Linamar Delivers Strong Quarter of Double Digit Earnings Growth and Second Major E-Axle Win Capping Off a Record Year in Sales, Earnings and New Business Wins

March 7, 2018, Guelph, Ontario, Canada (TSX: LNR)

- Sales increased 14.5% in the quarter over 2016, taking 2017 to a record $6.5 billion;
- Net Earnings before unusual items and foreign exchange impacts increased 11.8% in the quarter over 2016 taking 2017 to a record $551.5 million;
- A second major e-axle win of peak volume 550,000 per year was secured;
- Continued business wins maintains strong launch book at over $4.3 billion;
- Double digit content per vehicle growth in every region globally;
- Powertrain/Driveline segment sales up 11.1% and operating earnings normalized for foreign exchange[1] up 13.4% despite flat global markets and declines in the North American Market driven by launches; and
- Industrial segment sales up 43.9% and operating earnings normalized for foreign exchange up 32.5%, roughly doubling global markets thanks to market share gains in every product segment on a global basis.

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
(in millions of dollars, except earnings per share figures)	$	$	$	$
Sales	1,574.5	1,374.8	6,546.5	6,005.6
Operating Earnings (Loss)				
Powertrain/Driveline	129.4	122.4	545.5	551.6
Industrial	28.8	24.6	162.4	145.2
Operating Earnings (Loss)[1]	158.2	147.0	707.9	696.8
Net Earnings (Loss)	135.1	116.1	549.4	522.1
Net Earnings (Loss) per Share – Diluted	2.04	1.76	8.32	7.92
Net Earnings (Loss)	135.1	116.1	549.4	522.1
Unusual Item	(15.1)	-	(15.1)	-
Net Earnings (Loss) – Adjusted[1]	120.0	116.1	534.3	522.1
Net Earnings (Loss) per Share – Diluted – Adjusted[1]	1.81	1.76	8.09	7.92

Operating Highlights

Sales for the fourth quarter of 2017 (“Q4 2017”) were $1,574.5 million, up $199.7 million from $1,374.8 million in Q4 2016.

Sales for the Powertrain/Driveline segment (“Powertrain/Driveline”) increased by $136.2 million, or 11.1% in Q4 2017 compared with Q4 2016. The sales increase in Q4 2017 was impacted by:

- additional sales from launching programs in Europe and North America;
- increased volumes from our light vehicle automotive customers in North America, Europe and Asia; and
- additional sales from our on- and off-highway vehicle customers; partially offset by
- an unfavourable impact on sales from the changes in foreign exchange rates.

The Industrial segment (“Industrial”) product sales increased 43.9%, or $63.5 million, to $208.2 million in Q4 2017 from Q4 2016. The sales increase was due to:

- strong market share gains and increased volumes for booms in North America, Europe and Asia;
- strong market share gains and increased volumes for telehandlers in North America; and
- market share gains in scissors in North America and Europe; partially offset by
- unfavourable changes in foreign exchange rates.

The Company’s operating earnings for Q4 2017 were $158.2 million. This compares to $147.0 million in Q4 2016, an increase of $11.2 million.

Q4 2017 operating earnings for Powertrain/Driveline were higher by $7.0 million or 5.7% over Q4 2016. The Powertrain/Driveline segment’s earnings were impacted by the following:

- production volumes increasing on launching programs in Europe and North America;

[1] Net Earnings (Loss) – Adjusted, Net Earnings (Loss) per Share – Diluted – Adjusted and operating earnings normalized for foreign exchange are Non-GAAP measures used to provide useful information to readers to asses the financial performance and financial condition of the Company. These 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 should not be construed as an alternative to other financial measures determined in accordance with GAAP. Net Earnings (Loss) – Adjusted and Net Earnings (Loss) per Share – Diluted – Adjusted are being adjusted for 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. Operating earnings normalized for foreign exchange are adjusted from operating earnings by segment for the foreign exchange impact from the revaluation of the operating balances. For more information refer to the section entitled “Non-GAAP and Additional GAAP Measures” in the Company’s separately released MD&A.

- increased volumes from our light vehicle automotive customers in North America, Europe and Asia; and
- on- and off-highway vehicle volume increases; partially offset by
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q4 2017 in comparison to a favourable impact in Q4 2016;
- an unfavourable impact on underlying transactions within operating earnings from the changes in foreign exchange rates; and
- increased management and sales costs supporting growth.

Industrial segment operating earnings in Q4 2017 were higher by $4.2 million, or 17.1% from Q4 2016. The Industrial operating earnings results were predominantly driven by:

- net increase in volumes; partially offset by
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q4 2017 in comparison to a favourable impact in Q4 2016;
- an unfavourable impact on underlying transactions within operating earnings from the changes in foreign exchange rates;
- lower margins as a result of changes in customer and product mix favouring new launching products with lower margins; and
- increased management and sales costs supporting growth.

"We are thrilled with another quarter of excellent top and bottom line growth despite soft markets driving us to another record year in both sales and earnings," said Linamar CEO Linda Hasenfratz. "Securing a second major e-axle program win is strategically key to helping us to build strong content in electric vehicles for the future and caps off a record year overall for new business wins for us. Strong cash flow completed the trifecta of solid performance, excellent outlook and the cash to invest in our future."

Dividends

The Board of Directors today declared an eligible dividend in respect to the quarter ended December 31, 2017 of CDN$0.12 per share on the common shares of the Company, payable on or after April 17, 2018 to shareholders of record on April 3, 2018.

Forward Looking Information, Risk and Uncertainties

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

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

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

Conference Call Information

Q4 2017 Conference Call Information
Linamar will hold a conference call on March 7, 2018 at 5:00 p.m. EST to discuss its fourth quarter/year-end results. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. The numbers for this call are (647) 427-3383 (local/overseas) or (888) 424-9894 (North America) conference ID 7089827, with a call-in required 10 minutes prior to the start of the conference call. We will also webcast the conference call at www.linamar.com. A copy of the Company's quarterly/year-end financial statements, including the Management's Discussion & Analysis will be available on the Company's website after 4 p.m. EST on March 7, 2018 and at www.sedar.com by the start of business on March 8, 2018. A taped replay of the conference call will also be made available starting at 8:00 p.m. on March 7, 2018 for ten days. The number for replay is (855) 859-2056, Conference ID 7089827.

