ANNUAL REPORT 2018

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 eight consecutive years of record results and nine consecutive years of double digit earnings growth which we are very proud of and few companies have achieved!!

We would characterize 2018 as another solid year with expansion into exciting new spaces and continued momentum building around innovation, a strong focus on talent development doubling down on both the technical and leadership areas and another excellent year financially with strong performance despite challenging market conditions.

Evolution Through Bold Innovation

We enjoyed a very successful year in 2018 in terms of outstanding performance for our customers, expansion into targeted long-term markets such as food/agriculture, execution of our innovation agenda and securing strategically significant business wins, notably in electrified vehicles and global markets, 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 from Access to Agriculture to Transportation.

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.

At MacDon, innovation has long been the driver of our business resulting in market leading products in all key categories. **MacDon boasts more than 100 unique patents and continues to drive the next generation of harvesting technology with their development team.** The inventor of the rigid and then flex draper, MacDon drove a harvesting transformation to dramatically improve yield which they continue to evolve to stay a step ahead of the competition. Last year, MacDon again led the field in terms of innovation including developing adapted DEM modeling to simulate crop flow and improve product efficiency, launch of the "Contour Buddy" for OEM and after-market use to optimize harvest by better following ground contours when cutting off the ground and through a basket of innovations realizing a 20% improvement in capacity of windrower/draper cutting.

At Skyjack innovation 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 through gathering of machine data, usage info, alerts, location and other key data. Both are winning innovation strategies helping us to grow market share. 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 CVT transmissions in our telehandlers for simpler more efficient handling and VR simulation to help train operators safely and effectively.

Clearly, our product innovation agenda on the vehicle side is about electrification, light weighting, fuel efficiency and noise reduction regardless of the type of vehicle. Our talented R&D team is continuing to work on several exciting e-axle gearbox programs to compliment the 1 million units per year of business we have secured thus far for Battery Electric Vehicles (BEV), a solid 12% market share of expected BEV production by the mid 2020's.

New engineering centres were established in both Europe and Asia in the past year to support these product design initiatives.

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. Today we have nearly 2,600 advanced robots, 800 vision systems and 1,800 traceability systems in

our global facilities. 2,200 of our machines are connected into our global digital production tracking system, LMMS, and more are being added every day in a major global initiative around continued digitization. LMMS is an internally developed monitoring system from which we can remotely track performance on every machine in a line. We implemented LMMS on at least one line in every facility globally in 2018 and are working diligently to incorporate all other lines as well.

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;**
- **Utilizing sensors within products to drive product design improvements or enable product operational improvements through telematics;**
- **Exploring additive technologies in areas applicable today such as tooling and prototyping and evolving technologies to play a more mainstream role in the future;**
- **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**

Our Innovation Group continues to scout interesting technologies the world over, seeking out companies who are looking for manufacturing partners to help take their ideas to global markets. We have found some great technologies and are launching production for the first of them in our plants at the moment. A great example is an innovative "in wheel" suspension concept for the wheels of the future we have developed such a partnership around with Israeli company Softwheel. Sold today to the wheelchair and city bike program market there is great long term potential on the automotive side as well.

Long Term Market Strategy Progress Driving Diversification into the Food/Agriculture Market

Diversification was another key focus for 2018, in which we made significant progress in and innovation played a key role.

In the first quarter we completed the acquisition of MacDon Industries, a global leader in harvesting equipment.

Agriculture/Food is a key long term growth market globally given the growing & developing global population and one in which Linamar has a long history. The move further diversifies Linamar beyond traditional automotive powertrain / driveline manufacturing into exciting new growth fields. As noted, MacDon is an innovative market leader with number one market share in all key products.

We see significant growth potential and upside opportunities in large untapped addressable global market opportunity and synergies with global distribution networks for our existing agricultural products. MacDon enjoys significant market share in North America, which only represents ¼ of the world's combine header markets. That means taking that market share global could quadruple our business.

Exceptional Customer Performance

Our customer performance was exceptional in 2018 with mature plants running at world-class quality and delivery levels and programs representing approximately $440 million of additional business launched during the year. We are very proud of the operational systems at Linamar which drive flawless launch and serial production in all our facilities.

We continue to see excellent recognition of that performance from our customers with continued supplier awards.

Significant Levels of Strategically Key NBW and Market Share Growth

Continued business wins have resulted in a backlog of nearly $4.4 billion in annualized sales under launch at Linamar today. In fact, **2018 was another record year in new business wins for us and we continue to quote more new business opportunities than we have ever seen in our history.**

New business wins in total for the year were greater than $2.0 billion, with particular success seen around products for e-axles and other BEV components, huge wins outside NA as we continue to grow our global footprint, numerous cylinder head and block programs, many fully machined which is a new and exciting market development, several projects with targeted customers such as the French and Japanese, continued penetration of the opportunistic gear market. In fact, **53% of business wins in the last year were for our facilities outside NA. 12% were for electrified vehicles,** massively higher than the penetration of these vehicles in the market today and the future for that matter, meaning we are rapidly building our market share and punching way above our weight.

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 $8.5 and $9 billion of annual sales based on booked business already lined up to be reached by 2023.

All of this success is driving significant improvements in market share in all areas of our business. Content per vehicle for the year 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, the global automotive market was down 1% in 2018 whereas Linamar's Transportation segment sales were up almost 6%.** 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 Accountability and the Global Bench

We have continued to build our global employee base, now nearly 30,000 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 completed a major revamp of our leadership program this year and plan to train or re-train every manager and supervisor in 2019.**

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 (STEM). 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. In 2017, we launched a new scholarship program for women in Western's Dual Engineering and Ivey Business program. We will support 10 women per year through both tuition funding and summer jobs as well as a job on graduation. We love the idea of getting more young people into STEM education and particularly young women! **We welcomed our first cohort of scholarship recipients on board this year and are excited to see them in our facilities this summer!**

In 2018 we launched a significant initiative called **See It Be It STEM It** again designed to encourage more young women into science and engineering studies through an extensive role model celebration concept.

Internal development is the next step. **With more than 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 Advanced Manufacturing Program (LAMP) is designed to train multi skilled setup people in our plants. It was developed and the first cohort selected in 2018.

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. 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!**

In 2018 we also created a significant new program to more effectively on board our new employees. iStart will be key to attracting and retaining talent at Linamar globally.

Also key to retention is a **comprehensive new Wellness Program** announced in 2018 which will be rolled out in 2019.

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 – Simple Systems Driving Exceptional Performance

2018 was a year of exceptional financial performance in sales and earnings growth and cash generation at Linamar. **Sales reached a new record of $7.6 billion**, up 16.4% or more than $1.07 billion driving from our MacDon acquisition, great growth and Skyjack and organic growth from multiple new program launches offsetting soft global vehicle markets. **Normalized operating earnings also reached record levels of $808 million on continued strong margins, 10.8% up from 2017**. Linamar has a track record few companies can boast of.

Net debt popped up in the first quarter with our MacDon acquisition but has been steadily decreasing since, declining from a peak of $2.161 Billion in the first quarter to end the year at $2.106 Billion. **It is our intent to continue to significantly delever in 2019.**

Linamar's cultural instinct for constant improvement and lean systems continues to drive fantastic efficiencies in our operations. It is the responsibility of everyone to implement lean ideas. Lean means using less of everything. In 2018 we implemented over 160,000 health & safely and lean suggestions. 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.

We continue to focus on simple effective systems to better inform every employee to help them do their jobs better. A great example is our OWL system which logs useful information in a wide variety of areas from maintenance to production to purchasing to help keep everyone informed in a very targeted and valuable way. Basically the Google of Linamar, OWL can answer questions for employees in a variety of areas and ensure our best in practice ideas and operational tips are getting maximum exposure and help is available when needed anywhere, anytime. **Each facility made significant contributions to OWL in 2018, we now have over 1,800 tips in OWL to help provide answers to our global operations.**

Return on Equity was 17.1%, which is great and right in our target zone of 15% to 20%. Ultimately, achieving solid returns for our shareholders is our key goal always, whether in new investment for launching programs or longer-term investments in new businesses. **We are very proud of our performance in that regard, solidly delivering ROE in the high teens or 20's year after year.**

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.

We believe the flexibility of our strategy should be directly correlated to the level of uncertainty and given uncertainties out there today, our strategy is very flexible!!

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. Our acquisition of MacDon has given us a solid start in the Food/Agriculture market that we intend to rapidly build on. Other interesting markets include Energy, Water, and Age Management, some 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 continued progress on enhancing those strategies in 2018.

These markets are hugely opportunistic.

We continue to see massive opportunity in our global vehicle market for machined component and assembly business. There is $4,000 of content in the engine, transmission and driveline systems of an internal combustion engine (ICE) driven passenger car today, much more in a commercial vehicle. **Coupled with global vehicle production volumes this represents a market that today is close to $400 billion.** Approximately 65% 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.

What is really interesting is the current environment of evolving technologies in the auto sector is accelerating this outsourcing. With new types of propulsion, autonomy, and mobility, more broadly to invest in our automaker customers are increasingly looking to suppliers like Linamar to invest in areas they have traditionally invested in themselves in the powertrain and driveline areas. The addressable market at 35% outsourced today is about $130 billion**.**

What is remarkable is that even though the number of ICE vehicles is expected to decline over the next 15 years the addressable market grows to nearly $200 billion in that same timeframe! 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 plan is to mine this opportunistic market for as much value as we can extract.

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

We see exciting opportunities on Hybrid systems where we have all the potential of the engine, transmission and driveline in addition to the electric drive systems, a potential of ~$4,000 per vehicle. Our E-Axle gearboxes, 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 an important form of electrification in the vehicle in the next few years 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 but that said, the drive towards electric vehicles is undeniable.

Electric vehicles, whether Battery Electric (BEV) or Fuel Cell Electric (FCEV) 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 $2,000 or more 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 at full market penetration should that ever evolve! This compares to an addressable market of $130 billion on the mainly ICE vehicles today given the low current level of outsourcing, resulting in a bigger market potential!

We think the FCEV is a particularly interesting technology thanks to the high energy density of hydrogen as a fuel, better range, quick refuel time, raw material availability and better environmental impact of the production of hydrogen fuel compared to electricity, which in many cases is still coming from highly emittive coal plants. We have some very interesting projects we are working on for products specifically for fuel cell vehicles such as highly innovative hydrogen storage tank technology we have acquired and are in current development on.

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 $130 billion today to over $325 billion in the future**.

If we look at our content per vehicle in 2018 in ICE vehicles, it represents about $55 per vehicle globally. Performing the same calculation on expected sales on BEV on expected BEV production in 2022 yields a result of about $40 per vehicle. This is fantastic progress of our electrification strategy we plan to continue to build on.

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

The access market where our Skyjack business is a great example of an opportunity in a key market area. The market is $10 billion globally but the number of players in this business is small meaning the potential for a much larger slice of the market is very real.

We are seeing the market in Asia starting to build, primarily in scissor products at the moment. We believe the market in Asia will be quite significant as momentum builds in using access equipment for more efficient and safer building sites.

The market in Europe continues to recover as well, meaning great opportunity for continued global growth.

Exciting too is the super, continual market share growth we are seeing with our popular boom and telehandler products where our sales are growing much faster than the overall market.

The Agriculture/Food market is at the beginning stages of a cyclical recovery although under a bit of pressure right now from the tariff situation. We are seeing good leading indicators of growth for our industry leading harvesting equipment at MacDon that should manifest beyond the current political situation.

Great opportunities exist for us to build market share in Europe, Eastern Europe and South America as well with new product designs tailored to the heavier, denser crops in Europe for instance. Each of these markets is similarly sized to the NA market where MacDon primarily sells today meaning we could with the right products and distribution channels quadruple the business with time.

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 such as the electrification strategy outlined above, as well as finding new customers and markets for the products we already make. Diversification also translated into process diversification as we vertically integrated 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 several years which is translating into real opportunities for collaboratively designed cast or forged and machined products.

We have been steadily diversifying our product lineup at Skyjack as we add to our growing boom offering and continuing to enhance our market leading scissor products. Building out our telehandler lineup is well under way and proving to be an important step in diversifying the Skyjack offering. We have seen great success here with market share gains in scissors, booms and telehandlers seen in every global market in 2018.

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 and of course became a reality this year with MacDon.

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 2018, the industry made approximately 17 million vehicles in North America while Europe made 22 million and Asia 50 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.

With our recent acquisitions in Europe we have significantly grown our revenue, plant base and employee base in the region. Over 33% 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 just completed construction on our 5th plant in China, our first casting plant, based on robust business wins in the region.

In India, the auto market is really just starting to build to more meaningful levels that are creating opportunities in a variety of areas as our customers look for suppliers to help them put needed capacity in place. We saw several wins for our plants in India in 2018 and look forward to their successful launch in 2019.

Global expansion continues to play out very successfully as well for Skyjack who saw great market share growth in both Europe and Asia in 2018 and MacDon's global expansion is a key growth strategy as well.

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 and harvesting equipment, and we want to be a key part of them.

