17,256	22,742	21,486	3,803,955
Accumulated amortization	-	(412)	(130,491)	(1,588,771)	(9,248)	(5,550)	(17,428)	(1,751,900)
Book value at December 31, 2016	59,991	9,876	361,924	1,591,006	8,008	17,192	4,058	2,052,055

Amortization expense of $303,705 (2015 – $263,317) has been charged in cost of sales, $2,611 (2015 – $1,887) in selling, general and administration.

During the year, an impairment loss of $30,501 was recorded in cost of sales for machinery in the Powertrain/Driveline segment primarily related to customer contracts that prematurely ended. These contracts mainly relate to off highway commercial vehicle programs.

Government grants recognized as a reduction in the carrying amount of the assets during the year was $13,925 (2015 – $15,948). See Note 18 for more details regarding government grants.

As of December 31, 2016, property, plant and equipment includes $186,817 (2015 – $236,997) of assets in the course of construction for production purposes.

The Company leases machinery under cancellable and non-cancellable finance lease agreements with terms between 4 and 8 years. The majority of the lease agreements are renewable at the end of the lease term at market rates. The following amounts are included in property, plant and equipment where the Company is a lessee under finance leases:

	December 31 2016 $	December 31 2015 $
Cost	32,578	35,308
Accumulated amortization	(13,924)	(6,188)
Book value	18,654	29,120

Leased assets are pledged as security for finance lease obligations.

12 Intangible Assets

	Trade names $	Customer relationships $	Technology $	Product development costs $	Other $	Total $
Cost or valuation	1,400	8,365	11,452	21,765	3,692	46,674
Accumulated amortization	(508)	(4,196)	(5,655)	(7,613)	(1,753)	(19,725)
Book value at January 1, 2015	892	4,169	5,797	14,152	1,939	26,949
Effect of cumulative translation adjustment	-	274	243	1,516	36	2,069
Additions	-	-	-	2,740	407	3,147
Amortization	(70)	(719)	(1,148)	(4,712)	(1,926)	(8,575)
Book value at December 31, 2015	822	3,724	4,892	13,696	456	23,590
Cost or valuation	1,400	8,659	11,759	26,534	1,324	49,676
Accumulated amortization	(578)	(4,935)	(6,867)	(12,838)	(868)	(26,086)
Book value at December 31, 2015	822	3,724	4,892	13,696	456	23,590
Effect of cumulative translation adjustment	-	(15,535)	(8,188)	(693)	-	(24,416)
Additions	-	-	-	10,638	-	10,638
Business acquisition (Note 27)	-	189,796	97,899	9,391	-	297,086
Amortization	(70)	(12,325)	(7,147)	(7,720)	(49)	(27,311)
Book value at December 31, 2016	752	165,660	87,456	25,312	407	279,587
Cost or valuation	1,400	182,915	101,394	41,569	1,177	328,455
Accumulated amortization	(648)	(17,255)	(13,938)	(16,257)	(770)	(48,868)
Book value at December 31, 2016	752	165,660	87,456	25,312	407	279,587

Amortization of intangible assets is included in cost of sales. Product development costs are internally generated intangible assets.

13 Goodwill

	2016 $	2015 $
Cost	41,822	34,148
Accumulated impairment losses	(12,015)	(10,071)
Book value at January 1	29,807	24,077
Business acquisition (Note 27)	466,637	4,620
Effect of cumulative translation adjustment	(39,653)	1,110
Book value at December 31	456,791	29,807
Cost	468,457	41,822
Accumulated impairment losses	(11,666)	(12,015)
Book value at December 31	456,791	29,807

Goodwill has been allocated for impairment testing purposes to the following CGU's:

	December 31 2016 $	December 31 2015 $
Montupet S.A. (Note 27)	427,983	-
Skyjack	12,983	12,983
Linamar Antriebstechnik GmbH	11,172	11,877
Seissenschmidt	4,653	4,947
	456,791	29,807

Management performed the annual goodwill impairment analysis during the fourth quarters of 2016 and 2015 and found that goodwill was not impaired. The recoverable amounts of the CGU's were determined on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the Board of Directors, covering a five-year period.

Key assumptions used in the estimated impairment of goodwill include:

(a) Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate the Company's experience and expertise, current operating costs, the nature and location of each CGU and the risk associated with each CGU. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

(b) Forecast growth rates are principally based on the Company's expectations for future performance. For the purpose of the impairment test, the Company adjusted the terminal value to reflect a zero growth rate for the present value calculation.