Q1 2018 Conference Call Information
Linamar will release its Q1 2018 earnings on May 15, 2018. Information regarding this call will be posted on our website closer to the date.

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The Company is made up of 2 operating segments – the Powertrain/Driveline segment and the Industrial segment, which are further divided into 5 operating groups – Machining & Assembly, Light Metal Casting, Forging, Skyjack and Agriculture, all world leaders in the design, development and production of highly engineered products. 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. 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. Linamar has more than 28,600 employees in 60 manufacturing locations, 8 R&D centers and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of $6.5 billion in 2017. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com or follow us on Twitter at @LinamarCorp.

* * * * * * * * * * * * *

For further information regarding this release please contact Linda Hasenfratz at (519) 836-7550.

Guelph, Ontario
March 7, 2018

LINAMAR CORPORATION
Management's Discussion and Analysis
For the Quarter Ended December 31, 2017

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the year ended December 31, 2017. This MD&A has been prepared as at March 7, 2018. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

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

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The Company is made up of 2 operating segments – the Powertrain/Driveline segment and the Industrial segment, which are further divided into 5 operating groups – Machining & Assembly, Light Metal Casting, Forging, Skyjack and Agriculture, all world leaders in the design, development and production of highly engineered products. 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. 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. Linamar has more than 28,600 employees in 60 manufacturing locations, 8 R&D centers and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of $6.5 billion in 2017. 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 2017 and 2016:

				Three Months Ended December 31				Twelve Months Ended December 31
(in millions of dollars, except content per vehicle figures)	2017 $	2016 $	+/- $	+/- %	2017 $	2016 $	+/- $	+/- %
Sales	1,574.5	1,374.8	199.7	14.5%	6,546.5	6,005.6	540.9	9.0%
Gross Margin	251.7	221.0	30.7	13.9%	1,079.3	1,002.6	76.7	7.7%
Operating Earnings (Loss)[1]	158.2	147.0	11.2	7.6%	707.9	696.8	11.1	1.6%
Attributable to Shareholders of the Company:								
Net Earnings (Loss)	135.1	116.1	19.0	16.4%	549.4	522.1	27.3	5.2%
Net Earnings (Loss) per Share – Diluted	2.04	1.76	0.28	15.9%	8.32	7.92	0.40	5.1%
Net Earnings (Loss)	135.1	116.1	19.0	16.4%	549.4	522.1	27.3	5.2%
Unusual item	(15.1)	-	(15.1)		(15.1)	-	(15.1)	
Net Earnings (Loss) – Adjusted[1]	120.0	116.1	3.9	3.4%	534.3	522.1	12.2	2.3%
Net Earnings (Loss) per Share – Diluted – Adjusted[1]	1.81	1.76	0.05	2.8%	8.09	7.92	0.17	2.1%
Content per Vehicle – North America	157.58	143.26	14.32	10.0%	159.07	153.82	5.25	3.4%
Content per Vehicle – Europe	69.93	62.42	7.51	12.0%	69.62	63.60	6.02	9.5%
Content per Vehicle – Asia Pacific	9.48	8.56	0.92	10.7%	9.66	8.32	1.34	16.1%

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

The 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.

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

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

			Three Months Ended December 31 2017			Three Months Ended December 31 2016
(in millions of dollars)	Powertrain /Driveline $	Industrial $	Linamar $	Powertrain /Driveline $	Industrial $	Linamar $
Sales	1,366.3	208.2	1,574.5	1,230.1	144.7	1,374.8
Operating Earnings (Loss)	129.4	28.8	158.2	122.4	24.6	147.0

			Twelve Months Ended December 31 2017			Twelve Months Ended December 31 2016
(in millions of dollars)	Powertrain /Driveline $	Industrial $	Linamar $	Powertrain /Driveline $	Industrial $	Linamar $
Sales	5,430.0	1,116.5	6,546.5	5,139.2	866.4	6,005.6
Operating Earnings (Loss)	545.5	162.4	707.9	551.6	145.2	696.8

Powertrain/Driveline Highlights

				Three Months Ended December 31				Twelve Months Ended December 30
	2017	2016	+/-	+/-	2017	2016	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	1,366.3	1,230.1	136.2	11.1%	5,430.0	5,139.2	290.8	5.7%
Operating Earnings (Loss)	129.4	122.4	7.0	5.7%	545.5	551.6	(6.1)	(1.1%)

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by $136.2 million, or 11.1% in Q4 2017 compared with Q4 2016. The sales increase in Q4 2017 was impacted by:

- additional sales from launching programs in Europe and North America;
- increased volumes from our light vehicle automotive customers in North America, Europe and Asia; and
- additional sales from our on- and off-highway vehicle customers; partially offset by
- an unfavourable impact on sales from the changes in foreign exchange rates.

The 2017 sales for Powertrain/Driveline increased by $290.8 million, or 5.7% compared with 2016. The factors that impacted Q4 2017 primarily impacted the 2017 results in addition to increased annual sales from launching programs in Asia.

Q4 2017 operating earnings for Powertrain/Driveline were higher by $7.0 million or 5.7% over Q4 2016. The Powertrain/Driveline segment's earnings were impacted by the following:

- production volumes increasing on launching programs in Europe and North America;
- increased volumes from our light vehicle automotive customers in North America, Europe and Asia; and
- on- and off-highway vehicle volume increases; partially offset by
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q4 2017 in comparison to a favourable impact in Q4 2016;
- an unfavourable impact on underlying transactions within operating earnings from the changes in foreign exchange rates; and
- increased management and sales costs supporting growth.

The 2017 operating earnings decreased by $6.1 million, or 1.1% compared with 2016. The factors that impacted Q4 2017 primarily impacted the full year results.

Industrial Highlights

(in millions of dollars)	Three Months Ended December 31 2017 $	2016 $	+/- $	+/- %	Twelve Months Ended December 31 2017 $	2016 $	+/- $	+/- %
Sales	208.2	144.7	63.5	43.9%	1,116.5	866.4	250.1	28.9%
Operating Earnings (Loss)	28.8	24.6	4.2	17.1%	162.4	145.2	17.2	11.8%

The Industrial segment ("Industrial") product sales increased 43.9%, or $63.5 million, to $208.2 million in Q4 2017 from Q4 2016. The sales increase was due to:

- strong market share gains and increased volumes for booms in North America, Europe and Asia;
- strong market share gains and increased volumes for telehandlers in North America; and
- market share gains in scissors in North America and Europe; partially offset by
- unfavourable changes in foreign exchange rates.