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 2019, our focus is in 3 key themes:

- **Commercializing Innovation – turning all that positive momentum into new sales opportunities and driving competitiveness and learning;**
- **Coaching and Developing our People to drive the entrepreneurial culture so important to our success; and**
- **Focusing on Simplification to drive accountability and ownership through simple systems, minimal procedures and again, greater entrepreneurship.**

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,

(Signed) "Linda Hasenfratz"

Linda Hasenfratz
Chief Executive Officer

(Signed) "Jim Jarrell"

Jim Jarrell
President and Chief Operating Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Linamar Corporation

December 31, 2018 and December 31, 2017
(in millions of dollars)

LINAMAR CORPORATION
Management's Discussion and Analysis
For the Quarter Ended December 31, 2018

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 quarter ended December 31, 2018. This MD&A has been prepared as at March 11, 2019. 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 an advanced manufacturing company where the intersection of leading edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of 2 operating segments – the Industrial segment and the Transportation segment, which are further divided into 5 operating groups – Skyjack, Agriculture, Machining & Assembly, Light Metal Casting and Forging, all world leaders in the design, development and production of highly engineered products. The Company's Skyjack and MacDon companies are noted for their innovative, high quality mobile industrial and harvesting equipment, notably class-leading aerial work platforms, telehandlers, draper headers and self-propelled windrowers. The Company's Machining & Assembly, Light Metal Casting and Forging operating groups focus on precision metallic components, modules and systems for powertrain, driveline and body systems designed for global electrified and traditionally powered vehicle and industrial markets. Linamar has more than 29,000 employees in 60 manufacturing locations, 8 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of $7.6 billion in 2018. 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 the fourth quarter of 2018 ("Q4 2018") and 2017 ("Q4 2017"):[1]

	Three Months Ended December 31				Twelve Months Ended December 31			
(in millions of dollars, except content per vehicle figures)	2018 $	2017 $	+/- $	+/- %	2018 $	2017 $	+/- $	+/- %
Sales	1,732.0	1,574.5	157.5	10.0%	7,620.6	6,546.5	1,074.1	16.4%
Gross Margin	260.8	251.7	9.1	3.6%	1,237.0	1,079.3	157.7	14.6%
Operating Earnings (Loss)[1]	171.1	158.2	12.9	8.2%	819.9	707.9	112.0	15.8%
Net Earnings (Loss)	124.5	135.1	(10.6)	(7.8%)	591.5	549.4	42.1	7.7%
Net Earnings (Loss) per Share - Diluted	1.88	2.04	(0.16)	(7.8%)	8.94	8.32	0.62	7.5%
Earnings before interest, taxes and amortization ("EBITDA")[1]	258.9	238.0	20.9	8.8%	1,186.9	1,036.6	150.3	14.5%
Operating Earnings (Loss) - Normalized[1]	158.9	160.8	(1.9)	(1.2%)	807.6	728.9	78.7	10.8%
Net Earnings (Loss) - Normalized[1]	115.4	122.0	(6.6)	(5.4%)	583.8	551.5	32.3	5.9%
Net Earnings (Loss) per Share - Diluted - Normalized[1]	1.75	1.85	(0.10)	(5.4%)	8.82	8.35	0.47	5.6%
EBITDA - Normalized[1]	247.6	240.7	6.9	2.9%	1,176.9	1,058.6	118.3	11.2%

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

[1] Management uses certain non-GAAP financial measures including normalized earnings which exclude foreign exchange impacts and the impact of unusual items when analyzing consolidated and segment underlying operational performance. For more information refer to the "Non-GAAP and Additional Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Industrial and Transportation. 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 quarter ended December 31, 2018.

			Three Months Ended December 31 2018			Three Months Ended December 31 2017
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
(in millions of dollars)	$	$	$	$	$	$
Sales	353.4	1,378.6	1,732.0	208.2	1,366.3	1,574.5
Operating Earnings (Loss)	63.1	108.0	171.1	28.8	129.4	158.2
EBITDA	78.3	180.6	258.9	34.3	203.7	238.0
Operating Earnings (Loss) – Normalized	45.4	113.5	158.9	28.1	132.7	160.8
EBITDA – Normalized	60.8	186.8	247.6	33.5	207.2	240.7

			Twelve Months Ended December 31 2018			Twelve Months Ended December 31 2017
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
(in millions of dollars)	$	$	$	$	$	$
Sales	1,886.3	5,734.3	7,620.6	1,116.5	5,430.0	6,546.5
Operating Earnings (Loss)	346.2	473.7	819.9	162.4	545.5	707.9
EBITDA	400.4	786.5	1,186.9	183.5	853.1	1,036.6
Operating Earnings (Loss) – Normalized	323.5	484.1	807.6	173.0	555.9	728.9
EBITDA – Normalized	378.4	798.5	1,176.9	194.0	864.6	1,058.6

Industrial Highlights

				Three Months Ended December 31				Twelve Months Ended December 31
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	353.4	208.2	145.2	69.7%	1,886.3	1,116.5	769.8	68.9%
Operating Earnings (Loss)	63.1	28.8	34.3	119.1%	346.2	162.4	183.8	113.2%
EBITDA	78.3	34.3	44.0	128.3%	400.4	183.5	216.9	118.2%
Operating Earnings (Loss) – Normalized	45.4	28.1	17.3	61.6%	323.5	173.0	150.5	87.0%
EBITDA – Normalized	60.8	33.5	27.3	81.5%	378.4	194.0	184.4	95.1%

The Industrial segment ("Industrial") product sales increased 69.7%, or $145.2 million, to $353.4 million in Q4 2018 from Q4 2017. The sales increase was due to:

- increased sales related to the acquisition of Moray Marketing Ltd., parent company of MacDon and its Group of Companies ("MacDon");
- strong market share gains for scissors; and
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2017.

The 2018 sales for Industrial increased by $769.8 million, or 68.9% compared with 2017. The factors that impacted Q4 2018 similarly impacted the 2018 results with the exception of an unfavourable impact on sales from the changes in foreign exchange rates.

Industrial segment operating earnings in Q4 2018 increased $34.3 million, or 119.1% from Q4 2017. The Industrial operating earnings results were predominantly driven by:

- increased earnings related to the acquisition of MacDon;
- a favourable foreign exchange impact from the revaluation of the operating balances on the balance sheet from Q3 2018;
- a net increase in access equipment volumes; and

- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q4 2017; partially offset by
- increased material costs as a result of rising commodity prices.

The 2018 operating earnings for Industrial increased by $183.8 million, or 113.2% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results with the exception of an unfavourable impact on sales and expenses from the changes in foreign exchange rates.

Transportation Highlights

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	1,378.6	1,366.3	12.3	0.9%	5,734.3	5,430.0	304.3	5.6%
Operating Earnings (Loss)	108.0	129.4	(21.4)	(16.5%)	473.7	545.5	(71.8)	(13.2%)
EBITDA	180.6	203.7	(23.1)	(11.3%)	786.5	853.1	(66.6)	(7.8%)
Operating Earnings (Loss) – Normalized	113.5	132.7	(19.2)	(14.5%)	484.1	555.9	(71.8)	(12.9%)
EBITDA – Normalized	186.8	207.2	(20.4)	(9.8%)	798.5	864.6	(66.1)	(7.6%)

Sales for the Transportation segment ("Transportation") increased by $12.3 million, or 0.9% in Q4 2018 compared with Q4 2017. The sales in Q4 2018 were impacted by:

- additional sales from programs that are currently launching;
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2017; partially offset by
- market declines in Europe related to both the Worldwide Harmonized Light Vehicles Test Procedure ("WLTP") issues in addition to the impact of consumer sentiment for diesel engines which is impacting volumes with key customers; and
- market declines in Asia which are impacting certain key customers.

The 2018 sales for Transportation increased by $304.3 million, or 5.6% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results.

Q4 2018 operating earnings for Transportation were lower by $21.4 million, or 16.5% compared to Q4 2017. The Transportation segment's earnings were impacted by the following:

- the impact of the lower mature volumes related to the market declines in Europe and Asia which naturally have higher margins than volumes from new launching programs;
- additional costs related to heavy launch activity globally; and
- one-time restructuring costs incurred in Q4 2018; partially offset by
- the impact of additional sales from launching programs; and
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q4 2017.

The 2018 operating earnings decreased by $71.8 million, or 13.2% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results coupled with decreased volumes in Asia for certain programs that the company has significant business with.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE[2]

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

[2] 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.

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.[3]

	Three Months Ended December 31				Twelve Months Ended December 31			
North America	2018	2017	+/-	%	2018	2017	+/-	%
Vehicle Production Units[1]	4.36	4.28	0.08	1.9%	17.53	17.58	(0.05)	(0.3%)
Automotive Sales[1]	$ 699.2	$ 675.2	$ 24.0	3.6%	$ 2,872.7	$ 2,797.3	$ 75.4	2.7%
Content Per Vehicle[1]	$ 160.33	$ 157.58	$ 2.75	1.7%	$ 163.85	$ 159.07	$ 4.78	3.0%
Europe								
Vehicle Production Units	5.47	5.80	(0.33)	(5.7%)	21.99	22.33	(0.34)	(1.5%)
Automotive Sales	$ 399.7	$ 405.4	$ (5.7)	(1.4%)	$ 1,721.6	$ 1,554.6	$ 167.0	10.7%
Content Per Vehicle	$ 73.06	$ 69.93	$ 3.13	4.5%	$ 78.30	$ 69.62	$ 8.68	12.5%
Asia Pacific								
Vehicle Production Units	13.29	13.83	(0.54)	(3.9%)	49.71	49.96	(0.25)	(0.5%)
Automotive Sales	$ 117.6	$ 131.2	$ (13.6)	(10.4%)	$ 488.1	$ 482.7	$ 5.4	1.1%
Content Per Vehicle	$ 8.85	$ 9.48	$ (0.63)	(6.6%)	$ 9.82	$ 9.66	$ 0.16	1.7%

North American automotive sales for Q4 2018 increased 3.6% from Q4 2017 in a market that saw an increase of 1.9% in production volumes for the same period. As a result, content per vehicle in Q4 2018 increased 1.7% from $157.58 to $160.33. The increase in North American content per vehicle was mainly a result of increases on our launching programs and increases in volumes over market production from certain light vehicle customers.

European automotive sales for Q4 2018 decreased 1.4% from Q4 2017 in a market that saw a decrease of 5.7% in production volumes for the same period. As a result, content per vehicle in Q4 2018 increased 4.5% from $69.93 to $73.06. The increase in European content per vehicle was a result of increases on our launching programs.

Asia Pacific automotive sales for Q4 2018 decreased 10.4% from Q4 2017 in a market that saw a decrease of 3.9% in production volumes for the same period. As a result, content per vehicle in Q4 2018 decreased 6.6% from $9.48 to $8.85. The decrease in Asian CPV was a result of decreased volumes for certain programs that the company has significant business with, partially offset by increases on our launching programs.

RESULTS OF OPERATIONS

Gross Margin

	Three Months Ended December 31		Twelve Months Ended December 31	
(in millions of dollars)	2018	2017	2018	2017
Sales	$ 1,732.0	$ 1,574.5	$ 7,620.6	$ 6,546.5
Cost of Sales before Amortization	1,385.9	1,248.9	6,030.2	5,152.2
Amortization	85.3	73.9	353.4	315.0
Cost of Sales	1,471.2	1,322.8	6,383.6	5,467.2
Gross Margin	$ 260.8	$ 251.7	$ 1,237.0	$ 1,079.3
Gross Margin Percentage	15.1%	16.0%	16.2%	16.5%

[3] 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. 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.

Gross margin percentage decreased in Q4 2018 to 15.1% compared to 16.0% in Q4 2017. Cost of sales before amortization as a percentage of sales increased in Q4 2018 to 80.0% compared to 79.3% for the same quarter of last year. In dollar terms, gross margin increased $9.1 million in Q4 2018 compared with Q4 2017 as a result of the items discussed earlier in this analysis such as:

- increased margins related to the acquisition of MacDon;
- a favourable foreign exchange impact from the changes in foreign exchange rates;
- increased earnings as a result of increased volumes in both segments; partially offset by
- additional costs related to heavy launch activity globally;
- increased material costs in the Industrial segment as a result of rising commodity prices; and
- one-time restructuring costs incurred in Q4 2018.

Q4 2018 amortization increased to $85.3 million from $73.9 million in Q4 2017 due to the additional expenses from the acquisition of MacDon and increased expenses related to launching programs. Amortization as a percentage of sales increased to 4.9% of sales as compared to 4.7% in Q4 2017.

2018 gross margin percentage decreased to 16.2% compared to 16.5% in 2017. The increase in 2018 gross margin, in dollar terms, was a result of the same factors that impacted Q4 2018. Amortization as a percentage of sales decreased to 4.6% of sales as compared to 4.8% in 2017.

Selling, General and Administration

	Three Months Ended December 31		Twelve Months Ended December 31	
(in millions of dollars)	2018	2017	2018	2017
Selling, general and administrative	$ 109.2	$ 91.6	$ 441.4	$ 352.1
SG&A Percentage	6.3%	5.8%	5.8%	5.4%

Selling, general and administrative ("SG&A") costs increased in Q4 2018 to $109.2 million from $91.6 million and increased as a percentage of sales to 6.3% from 5.8% when compared to Q4 2017 due to additional expenses from the acquisition of MacDon and one-time restructuring costs incurred in Q4 2018.

On an annual basis, SG&A costs reflected a similar pattern of higher dollar costs due to similar issues as seen in the quarter which increased SG&A as a percentage of sales to 5.8% from 5.4% when compared to 2017.

Finance Expense and Income Taxes

	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
(in millions of dollars)	$	$	$	$
Operating Earnings (Loss)	171.1	158.2	819.9	707.9
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(4.0)	(1.9)	(13.5)	(6.0)
Finance Income and (Expenses)	(12.9)	(2.7)	(46.8)	(9.3)
Provision for (Recovery of) Income Taxes	29.7	18.5	168.1	143.2
Net Earnings (Loss)	124.5	135.1	591.5	549.4

Finance Expenses

Finance expenses increased $10.2 million in Q4 2018 from $2.7 million in Q4 2017 to $12.9 million due to:

- an increase in Canadian debt levels due to the acquisition of MacDon in Q1 2018;
- a higher borrowing spread due to the change in the covenant ratio after the MacDon acquisition; and
- higher interest rates due to three Bank of Canada rate hikes during 2018; partially offset by
- higher interest earned on the investment of excess cash and long-term receivable balances.