(c) Discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 9.6% to 10.1% (2015 – 11.7% to 12.5%).

A sensitivity of goodwill impairment tests relating to discount rates was performed. A 1% increase in the discount rate would have no impact on the results of goodwill impairment tests in the year ended December 31, 2016.

14 Accounts Payable and Accrued Liabilities

	December 31 2016 $	December 31 2015 $
Accounts payable	627,848	530,638
Accrued liabilities	346,764	312,939
	974,612	843,577

15 Provisions

	Claims and litigation (a) $	Product warranties and product defects (b) $	Other (c) $	Total $
At January 1, 2015	7,416	13,162	2,027	22,605
Charged (credited) to earnings:				
Additional provisions	3,486	8,185	2,556	14,227
Business acquisition (Note 27)	106	497	5,758	6,361
Unused amounts reversed	(4,303)	(3,910)	(1,117)	(9,330)
Used during year	(505)	(3,100)	(5,376)	(8,981)
Effect of cumulative translation adjustment	250	751	315	1,316
At December 31, 2015	6,450	15,585	4,163	26,198
Charged (credited) to earnings:				
Additional provisions	12,489	11,512	37	24,038
Business acquisition (Note 27)	319	693	-	1,012
Unused amounts reversed	(3,887)	(2,992)	(1,148)	(8,027)
Used during year	(2,980)	(5,919)	(1,640)	(10,539)
Effect of cumulative translation adjustment	(395)	(472)	(102)	(969)
At December 31, 2016	11,996	18,407	1,310	31,713

(a) **Claims and litigation**: Claims and litigation provision related to certain legal and commercial claims brought against the Company by stakeholders and potential repayment of government assistance in various jurisdictions. In management's opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at December 31, 2016.

(b) **Product warranties and product defects**: Product warranties and product defects represent the legal or constructive responsibility of the Company for the proper function of products sold and the obligation arising from the use of products sold.

(c) **Other**: Includes onerous contracts and decommissioning provision which relates to the legal or constructive obligations for removing leased equipment at the completion of the lease arrangement. The provision charge is recognized in earnings within cost of sales.

16 Long-Term Debt

The following amounts represent the Company's long-term debt obligations:

	Note	December 31 2016 $	December 31 2015 $
Senior unsecured notes	(i)	349,244	359,545
Bank borrowings	(ii)	998,527	110,769
Obligations under finance leases	(iii)	18,074	27,390
Government borrowings	(iv)	58,287	47,539
Other financing		1,060	3,006
		1,425,192	548,249
Less: current portion		197,157	10,839
		1,228,035	537,410

Principal payments required to meet the long-term obligations were as follows:

	December 31 2016 $	December 31 2015 $
Not later than 1 year	197,157	10,839
Later than 1 year and not later than 5 years	1,188,681	321,042
Later than 5 years	44,698	219,142
Total principal payments	1,430,536	551,023
Less: debt issue costs	5,344	2,774
	1,425,192	548,249

(i) Senior unsecured notes

The Senior unsecured notes consist of:

(a) U.S. $130 million (the “2017 Notes”) effective July 2010, coming due July 2017 and paying interest at 5.31%;

(b) U.S. $130 million (the “2021 Notes”) effective September 2011, coming due September 2021 and paying interest at 4.84%.

The senior unsecured notes are guaranteed by material subsidiaries of the Company as defined in the bank credit agreement. The senior unsecured notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The Company entered into long-dated forward exchange contracts to lock in the exchange rate on the principal repayment component upon maturity of the 2017 and 2021 Notes. The unrealized foreign exchange loss determined at inception of the principal swaps is accrued over the term of the forward contracts and is treated as additional costs of the notes recorded through interest. The Company also entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments of the 2017 and 2021 Notes and to hedge the effective changes in exchange rates. The hedge has the effect of converting the U.S. stated coupon rate of 5.31% to a Canadian interest rate of 5.47% for the 2017 Notes and converting the U.S. stated coupon rate of 4.84% to a Canadian interest rate of 5.00% for the 2021 Notes.

(ii) Bank borrowings

In April 2013, the Company entered into an amended and restated revolving credit facility of $700 million maturing April 23, 2018. Borrowings are subject to rates according to the short term bank product utilized, plus applicable margin. The facility is unsecured and is guaranteed by material subsidiaries of the Company as defined in the credit agreement. The bank borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities. The Company is in compliance with all financial covenants.