The 2017 sales for Industrial increased by $250.1 million, or 28.9% compared with 2016. The factors that impacted Q4 2017 primarily impacted the annual results in addition to 2017 market share gains in scissors in Asia.

Industrial segment operating earnings in Q4 2017 were higher by $4.2 million, or 17.1% from Q4 2016. The Industrial operating earnings results were predominantly driven by:

- net increase in volumes; partially offset by
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q4 2017 in comparison to a favourable impact in Q4 2016;
- an unfavourable impact on underlying transactions within operating earnings from the changes in foreign exchange rates;
- lower margins as a result of changes in customer and product mix favouring new launching products with lower margins; and
- increased management and sales costs supporting growth.

The 2017 operating earnings for Industrial increased by $17.2 million, or 11.8% compared with 2016. The factors that impacted Q4 2017 primarily impacted the annual results.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE[1]

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

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

	Three Months Ended December 31				Twelve Months Ended December 31			
North America	2017	2016	+/-	%	2017	2016	+/-	%
Vehicle Production Units [2]	4.28	4.49	(0.21)	(4.7%)	17.58	18.30	(0.72)	(3.9%)
Automotive Sales [1]	$ 675.2	$ 643.9	$ 31.3	4.9%	$ 2,797.3	$ 2,815.3	$ (18.0)	(0.6%)
Content Per Vehicle [1]	$ 157.58	$ 143.26	$ 14.32	10.0%	$ 159.07	$ 153.82	$ 5.25	3.4%
Europe								
Vehicle Production Units	5.80	5.33	0.47	8.8%	22.33	21.49	0.84	3.9%
Automotive Sales	$ 405.4	$ 332.8	$ 72.6	21.8%	$ 1,554.6	$ 1,366.7	$ 187.9	13.7%
Content Per Vehicle	$ 69.93	$ 62.42	$ 7.51	12.0%	$ 69.62	$ 63.60	$ 6.02	9.5%
Asia Pacific								
Vehicle Production Units	13.83	13.58	0.25	1.8%	49.96	48.26	1.70	3.5%
Automotive Sales	$ 131.2	$ 116.2	$ 15.0	12.9%	$ 482.7	$ 401.5	$ 81.2	20.2%
Content Per Vehicle	$ 9.48	$ 8.56	$ 0.92	10.7%	$ 9.66	$ 8.32	$ 1.34	16.1%

North American automotive sales for Q4 2017 increased 4.9% from Q4 2016 in a market that saw a decrease of 4.7% in production volumes for the same period. As a result, CPV in Q4 2017 increased 10.0% from $143.26 to $157.58. The increase in North American CPV was a result of increased volumes over market production for OEM's that the company has significant business with, increases on launching programs, as well as increases in volumes from our on and off highway commercial vehicle customers.

European automotive sales for Q4 2017 increased 21.8% from Q4 2016 in a market that saw an increase of 8.8% in production volumes for the same period. As a result, CPV in Q4 2017 increased 12.0% from $62.42 to $69.93. The increase in European CPV was a result of increases on launching programs and increases in volumes over market production from our light vehicle customers.

Asia Pacific automotive sales for Q4 2017 increased 12.9% from Q4 2016 in a market that saw an increase of 1.8% in production volumes for the same period. As a result, CPV in Q4 2017 increased 10.7% from $8.56 to $9.48. The increase in Asian CPV was a result of increases on launching programs in North America that have Asian CPV, as well as an increases in volumes over market production for OEM's that the company has significant business with.

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

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

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended December 31 2017	Three Months Ended December 31 2016	Twelve Months Ended December 31 2017	Twelve Months Ended December 31 2016
Sales	$ 1,574.5	$ 1,374.8	$ 6,546.5	$ 6,005.6
Cost of Sales before Amortization	1,248.9	1,075.0	5,152.2	4,672.0
Amortization	73.9	78.8	315.0	331.0
Cost of Sales	1,322.8	1,153.8	5,467.2	5,003.0
Gross Margin	$ 251.7	$ 221.0	$ 1,079.3	$ 1,002.6
Gross Margin Percentage	16.0%	16.1%	16.5%	16.7%

Gross margin percentage remained relatively flat at 16.0% in Q4 2017 from 16.1% in Q4 2016. Cost of sales before amortization as a percentage of sales increased in Q4 2017 to 79.3% compared to 78.2% for the same quarter of last year. The increase in gross margin between Q4 2017 and Q4 2016 is a result of the items discussed earlier in this analysis such as:

- increased earnings as a result of increased volumes in both segments; partially offset by
- an unfavourable impact on underlying transactions within operating earnings from the changes in foreign exchange rates; and
- lower Industrial margins as a result of changes in customer and product mix favouring new launching products with lower margins.

Q4 2017 amortization decreased to $73.9 million from $78.8 million in Q4 2016. Amortization as a percentage of sales decreased to 4.7% of sales as compared to 5.7% in Q4 2016.

2017 gross margin percentage decreased to 16.5% from 16.7% in the same period of 2016. The increase in the 2017 gross margin was a result of the factors that primarily impacted Q4 2017. Amortization as a percentage of sales decreased to 4.8% of sales as compared to 5.5% in 2016.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31 2017	Three Months Ended December 31 2016	Twelve Months Ended December 31 2017	Twelve Months Ended December 31 2016
Selling, general and administrative	$ 91.6	$ 82.8	$ 352.1	$ 325.4
SG&A Percentage	5.8%	6.0%	5.4%	5.4%

Selling, general and administrative ("SG&A") costs increased to $91.6 million from $82.8 million in Q4 2016, but decreased as a percentage of sales to 5.8% from 6.0% when compared to Q4 2016. The increase in SG&A costs was primarily driven by:

- additional management and sales costs supporting growth; and
- transaction expenses related to the acquisition of MacDon.