The 2018 finance expenses increased $37.5 million compared to 2017 as a result of the same factors as described above for Q4 2018.

The consolidated effective interest rate for Q4 2018 increased to 2.8% compared to 2.4% in Q4 2017. The increase in the effective interest rate was primarily driven by the change in the borrowing spread due to the MacDon acquisition, coupled with Bank of Canada interest rate hikes.

The 2018 effective interest rate increased to 2.8% versus 2.2% in 2017 due to the same factors that impacted the Q4 2018 effective interest rate.

Income Taxes

The effective tax rate for 2018 was 22.1%, a slight increase from the 20.7% rate in 2017 and was in line with the expected annual tax rate. The 2018 effective tax rate was increased largely due to the impact of a future reduction in foreign tax rates on deferred tax liabilities, primarily in the United States and France, that was recognized in 2017 and did not recur in 2018.

The effective tax rate for Q4 2018 was 19.2%, an increase from the 12.1% rate in the same quarter of 2017. The effective tax rate in Q4 2018 was:

- reduced due to adjustments recognized in Q4 2017 regarding tax reserves from prior years which did not recur in Q4 2018; partially offset by
- a significant increase due to the one-time true up of deferred tax liabilities related to the future reduction in foreign tax rates, primarily in the United States and France, that was recognized in Q4 2017 and did not recur in Q4 2018; and
- an increase based on a less favourable mix of foreign tax rates in Q4 2018 compared to Q4 2017.

TOTAL EQUITY

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,354,495 common shares were outstanding as of March 11, 2019. The Company's common shares constitute its only class of voting securities. As of March 11, 2019, there were 1,691,876 options to acquire common shares outstanding and 4,050,000 options still available to be granted under the Company's share option plan.

In January 2019, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to make a normal course issuer bid ("NCIB" or "Bid"). Under the NCIB, Linamar has the ability to purchase for cancellation up to a maximum of 4,506,324 common shares, representing approximately 10% of the public float of 45,063,240 that were issued and outstanding as of January 18, 2019.

Under the TSX rules, during the six months ended December 31, 2018, the average daily trading volume of the common shares on the TSX was 374,235 Common Shares and, accordingly, daily purchases on the TSX pursuant to the Bid will be limited to 93,558 common shares, other than purchases made pursuant to the block purchase exception. The actual number of common shares which may be purchased pursuant to the Bid and the timing of any such purchases will be determined by the management of the Company, subject to applicable law and the rules of the TSX.

Purchases are expected to be made through the facilities of the TSX, or such other permitted means (including through alternative trading systems in Canada), at prevailing market prices or as otherwise permitted. The Bid will be funded using existing cash resources, and any common shares repurchased by the Company under the Bid will be cancelled.

Linamar believes that there are times when the market price of Linamar common shares may not reflect their underlying value and that the purchase of shares by Linamar will both provide liquidity to existing shareholders and benefit remaining shareholders. The NCIB is viewed by Linamar management as one component of an overall capital structure strategy and complementary to its organic and acquisition growth plans.

Linamar security holders may obtain a copy of the notice, without charge, upon request from the Secretary of the Company.

SELECTED FINANCIAL INFORMATION

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2018, 2017 and 2016. 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)	2018 $	2017 $	2016 $
Sales	7,620.6	6,546.5	6,005.6
Net Earnings (Loss)	591.5	549.4	522.1
Normalizing Items	(7.7)	2.1	(18.2)
Net Earnings (Loss) - Normalized	583.8	551.5	503.9
Total Assets	8,133.4	5,851.2	5,227.2
Total Long-term Liabilities	2,747.9	1,442.4	1,370.6
Cash Dividends declared per Share	0.48	0.48	0.40
Net Earnings (Loss) per Share			
Basic	9.05	8.41	8.01
Diluted	8.94	8.32	7.92

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of MacDon for a purchase price of $1,299.5 million comprised of $1,224.5 million in cash consideration and an assumed liability of $75.0 million. MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

The 2018 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and an unusual item. The 2018 unusual item relates to restructuring costs.

The 2017 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and an unusual item. The 2017 unusual item relates to adjusting the effective tax rate of 12.1% in Q4 2017 to an expected annual rate of 23.0%. The low effective tax rate was mainly due to the future reduction in foreign tax rates enacted in the quarter on deferred tax liabilities, primarily in the United States and France.

The 2016 normalizing items include foreign exchange gain (loss) and foreign exchange gain (loss) on debt and derivatives.

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2017 through December 31, 2018. 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 2018 $	Sep 30 2018 $	Jun 30 2018 $	Mar 31 2018 $	Dec 31 2017 $	Sep 30 2017 $	Jun 30 2017 $	Mar 31 2017 $
Sales	1,732.0	1,837.3	2,157.4	1,893.9	1,574.5	1,549.7	1,766.2	1,656.0
Net Earnings (Loss)	124.5	113.2	197.1	156.6	135.1	107.3	161.9	145.1
Net Earnings (Loss) per Share								
Basic	1.91	1.73	3.02	2.40	2.07	1.64	2.48	2.22
Diluted	1.88	1.71	2.98	2.37	2.04	1.62	2.45	2.20

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 Transportation segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower OEM production schedules resulting from shutdowns related to summer and winter maintenance, and model changeovers. 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

	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
(in millions of dollars)	$	$	$	$
Cash generated from (used in):				
Operating Activities	259.6	222.8	691.2	633.5
Financing Activities	(79.1)	(199.6)	1,053.2	(170.9)
Investing Activities	(146.8)	(109.2)	(1,726.1)	(424.6)
Effect of translation adjustment on cash	13.7	0.2	14.6	(3.9)
Net Increase (Decrease) in Cash Position	47.4	(85.8)	32.9	34.1
Cash and Cash Equivalents – Beginning of Period	424.6	524.9	439.1	405.0
Cash and Cash Equivalents – End of Period	472.0	439.1	472.0	439.1
Comprised of:				
Cash in bank	358.0	315.4	358.0	315.4
Short-term deposits	130.4	138.2	130.4	138.2
Unpresented Cheques	(16.4)	(14.5)	(16.4)	(14.5)
	472.0	439.1	472.0	439.1

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2018 were $472.0 million, an increase of $32.9 million compared to December 31, 2017.

Cash generated from operating activities was $259.6 million, an increase of $36.8 million from Q4 2017 due to more cash being generated from the net change in operating assets and by earnings. Cash generated from operating activities in 2018 was $691.2 million, $57.7 million more than was provided in 2017, primarily due to an increase in net earnings over 2017.

During the quarter, financing activities used $79.1 million of cash compared to $199.6 million used in Q4 2017, primarily due to repayments of long-term debt. Financing activities provided $1,053.2 million in 2018 compared to $170.9 million used in 2017, which was primarily used in Q1 2018 to fund the purchase of MacDon.

Investing activities used $146.8 million in Q4 2018 compared to $109.2 million used in Q4 2017 mainly for the purchase of property, plant and equipment. Investing activities used $1,726.1 million in 2018 mainly for the acquisition of MacDon and the purchase of property, plant and equipment.

Operating Activities

	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
(in millions of dollars)	$	$	$	$
Net earnings (loss) for the period	124.5	135.1	591.5	549.4
Adjustments to earnings	106.2	83.8	414.0	336.5
	230.7	218.9	1,005.5	885.9
Changes in operating assets and liabilities	28.9	3.9	(314.3)	(252.4)
Cash generated from (used in) operating activities	259.6	222.8	691.2	633.5

Cash generated by operations before the effect of changes in operating assets and liabilities increased $11.8 million in Q4 2018 to $230.7 million, compared to $218.9 million in Q4 2017. Cash generated from operations before the effect of changes in non-cash working capital increased $119.6 million to $1,005.5 million from $885.9 million in 2017.

Changes in operating assets and liabilities for Q4 2018 decreased $28.9 million. Changes in operating assets and liabilities for 2018 increased $314.3 million primarily due to an increase in inventory.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2018 $	2017 $	Twelve Months Ended December 31 2018 $	2017 $
Proceeds from (repayments of) short-term borrowings	0.6	(1.8)	7.8	-
Proceeds from (repayments of) long-term debt	(72.7)	(190.8)	1,088.3	(140.9)
Proceeds from government borrowings	8.6	-	24.9	8.1
Proceeds from exercise of stock options	-	0.3	-	1.4
Dividends	(7.9)	(7.8)	(31.4)	(31.3)
Finance income received (expenses paid)	(7.7)	0.5	(36.4)	(8.2)
Cash generated from (used in) financing activities	(79.1)	(199.6)	1,053.2	(170.9)

Financing activities for Q4 2018 used $79.1 million of cash compared to $199.6 million used in Q4 2017 primarily due to the repayment of long-term debt. Financing activities for 2018 provided $1,053.2 million of cash compared to $170.9 million used in 2017 due to the proceeds from long-term debt used to fund the purchase of MacDon in Q1 2018.

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2018 $	2017 $	Twelve Months Ended December 31 2018 $	2017 $
Payments for purchase of property, plant and equipment	(144.5)	(100.9)	(537.3)	(410.0)
Proceeds on disposal of property, plant and equipment	1.5	3.7	13.0	13.2
Payments for purchase of intangible assets	(2.7)	(6.5)	(20.8)	(17.4)
Business acquisitions, net of cash acquired	(1.1)	-	(1,175.9)	(1.1)
Other	-	(5.5)	(5.1)	(9.3)
Cash generated from (used in) investing activities	(146.8)	(109.2)	(1,726.1)	(424.6)

Cash used for investing activities for Q4 2018 was $146.8 million compared to Q4 2017 at $109.2 million primarily due the purchase of property, plant and equipment. Cash spent on investing activities increased to $1,726.1 million compared to 2017 at $424.6 million which was primarily related to the acquisition of MacDon in Q1 2018.

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, 2018, cash and cash equivalents, including short-term deposits (net of unpresented cheques) was $472.0 million and the Company's credit facilities had available credit of $721.8 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	2,471.6	5.1	2,405.3	61.2
Finance Lease Obligations[4]	9.1	3.9	5.2	-
Operating Leases	86.1	23.3	39.9	22.9
Purchase Obligations[5]	262.2	262.2	-	-
Total Contractual Obligations	2,829.0	294.5	2,450.4	84.1

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 the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

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 the notes to Company's consolidated financial statements for the year ended December 31, 2018.

Financial Instruments

The Company uses derivatives as a part of its risk management program to mitigate variability associated with changing market values related to recognized liabilities and highly probable forecast transactions.

The Company pursues a strategy of optimizing its operating and financing foreign currency cash flows in each region in which it operates. In key foreign exchange markets, the Company's foreign currency outflows for the purchases of materials and capital equipment are offset through the sale of products denominated in the same foreign currencies, creating a natural hedge. In markets where a natural currency hedge cannot be achieved, and a material foreign exchange exposure arises, the Company actively manages the risk through the execution of foreign exchange forward contracts and other derivatives. Despite actively managing the residual foreign exchange exposure, significant long-term movements in relative currency values may affect the Company's operational results. The Company does not currently hedge all the cash flow activities of its foreign subsidiaries and, accordingly operational results may be further affected by a significant change in the relative value of domestic currencies.

The amount and timing of executed derivatives is dependent upon a number of factors, including estimated production delivery schedules, forecasted customer payments, and the anticipated future direction of foreign currency and interest rates. The Company is exposed to counterparty credit risk when executing derivatives with financial institutions, and in order to mitigate this risk the Company limits derivative trading to counterparties within the credit facility which all have investment grade credit ratings.

The Company is committed to long-dated forward contracts to buy United States dollars ("USD") which hedge the changes in exchange rates on the U.S. $130 million Private Placement Notes due 2021 ("2021 Notes"). 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 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.

The Company's floating Euro denominated debt was repaid in September 2018 and exchanged for floating USD denominated debt and the existing net investment hedge was discontinued. Upon the conversion of the debt, the Company simultaneously entered into two cross-currency interest rate swaps to convert the floating rate debt into fixed rate debt, and hedge the effective change in exchange rates on both its USD debt and its net investment in Euro foreign operations. The cross-currency interest rate swap related to the USD debt qualified as a cash flow hedge for accounting purposes, and the cross-currency interest rate swap related to the Euro foreign operations qualified as a net investment hedge. Any fair value unrealized gains and losses for both hedges are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the hedged items.

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

[5] 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 more information, please see the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

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 13 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 8 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 the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

CURRENT AND PROPOSED TRANSACTIONS

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of MacDon for a purchase price of $1,299.5 million comprised of $1,224.5 million in cash consideration and an assumed liability of $75.0 million. The liability was immediately extinguished using a portion of the acquired cash of MacDon. The purchase price of $1,299.5 million includes cash acquired for a net acquisition cash impact of $1,175.9 million. Headquartered in Winnipeg, Manitoba, Canada, MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

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, 2018 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 Transportation 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 and harvesting equipment 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, entrenched capital assets, 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 Company's precision machining, access equipment and harvesting equipment 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 substantially 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 Transportation 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 Transportation 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. Through its MacDon subsidiary, the Company engages in the production and sale of harvesting equipment including draper headers and self-propelled windrowers. There is a relatively defined sales cycle in these industries, as it is closely related to, and affected by, the product life cycle of these construction and agricultural sectors. Therefore, the risks and fluctuations in the construction and agricultural industries in the countries that Skyjack and MacDon operate in also affect the Company's Industrial 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, as well as the access equipment and harvesting equipment 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 Transportation 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, the Company's 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.

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 Transportation segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower OEM production schedules resulting from shutdowns related to summer and winter maintenance and model changeovers. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

Weather
Weather such as drought and flooding can have an adverse effect on crop quality and yields and therefore net farm income and new equipment orders.