In January 2016, the Company amended and restated the credit facility in connection with the acquisition of Montupet S.A. The amended and restated credit facilities include a non-revolving term credit facility in the aggregate principal amount of up to $600 million and the continuation and increase of the previously existing revolving credit facility to the aggregate principal amount of up to $950 million. Both the new term and revolving facilities expire in 2021 and are under terms and conditions largely consistent with Linamar’s previous existing credit facility. The amended and restated credit facilities provide for Euro drawings. The Euro denominated debt used to purchase the net assets of Montupet S.A. has been designated as a net investment hedge. The purchase of Montupet S.A. is disclosed in Note 27.

In January 2016, the Company assumed the credit facility agreement held by Montupet S.A. The credit facility matures December 2019 and includes a term and a revolving portion. The facility is unsecured and the bank borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities.

As of December 31, 2016, $733,838 was available under the various credit facilities.

(iii) Obligations under finance leases

The Company has various finance leases for machinery which are included in property, plant and equipment. The Company’s obligations under the finance leases are secured by the Lessors’ title to the assets.

	Minimum lease payments		Present value of minimum lease payments	
	December 31 2016	December 31 2015	December 31 2016	December 31 2015
	$	$	$	$
Not later than 1 year	5,943	8,951	5,407	8,116
Later than 1 year and not later than 5 years	12,269	18,171	11,490	16,877
Later than 5 years	1,201	2,486	1,177	2,397
	19,413	29,608	18,074	27,390
Less: future finance charges	1,339	2,218	-	-
Present value of minimum lease payments	18,074	27,390	18,074	27,390

(iv) Government Borrowings

Government borrowings are comprised of three non-revolving interest free term loans:

(a) The Technology Partnerships Canada is a program provided by the Ministry of Industry by the Federal Canadian Government. The cumulative net amount received at the end of fiscal 2016 was $5,382 (2015 – $6,279). The discounted value of the debt recognized amounted to $4,659 at the end of fiscal 2016 (2015 – $5,329). The loan is due in ten equal annual payments starting in 2013 with the final amount due 2022.

(b) The Automotive Innovation Fund is a program provided by the Ministry of Industry by the Federal Canadian Government. There are two non-revolving interest free loans under this program. The cumulative gross amount of both loans received at the end of fiscal 2016 was $61,310 (2015 – 49,389). The discounted value of the total debt recognized at the end of fiscal 2016 was $53,628 (2015 – $42,210). The loans are both due in ten annual payments, starting in 2019 for the first loan and 2025 for the second loan.

17 Capital Stock

The Company is incorporated under the Ontario Business Corporations Act in Canada and is authorized to issue an unlimited number of common and special shares.

	Common Shares Issued	Stated capital
	#	$
At January 1, 2015	65,082,210	116,701
Stock options exercised	91,216	1,908
At December 31, 2015	65,173,426	118,609
Stock options exercised	85,000	1,776
At December 31, 2016	65,258,426	120,385

18 Expenses by Nature

	Year Ended December 31 2016	Year Ended December 31 2015
	$	$
Cost of materials	3,036,463	2,669,503
Employee benefits (Note 19)	1,344,258	1,099,509
Amortization (Notes 11, 12)	333,627	273,779
Other	614,050	532,916
	5,328,398	4,575,707

During 2016, the benefits of government grants recorded in the statements of earnings was $23,974 (2015 - $18,567). In all cases, repayment of government grants is contingent on employment related measures, investment related measures or both.

19 Employee Benefits

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Wages, salaries and commissions	1,052,567	862,082
Social charges and other personnel expenses	264,522	214,784
Termination benefits	3,966	2,490
Share-based compensation (Note 20)	2,765	2,473
Pension expenses under defined contribution plans	20,438	17,680
	1,344,258	1,099,509

20 Share-Based Compensation

The Company is authorized to grant options for common stock to its key employees and directors. The exercise price of each option equals the average of the high and low market price of the Company's stock for the five trading days prior to the date of grant. An option's maximum term is 10 years and vesting is determined by the Board of Directors. The Company issues new common shares to satisfy stock options exercised. Options are forfeited when the option holder ceases to be an employee or director of the Company.