On an annual basis, SG&A costs reflected a similar pattern of higher dollar costs due to investments made to support launches, future growth and new facilities, but remained flat as a percentage of sales at 5.4% when compared to Q4 2016.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended December 31 2017 $	Three Months Ended December 31 2016 $	Twelve Months Ended December 31 2017 $	Twelve Months Ended December 31 2016 $
Operating Earnings (Loss)	158.2	147.0	707.9	696.8
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(1.9)	(1.4)	(6.0)	(3.0)
Finance Expenses	2.7	3.9	9.3	21.1
Provision for (Recovery of) Income Taxes	18.5	25.6	143.2	150.2
Net Earnings (Loss)	135.1	116.1	549.4	522.5
Net Earnings (Loss) Attributable to:				
Shareholders of the Company	135.1	116.1	549.4	522.1
Non-Controlling Interests	-	-	-	0.4

Finance Expenses
Finance expenses decreased $1.2 million in Q4 2017 from Q4 2016 to $2.7 million due to:

- higher interest earned on the long-term receivables and the investment of excess cash balances;
- repayment of private placement debt in Q3 2017 which has been replaced with floating rate debt with lower interest rates;
- repayment of short term floating rate debt; partially offset by
- higher interest rates due to the Bank of Canada rate hikes in Q3 2017.

The 2017 finance expenses decreased $11.8 million compared to 2016 at $21.1 million due to:

- higher interest earned on the long-term receivables and the investment of excess cash balances;
- repayment of private placement debt in Q3 2017 which has been replaced with floating debt with lower interest rates;
- repayment of short term floating rate debt during the year;
- a lower borrowing spread due to an improvement in the covenant ratio in Q3 2016; partially offset by
- higher interest rates due to the Bank of Canada rate hikes in Q3 2017.

The consolidated effective interest rate for Q4 2017 increased to 2.4% (2.2% for the full year of 2017) compared to 2.0% in Q4 2016 (2.1% for the full year of 2016). The effective rate was higher in 2017 compared to 2016 as a result of the Bank of Canada rate hikes in Q3 2017.

Provision for Income Taxes
The effective tax rate for Q4 2017 was 12.1%, a decrease from the 18.1% rate in the same quarter of 2016. The effective tax rate in Q4 2017 was:

- reduced due to the impact of a future reduction in foreign tax rates on deferred tax liabilities, primarily in the United States and France;
- decreased based on a more favourable mix of foreign tax rates in Q4 2017 compared to Q4 2016; partially offset by
- an increase due to adjustments recognized in Q4 2016 regarding tax recoveries from prior years which did not recur in Q4 2017.

The effective tax rate for 2017 was 20.7%, a decrease from the 22.3% rate in 2016. The 2017 effective tax rate was reduced due to the same factors as the quarter. The annual effective tax rate was additionally impacted by a decrease due to non-deductible expenses incurred in 2016 that did not recur in 2017.

TOTAL EQUITY

Book value per share[1] increased to $47.63 per share at December 31, 2017 as compared to $39.69 per share at December 31, 2016.

During the quarter 5,400 options expired unexercised, no options were forfeited and 23,400 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 7, 2018. The Company's common shares constitute its only class of voting securities. As of March 7, 2018, there were 1,491,876 options to acquire common shares outstanding and 4,250,000 options still available to be granted under the Company's share option plan.

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

SELECTED FINANCIAL INFORMATION

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2017, 2016 and 2015. 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)	2017 $	2016 $	2015 $
Sales	6,546.5	6,005.6	5,162.4
Net Earnings (Loss) Attributable to Shareholders of the Company	549.4	522.1	436.7
Unusual Item	(15.1)	-	-
Net Earnings (Loss) Attributable to Shareholders of the Company - Adjusted	534.3	522.1	436.7
Total Assets	5,851.2	5,227.2	3,799.9
Total Long-term Liabilities	1,442.4	1,370.6	615.1
Cash Dividends declared per share	0.48	0.40	0.40
Net Earnings (Loss) per Share Attributable to Shareholders of the Company:			
Basic	8.41	8.01	6.71
Diluted	8.32	7.92	6.63

The 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.

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

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2016 through December 31, 2017. 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 2017 $	Sep 30 2017 $	Jun 30 2017 $	Mar 31 2017 $	Dec 31 2016 $	Sep 30 2016 $	Jun 30 2016 $	Mar 31 2016 $
Sales	1,574.5	1,549.7	1,766.2	1,656.0	1,374.8	1,455.5	1,657.2	1,518.1
Net Earnings (Loss) Attributable to Shareholders of the Company	135.1	107.3	161.9	145.1	116.1	122.2	157.3	126.4
Net Earnings (Loss) per Share Attributable to Shareholders of the Company:								
Basic	2.07	1.64	2.48	2.22	1.78	1.88	2.41	1.94
Diluted	2.04	1.62	2.45	2.20	1.76	1.86	2.39	1.92

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Powertrain/Driveline segment, vehicle production is typically at its lowest level during the 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	
	2017	2016	2017	2016
(in millions of dollars)	$	$	$	$
Cash generated from (used in):				
Operating Activities	205.3	275.3	785.9	898.1
Financing Activities	(199.6)	(216.4)	(170.9)	789.9
Investing Activities	(91.7)	(107.2)	(577.0)	(1,574.9)
Effect of translation adjustment on cash	0.2	(8.8)	(3.9)	(47.2)
Net Increase (Decrease) in Cash Position	(85.8)	(57.1)	34.1	65.9
Cash and Cash Equivalents – Beginning of Period	524.9	462.1	405.0	339.1
Cash and Cash Equivalents – End of Period	439.1	405.0	439.1	405.0
Comprised of:				
Cash in bank	315.4	233.0	315.4	233.0
Short-term deposits	138.2	192.9	138.2	192.9
Unpresented Cheques	(14.5)	(20.9)	(14.5)	(20.9)
	439.1	405.0	439.1	405.0

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2017 were $439.1 million, an increase of $34.1 million compared to December 31, 2016.

Cash generated from operating activities was $205.3 million, a decrease of $70.0 million from Q4 2016 due to more cash being used to fund non-cash working capital. Cash generated from operating activities was $785.9 million in 2017, $112.2 million less than was provided in 2016, primarily due an increase in inventory and a decrease in income taxes payable.