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 facility 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. Additionally the Company, if required, cannot guarantee access to additional equity or capital given current or future economic market events related to changes in the Company's segments.

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. These legal proceedings could include 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 type of insurance could be 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 with investment grade ratings. A substantial portion of the Company's receivables are with large customers in the automotive, truck, commercial, and industrial sectors which gives rise to concentration risk within those industries. The Company cannot guarantee that its customers will not experience financial difficulties in the future, making it unable to collect all of its receivables.

Emission Standards

Emissions and Corporate Average Fuel Economy (CAFÉ) regulations continue to be a major influence on technology within the auto industry. These regulations could potentially impact the sales of certain products the Company manufactures; in particular components for internal combustion engines could be negatively impacted by increased penetration of electric or fuel cell vehicles. In recent years, the Company has made strides however, in mitigating this risk by increasing its portfolio of Hybrid, Electric and Fuel Cell Electric Vehicle component offerings. The Company's strategy is to target content in each technology (or propulsion system) to ensure it is well prepared for whichever technology becomes the most dominant in the market.

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, 2018, 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, 2018, 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, 2018, 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 assets' 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 2018 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2018.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Non-GAAP Measures

The Company uses certain non-GAAP financial measures including operating earnings (loss) – normalized, net earnings (loss) – normalized, net earnings (loss) per share – diluted – normalized and EBITDA - normalized. The Company believes these non-GAAP

financial measures provide useful information to both management and investors in assessing the financial performance and financial condition of the Company.

Certain expenses and income that must be recognized under GAAP are not necessarily reflective of the Company's underlying operational performance. For this reason, management uses certain non-GAAP financial measures to exclude foreign exchange impacts, and the impact of unusual items when analyzing consolidated and segment underlying operational performance, on a consistent basis. The exclusion of certain items does not imply that they are non-recurring.

These 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.

Normalizing Items

During Q2 2018, an unusual item related to restructuring adjusted both the Industrial and Transportation segment's earnings. Additionally during Q4 2018, an unusual item related to restructuring has adjusted the Transportation segment earnings. During Q4, 2017, an unusual item related to adjusting the effective tax rate of 12.1% in Q4 2017 to an expected annual rate of 23.0%. The low effective tax rate was mainly due to the future reduction in foreign tax rates enacted in Q4 2017 on deferred tax liabilities, primarily in the United States and France.

All normalizing items, as defined below, are reflected in the tables below:

	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Operating Earnings (Loss)	171.1	158.2	12.9	8.2%	819.9	707.9	112.0	15.8%
Foreign exchange (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Unusual Item	6.2	-	6.2		10.5	-	10.5	
Operating Earnings (Loss) – Normalized	158.9	160.8	(1.9)	(1.2%)	807.6	728.9	78.7	10.8%
Net Earnings (Loss)	124.5	135.1	(10.6)	(7.8%)	591.5	549.4	42.1	7.7%
Foreign exchange (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Foreign exchange (gain) loss on debt and derivatives	0.9	0.1	0.8		2.3	1.0	1.3	
Unusual Item	6.2	(15.1)	21.3		10.5	(15.1)	25.6	
Tax impact	2.2	(0.7)	2.9		2.3	(4.8)	7.1	
Net Earnings (Loss) – Normalized	115.4	122.0	(6.6)	(5.4%)	583.8	551.5	32.3	5.9%
Net Earnings (Loss) per share – Diluted	1.88	2.04	(0.16)	(7.8%)	8.94	8.32	0.62	7.5%
Foreign exchange (gain) loss	(0.27)	0.04	(0.31)		(0.34)	0.31	(0.65)	
Foreign exchange (gain) loss on debt and derivatives	0.01	-	0.01		0.03	0.01	0.02	
Unusual Item	0.09	(0.22)	0.31		0.16	(0.22)	0.38	
Tax impact	0.04	(0.01)	0.05		0.03	(0.07)	0.10	
Net Earnings (Loss) per share – Diluted – Normalized	1.75	1.85	(0.10)	(5.4%)	8.82	8.35	0.47	5.6%
EBITDA	258.9	238.0	20.9	8.8%	1,186.9	1,036.6	150.3	14.5%
Foreign exchange (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Foreign exchange (gain) loss on debt and derivatives	0.9	0.1	0.8		2.3	1.0	1.3	
Unusual Item	6.2	-	6.2		10.5	-	10.5	
EBITDA – Normalized	247.6	240.7	6.9	2.9%	1,176.9	1,058.6	118.3	11.2%

(in millions of dollars)	Industrial $	Transportation $	Three Months Ended December 31 2018 Linamar $	Industrial $	Transportation $	Twelve Months Ended December 31 2018 Linamar $
Operating Earnings (Loss)	63.1	108.0	171.1	346.2	473.7	819.9
EBITDA	78.3	180.6	258.9	400.4	786.5	1,186.9
Foreign exchange (gain) loss	(17.7)	(0.7)	(18.4)	(23.9)	1.1	(22.8)
Unusual Item	-	6.2	6.2	1.2	9.3	10.5
Operating Earnings (Loss) – Normalized	45.4	113.5	158.9	323.5	484.1	807.6
Foreign exchange (gain) loss on debt and derivatives	0.2	0.7	0.9	0.7	1.6	2.3
EBITDA – Normalized	60.8	186.8	247.6	378.4	798.5	1,176.9

(in millions of dollars)	Industrial $	Transportation $	Three Months Ended December 31 2017 Linamar $	Industrial $	Transportation $	Twelve Months Ended December 31 2017 Linamar $
Operating Earnings (Loss)	28.8	129.4	158.2	162.4	545.5	707.9
EBITDA	34.3	203.7	238.0	183.5	853.1	1,036.6
Foreign exchange (gain) loss	(0.7)	3.3	2.6	10.6	10.4	21.0
Operating Earnings (Loss) – Normalized	28.1	132.7	160.8	173.0	555.9	728.9
Foreign exchange (gain) loss on debt and derivatives	(0.1)	0.2	0.1	(0.1)	1.1	1.0
EBITDA – Normalized	33.5	207.2	240.7	194.0	864.6	1,058.6

Operating Earnings (Loss) – Normalized

The Company believes operating earnings (loss) – normalized is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Operating earnings (loss) – normalized is calculated as operating earnings (loss) as presented in the Company's consolidated financial statements less foreign exchange gain (loss) and any unusual items that are considered not to be indicative of underlying operational performance. See the "Normalizing Items" section above for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of GAAP operating earnings (loss) to operating earnings (loss) – normalized.

Net Earnings (Loss) – Normalized

The Company believes net earnings (loss) – normalized is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net earnings (loss) – normalized is calculated as net earnings (loss) as presented in the Company's consolidated financial statements less foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and any unusual items that are considered not to be indicative of underlying operational performance. See the "Normalizing Items" section above for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of GAAP net earnings (loss) to net earnings (loss) – normalized.

Net Earnings (Loss) per Share – Diluted – Normalized

The Company believes net earnings (loss) per share – diluted – normalized is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net earnings (loss) per share – diluted – normalized is calculated as net earnings (loss) - normalized (as defined above) divided by the fully diluted number of shares outstanding as at the period end date. See the "Normalizing Items" section above for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of GAAP net earnings (loss) per share – diluted to net earnings (loss) per share – diluted – normalized.

EBITDA – Normalized

The Company believes EBITDA – normalized is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. EBITDA – normalized is calculated as EBITDA, as defined in "Additional GAAP Measures" below, and as presented in the Company's consolidated financial statements, less foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and any unusual items that are considered not to be indicative of underlying operational performance. See the "Normalizing Items" section above for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of GAAP EBITDA to EBITDA – normalized.

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.

EBITDA

EBITDA is calculated as net earnings (loss) before interest, income taxes, and amortization. Please see the notes to the consolidated financial statements for the quarter ended December 31, 2018 for the calculation. 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, 2018	Three Months Ended				Year to Date			
	Mar 31 2018	Jun 30 2018	Sep 30 2018	Dec 31 2018	Mar 31 2018	Jun 30 2018	Sep 30 2018	Dec 31 2018
North America								
Vehicle Production Units	4.51	4.49	4.17	4.36	4.51	9.00	13.17	17.53
Automotive Sales	$ 745.9	$ 726.1	$ 701.4	$ 699.2	$ 745.9	$ 1,472.0	$ 2,173.4	$ 2,872.7
Content Per Vehicle	$ 165.43	$ 161.61	$ 168.24	$ 160.33	$ 165.43	$ 163.52	$ 165.02	$ 163.85
Europe								
Vehicle Production Units	5.89	6.00	4.63	5.47	5.89	11.89	16.52	21.99
Automotive Sales	$ 452.1	$ 484.3	$ 385.5	$ 399.7	$ 452.1	$ 936.4	$ 1,321.9	$ 1,721.6
Content Per Vehicle	$ 76.74	$ 80.78	$ 83.28	$ 73.06	$ 76.74	$ 78.78	$ 80.04	$ 78.30
Asia Pacific								
Vehicle Production Units	12.50	12.22	11.70	13.29	12.50	24.72	36.42	49.71
Automotive Sales	$ 136.2	$ 124.1	$ 110.1	$ 117.6	$ 136.2	$ 260.4	$ 370.5	$ 488.1
Content Per Vehicle	$ 10.90	$ 10.16	$ 9.41	$ 8.85	$ 10.90	$ 10.53	$ 10.17	$ 9.82

Estimates as of September 30, 2018	Three Months Ended			Year to Date		
	Mar 31 2018	Jun 30 2018	Sep 30 2018	Mar 31 2018	Jun 30 2018	Sep 30 2018
North America						
Vehicle Production Units	4.51	4.50	4.24	4.51	9.01	13.25
Automotive Sales	$ 761.6	$ 748.7	$ 718.4	$ 761.6	$ 1,510.3	$ 2,228.7
Content Per Vehicle	$ 168.91	$ 166.36	$ 169.52	$ 168.91	$ 167.64	$ 168.24
Europe						
Vehicle Production Units	5.88	6.01	4.79	5.88	11.89	16.69
Automotive Sales	$ 458.6	$ 480.8	$ 376.1	$ 458.6	$ 939.4	$ 1,315.5
Content Per Vehicle	$ 77.97	$ 79.98	$ 78.44	$ 77.97	$ 78.98	$ 78.83
Asia Pacific						
Vehicle Production Units	12.48	12.20	11.87	12.48	24.68	36.55
Automotive Sales	$ 118.3	$ 110.7	$ 108.4	$ 118.3	$ 228.9	$ 337.3
Content Per Vehicle	$ 9.48	$ 9.07	$ 9.13	$ 9.48	$ 9.28	$ 9.23

Change in Estimates from Prior Quarter	Three Months Ended			Year to Date		
	Mar 31 2018 +/-	Jun 30 2018 +/-	Sep 30 2018 +/-	Mar 31 2018 +/-	Jun 30 2018 +/-	Sep 30 2018 +/-
North America						
Vehicle Production Units	-	(0.01)	(0.07)	-	(0.01)	(0.08)
Automotive Sales	$ (15.7)	$ (22.6)	$ (17.0)	$ (15.7)	$ (38.3)	$ (55.3)
Content Per Vehicle	$ (3.48)	$ (4.75)	$ (1.28)	$ (3.48)	$ (4.12)	$ (3.22)
Europe						
Vehicle Production Units	0.01	(0.01)	(0.16)	0.01	-	(0.17)
Automotive Sales	$ (6.5)	$ 3.5	$ 9.4	$ (6.5)	$ (3.0)	$ 6.4
Content Per Vehicle	$ (1.23)	$ 0.80	$ 4.84	$ (1.23)	$ (0.20)	$ 1.21
Asia Pacific						
Vehicle Production Units	0.02	0.02	(0.17)	0.02	0.04	(0.13)
Automotive Sales	$ 17.9	$ 13.4	$ 1.7	$ 17.9	$ 31.5	$ 33.2
Content Per Vehicle	$ 1.42	$ 1.09	$ 0.28	$ 1.42	$ 1.25	$ 0.94

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; weather; 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 forward-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

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CONSOLIDATED FINANCIAL STATEMENTS

Linamar Corporation

December 31, 2018 and December 31, 2017
(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 independent auditor, 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.