	Number of options	2016 Weighted average exercise price $	Number of options	2015 Weighted average exercise price $
At January 1	1,579,945	23.51	1,576,434	19.80
Granted	100,000	50.14	100,000	73.52
Forfeited	(1,600)	14.70	(5,273)	14.70
Exercised	(85,000)	14.70	(91,216)	14.70
At December 31	1,593,345	25.66	1,579,945	23.51
Vested at December 31	1,080,294	18.97	959,346	17.71

In 2016, the average share price, during the period the share options were exercised, was $54.87 (2015 – $75.35).

The following table is a summary of information about the stock options outstanding at December 31, 2016:

Year of Grant	Exercise Price	Number of options outstanding	Weighted average remaining life in years
2009	$12.89	600,000	2.7
2010	$19.32	491,876	3.7
2011	$14.70	101,469	1.0
2012	$21.59	50,000	6.0
2013	$41.11	50,000	7.0
2014	$66.63	100,000	7.9
2015	$73.52	100,000	8.9
2016	$50.14	100,000	9.9
		1,593,345	4.3

For all grants, the weighted average fair value of share options granted, and weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model, are as follows:

	Granted in 2016	Granted in 2015
Share option fair value (per share)	$26.18	$41.41
Risk free interest rate	1.43%	1.57%
Expected life (years)	10	10
Expected volatility	49.44%	47.92%
Dividend yield	0.70%	0.53%

The expected life used in the Black-Scholes model is the same as the contractual term of the options. The risk free interest rate used in determining the fair value of the options granted is based on a Government of Canada zero coupon yield that was current at the time of grant and has a term corresponding to the contractual term of the options. The expected volatility considers the historical volatility of the Company's shares for the 10 year period preceding the share option grant date. The dividend yield is the annualized dividend at the date of grant divided by the average exercise price.

There were no tandem share appreciation rights ("SARs") outstanding at the end of either period.

21 Other Income and (Expense)

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Foreign exchange gain (loss)	19,271	10,595
Other income (expense)	320	(312)
	19,591	10,283

22 Finance Expenses

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Interest on long-term debt	35,949	26,120
Other	(14,878)	(9,881)
	21,071	16,239

23 Earnings per Share

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding throughout the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding during the year to assume conversion of all dilutive potential shares.

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Net earnings (loss)	522,127	436,671
Weighted average common shares	65,189,571	65,110,339
Incremental shares from assumed conversion of stock options	720,078	733,809
Adjusted weighted average common shares for diluted earnings per share	65,909,649	65,844,148
Net earnings (loss) per share:		
Basic	8.01	6.71
Diluted	7.92	6.63

24 Commitments

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 11 years, and the majority of lease arrangements are renewable at the end of the lease period at market rate. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 7 years and require notice for termination of the agreements. The operating lease expenditure charged to earnings during the year ended December 31, 2016 was $15,462 (2015 - $14,558).

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	December 31 2016 $
Not later than 1 year	10,539
Later than 1 year and not later than 5 years	17,956
Later than 5 years	6,637
	35,132

As at December 31, 2016, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $220,940 (December 31, 2015 - $105,135). Of this amount $211,748 (December 31, 2015 - $103,281) relates to the purchase of manufacturing equipment and $9,192 (December 31, 2015 - $1,854) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months. $586 of the outstanding construction commitments (December 31, 2015 - $3,309) represents amounts committed to a related party.

25 Related Party Transactions

Details of the transactions between the Company and related parties are disclosed below:

(i) Key Management Personnel

The Company's key management includes members of the Senior Executive Group and Board of Directors. The compensation paid, or payable, to key management for employee services during the year was as follows:

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Compensation and short-term benefits	39,084	36,579
Share-based compensation	2,689	1,781
Total compensation	41,773	38,360

The remuneration of the Chairman and Chief Executive Officer ("CEO") is ultimately the responsibility of the Board of Directors who receives significant support and recommendations from the Human Resource and Corporate Governance Committee. The remuneration of other members of the Senior Executive Group is determined and approved by the CEO. All key management remuneration is determined having regard to the performance of individuals and market trends.

(ii) Other Related Party Transactions

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements performed by related parties in the aggregate amount of $5,371 at December 31, 2016 (December 31, 2015 - $18,953). Related party transactions included in the cost of sales are expenses such as rent, maintenance and transportation costs of $1,553 for the year ended December 31, 2016 (December 31, 2015 - $2,281). The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. The Company has designed an independent process to ensure building construction and improvements are transacted at the exchange amount which is the estimated fair value.