During the quarter, financing activities utilized $199.6 million of cash compared to $216.4 million used in Q4 2016. Financing activities used $170.9 million in 2017 primarily due to repayments on long-term debt compared to $789.9 million generated in 2016 due to proceeds from long-term debt, which were primarily used in Q1 2016 to fund the purchase of Montupet S.A.

Investing activities used $91.7 million in Q4 2017 and used $107.2 million in Q4 2016 mainly for the purchase of property, plant and equipment. Investing activities used $1,574.9 million in 2016 mainly for the acquisition of Montupet S.A. and the purchase of property, plant and equipment.

Operating Activities

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
(in millions of dollars)	$	$	$	$
Net earnings (loss) for the Period Attributable to Shareholders of the Company	135.1	116.1	549.4	522.1
Adjustments to earnings	83.8	86.8	336.5	378.0
	218.9	202.9	885.9	900.1
Changes in non-cash working capital	(13.6)	72.4	(100.0)	(2.0)
Cash generated from (used in) operating activities	205.3	275.3	785.9	898.1

Cash generated by operations before the effect of changes in non-cash working capital increased $16.0 million in Q4 2017 to $218.9 million, compared to $202.9 million in Q4 2016. Cash generated from operations before the effect of changes in non-cash working capital decreased $14.2 million to $885.9 million from $900.1 million in 2016.

Non-cash working capital for Q4 2017 increased $13.6 million. Non-cash working capital for 2017 increased $100.0 million primarily due to an increase in inventory and a decrease in income taxes payable.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2017 $	2016 $	Twelve Months Ended December 31 2017 $	2016 $
Proceeds from (repayments of) short-term borrowings	(1.8)	(2.1)	-	(2.1)
Proceeds from (repayments of) long-term debt	(190.8)	(209.7)	(140.9)	826.6
Proceeds from government borrowings	-	(0.7)	8.1	11.2
Proceeds from exercise of stock options	0.3	0.9	1.4	1.2
Dividends	(7.8)	(6.5)	(31.3)	(26.1)
Interest received (paid)	0.5	1.7	(8.2)	(20.9)
Cash generated from (used in) financing activities	(199.6)	(216.4)	(170.9)	789.9

Financing activities for Q4 2017 used $199.6 million of cash compared to $216.4 million used in Q4 2016. Financing activities for 2017 used $170.9 million of cash compared to $789.9 million provided in 2016. The $826.6 million in 2016 proceeds was from long-term debt primarily provided in Q1 2016 to fund the purchase of Montupet S.A.

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2017 $	2016 $	Twelve Months Ended December 31 2017 $	2016 $
Payments for purchase of property, plant and equipment	(100.9)	(89.8)	(410.0)	(343.3)
Proceeds on disposal of property, plant and equipment	3.7	6.1	13.2	7.9
Payments for purchase of intangible assets	(6.5)	(2.5)	(17.4)	(10.6)
Business acquisitions, net of cash acquired	-	-	(1.1)	(1,133.9)
(Increase) decrease in long-term receivables	17.5	(20.8)	(152.4)	(94.1)
Other	(5.5)	(0.2)	(9.3)	(0.9)
Cash generated from (used in) investing activities	(91.7)	(107.2)	(577.0)	(1,574.9)

Cash spent on investing activities for Q4 2017 was $91.7 million compared to Q4 2016 at $107.2 million due to the collection of long-term receivables partially offset by the purchase of property, plant and equipment. Cash spent on investing activities was $577.0 million compared to Q4 2016 at $1,574.9 million which was primarily for the Q1 2016 acquisition of Montupet S.A.

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, 2017, cash including short-term deposits (net of unpresented cheques) was $439.1 million, and the Company's credit facilities had available credit of $643.8 million.

Commitments and Contingencies

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

(in millions of dollars)	Total $	1 year $	Later than 1 year and not later than 5 years $	Later than 5 years $
Long-Term Debt Principal, excluding Capital Leases	1,286.5	0.9	1,239.3	46.3
Finance Lease Obligations[1]	14.0	5.5	8.3	0.2
Operating Leases	54.5	15.0	31.8	7.7
Purchase Obligations[2]	299.9	299.9	-	-
Total Contractual Obligations	1,654.9	321.3	1,279.4	54.2

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

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

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

agreements of derecognized receivables as discussed in the notes to the Company's consolidated financial statements for the year ended December 31, 2017.

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, 2017.

Foreign Currency Activities

The Company pursues a strategy of optimizing its 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.

The amount and timing of executed forward contracts is dependent upon a number of factors, including estimated production delivery schedules, forecasted customer payments, and the anticipated future direction of foreign currency rates. The Company is exposed to counterparty credit risk when executing foreign exchange derivatives with financial institutions, and in order to mitigate this risk the Company limits foreign exchange trading to counterparties within the credit facility. 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 results of operations may be further affected by a significant change in the relative values of the currencies in which the Company operates.

The Company is committed to long-dated forward contracts to buy U.S. dollars which hedge the changes in exchange rates on the U.S. $130 million Private Placement Notes due 2021 ("2021 Notes"). A tranche of the 2017 Notes matured and were repaid during the quarter ended September 30, 2017. 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.

During the first quarter of 2016, the Euro denominated debt used to purchase Montupet S.A. was designated as a net investment hedge. Hedges of net investments are accounted for in a similar manner as 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.

For more information regarding the Company's long-term debt and forward contracts including related risks please see the notes to the Company's consolidated financial statements for the year ended December 31, 2017.

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 9 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, 2017.

TRANSACTIONS WITH RELATED PARTIES

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements performed by related parties in the aggregate amount of $1.6 million at December 31, 2017 ($5.4 million for 2016). Related party transactions included in the cost of sales are expenses such as rent, maintenance and transportation costs of $1.6 million for the year ended December 31, 2017 ($1.6 million for 2016). The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Amounts owed to related parties at December 31, 2017 were $0.4 million ($1.0 at December 31, 2016).

CURRENT AND PROPOSED TRANSACTIONS

Subsequent to year end, the Company announced the acquisition of 100% of the outstanding equity interest of Moray Marketing Ltd., parent company of MacDon and its Group of Companies ("MacDon") for a preliminary purchase price of $1,312,920 comprised of $1,237,920 in cash consideration and an assumed liability of $75,000. The liability was immediately extinguished using a portion of the acquired cash of MacDon. 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. Due to the timing of the close and complexities associated with the transaction, the determination of the fair value of consideration, assets acquired and liabilities assumed is not yet complete and are subject to further adjustments.