(Signed) "Linda Hasenfratz"

Linda Hasenfratz
Chief Executive Officer

(Signed) "Dale Schneider"

Dale Schneider
Chief Financial Officer

March 11, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Linamar Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Linamar Corporation and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Eric Clarke.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 11, 2019

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

	December 31 2018 $	December 31 2017 $
ASSETS		
Cash and cash equivalents	471,975	439,064
Accounts and other receivables (Note 27)	1,285,806	1,083,322
Inventories (Note 7)	1,218,956	791,670
Income taxes recoverable (Note 8)	32,509	33,145
Current portion of long-term receivables (Note 27)	134,402	103,276
Current portion of derivative financial instruments (Note 27)	5,229	1,333
Other current assets	31,439	25,387
Current Assets	3,180,316	2,477,197
Long-term receivables (Note 27)	382,384	304,514
Derivative financial instruments (Note 27)	66,048	25,854
Property, plant and equipment (Note 9)	2,654,536	2,209,884
Investments accounted for using the equity method	4,253	9,263
Deferred tax assets (Note 8)	53,495	51,074
Intangible assets (Note 10)	900,571	287,827
Goodwill (Note 11)	891,818	485,610
Assets	8,133,421	5,851,223
LIABILITIES		
Short-term borrowings	16,978	8,836
Accounts payable and accrued liabilities (Note 27)	1,471,447	1,215,803
Provisions (Note 12)	32,534	31,486
Income taxes payable (Note 8)	52,774	33,446
Current portion of long-term debt (Note 13)	8,722	6,399
Current Liabilities	1,582,455	1,295,970
Long-term debt (Note 13)	2,462,788	1,288,826
Derivative financial instruments (Notes 27)	15,882	-
Deferred tax liabilities (Note 8)	269,164	153,589
Liabilities	4,330,289	2,738,385
EQUITY		
Capital stock (Note 14)	122,393	122,393
Retained earnings	3,459,841	2,904,552
Contributed surplus	28,449	25,027
Accumulated other comprehensive earnings (loss)	192,449	60,866
Equity	3,803,132	3,112,838
Liabilities and Equity	8,133,421	5,851,223

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

On behalf of the Board of Directors:

(Signed) “Frank Hasenfratz”

Frank Hasenfratz

Director

(Signed) “Linda Hasenfratz”

Linda Hasenfratz

Director

LINAMAR CORPORATION

Consolidated Statements of Earnings

For the years ended December 31, 2018 and December 31, 2017
(in thousands of Canadian dollars, except per share figures)

	2018 $	2017 $
Sales (Note 15)	7,620,582	6,546,458
Cost of sales (Note 16)	6,383,621	5,467,162
Gross Margin	1,236,961	1,079,296
Selling, general and administrative (Note 16)	441,449	352,163
Other income and (expenses) (Note 19)	24,341	(19,261)
Operating Earnings (Loss)	819,853	707,872
Share of net earnings (loss) of investments accounted for using the equity method	(13,493)	(6,057)
Finance income and (expenses) (Note 20)	(46,809)	(9,257)
Net Earnings (Loss) before Income Taxes	759,551	692,558
Provision for (recovery of) income taxes (Note 8)	168,070	143,188
Net Earnings (Loss) for the Year	591,481	549,370
Net Earnings (Loss) per Share : (Note 21)		
Basic	9.05	8.41
Diluted	8.94	8.32

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, 2018 and December 31, 2017
(in thousands of Canadian dollars)

	2018 $	2017 $
Net Earnings (Loss) for the Year	591,481	549,370
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	166,460	56,924
Change in unrealized gains (losses) on net investment hedges (Note 27)	(34,342)	(56,457)
Change in unrealized gains (losses) on cash flow hedges (Note 27)	45,147	(17,370)
Change in cost of hedging (Note 27)	(4,272)	-
Reclassification to earnings of gains (losses) on cash flow hedges (Note 27)	(47,081)	17,875
Tax impact of above	5,671	(126)
Other Comprehensive Earnings (Loss)	131,583	846
Comprehensive Earnings (Loss) for the Year	723,064	550,216

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, 2018 and December 31, 2017
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Total Equity $
Balance at January 1, 2017	120,385	2,386,524	23,332	61,097	(1,077)	2,590,261
Net Earnings (Loss)	-	549,370	-	-	-	549,370
Other comprehensive earnings (loss)	-	-	-	467	379	846
Comprehensive Earnings (Loss)	-	549,370	-	467	379	550,216
Share-based compensation	-	-	2,290	-	-	2,290
Shares issued on exercise of options	2,008	-	(595)	-	-	1,413
Dividends	-	(31,342)	-	-	-	(31,342)
Balance at December 31, 2017	122,393	2,904,552	25,027	61,564	(698)	3,112,838
Adjustment on adoption of IFRS 9 (Note 4)	-	(4,822)	-	-	-	(4,822)
Balance at January 1, 2018	122,393	2,899,730	25,027	61,564	(698)	3,108,016
Net Earnings (Loss)	-	591,481	-	-	-	591,481
Other comprehensive earnings (loss)	-	-	-	135,657	(4,074)	131,583
Comprehensive Earnings (Loss)	-	591,481	-	135,657	(4,074)	723,064
Share-based compensation	-	-	3,422	-	-	3,422
Dividends	-	(31,370)	-	-	-	(31,370)
Balance at December 31, 2018	122,393	3,459,841	28,449	197,221	(4,772)	3,803,132

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, 2018 and December 31, 2017
(in thousands of Canadian dollars)

	2018 $	2017 $
Cash generated from (used in)		
Operating Activities		
Net earnings (loss)	591,481	549,370
Adjustments for:		
Amortization of property, plant and equipment	319,982	293,961
Amortization of other intangible assets	38,834	25,819
Deferred income taxes	2,900	10,200
Property, plant and equipment impairment provision, net of reversals	(1,056)	(6,160)
Share-based compensation	3,422	2,290
Finance (income) and expenses	46,809	9,257
Other	3,060	1,156
	1,005,432	885,893
Changes in operating assets and liabilities		
(Increase) decrease in accounts and other receivables	(14,267)	(184,216)
(Increase) decrease in inventories	(236,810)	(89,878)
(Increase) decrease in other current assets	(2,507)	(8,191)
(Increase) decrease in long-term receivables	(82,292)	(152,381)
Increase (decrease) in income taxes	15,478	(43,383)
Increase (decrease) in accounts payable and accrued liabilities	12,734	225,463
Increase (decrease) in provisions	(6,528)	237
	(314,192)	(252,349)
Cash generated from (used in) operating activities	691,240	633,544
Financing Activities		
Proceeds from (repayments of) short-term borrowings	7,820	(25)
Proceeds from (repayments of) long-term debt	1,088,189	(140,899)
Proceeds from government borrowings	24,933	8,104
Proceeds from exercise of stock options	-	1,413
Dividends	(31,370)	(31,342)
Finance income received (expenses paid)	(36,389)	(8,220)
Cash generated from (used in) financing activities	1,053,183	(170,969)
Investing Activities		
Payments for purchase of property, plant and equipment	(537,278)	(410,032)
Proceeds on disposal of property, plant and equipment	13,035	13,204
Payments for purchase of intangible assets	(20,754)	(17,365)
Business acquisitions, net of cash acquired	(1,175,939)	(1,060)
Other	(5,135)	(9,321)
Cash generated from (used in) investing activities	(1,726,071)	(424,574)
	18,352	38,001
Effect of translation adjustment on cash	14,559	(3,903)
Increase (decrease) in cash and cash equivalents	32,911	34,098
Cash and cash equivalents - Beginning of Year	439,064	404,966
Cash and cash equivalents - End of Year	471,975	439,064
Comprised of:		
Cash in bank	357,980	315,371
Short-term deposits	130,345	138,205
Unpresented cheques	(16,350)	(14,512)
	471,975	439,064

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 ("TSX"). The Company is domiciled in Canada and its registered office is 287 Speedvale Avenue West, Guelph, Ontario, Canada.

The consolidated annual financial statements of the Company for the year ended December 31, 2018 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 11, 2019.

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 and 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

Current

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

The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure lifetime expected credit losses, trade receivables are first categorized by groups with shared credit characteristics and the age of past due receivables followed by an assessment of the Company's historical experience of bad debts including customers' ability to pay and the current and future economic conditions which are expected during the life of the balance. The loss allowance is determined according to a provision matrix incorporating historical experiences adjusted for current and future conditions expected for the life of the balance.

Long-term

The Company provides financing to certain customers through direct financing loans for the sale of industrial access equipment.

The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses for receivables that contain a significant financing component (long-term receivables) and applies this approach consistently for all such receivables. To measure lifetime expected credit losses, long-term receivables are first categorized by groups with shared credit characteristics and the age of past due receivables followed by an assessment of the Company's historical experience of bad debts including customers' ability to pay and the current and future economic conditions which are expected during the life of the balance. The loss allowance is determined according to the provision matrix incorporating historical experience by credit risk rating as well as current conditions and forward looking information. These may include internal credit ratings, external credit ratings (as available), actual or expected significant adverse changes in business, financial or economic conditions, changes in the value of collateral and macroeconomic information such as market interest rates.

Impairment
The Company defines default of a financial asset when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. The Company writes off its receivables when there is no realistic prospect of recovery. This is generally when a debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off or fails to engage in a repayment plan with the Company. Where receivables have been written off, the Company continues to engage in enforcement activities to attempt to recover the receivable due. Losses are reversed when recoveries are made or the future economic conditions have improved.

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. For some transfers, the Company may provide security in the form of a limited guarantee in regards to the risk of default.

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. Write-downs for inventories are recorded when the net realizable value is lower than cost. The write-downs 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 or indefinite life
Customer relationships	Straight-line over 12 - 25 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. The Company has determined a CGU to be an individual entity or group of entities with separately identifiable cash inflows. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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 CGUs 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.

The classification for some financial assets depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. Debt instruments are assets that are held for collection of contractual cash flows where those cash flows represent payments of principal and interest or are assets that are held for sale. These are classified as either amortized cost, fair value through other comprehensive income or at fair value through profit or loss. Financial liabilities are classified as amortized cost. Derivatives are classified as fair value through profit or loss.

Classification and measurement of financial instruments

At initial recognition for financial assets or liabilities, the Company measures a financial instrument at its fair value including debt issue and other transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. Where a portion of a financial instrument is expected to be realized within 12 months of the end of the reporting period, that portion is included in current assets or liabilities, the remainder is classified as non-current.

(a) Amortized cost: Assets that are held for the collection of contractual cash flows are measured at amortized cost using the effective interest method. Cash and cash equivalents, accounts and other receivables and the portfolios of long-term receivables are included in this classification. Short-term bank borrowings, accounts payable and accrued liabilities and long-term debt are financial liabilities included in this classification.

(b) Fair value through other comprehensive income: Occasionally, a portion of the Company's portfolio of long-term receivables may be determined to be held for collection of contractual cash flows and for selling the financial assets. The recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit or loss similar to assets classified at amortized cost, however movements in the carrying value are taken through other comprehensive income until the asset is de-recognized. At that time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

(c) Fair value through profit or loss: Derivatives outside of a hedging relationship have movements in carrying value taken through profit or loss.

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

Risk management is predominantly controlled by the corporate treasury department. The corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating entities.

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 and cross currency interest rate swap contracts as cash flow hedges. The Company uses cash flow hedges for certain risks associated with the cash flows of recognized liabilities and highly probable forecast transactions. Amounts accumulated in the hedge reserve within other comprehensive earnings are reclassified to net earnings in the period in which the hedged transaction occurs. In some hedge relationships the Company excludes from the designation the forward element of hedging instruments. The change in the forward element of the contract that relate to the hedged item are recognized within other comprehensive earnings in the costs of hedging reserve within equity and if the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the costs of hedging reserve and included in the initial cost or other carrying amount of the hedged asset or liability. The deferred amounts are ultimately recognized in net earnings as the hedged asset or liability affects net earnings. For any other cash flow hedges, the amount accumulated in the cost of hedging reserve is reclassified to net earnings as a reclassification adjustment in the same period or periods during which the hedged cash flows affect net earnings.

The Company may designate certain portions of its foreign denominated long-term debt or the spot component of a cross currency interest rate swaps 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. When only the spot component of a financial instrument is designated in the net investment hedge, the change in the forward element of the hedging instrument that relates to the hedged item is recognized within other comprehensive earnings in the costs of hedging reserve within equity. Because the net investment is considered a time period related item, the deferred amounts are recognized in net earnings on a rational basis over the time period during which the hedge adjustment for the included spot component would affect net earnings.

The fair values are determined based on observable market data.

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. Effectiveness is achieved when the hedging relationships meet all of the following hedge effectiveness requirements:

(a) There is an economic relationship that exists between the hedged item and hedging instrument;

(b) The effect of credit risk does not dominate the value changes that result from that economic relationship; and

(c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

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 both the effective portion of the cash flow hedge relationships incurred as at the reporting date and the excluded component in the hedging designation which is considered a cost of hedging.

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

Sale of products

The Company enters into contracts with customers to manufacture and sell a range of precision metallic components, modules and systems for powertrain, driveline and body systems designed for global electrified and traditionally powered vehicle and industrial markets for the Transportation segment. These contracts are entered into with a customer when the Company can identify each party's rights and the contract has commercial substance, which generally is when the customer has made a firm volume commitment. In addition, the Company manufactures and sells a range of industrial equipment such as aerial work platforms, telehandlers and agricultural equipment. Revenue is recognized when control of the products and equipment has transferred to the customer, generally being when the products and equipment are shipped. This represents the point in time the customer obtains significant risk and rewards of ownership and the Company has the right to payment for the products or equipment.

A receivable is recognized when control of goods transfers to the customer, as indicated above, and consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Certain industrial equipment and parts sales have significant financing components and have an average term of 3 to 5 years.

Revenue from these sales is recognized based on the transaction price specified in the purchase order and corresponds to the invoice amount. Sales that include significant financing components are measured and recognized at the purchase order price adjusted for the time value of money. Transportation product sales are recognized net of expected productivity charges. Industrial equipment and part sales are recognized net of the expected discounts, rebates and similar obligations. Contract assets are recognized for incremental costs to obtain or fulfil a contract with a customer when those costs are expected to be recoverable, unless accounted for within another policy. The assets recognized are amortized on a straight-line basis over the term of the specific contract it relates to. Certain costs incurred to obtain a contract relate to consideration paid or payable to the customer, in which case, if not in exchange for distinct goods or services at their fair values, are recorded as a reduction in the transaction price. A contract liability is recognized for the expected amount payable to customers due to these productivity charges, discounts, rebates and similar obligations. Productivity charges, rebates, and other similar obligations are classified as a variable consideration and measured using historical experience and forecasts of expected sales. The Company's obligation to provide a refund or replacement for products built-to-print and equipment not in accordance with design specification is considered a standard warranty and recognized as a provision. It is unlikely that a significant reversal in the amount of cumulative revenue recognized will occur given the consistent level of variable consideration. Occasionally for Transportation product sales, the Company recognizes retrospective price amendments as a cumulative catch-up adjustment when the contract modification is approved. When applicable, the revenue from services related to the sale of products is recognized when the services are rendered.