Amounts owed to related parties at December 31, 2016 were $984 (December 31, 2015 - $3,548). The amounts owed to related parties arise mainly from purchase transactions that follow normal credit terms.

26 Segmented Information

Management has determined the operating segments based on the reports reviewed by the Senior Executive Group that are used to make strategic decisions.

Powertrain/Driveline: The Powertrain/Driveline segment derives revenues primarily from the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets.

Industrial: The Industrial segment is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers.

The segments are differentiated by the products that each produces and reflects how the Senior Executive Group manages the business. Corporate headquarters and other small operating entities are allocated to the Powertrain/Driveline and Industrial operating segments accordingly.

The Company accounts for inter-segment sales and transfers as arm's length transactions at current market rates. The Company ensures that the measurement and policies are consistently followed among the Company's reportable segments for sales, operating earnings, net earnings and assets.

The Company's three largest customers account for 23.6%, 14.3% and 7.6% of total revenue (2015 – 24.2%, 13.5 % and 7.6%).

Operational Segments	Powertrain/ Driveline $	Industrial $	Total 2016 $
Total revenue	5,181,892	866,921	
Inter-segment sales	42,753	476	
Sales to external customers	5,139,139	866,445	6,005,584
Costs of sales before amortization	4,030,247	641,771	4,672,018
Amortization	326,352	4,664	331,016
Selling, general and administration	247,543	77,821	325,364
Other income (expense)	16,572	3,019	19,591
Operating earnings (loss)	551,569	145,208	696,777
Share of net earnings (loss) of investments accounted for using the equity method			(2,976)
Finance expenses			21,071
Income taxes			150,202
Net earnings (loss)			522,528
Payments for property, plant and equipment	337,352	5,921	343,273
Total assets	4,599,923	627,247	5,227,170

Operational Segments	Powertrain/ Driveline $	Industrial $	Total 2015 $
Total revenue	4,344,165	852,690	
Inter-segment sales	33,972	433	
Sales to external customers	4,310,193	852,257	5,162,450
Costs of sales before amortization	3,406,054	631,786	4,037,840
Amortization	264,977	6,915	271,892
Selling, general and administration	191,169	74,806	265,975
Other income (expense)	(7,156)	17,439	10,283
Operating earnings (loss)	440,837	156,189	597,026
Finance expenses			16,239
Income taxes			144,116
Net earnings (loss)			436,671
Payments for property, plant and equipment	328,192	13,451	341,643
Total assets	3,250,678	549,226	3,799,904

The Company operates in five geographic segments – Canada, United States, Asia Pacific, Mexico and Europe.

Geographic Segments	Canada $	United States $	Asia Pacific $	Mexico $	Europe $	Total 2016 $
Total sales	2,947,236	590,106	335,151	416,994	2,024,522	
Inter-segment sales	150,226	16,499	21,204	104,951	15,545	
Sales to external customers	2,797,010	573,607	313,947	312,043	2,008,977	6,005,584
Goodwill	12,983	-	-	-	443,808	456,791
Intangible assets	10,578	2,198	-	-	266,811	279,587
Property, plant and equipment	619,971	273,293	139,183	104,263	915,345	2,052,055

Geographic Segments	Canada $	United States $	Asia Pacific $	Mexico $	Europe $	Total 2015 $
Total sales	2,859,600	619,999	309,662	432,242	1,215,157	
Inter-segment sales	158,859	22,963	12,908	72,944	6,536	
Sales to external customers	2,700,741	597,036	296,754	359,298	1,208,621	5,162,450
Goodwill	12,983	-	-	-	16,824	29,807
Intangible assets	14,957	4,984	-	-	3,649	23,590
Property, plant and equipment	619,528	319,206	151,334	105,551	526,263	1,721,882

27 Business Acquisitions and Joint Ventures

(i) Montupet S.A.

On February 25, 2016, the Company completed its acquisition of 100% of the shares of Montupet S.A. ("Montupet") for a purchase price of $1,187,272. The acquisition was achieved in two stages with control obtained on January 28, 2016 resulting in non-controlling interest net earnings of $401. Montupet is a global leader in the design and manufacture of complex aluminum castings for the global automotive industry with sales and production facilities diversified across several European countries, North America and Asia.