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, 2017 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

Competition, Outsourcing and Insourcing

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

As the Company's OEM customers face continued cost pressures as well as wide ranging areas of required capital investment within their business, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for the Company. However, because of various factors affecting the OEMs, such as the level of consumer spending on automobiles and related market volumes, 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 precision machining operations are iron and aluminum castings and forgings, which are readily obtained from a variety of suppliers globally that support the Company's operations. The Company is not 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 Powertrain/Driveline segment has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The global precision machining industry is characterized by a large number of manufacturers. As a result, manufacturers, such as the Company, tend to have a relatively small share of the markets they serve. Nonetheless, the Company believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the Company's Powertrain/Driveline sales.

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

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

Technological Change and Product Launches

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

Foreign Currency Risk

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

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

Long-term Contracts

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

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

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

Acquisition and Expansion Risk

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

Foreign Business Risk

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

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

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

Cyclicality and Seasonality

The demand for the Company's products is cyclical and is driven by changing market conditions in which the Company's sells into. Current or future conditions or events in the economy or markets in general, or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

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

Capital and Liquidity Risk

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

The Company's current credit facility and the 2021 Notes require the Company to comply with certain financial covenants. The 2017 Notes matured and were repaid during 2017 and were replaced by short-term floating rate debt. 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 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, 2017, 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, 2017, 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, 2017, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Impairment of Non-Financial Assets

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

Current Income Taxes

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

Deferred Income Tax Assets and Liabilities

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

Useful Lives of Depreciable Assets

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

Purchase Price Allocations

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

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2017 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2017.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Non-GAAP Measures

The Company uses certain non-GAAP financial measures including net earnings (loss) – adjusted, net earnings (loss) per share – diluted – adjusted and book value per share. 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 the impact of these 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.

Net Earnings (Loss) – Adjusted
The Company believes net earnings (loss) – adjusted is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net earnings (loss) – adjusted is calculated as net earnings (loss) as presented in the Company's consolidated financial statements less any unusual items that are considered not to be indicative of underlying operational performance. See the "Overall Corporate Results" section of this MD&A for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of net earnings (loss) – adjusted to GAAP net earnings (loss).

Net Earnings (Loss) per Share – Diluted – Adjusted
The Company believes net earnings (loss) per share – adjusted 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 – adjusted is calculated as net earnings (loss) - adjusted (as defined above) divided by the fully diluted number of shares outstanding as at the period end date. See the "Overall Corporate Results" section of this MD&A for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of net earnings (loss) per share – adjusted to GAAP net earnings (loss) per share.

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

(in millions of dollars except share and per share figures)	December 31 2017	December 31 2016
Total equity	$ 3,112.8	$ 2,590.3
Shares outstanding at the end of the period	65,354,495	65,258,426
Book value per share	$ 47.63	$ 39.69

Additional GAAP Measures

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

Operating Earnings

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

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of December 31, 2017	Three Months Ended				Year to Date			
	Mar 31 2017	Jun 30 2017	Sep 30 2017	Dec 31 2017	Mar 31 2017	Jun 30 2017	Sep 30 2017	Dec 31 2017
North America								
Vehicle Production Units	4.64	4.58	4.09	4.28	4.64	9.21	13.30	17.58
Automotive Sales	$ 722.3	$ 735.3	$ 664.5	$ 675.2	$ 722.3	$ 1,457.6	$ 2,122.1	$ 2,797.3
Content Per Vehicle	$ 155.83	$ 160.71	$ 162.49	$ 157.58	$ 155.83	$ 158.25	$ 159.55	$ 159.07
Europe								
Vehicle Production Units	5.86	5.72	4.96	5.80	5.86	11.57	16.53	22.33
Automotive Sales	$ 386.8	$ 397.2	$ 365.1	$ 405.4	$ 386.8	$ 784.0	$ 1,149.1	$ 1,554.6
Content Per Vehicle	$ 66.05	$ 69.48	$ 73.60	$ 69.93	$ 66.05	$ 67.75	$ 69.50	$ 69.62
Asia Pacific								
Vehicle Production Units	12.56	11.48	12.08	13.83	12.56	24.05	36.13	49.96
Automotive Sales	$ 114.5	$ 123.1	$ 114.0	$ 131.2	$ 114.5	$ 237.6	$ 351.6	$ 482.7
Content Per Vehicle	$ 9.11	$ 10.72	$ 9.44	$ 9.48	$ 9.11	$ 9.88	$ 9.73	$ 9.66

Estimates as of September 30, 2017	Three Months Ended			Year to Date		
	Mar 31 2017	Jun 30 2017	Sep 30 2017	Mar 31 2017	Jun 30 2017	Sep 30 2017
North America						
Vehicle Production Units	4.64	4.58	4.18	4.64	9.21	13.39
Automotive Sales	$ 718.1	$ 732.3	$ 662.2	$ 718.1	$ 1,450.4	$ 2,112.6
Content Per Vehicle	$ 154.93	$ 160.05	$ 158.28	$ 154.93	$ 157.48	$ 157.73
Europe						
Vehicle Production Units	5.85	5.73	5.00	5.85	11.58	16.58
Automotive Sales	$ 387.8	$ 393.5	$ 361.1	$ 387.8	$ 781.2	$ 1,142.3
Content Per Vehicle	$ 66.23	$ 68.70	$ 72.18	$ 66.23	$ 67.45	$ 68.88
Asia Pacific						
Vehicle Production Units	12.55	11.48	11.90	12.55	24.04	35.93
Automotive Sales	$ 118.7	$ 129.8	$ 123.9	$ 118.7	$ 248.5	$ 372.3
Content Per Vehicle	$ 9.45	$ 11.30	$ 10.41	$ 9.45	$ 10.34	$ 10.36