Sale of customer owned assets

The Company enters into contracts with customers to develop, manufacture, and fabricate customer owned assets used for the purposes of parts production. Revenue is recognized when control of the asset has transferred to the customer, which occurs when the asset is substantially complete and the customer approves the initial production sample. This represents the point in time the customer has accepted the asset, significant risk and rewards or ownership have transferred and the Company has the present right to payment.

A receivable is recognized when control of asset transfers to the customer, as indicated above, and consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Payment is typically made through a lump-sum payment, however, milestone payments throughout the asset fabrication process or amortization over parts production are sometimes agreed to. Payments made in advance of transfer of control are recorded as a contract liability and recognized as revenue once control has transferred.

Revenue from these sales is recognized based on the lower of transaction price specified in the purchase order or actual price invoiced by the Company to fabricate the asset. This amount corresponds to the amount invoiced to the customer by the Company. Receivables

collected through production parts are adjusted for the time value of money when a significant financing component is present. The invoice amount represents the standalone selling price of asset, which is consistent with industry practice.

Engineering services
The Company enters into contracts with customers to design and develop a product or process using advanced engineering. Revenue is recognized, for contracts that qualify as a sale of service, as or when the service is being rendered. Revenue recognized over time is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures as this depicts the progress towards completion of the service. Revenue is recognized over time for contracts that the Company creates an asset without an alternative use and has the contractual right to payment for performance completed to date. For those contracts where the Company does not have a contractual right to payment for performance completed to date, revenue is recognized at a point in time when the customer approves the product or process.

A receivable is recognized as or when the service is rendered based on stages of completion or at completion as indicated above. This is the point in time that consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Certain contracts have significant financing components as payment is amortized over parts production which is collected over the life of the program and is adjusted for the time value of money. Payments made in advance of the service being rendered are recorded as a contract liability and recognized as revenue as the service is performed.

Revenue from these sales is recognized based on the transaction price specified in the purchase order and corresponds to the invoice amount. The invoice amount represents the standalone selling price of engineering services, which is consistent with industry practice.

Practical expedients
The Company has elected to use the practical expedient for significant financing components expected to be collected in one year or less and for incremental costs to obtain a contract that the Company would have recognized in one year or less therefore the Company does not adjust the transaction price for the time value of money and expenses incremental costs when incurred, respectively. Additionally, the Company has elected to apply the practical expedient provided under IFRS 15 for unsatisfied performance obligations of a contract that has an original expected duration of one year or less or for which revenue is recognized based on the right to invoice.

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. 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. The impact from the adoption of these new standards and amendments are reflected below.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("new revenue standard") as issued in May 2014. In accordance with the transition provisions in IFRS 15 the new rules have been adopted using the modified retrospective method to those contracts which were not completed as of January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The new revenue standard establishes a framework for determining the nature, amount, and timing of revenue recognition, which the Company has incorporated into its accounting policies. For its significant revenue streams including sale of products and equipment, sale of customer owned assets, and engineering services, the Company identified the impact of each of the five steps of the revenue standard compared to prior policies, concluding there were no significant differences. The Company did not record an adjustment to opening retained earnings as the impact was insignificant.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments as issued in July 2014. In accordance with the transitional provisions in the standard, comparative figures have not been restated. The adopted standard resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

IFRS 9 replaces the provisions of IAS 39 and introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and an updated 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. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

On January 1, 2018, the Company assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories. These reclassifications did not have an impact on the measurement categories. On the date of adoption, the Company applied the simplified approach, as defined in IFRS 9, to provide for expected credit losses for accounts and other receivables and long-term receivables which resulted in a $4,822 decrease to opening retained earnings (Note 27). Upon transition the Company's derivatives continue to meet the hedging criteria, therefore the fair values flow through other comprehensive income under both IAS 39 and IFRS 9.

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.

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 leases of low value assets).

Management has evaluated all the changes introduced by IFRS 16. Through its evaluation, management determined that the new lease guidance did have a significant impact to the Company's consolidated statement of financial position but it did not have a significant impact to the consolidated statement of earnings. The new standard will impact the nature and quantity of annual disclosures. Management has implemented the Company's revised policies, reporting processes and related controls.

The Company has adopted this guidance effective January 1, 2019, resulting in an increase to property, plant and equipment and long-term debt between $73,000 and $83,000.

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 CGUs 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 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, 2018, the maximum exposure to loss is $3,365 (2017 – $4,245).

7 Inventories

	December 31 2018	December 31 2017
	$	$
General stores	151,029	129,257
Raw materials	337,401	193,255
Work-in-process	329,821	240,255
Finished goods	400,705	228,903
	1,218,956	791,670

The cost of inventories recognized as an expense during the year ended December 31, 2018 was $5,722,996 (2017 – $4,920,466).

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. In the year ended December 31, 2018 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 $25,230 (2017 – $26,300). In the year ended December 31, 2018 the Company recognized a gain to cost of sales for reversal of inventory provisions with a value of $363 (2017 – $260). The inventory balance has been reduced by a provision of $87,707 as at December 31, 2018 (2017 – $73,880).

8 Income Taxes

(i) Income Tax Recognized in Net Earnings

	December 31 2018 $	December 31 2018 %	December 31 2017 $	December 31 2017 %
Earnings before taxes	759,551		692,558	
Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction	189,888	25.00%	173,139	25.00%
Increase (decrease) in income taxes resulting from:				
Rate changes on deferred income taxes	1,988	0.26%	(12,705)	-1.83%
Effect of expenses that are not deductible in determining taxable earnings	247	0.03%	738	0.11%
Effect of unused tax losses not recognized as deferred tax assets	5,397	0.71%	6,352	0.91%
Effect of previously unrecognized deferred tax assets and unrecognized unused tax losses	(868)	-0.11%	(359)	-0.05%
Effect of different tax rates of subsidiaries operating in other jurisdictions	(22,976)	-3.02%	(21,844)	-3.15%
Adjustments recognized in the current year in relation to the current tax of prior years	(4,804)	-0.63%	(2,766)	-0.40%
Other	(802)	-0.11%	633	0.09%
Income tax expense and effective income tax rate	168,070	22.13%	143,188	20.68%
Current tax	165,170		132,988	
Deferred tax	2,900		10,200	
Income tax expense	168,070		143,188	

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2017 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $(5,671) (2017 – expense of $126).

(ii) Deferred Tax Balances

	December 31 2018 $	December 31 2017 $
Tax benefit of tax credits and loss carry forwards	33,119	36,375
Goodwill deductible for tax	205	216
Tax benefit (liability) of derivative financial instruments	6,106	119
Other assets - tax value in excess of book value	73,951	69,027
Cumulative tax amortization in excess of book amortization	(162,877)	(137,516)
Other liabilities - book value in excess of tax value	(166,173)	(70,736)
Deferred tax net position	(215,669)	(102,515)

Reconciliation of deferred tax net balance:

	2018 $	2017 $
At January 1	(102,515)	(89,131)
Tax recovery (expense) during the period recognized in earnings	(2,900)	(10,200)
Tax recovery (expense) during the period recognized in other comprehensive earnings	5,671	(126)
Impact of foreign currency translation adjustment	(964)	(3,051)
Net tax liability related to business acquisition	(114,605)	-
Other	(356)	(7)
At December 31	(215,669)	(102,515)

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

	December 31 2018 $	December 31 2017 $
Deferred tax assets to be recovered after more than 12 months	118,667	100,929
Deferred tax assets to be recovered within 12 months	9,836	12,143
Total deferred tax assets	128,503	113,072
Deferred tax liabilities to be utilized after more than 12 months	(332,862)	(194,719)
Deferred tax liabilities to be utilized within 12 months	(11,310)	(20,868)
Total deferred tax liabilities	(344,172)	(215,587)
Deferred tax balances (net)	(215,669)	(102,515)

Unrecognized deferred tax assets were as follows:

	December 31 2018 $	December 31 2017 $
Tax losses	23,030	21,399
Temporary differences	2,114	1,917
Total deferred tax assets not recognized	25,144	23,316

The temporary difference in respect of the amount of undistributed earnings of foreign operations for December 31, 2018 was $1,679,611 (2017 – $1,295,580).

9 Property, Plant and Equipment

	Land	Land use rights	Buildings	Machinery	Office equipment	Transportation equipment	Tooling	Total
	$	$	$	$	$	$	$	$
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 January 1, 2017	59,991	9,876	361,924	1,591,006	8,008	17,192	4,058	2,052,055
Effect of cumulative translation adjustment	273	(122)	6,867	22,624	150	25	7	29,824
Additions, net of government grants	83	(367)	16,489	402,530	4,647	806	6,963	431,151
Impairment provision, net of reversals	-	-	-	6,160	-	-	-	6,160
Disposals	(289)	-	-	(14,917)	(21)	(118)	-	(15,345)
Amortization	-	(78)	(21,123)	(259,102)	(4,826)	(2,493)	(6,339)	(293,961)
Book value at December 31, 2017	60,058	9,309	364,157	1,748,301	7,958	15,412	4,689	2,209,884
Cost	60,058	9,797	586,994	3,689,006	29,042	24,061	13,163	4,412,121
Accumulated amortization	-	(488)	(222,837)	(1,940,705)	(21,084)	(8,649)	(8,474)	(2,202,237)
Book value at December 31, 2017	60,058	9,309	364,157	1,748,301	7,958	15,412	4,689	2,209,884
Effect of cumulative translation adjustment	2,044	297	11,936	59,993	313	160	34	74,777
Additions, net of government grants	16,017	(1,345)	23,094	520,072	2,322	2,757	5,663	568,580
Business acquisition (Note 25)	28,073		72,742	24,873	6,852	3,077	-	135,617
Impairment provision, net of reversals	-	-	-	1,056	-	-	-	1,056
Disposals	(5,098)	-	(858)	(7,751)	(1,287)	(244)	(158)	(15,396)
Amortization	-	(181)	(24,750)	(282,196)	(5,452)	(3,142)	(4,261)	(319,982)
Book value at December 31, 2018	101,094	8,080	446,321	2,064,348	10,706	18,020	5,967	2,654,536
Cost	101,094	8,764	655,833	3,986,308	29,706	30,094	14,693	4,826,492
Accumulated amortization	-	(684)	(209,512)	(1,921,960)	(19,000)	(12,074)	(8,726)	(2,171,956)
Book value at December 31, 2018	101,094	8,080	446,321	2,064,348	10,706	18,020	5,967	2,654,536

Amortization expense of $314,524 (2017 – $289,135) has been charged in cost of sales and $5,458 (2017 – $4,826) in selling, general and administration.

Government grants recognized as a reduction in the carrying amount of the assets during the year was $36,833 (2017 – $21,083). See Note 16 for more details regarding government grants.

As of December 31, 2018, property, plant and equipment includes $495,001 (2017 – $295,947) of assets in the course of construction for production purposes.

The Company leases machinery under 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 2018	December 31 2017
	$	$
Cost	35,654	29,983
Accumulated amortization	(25,301)	(17,225)
Book value	10,353	12,758

Leased assets are pledged as security for finance lease obligations.

10 Intangible Assets

	Indefinite life trade names	Definite life trade names	Customer relationships	Technology	Product development costs	Other	Total
	$	$	$	$	$	$	$
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 January 1, 2017	-	752	165,660	87,456	25,312	407	279,587
Effect of cumulative translation adjustment	-	-	11,153	5,983	(442)	-	16,694
Additions	-	-	-	-	17,365	-	17,365
Amortization	-	(69)	(12,770)	(7,240)	(5,536)	(204)	(25,819)
Book value at December 31, 2017	-	683	164,043	86,199	36,699	203	287,827
Cost or valuation	-	1,400	194,115	107,517	57,234	1,176	361,442
Accumulated amortization	-	(717)	(30,072)	(21,318)	(20,535)	(973)	(73,615)
Book value at December 31, 2017	-	683	164,043	86,199	36,699	203	287,827
Effect of cumulative translation adjustment	-	-	5,933	3,101	1,790	-	10,824
Additions	-	-	-	-	14,728	6,026	20,754
Business acquisition (Note 25)	227,400		230,800	114,700	47,100	-	620,000
Amortization	-	(70)	(21,692)	(13,934)	(2,923)	(215)	(38,834)
Book value at December 31, 2018	227,400	613	379,084	190,066	97,394	6,014	900,571
Cost or valuation	227,400	1,400	433,656	219,226	118,855	6,432	1,006,969
Accumulated amortization	-	(787)	(54,572)	(29,160)	(21,461)	(418)	(106,398)
Book value at December 31, 2018	227,400	613	379,084	190,066	97,394	6,014	900,571

Amortization of intangible assets is included in cost of sales. Product development costs are internally generated intangible assets except for those acquired through a business acquisition.

11 Goodwill

	2018	2017
	$	$
Cost	496,492	468,457
Accumulated impairment losses	(10,882)	(11,666)
Book value at January 1	485,610	456,791
Business acquisition (Note 25)	388,806	-
Effect of cumulative translation adjustment	17,402	28,819
Book value at December 31	891,818	485,610
Cost	903,655	496,492
Accumulated impairment losses	(11,837)	(10,882)
Book value at December 31	891,818	485,610

Goodwill has been allocated for impairment testing purposes to the following CGUs:

	December 31 2018	December 31 2017
	$	$
MacDon Group of Companies (Note 25)	388,806	-
Montupet S.A.	472,537	455,775
Skyjack	12,983	12,983
Linamar Antriebstechnik GmbH	12,349	11,897
Seissenschmidt	5,143	4,955
	891,818	485,610

Management performed the annual goodwill impairment analysis during the fourth quarters of 2018 and 2017 and found that goodwill was not impaired. The recoverable amounts of the CGUs 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 8.6% to 12.1% (2017 – 10.8% to 12.0%).