Recognized fair value amounts of identifiable assets acquired and liabilities assumed:

	February 25 2016 $
Cash and cash equivalents	55,205
Accounts receivable	159,913
Inventories	100,738
Income taxes recoverable	3,942
Other current assets	2,152
Long-term receivables	1,263
Property, plant and equipment	475,718
Investments accounted for using the equity method	8,674
Intangibles	297,086
Deferred tax assets	23,371
Goodwill	466,637
Total assets acquired	1,594,699
Short-term bank borrowings	11,591
Accounts payable and accrued liabilities	169,014
Provisions	1,012
Income taxes payable	125
Long-term debt	124,864
Deferred tax liabilities	100,821
Total liabilities assumed	407,427
Net identifiable assets acquired	1,187,272

The goodwill is attributable to expected synergies, following the integration of Montupet, related to improving competitive positioning by offering integrated complex aluminum casting solutions, and future growth by enabling the Company to address market trends. The goodwill arising from this acquisition is not deductible for tax purposes.

The sales included in the consolidated statement of earnings from January 29, 2016 to December 31, 2016 contributed by Montupet were $685,958. Montupet also contributed net earnings (loss) attributable to the shareholders of the Company of $49,950 over the same period. If the acquisition had occurred on January 1, 2016, the consolidated pro-forma sales and net earnings (loss)

attributable to the shareholders of the Company for the year ended December 31, 2016 would have been $6,081,484 and $528,038 respectively. These amounts have been calculated using Montupet's results adjusted for the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2016, together with the consequential tax effects.

(ii) Seissenschmidt AG

On January 15, 2015, the Company completed its acquisition of 100% of the shares of Seissenschmidt AG ("Seissenschmidt") for a purchase price of $109,019. Seissenschmidt is in the business of high volume hot forgings and has three primary locations in Germany, Hungary and the United States. The acquisition supplemented the Company's core powertrain business, leveraging its business in driveline, gear based products and enabling the Company to address the market trends in light weighting and Noise, Vibration and Harshness design for products like gears, differentials, wheel bearings, hubs and sprockets with high speed forging processes.

Recognized fair value amounts of identifiable assets acquired and liabilities assumed:

	January 15 2015 $
Cash and cash equivalents	1,753
Accounts receivable	52,000
Inventories	48,007
Income taxes recoverable	628
Other current assets	1,167
Property, plant and equipment	134,423
Goodwill	4,620
Deferred tax assets	4,049
Total assets acquired	246,647
Short-term bank borrowings	15,615
Accounts payable and accrued liabilities	37,436
Provisions	6,361
Income taxes payable	1,986
Long-term debt	68,707
Deferred tax liabilities	7,523
Total liabilities assumed	137,628
Net identifiable assets acquired	109,019

The goodwill is attributable to synergies expected following the integration of Seissenschmidt, improving competitive positioning by offering integrated metal forming/machined solutions, and future growth by enabling the Company to address market trends. The goodwill arising from this acquisition is not deductible for tax purposes.

The sales included in the consolidated statement of earnings from January 16, 2015 to December 31, 2015 contributed by Seissenschmidt were $336,398. Seissenschmidt also contributed net earnings (loss) of $15,268 over the same period.

(iii) GF Linamar LLC

On July 16, 2015, the Company signed agreements with GF Automotive, a division of Georg Fischer AG, to build a new jointly owned metal foundry in the southeastern United States. The new jointly owned entity will provide integrated casting and machining solutions to automotive, industrial, and commercial customers. The parties will utilize combined resources and capabilities to provide light-weight best-in-class solutions for large powertrain, driveline and structural components. The foundry is scheduled to begin proto-type production mid-2017.

28 Supplemental Cash Flow Information

	Year Ended December 31 2016 $	Year Ended December 31 2015 $
Interest paid	36,739	25,793
Interest received	15,834	11,376
Taxes paid (received) - net	159,295	124,759

29 Financial Instruments

(i) Composition of Financial Instruments

The comparison of fair values to carrying amounts of financial assets and financial liabilities along with the fair value hierarchy for financial assets and financial liabilities carried at fair value on a recurring basis is as follows:

		December 31, 2016		December 31, 2015	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	273,926	280,265	183,339	194,153
Derivative financial instruments:					
US dollar interest payment forward contracts	Fair value (Level 2)	10,952	10,952	16,621	16,621
US dollar debt principal forward contracts	Fair value (Level 2)	71,086	71,086	79,221	79,221
Long-term debt designated as net investment hedge	Amortized cost (Level 2)	(927,529)	(848,309)	-	-
Long-term debt, other	Amortized cost (Level 2)	(497,663)	(508,018)	(548,249)	(580,997)

The fair value of the long-term receivables, derivative financial instruments, and long-term debt are determined by using valuation techniques based on observable market data other than quoted prices. The fair value of other financial instruments such as cash and cash equivalents, accounts and other receivables, short-term bank borrowings and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments. There were no transfers in the fair value hierarchy between Level 1 and Level 2 during the year.

Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices for similar instruments;

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; or

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(ii) Derivative Financial Instruments Including Hedge Accounting

The summary of the Company's derivative financial instruments and hedge accounting is as follows:

	Hedge notional values in foreign currency	Amount of gain/(loss) recognized in other comprehensive earnings CAD$	Amount of gain/(loss) reclassified from other comprehensive earnings to finance expense (effective portion) CAD$
(i) US dollar interest payment forward contracts	38,363 USD$	(5,461)	-
(ii) US dollar debt principal forward contracts	260,000 USD$	(6,648)	(10,426)
		(12,109)	(10,426)
(iii) Hedge of net investment in foreign entity	EURO	65,764	-
Year Ended December 31, 2016		53,655	(10,426)

	Hedge notional values in foreign currency	Amount of gain/(loss) recognized in other comprehensive earnings CAD$	Amount of gain/(loss) reclassified from other comprehensive earnings to finance expense (effective portion) CAD$
(i) US dollar interest payment forward contracts	51,558 USD$	7,414	-
(ii) US dollar debt principal forward contracts	260,000 USD$	51,974	(58,214)
Year Ended December 31, 2015		59,388	(58,214)

(i) US Dollar Interest Payment Forward Contracts

In 2012, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2021. The forward exchange contracts have been designated as cash flow hedges for accounting purposes.

In 2011, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2017. The forward exchange contracts have been designated as cash flow hedges for accounting purposes.

Further terms of the forward exchange contracts are disclosed in Note 16(i).

(ii) US Dollar Debt Principal Forward Contracts

In 2011, the Company completed the placement of USD $130 million of senior unsecured Notes due 2021. In 2012, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts have been designated as cash flow hedges for accounting purposes.

In 2010, the Company completed the placement of USD $130 million of senior unsecured Notes due 2017. In 2011, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts have been designated as cash flow hedges for accounting purposes.

Further terms of the long-dated foreign exchange forward contracts are disclosed in Note 16(i).

(iii) Hedge of Net Investment in Foreign Entity

In 2016, Euro denominated debt used to purchase the net assets of Montupet S.A. was designated as a net investment hedge in this foreign entity.

Further terms of the Euro denominated debt are disclosed in Note 16(ii).

(iii) Financial Risk Management

The Company is primarily exposed to market risk, liquidity risk, credit risk and capital risk as a result of holding financial instruments.

Market Risk – Foreign Exchange Risk

The Company operates in several different geographical regions in the world and has many business arrangements with customers and suppliers also based in different geographical regions. The Company therefore is impacted by changes in foreign exchange rates. These foreign exchange rate changes affect net sales and expenses based in foreign currencies and the translation of monetary balances in relation to functional currencies.

Approximate Foreign Exchange Exposure as related to the following currencies:

	December 31 2016 %	December 31 2015 %
U.S. dollar activity	61.7	64.9
Euro activity	31.2	23.2
British pound activity	3.4	10.4
Mexican peso activity	0.4	0.3

The Company has foreign operations with the following functional currencies that differ from the parent: Hungarian forint, Mexican peso, U.S. dollar, Euro, British pound, Korean won, Chinese renminbi, Japanese yen, Australian dollar, Swedish krona, Brazilian real, Indian rupee and Bulgarian lev.

Assuming all other variables are constant a 5% strengthening of the following currencies against the functional currency of the Company and its foreign subsidiaries would result in gains/(losses) by the amounts shown below:

	Impact on net earnings gain/(loss)		Impact on hedging reserve gain/(loss)	
	December 31 2016 $	December 31 2015 $	December 31 2016 $	December 31 2015 $
U.S. dollar	2,828	5,071	2,508	3,469
Euro	1,431	1,816	(46,376)	-
British pound	155	814	-	-
Mexican peso	(19)	(23)	-	-

A weakening of the same above currencies at December 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Market Risk – Interest Rate Risk

Due to the Company's capital structure, there is some degree of exposure to changes in the Canadian, US, European and Asian money market rates of interest. The Company does invest excess funds at times to maximize interest income earned. The investment quality must meet internal standards for ratings and liquidity to safeguard the Company's cash and cash equivalents. Interest rate swap agreements are used by the Company from time to time to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing.