Change in Estimates from Prior Quarter	Three Months Ended			Year to Date		
	Mar 31 2017 +/-	Jun 30 2017 +/-	Sep 30 2017 +/-	Mar 31 2017 +/-	Jun 30 2017 +/-	Sep 30 2017 +/-
North America						
Vehicle Production Units	-	-	(0.09)	-	-	(0.09)
Automotive Sales	$ 4.2	$ 3.0	$ 2.3	$ 4.2	$ 7.2	$ 9.5
Content Per Vehicle	$ 0.90	$ 0.66	$ 4.21	$ 0.90	$ 0.77	$ 1.82
Europe						
Vehicle Production Units	0.01	(0.01)	(0.04)	0.01	(0.01)	(0.05)
Automotive Sales	$ (1.0)	$ 3.7	$ 4.0	$ (1.0)	$ 2.8	$ 6.8
Content Per Vehicle	$ (0.18)	$ 0.78	$ 1.42	$ (0.18)	$ 0.30	$ 0.62
Asia Pacific						
Vehicle Production Units	0.01	-	0.18	0.01	0.01	0.20
Automotive Sales	$ (4.2)	$ (6.7)	$ (9.9)	$ (4.2)	$ (10.9)	$ (20.7)
Content Per Vehicle	$ (0.34)	$ (0.58)	$ (0.97)	$ (0.34)	$ (0.46)	$ (0.63)

FORWARD LOOKING INFORMATION

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

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

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

LINAMAR CORPORATION

Consolidated Interim Statements of Financial Position

As at December 31, 2017 with comparatives as at December 31, 2016 (Unaudited)
(in thousands of Canadian dollars)

	December 31 2017 $	December 31 2016 $
ASSETS		
Cash and cash equivalents	439,064	404,966
Accounts and other receivables	1,083,322	898,445
Inventories	791,670	691,385
Income taxes recoverable	33,145	11,466
Current portion of long-term receivables (Note 6)	103,276	74,557
Current portion of derivative financial instruments (Note 6)	1,333	44,904
Other current assets	25,387	17,177
Current Assets	2,477,197	2,142,900
Long-term receivables (Note 6)	304,514	199,369
Property, plant and equipment	2,209,884	2,052,055
Investments accounted for using the equity method	9,263	5,881
Intangible assets	287,827	279,587
Goodwill	485,610	456,791
Derivative financial instruments (Note 6)	25,854	37,134
Deferred tax assets	51,074	53,453
Assets	5,851,223	5,227,170
LIABILITIES		
Short-term borrowings	8,836	7,972
Accounts payable and accrued liabilities	1,215,803	974,612
Provisions	31,486	31,713
Income taxes payable	33,446	54,836
Current portion of long-term debt (Notes 6, 7)	6,399	197,157
Current Liabilities	1,295,970	1,266,290
Long-term debt (Notes 6, 7)	1,288,826	1,228,035
Deferred tax liabilities	153,589	142,584
Liabilities	2,738,385	2,636,909
EQUITY		
Capital stock	122,393	120,385
Retained earnings	2,904,552	2,386,524
Contributed surplus	25,027	23,332
Accumulated other comprehensive earnings (loss)	60,866	60,020
Equity	3,112,838	2,590,261
Liabilities and Equity	5,851,223	5,227,170

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

On behalf of the Board of Directors:

Frank Hasenfratz
Director

Linda Hasenfratz
Director

LINAMAR CORPORATION
Consolidated Interim Statements of Earnings
For the twelve months ended December 31, 2017 and December 31, 2016 (Unaudited)
(in thousands of Canadian dollars, except per share figures)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
	$	$	$	$
Sales	1,574,520	1,374,791	6,546,458	6,005,584
Cost of sales	1,322,844	1,153,794	5,467,162	5,003,034
Gross Margin	251,676	220,997	1,079,296	1,002,550
Selling, general and administrative	91,567	82,794	352,163	325,364
Other income and (expenses)	(1,866)	8,830	(19,261)	19,591
Operating Earnings (Loss)	158,243	147,033	707,872	696,777
Share of net earnings (loss) of investments accounted for using the equity method	(1,917)	(1,371)	(6,057)	(2,976)
Finance (income) and expenses (Note 8)	2,702	3,952	9,257	21,071
Net Earnings (Loss) before Income Taxes	153,624	141,710	692,558	672,730
Provision for (recovery of) income taxes	18,543	25,609	143,188	150,202
Net Earnings (Loss) for the Period	135,081	116,101	549,370	522,528
Net Earnings (Loss) Attributable to:				
Shareholders of the Company	135,081	116,101	549,370	522,127
Non-Controlling Interests	-	-	-	401
	135,081	116,101	549,370	522,528
Net Earnings (Loss) Per Share Attributable to Shareholders of the Company:				
Basic	2.07	1.78	8.41	8.01
Diluted	2.04	1.76	8.32	7.92

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

LINAMAR CORPORATION

Consolidated Interim Statements of Comprehensive Earnings

For the twelve months ended December 31, 2017 and December 31, 2016 (Unaudited)
(in thousands of Canadian dollars)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
	$	$	$	$
Net Earnings (Loss) for the Period	135,081	116,101	549,370	522,528
Items that may be reclassified subsequently to net income				
Unrealized gains (losses) on translating financial statements of foreign operations	37,005	(76,078)	56,924	(232,973)
Change in foreign exchange gains (losses) on long-term debt designated as a net investment hedge	(19,742)	42,361	(56,457)	65,764
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	(159)	5,277	(17,370)	(12,109)
Tax impact of change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	40	(1,320)	4,343	3,027
Reclassification to earnings of gains (losses) on cash flow hedges	(923)	(8,372)	17,875	10,426
Tax impact of reclassification to earnings of gains (losses) on cash flow hedges	231	2,094	(4,469)	(2,606)
Other Comprehensive Earnings (Loss)	16,452	(36,038)	846	(168,471)
Comprehensive Earnings (Loss) for the Period	151,533	80,063	550,216	354,057
Comprehensive Earnings (Loss) Attributable to:				
Shareholders of the Company	151,533	80,063	550,216	353,656
Non-Controlling Interests	-	-	-	401
	151,533	80,063	550,216	354,057