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, 2018.

12 Provisions

	Claims and litigation (a) $	Product warranties and product defects (b) $	Other (c) $	Total $
At January 1, 2017	11,996	18,407	1,310	31,713
Charged (credited) to earnings:				
Additional provisions	6,632	16,212	49	22,893
Unused amounts reversed	(1,926)	(4,465)	-	(6,391)
Used during year	(2,175)	(13,416)	(616)	(16,207)
Effect of cumulative translation adjustment	(486)	(44)	8	(522)
At December 31, 2017	14,041	16,694	751	31,486
Charged (credited) to earnings:				
Additional provisions	6,892	13,709	32	20,633
Business acquisition (Note 25)	605	6,465	-	7,070
Unused amounts reversed	(9,041)	(4,035)	-	(13,076)
Used during year	(2,075)	(12,733)	(30)	(14,838)
Effect of cumulative translation adjustment	836	398	25	1,259
At December 31, 2018	11,258	20,498	778	32,534

(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, 2018.

(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.

13 Long-Term Debt

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

	Note	December 31 2018 $	December 31 2017 $
Senior unsecured notes	(i)	177,204	162,868
Bank borrowings	(ii)	2,202,263	1,053,956
Obligations under finance leases	(iii)	8,620	13,216
Government borrowings	(iv)	83,423	65,185
		2,471,510	1,295,225
Less: current portion		8,722	6,399
		2,462,788	1,288,826

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

	December 31 2018 $	December 31 2017 $
Not later than 1 year	8,722	6,399
Later than 1 year and not later than 5 years	2,410,266	1,247,645
Later than 5 years	61,171	46,482
Total principal payments	2,480,159	1,300,526
Less: debt issue costs	8,649	5,301
	2,471,510	1,295,225

(i) Senior unsecured notes

The Senior unsecured notes consist of:

(a) U.S. $130 million (the “2017 Notes”) effective July 2010, came due July 2017 and paid 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 United States stated coupon rate of 5.31% to a Canadian interest rate of 5.47% for the 2017 Notes and converting the United States stated coupon rate of 4.84% to a Canadian interest rate of 5.00% for the 2021 Notes.

During 2017, the 2017 Notes matured and were repaid. The corresponding long-dated forwards also matured which locked in the exchange rate on the principal repayment component and exchange rate on the semi-annual coupon payments to a Canadian interest rate of 5.47%.

(ii) Bank borrowings

Prior to 2017, the amended and restated credit facilities included a non-revolving term credit facility in the aggregate principal amount of up to $600 million and a revolving credit facility to the aggregate principal amount of up to $950 million. Both the term and revolving facilities were set to expire in 2021. The facilities are unsecured and are 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 amended and restated credit facilities provided for Euro “(EUR)” drawings. The EUR 615 million debt used to purchase the net assets of Montupet S.A. in 2016 had been designated as a net investment hedge (Note 27 (iii)).

During 2017, the Company amended and restated the credit facility that only impacted the non-revolving term credit facility which was decreased from $600 million to the aggregate principal amount of up to $572 million. No other terms were changed.

In February 2018, the Company amended and restated the credit facility in connection with the acquisition of the MacDon Group of Companies (Note 25). The amended and restated credit facilities include a new non-revolving term credit facility in the aggregate principal amount of up to $1.2 billion, the continuation of the previously existing non-revolving credit facility to the aggregate principal amount of up to $572 million and the continuation and increase of the previously existing revolving credit facility to the aggregate principal amount of up to $1.15 billion. The new term and existing revolving facilities were extended and expire in 2023, and the previously existing term facility expires in 2021. All facilities are under terms and conditions largely consistent with Linamar’s previous existing credit facility. The Company is in compliance with all financial covenants.

In 2018, the Company converted its EUR 615 million of borrowings to United States dollar (“USD”) $716 million borrowings under the company’s amended and restated credit facility (Note 27 (iii)).

As of December 31, 2018, $721,773 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 2018	December 31 2017	December 31 2018	December 31 2017
	$	$	$	$
Not later than 1 year	3,928	5,525	3,661	5,158
Later than 1 year and not later than 5 years	5,185	8,299	4,959	7,830
Later than 5 years	-	230	-	228
	9,113	14,054	8,620	13,216
Less: future finance charges	493	838	-	-
Present value of minimum lease payments	8,620	13,216	8,620	13,216

(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 2018 was $3,588 (2017 – $4,485). The discounted value of the debt recognized amounted to $3,233 at the end of fiscal 2018 (2017 – $3,960). 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 2018 was $94,347 (2017 – $69,414). The discounted value of the total debt recognized at the end of fiscal 2018 was $80,190 (2017 – $61,225). The loans are both due in ten annual payments, starting in 2019 for the first loan and 2025 for the second loan.

14 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, 2017	65,258,426	120,385
Stock options exercised	96,069	2,008
At December 31, 2017 and 2018	65,354,495	122,393

Subsequent to year end, the Company announced the TSX approved its intention to commence a normal course issuer bid. The bid permits the Company to acquire up to 4,506,324 of its common shares between January 29, 2019 and January 28, 2020. The Company has not repurchased any shares under this bid.

15 Revenue from Contracts with Customers

The disaggregated revenue from contracts with customers aligns with the revenue information as disclosed for each reportable segment in Note 24.

Revenue-related receivables, contract assets and liabilities

The Company has recognized revenue-related receivables, contract assets and liabilities in its consolidated statement of financial position. Accounts and other receivables and long-term receivables include $1,159,705 and $415,411, respectively, of receivables from contracts

with customers. Contract assets are insignificant to be disclosed separately. Accounts payable and accrued liabilities and provisions include $130,903 and $5,642, respectively, of liabilities from contracts with customers.

(i) Significant changes in contract liabilities

Contract liabilities have increased during the year from net increases in customer related discounts, rebates, productivity and deferred revenue primarily due to the business acquisition (Note 25).

(ii) Revenue recognized in relation to contract liabilities

Revenue recognized during the year that was included in the contract liability balance at the beginning of the period included $38,323.

(iii) Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to unsatisfied performance obligations as of the end of the year amounted to $158,193, of which $125,840 was attributable to customer owned asset contracts and $32,353 to engineering services contracts.

Management expects that $89,234 of the transaction price allocated to unsatisfied performance obligations will be recognized during the next year, $42,821 in 2020 and the remaining balance will be recognized in 2021. Unsatisfied performance obligations do not include variable consideration which is constrained.

16 Expenses by Nature

	Year Ended December 31 2018 $	Year Ended December 31 2017 $
Cost of materials	3,976,169	3,368,691
Employee benefits (Note 17)	1,719,379	1,452,699
Amortization (Notes 9, 10)	358,816	319,780
Other	770,706	678,155
	6,825,070	5,819,325

During 2018, the benefits of government grants recorded in the statements of earnings was $27,189 (2017 - $23,571). In all cases, repayment of government grants is contingent on employment related measures, investment related measures or both.

17 Employee Benefits

	Year Ended December 31 2018 $	Year Ended December 31 2017 $
Wages, salaries and commissions	1,336,749	1,145,917
Social charges and other personnel expenses	337,487	282,661
Termination benefits	14,012	2,946
Share-based compensation (Note 18)	3,422	2,290
Pension expenses under defined contribution plans	27,709	18,885
	1,719,379	1,452,699

18 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.

	2018 Number of options	2018 Weighted average exercise price $	2017 Number of options	2017 Weighted average exercise price $
At January 1	1,491,876	26.41	1,593,345	25.66
Granted	200,000	59.68	-	-
Exercised	-	-	(96,069)	14.70
Expired	-	-	(5,400)	14.70
At December 31	1,691,876	30.34	1,491,876	26.41
Vested at December 31	1,257,525	21.82	1,108,175	20.41

In 2018, the average share price, during the period the share options were exercised, was $nil (2017 – $65.52).

The following table is a summary of information about the stock options outstanding at December 31, 2018:

Year of Grant	Exercise Price	Number of options outstanding	Weighted average remaining life in years
2009	$12.89	600,000	0.7
2010	$19.32	491,876	1.7
2012	$21.59	50,000	4.0
2013	$41.11	50,000	5.0
2014	$66.63	100,000	5.9
2015	$73.52	100,000	6.9
2016	$50.14	100,000	7.9
2018	$73.96	100,000	9.0
2018	$45.40	100,000	10.0
		1,691,876	3.4

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 2018	Granted in 2018
Share option fair value (per share)	$41.99	$21.71
Risk free interest rate	2.15%	2.16%
Expected life (years)	10	10
Expected volatility	48.46%	41.44%
Dividend yield	0.73%	0.76%

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 options for common stock granted in 2017.

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

19 Other Income and (Expenses)

	Year Ended December 31 2018 $	Year Ended December 31 2017 $
Foreign exchange gain (loss)	22,719	(21,033)
Other income (expense)	1,622	1,772
	24,341	(19,261)

20 Finance Income and (Expenses)

	Year Ended December 31 2018 $	Year Ended December 31 2017 $
Finance costs	(68,451)	(29,394)
Foreign exchange (gain) loss on debt and derivatives	(2,269)	(987)
Interest earned	31,186	26,616
Other	(7,275)	(5,492)
	(46,809)	(9,257)

21 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 2018 $	Year Ended December 31 2017 $
Net earnings (loss)	591,481	549,370
Weighted average common shares	65,354,495	65,296,870
Incremental shares from assumed conversion of stock options	827,725	767,259
Adjusted weighted average common shares for diluted earnings per share	66,182,220	66,064,129
Net earnings (loss) per share:		
Basic	9.05	8.41
Diluted	8.94	8.32

22 Commitments

(i) Lease Commitments

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 13 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 8 years and require notice for termination of the agreements. The operating lease expenditure charged to earnings during the year ended December 31, 2018 was $31,713 (2017 - $20,362).

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

	December 31 2018 $
Not later than 1 year	23,345
Later than 1 year and not later than 5 years	39,941
Later than 5 years	22,861
	86,147

(ii) Other Commitments

As at December 31, 2018, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $262,226 (December 31, 2017 - $299,877). Of this amount $249,644 (December 31, 2017 - $293,911) relates to the purchase of manufacturing equipment and $12,582 (December 31, 2017 - $5,966) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

23 Related Party Transactions

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

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 2018 $	Year Ended December 31 2017 $
Compensation and short-term benefits	41,762	43,299
Share-based compensation	3,422	2,290
Total compensation	45,184	45,589

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.

24 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.

Transportation: The Transportation segment derives revenues primarily from the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle 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, telehandlers and agricultural equipment.

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 Transportation 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 23.3%, 10.7% and 6.7% of total revenue (2017 – 24.7%, 12.0 % and 7.6%).

The Company derives revenue from the transfer of goods and services at a point in time and over time in the following operating segments. These segments best depict how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows.

Operational Segments	Transportation $	Industrial $	Total 2018 $
Total revenue	5,780,943	1,893,434	
Inter-segment sales	46,650	7,145	
Sales to external customers	5,734,293	1,886,289	7,620,582
Costs of sales before amortization	4,665,212	1,365,052	6,030,264
Amortization	318,618	34,739	353,357
Selling, general and administration	277,278	164,171	441,449
Other income (expense)	525	23,816	24,341
Operating earnings (loss)	473,710	346,143	819,853
Share of net earnings (loss) of investments accounted for using the equity method			(13,493)
Finance income and (expenses)			(46,809)
Income taxes			168,070
Net earnings (loss)			591,481
Payments for property, plant and equipment	511,952	25,326	537,278
Total assets	5,348,180	2,785,241	8,133,421

Operational Segments	Transportation $	Industrial $	Total 2017 $
Total revenue	5,476,572	1,118,582	
Inter-segment sales	46,602	2,094	
Sales to external customers	5,429,970	1,116,488	6,546,458
Costs of sales before amortization	4,303,728	848,480	5,152,208
Amortization	307,303	7,651	314,954
Selling, general and administration	265,470	86,693	352,163
Other income (expense)	(7,962)	(11,299)	(19,261)
Operating earnings (loss)	545,507	162,365	707,872
Share of net earnings (loss) of investments accounted for using the equity method			(6,057)
Finance income and (expenses)			(9,257)
Income taxes			143,188
Net earnings (loss)			549,370
Payments for property, plant and equipment	397,150	12,882	410,032
Total assets	4,969,411	881,812	5,851,223

The Company operates in four geographic segments – Canada, Rest of North America, Asia Pacific and Europe.