The interest rate swap agreements involve the periodic exchange of interest payments without the exchange of the notional principal amount upon which the payments are based. Interest expense on the debt is then adjusted to include the payments made or received under the interest rate swaps.

As at December 31, 2016, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $3,759 (2015 - $421).

Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company manages the liquidity risk of forecasted cash flows from operations, by ensuring that there are cash resources available to meet these needs. As at December 31, 2016, the Company's revolving bank facilities had available credit of $733,838. The facilities mature in 2019 and 2021.

The amount of financial resources available to invest in a Company's growth is dependent upon its size and willingness to utilize debt and issue equity. The Company has fewer financial resources than some of its principal competitors. If the Company deviates from its growth expectations, it may require additional debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development.

The undiscounted contractual maturities of the Company's financial liabilities are as follows:

As at December 31, 2016	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	974,612	-	-	974,612
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	188,246	60,675	1,203,084	1,452,005
	1,162,858	60,675	1,203,084	2,426,617

As at December 31, 2015	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	843,577	-	-	843,577
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	34,363	155,584	345,460	535,407
	877,940	155,584	345,460	1,378,984

Credit Risk

The maximum exposure to credit risk at the reporting date is represented by the net carrying amount of the Company's cash and cash equivalents, accounts and other receivables, long-term receivables, derivative financial instruments and financial guarantees. The Company is exposed to credit risk from potential default by counterparties that carry the Company's cash and cash equivalents and derivative financial instruments. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

Credit risk can arise from the inability of customers to discharge their obligation to the Company. A substantial portion of the Company's receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. At December 31, 2016, the receivables from the Company's three largest customers amounted to 15.7%, 11.9% and 4.3% (December 31, 2015 – 17.4%, 11.0%, and 6.7%) of total receivables. The level of receivables that were past due as at December 31, 2016 are part of normal payment patterns within the industry and the allowance for doubtful accounts is less than 1.0% of total receivables for all periods and movements in the current year are minimal.

The aging of receivables not impaired is as follows:

	December 31 2016 $	December 31 2015 $
Current	953,652	850,170
Past due 1-30 days	170,856	88,274
Past due 31-60 days	24,049	16,957
Past due 61-90 days	4,906	5,041
Past due >91 days	18,908	13,431
	1,172,371	973,873

Capital Risk Management

The Company's capital management objectives are to ensure the stability of its capital so as to support continued operations, provide an adequate return to shareholders and generate benefits for other stakeholders. The Company's capital is composed of shareholders' equity, and is not subject to any capital requirements imposed by a regulator.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents. There were no changes in the Company's capital risk management strategy during the year.

30 Comparative Figures

Certain comparative figures have been reclassified in accordance with the current year's presentation.

ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will take place in May 2017:

Date: May 16, 2017
Time: 10:00 a.m. (EST)
Location: The Frank Hasenfratz Centre of Excellence in Manufacturing
700 Woodlawn Road West, Guelph, Ontario

Officers:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Chief Executive Officer

Jim Jarrell
President & Chief Operating Officer

Roger Fulton
Executive Vice President – Human Resources, General Counsel & Corporate Secretary

Mark Stoddart
Chief Technology Officer & Executive Vice President - Marketing

Dale Schneider
Chief Financial Officer

Brian Ahlborn
Group President, Linamar Machining & Assembly, Europe & Linamar Montupet Casting

Brad Boehler
President, Skyjack Inc.

Ken McDougall
Group President, Linamar Machining & Assembly, Americas

Henry Huang
Group President, Linamar Machining & Assembly, Asia | Pacific

Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

Mark Stoddart
Director

Dennis Grimm
Director
Chair, Audit Committee
Member of the Human Resources & Corporate Governance Committee

William Harrison
Director
Member of the Human Resources & Corporate Governance Committee and Audit Committee

Terry Reidel
Director
Chair, Human Resources & Corporate Governance Committee
Member of Audit Committee

Auditors, Transfer Agent and Registrar

PricewaterhouseCoopers LLP, Chartered Accountants, Toronto, Ontario are the auditors of Linamar Corporation.

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto.

Linamar Shares are listed on the Toronto Stock Exchange, trading under LNR.