Geographic Segments	Canada	Rest of North America	Asia Pacific	Europe	Total 2018
	$	$	$	$	$
Total sales	4,160,551	995,341	439,825	2,554,975	
Inter-segment sales	325,749	151,903	15,784	36,674	
Sales to external customers	3,834,802	843,438	424,041	2,518,301	7,620,582
Goodwill	401,265	-	-	490,553	891,818
Intangible assets	615,953	14,174	121	270,323	900,571
Property, plant and equipment	933,024	468,112	209,817	1,043,583	2,654,536

Geographic Segments	Canada	Rest of North America	Asia Pacific	Europe	Total 2017
	$	$	$	$	$
Total sales	3,264,128	881,441	364,789	2,373,265	
Inter-segment sales	222,891	79,127	15,063	20,084	
Sales to external customers	3,041,237	802,314	349,726	2,353,181	6,546,458
Goodwill	12,983	-	-	472,627	485,610
Intangible assets	7,744	3,549	545	275,989	287,827
Property, plant and equipment	694,584	364,931	177,429	972,940	2,209,884

Net earnings (loss) before income taxes reconciles to earnings before interest, taxes and amortization (“EBITDA”) as follows:

	2018	2017
	$	$
Net earnings (loss) before income taxes	759,551	692,558
Amortization of property, plant and equipment	319,982	293,961
Amortization of other intangible assets	38,834	25,819
Property, plant and equipment impairment provision, net of reversals	(1,056)	(6,160)
Finance costs	68,451	29,394
Other interest	1,092	1,038
EBITDA	1,186,854	1,036,610
Transportation	786,432	853,167
Industrial	400,422	183,443
	1,186,854	1,036,610

25 Business Acquisitions

MacDon Group of Companies

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of Moray Marketing Ltd., parent company of MacDon and its Group of Companies (“MacDon”) for a purchase price of $1,299,475 comprised of $1,224,475 in cash consideration and an assumed liability of $75,000. The liability was immediately extinguished using a portion of the acquired cash of MacDon. The purchase price of $1,299,475 includes cash acquired for a net acquisition cash impact of $1,175,939. Headquartered in Winnipeg, Manitoba, Canada, MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

Recognized fair value amounts of identifiable assets acquired and liabilities assumed on February 1, 2018:

	$
Cash and cash equivalents	123,536
Accounts receivable	114,234
Inventories	168,328
Income taxes recoverable	28
Other current assets	2,665
Property, plant and equipment	135,617
Intangibles	620,000
Deferred tax assets	6,163
Goodwill	388,806
Total assets acquired	1,559,377
Accounts payable and accrued liabilities	127,150
Provisions	7,070
Income taxes payable	4,772
Long-term debt	142
Deferred tax liabilities	120,768
Total liabilities assumed	259,902
Net identifiable assets acquired	1,299,475

The goodwill is attributable to expanding the Company's capabilities and further diversifies the Company's end markets. The acquisition positions the Company as a global agricultural equipment manufacturer. The goodwill arising from this acquisition is not deductible for tax purposes.

The sales included in the consolidated statement of earnings from February 2, 2018 to December 31, 2018 contributed by MacDon were $590,909. MacDon also contributed net earnings of $116,252 over the same period. If the acquisition had occurred on January 1, 2018, consolidated pro-forma sales and net earnings for the period ended December 31, 2018 would have been $7,678,032 and $598,782 respectively. These amounts have been calculated using MacDon'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, 2018, together with the consequential tax effects.

26 Supplemental Cash Flow Information

	Year Ended December 31 2018	Year Ended December 31 2017
	$	$
Interest paid	74,852	34,836
Interest received	31,319	26,616
Finance income received	7,144	-
Taxes paid (received) - net	142,989	176,376

Net Debt Reconciliation of Liabilities Arising from Financing Activities

	Cash and cash equivalents	Short-term borrowings and Long-term debt	Net debt	Derivative financial instruments Asset (Liability)	Total
	$	$	$	$	$
At January 1, 2017	404,966	(1,433,164)	(1,028,198)	82,038	(946,160)
Cash flows	38,001	172,509	210,510	(39,689)	170,821
Effect of cumulative translation adjustment	(3,903)	(5,904)	(9,807)	-	(9,807)
Effect of foreign exchange adjustments	-	19,440	19,440	(17,875)	1,565
Amount recognized in other comprehensive earnings	-	(56,457)	(56,457)	505	(55,952)
Other changes	-	(485)	(485)	2,208	1,723
At December 31, 2017	439,064	(1,304,061)	(864,997)	27,187	(837,810)
Cash flows	18,352	(1,120,942)	(1,102,590)	-	(1,102,590)
Effect of cumulative translation adjustment	14,559	(829)	13,730	-	13,730
Effect of foreign exchange adjustments	-	(47,040)	(47,040)	50,195	3,155
Amount recognized in other comprehensive earnings	-	(17,864)	(17,864)	(22,684)	(40,548)
Business acquisition, net of cash acquired (Note 25)	-	(142)	(142)	-	(142)
Other changes	-	2,390	2,390	697	3,087
At December 31, 2018	471,975	(2,488,488)	(2,016,513)	55,395	(1,961,118)

The table above details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's consolidated statement of cash flows as cash flows from financing activities. This also applies to derivative financial instruments held to hedge liabilities arising from financing activities. The Company is also presenting cash and cash equivalents to reflect net debt.

27 Financial Instruments

(i) Accounts Payable and Accrued Liabilities

	December 31 2018	December 31 2017
	$	$
Accounts payable	912,023	782,438
Accrued liabilities	483,158	394,450
Deferred revenues	76,266	38,915
	1,471,447	1,215,803

(ii) 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, 2018		December 31, 2017	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	516,786	522,372	407,790	413,064
Derivative financial instruments (iii):					
USD interest payment forward contracts	Fair value (Level 2)	5,724	5,724	5,077	5,077
USD debt principal forward contracts	Fair value (Level 2)	34,820	34,820	22,110	22,110
USD cross currency interest rate swap	Fair value (Level 2)	30,733	30,733	-	-
EUR cross currency interest rate swap	Fair value (Level 2)	(15,882)	(15,882)	-	-
Long-term debt designated as net investment hedge (Note 13)	Amortized cost (Level 2)	-	-	(925,883)	(847,296)
Long-term debt, other (Note 13)	Amortized cost (Level 2)	(2,471,510)	(2,399,915)	(369,342)	(357,801)

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.

(iii) Derivative Financial Instruments Including Hedge Accounting

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

	Hedging reserves				Other comprehensive earnings		
	Carrying value $	Cost of hedging reserve $	Total $	Notional Hedge Value	Unrealized gain/(loss) recognized $	Gain/(loss) reclassified to finance expense $	Change in cost of hedging $
a) USD interest payment forward contracts	3,801	-	3,801	18,876 USD	448	-	-
b) USD debt principal forward contracts	(1,698)	(3,073)	(4,771)	130,000 USD	14,118	(14,313)	(616)
c) USD cross currency interest rate swap contract	(1,640)	(2,306)	(3,946)	716,044 USD	30,581	(32,768)	(3,074)
d) EUR cross currency interest rate swap contract	581	(437)	144	615,000 EUR	(16,478)	-	(582)
e) Long-term debt designated as net investment hedge	-	-	-		(17,864)	-	-
Year ended December 31, 2018	1,044	(5,816)	(4,772)		10,805	(47,081)	(4,272)

	Hedging reserve				Other comprehensive earnings		
	Carrying value $	Cost of hedging reserve $	Total $	Notional Hedge Value	Unrealized gain/(loss) recognized $	Gain/(loss) reclassified to finance expense $	Change in cost of hedging $
a) USD interest payment forward contracts	3,466	-	3,466	25,168 USD	(4,770)	-	-
b) USD debt principal forward contracts	(4,164)	-	(4,164)	130,000 USD	(12,600)	17,875	-
e) Long-term debt designated as net investment hedge					(56,457)	-	-
Year ended December 31, 2017	(698)	-	(698)		(73,827)	17,875	-

There was no ineffectiveness in any of the hedge relationships in 2018 or 2017.

a) USD 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. The derivatives are denominated in the same currency and notional amount as the coupon components of the Notes, therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

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 had been designated as cash flow hedges for accounting purposes and matured during 2017 when the 2017 Notes matured and were repaid.

Further terms of the forward exchange contracts are disclosed in Note 13(i).

b) USD 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. As the contract has been designated as a cash flow hedge for accounting purposes for the spot component only, the change in the forward element (the excluded component) of the contract is recognized within other comprehensive earnings in the costs of hedging reserve within equity and is amortized to net earnings in finance costs as an additional cost on a systematic basis. Effective January 1, 2018, the Company has adopted IFRS 9 Financial Instruments as issued in July 2014. In accordance with the transitional provisions in the standard, the comparative 2017 figures have not been restated (Note 4).

The derivatives are denominated in the same currency and notional amount as the principal repayment of the Notes, therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

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 had been designated as cash flow hedges for accounting purposes and matured during 2017 when the 2017 Notes matured and were repaid.

Further terms of the long-dated foreign exchange forward contracts are disclosed in Note 13(i).

c) USD Cross Currency Interest Rate Swap Contract

In 2018, the Company converted EUR 615 million of borrowings to USD $716 million borrowings under the credit facility. The USD borrowings are under a non-revolving facility due in 2021 and a revolving facility due in 2023 (Note 13(ii)). Simultaneously, the Company entered into a cross currency interest rate swap contract to buy Canadian dollar ("CAD") interest and principal amounts in exchange for USD interest and principal amounts. The contract effectively locks in the exchange rate on the interest and principal repayments of the USD borrowings and to hedge the effective changes in exchange rates. The contract also locks in the interest payments on the USD borrowings from monthly LIBOR floating interest rates to a CAD fixed interest rate. The maturity of the swap contract corresponds to the due date of the non-revolving portion of the USD borrowings, however both the revolving and non-revolving portions of the USD $716 million borrowings are part of the hedging strategy. The swap contract has been designated as a cash flow

hedges for accounting purposes. The derivative is denominated in the same currency as the principal repayment of the USD $716 million borrowings, therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

d) EUR Cross Currency Interest Rate Swap Contract

In 2018, the Company entered into a second cross currency interest rate swap contract to buy EUR interest and principal amounts in exchange for CAD interest and principal amounts. The contract will hedge the effective change in exchange rates on net investments in EUR foreign operations. The change in the forward element (the excluded component) of the swap contract is recognized within other comprehensive earnings in the costs of hedging reserve within equity and is amortized to net earnings in finance costs as an additional cost on a systematic basis. The swap contract has been designated as a net investment for accounting purposes for the spot component only. The Company entered into this swap contract having similar critical terms as the EUR net investment hedged item, such as currency and notional amount, therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

e) Long-term Debt Designated as Net Investment Hedge

In 2016, EUR denominated debt used to purchase the net assets of Montupet S.A. was designated as a net investment hedge in this foreign entity. The hedge ratio remained on a one to one basis until the hedge was discontinued during 2018. At the time that the EUR denominated debt was converted to USD and a new hedge arrangement was entered into (see c) and d) above). The cumulative foreign exchange impacts since the inception of the debt is now locked into other comprehensive income and will remain until the Montupet S.A. net assets are eventually sold (or partially sold). As all critical terms matched during the period, the economic relationship was 100% effective.

Further terms of the EUR denominated debt are disclosed in Note 13(ii).

(iv) 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. In order to minimize the adverse effects on the financial performance of the Company, foreign exchange forward contracts and certain portions of its foreign denominated long-term debt may be used to hedge certain foreign currency risk exposures to reduce the uncertainty from foreign currency transactions and functional currency translations.

Approximate Foreign Exchange Exposure as related to the following currencies:

	December 31 2018 %	December 31 2017 %
USD activity	52.9	79.0
EUR activity	35.9	13.4
British pound activity	8.4	4.4
Mexican peso activity	0.2	0.2

The Company has foreign operations with the following functional currencies that differ from the parent: Hungarian forint, Mexican peso, USD, 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 2018	December 31 2017	December 31 2018	December 31 2017
	$	$	$	$
USD	3,470	5,919	965	1,521
EUR	1,522	1,008	(923)	(46,294)
British pound	355	330	-	-
Mexican peso	2,372	(16)	-	-

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 or cross currency 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 with or 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, 2018, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $4,974 (2017 - $3,967).

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, 2018, the Company's revolving bank facilities had available credit of $721,773. The revolving facilities mature in 2023.

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. 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, 2018	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	1,471,447	-	-	1,471,447
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	33,913	27,651	2,476,001	2,537,565
	1,505,360	27,651	2,476,001	4,009,012

As at December 31, 2017	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	1,215,803	-	-	1,215,803
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	29,172	26,605	1,290,194	1,345,971
	1,244,975	26,605	1,290,194	2,561,774

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. 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 investment grade credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

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, 2018, the receivables from the Company's three largest customers amounted to 20.5%, 14.3% and 3.1% (December 31, 2017 – 16.6%, 8.8%, and 3.2%) of total receivables.

The following represents the weighted-average expected credit loss rate of the Company's accounts and other receivables and long-term receivables. For credit risk management, the Company assesses the age of past due receivables to determine if credit risk has increased significantly. The aging of receivables is as follows:

		December 31 2018		December 31 2017
	Accounts and other receivables $	Long-term receivables $	Accounts and other receivables $	Long-term receivables $
Current	943,629	519,052	867,691	407,888
Past due 1-30 days	224,290	2,160	151,744	515
Past due 31-60 days	35,158	322	29,814	38
Past due 61-90 days	14,271	8	7,799	13
Past due >91 days	73,777	66	31,001	341
Gross carrying amount	1,291,125	521,608	1,088,049	408,795
Loss allowance provision	5,319	4,822	4,727	1,005
	1,285,806	516,786	1,083,322	407,790
Expected loss rate	0.4%	0.9%	0.4%	0.2%

With the adoption of IFRS 9 on January 1, 2018, the Company applied the simplified approach, as defined in IFRS, to providing for expected credit losses for accounts and other receivables and long-term receivables which resulted in an increase in the loss allowance of these financial assets by $759 and $4,063 (Note 4).

The above gross carrying amounts represent the maximum exposure to credit risk without taking into consideration any collateral held or other credit enhancements. This is mitigated as the Company may hold a security interest in the underlying asset until the balance is fully settled by the customer resulting in a reduced actual exposure. There have been no significant changes in the quality of collateral held.

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.

28 Comparative Figures

On January 1, 2018, the Company adopted a change in the presentation and classification with respect to cash flow impacts from long-term receivables in the Statement of Cash Flows to include effects within operating activities rather than the financing activities. The Company has determined that such a change in presentation results in the Statement of Cash Flows providing more relevant and appropriate information.

ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will take place in May 2019:

Date: May 30, 2019
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

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

Brad Boehler
President, Skyjack Inc.

Ken McDougall
Group President, Linamar Machining & Assembly, Americas

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 & Registrar

PricewaterhouseCoopers LLP, Chartered Accountants, Kitchener, 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.