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

LINAMAR CORPORATION
Consolidated Interim Statements of Changes in Equity
For the twelve months ended December 31, 2017 and December 31, 2016 (Unaudited)
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Equity Attributable to Shareholders $	Non-Controlling Interests $	Total Equity $
Balance at January 1, 2017	120,385	2,386,524	23,332	61,097	(1,077)	2,590,261	-	2,590,261
Net Earnings (Loss)	-	549,370	-	-	-	549,370	-	549,370
Other comprehensive earnings (loss)	-	-	-	467	379	846	-	846
Comprehensive Earnings (Loss)	-	549,370	-	467	379	550,216	-	550,216
Share-based compensation	-	-	2,290	-	-	2,290	-	2,290
Shares issued on exercise of options	2,008	-	(595)	-	-	1,413	-	1,413
Dividends	-	(31,342)	-	-	-	(31,342)	-	(31,342)
Balance at December 31, 2017	122,393	2,904,552	25,027	61,564	(698)	3,112,838	-	3,112,838

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Equity Attributable to Shareholders $	Non-Controlling Interests $	Total Equity $
Balance at January 1, 2016	118,609	1,890,473	21,094	228,306	185	2,258,667	-	2,258,667
Net Earnings (Loss)	-	522,127	-	-	-	522,127	401	522,528
Other comprehensive earnings (loss)	-	-	-	(167,209)	(1,262)	(168,471)	-	(168,471)
Comprehensive Earnings (Loss)	-	522,127	-	(167,209)	(1,262)	353,656	401	354,057
Share-based compensation	-	-	2,765	-	-	2,765	-	2,765
Shares issued on exercise of options	1,776	-	(527)	-	-	1,249	-	1,249
Acquisition of non-controlling interests	-	-	-	-	-	-	(401)	(401)
Dividends	-	(26,076)	-	-	-	(26,076)	-	(26,076)
Balance at December 31, 2016	120,385	2,386,524	23,332	61,097	(1,077)	2,590,261	-	2,590,261

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

LINAMAR CORPORATION
Consolidated Interim Statements of Cash Flows
For the twelve months ended December 31, 2017 and December 31, 2016 (Unaudited)
(in thousands of Canadian dollars)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017	2016	2017	2016
	$	$	$	$
Cash generated from (used in)				
Operating Activities				
Net Earnings (Loss) for the Period Attributable to Shareholders of the Company	135,081	116,101	549,370	522,127
Adjustments for:				
Amortization of property, plant and equipment	69,918	60,248	293,961	306,316
Amortization of other intangible assets	6,286	18,926	25,819	27,311
Deferred income taxes	6,546	869	10,200	(12,192)
Property, plant and equipment impairment provision, net of reversals	(6,160)	177	(6,160)	30,610
Share-based compensation	573	957	2,290	2,765
Finance expense	2,702	3,952	9,257	21,071
Other	3,937	1,651	1,156	2,097
	218,883	202,881	885,893	900,105
Changes in non-cash working capital				
(Increase) decrease in accounts and other receivables	81,532	72,262	(184,216)	(91,386)
(Increase) decrease in inventories	(71,881)	(59,374)	(89,878)	(81,304)
(Increase) decrease in other current assets	(4,219)	2,093	(8,191)	(2,761)
Increase (decrease) in income taxes	(13,516)	9,070	(43,383)	11,315
Increase (decrease) in accounts payable and accrued liabilities	(2,416)	43,741	225,463	156,753
Increase (decrease) in provisions	(3,120)	4,628	237	5,345
	(13,620)	72,420	(99,968)	(2,038)
Cash generated from (used in) operating activities	205,263	275,301	785,925	898,067
Financing Activities				
Proceeds from (repayments of) short-term borrowings	(1,796)	(2,080)	(25)	(2,087)
Proceeds from (repayments of) long-term debt	(190,795)	(209,719)	(140,899)	826,556
Proceeds from government borrowings	-	(728)	8,104	11,193
Proceeds from exercise of stock options	344	976	1,413	1,249
Dividends	(7,841)	(6,520)	(31,342)	(26,076)
Interest received (paid)	481	1,661	(8,220)	(20,905)
Cash generated from (used in) financing activities	(199,607)	(216,410)	(170,969)	789,930
Investing Activities				
Payments for purchase of property, plant and equipment	(100,867)	(89,751)	(410,032)	(343,273)
Proceeds on disposal of property, plant and equipment	3,660	6,174	13,204	7,939
Payments for purchase of intangible assets	(6,501)	(2,656)	(17,365)	(10,638)
Business acquisitions, net of cash acquired	-	-	(1,060)	(1,133,945)
(Increase) decrease in long-term receivables	17,480	(20,845)	(152,381)	(94,118)
Other	(5,487)	(227)	(9,321)	(883)
Cash generated from (used in) investing activities	(91,715)	(107,305)	(576,955)	(1,574,918)
	(86,059)	(48,414)	38,001	113,079
Effect of translation adjustment on cash	185	(8,766)	(3,903)	(47,192)
Increase (decrease) in cash and cash equivalents	(85,874)	(57,180)	34,098	65,887
Cash and cash equivalents - Beginning of Period	524,938	462,146	404,966	339,079
Cash and cash equivalents - End of Period	439,064	404,966	439,064	404,966
Comprised of:				
Cash in bank	315,371	233,002	315,371	233,002
Short-term deposits	138,205	192,922	138,205	192,922
Unpresented cheques	(14,512)	(20,958)	(14,512)	(20,958)
	439,064	404,966	439,064	404,966

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

1 General Information

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

The consolidated interim financial statements of the Company for the period ended December 31, 2017 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 7, 2018.

2 Significant Accounting Policies

The Company has prepared these unaudited consolidated interim financial statements ("interim financial statements") using the same accounting policies and methods as those used in the Company's audited consolidated annual financial statements ("annual financial statements") for the year ended December 31, 2017. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of Presentation

The Company has prepared its interim 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.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and footnotes as required in the annual financial statements have been omitted or condensed and as such these interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017. These interim financial statements and the notes thereto have not been reviewed by the Company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Chartered Professional Accountants handbook.

These interim 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.

3 Changes in Accounting Policies

New Standards and Interpretations Not Yet Adopted

At the date of authorization of these interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted 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 15 Revenue from Contracts with Customers

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the IASB issued this new standard to replace IAS 18 Revenue and IAS 11 Construction Contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements.

Management has evaluated each of the five steps in the new revenue recognition model for the Company's revenue streams. Through its evaluation, management does not expect the new revenue guidance will have a significant impact to the Company's consolidated statement of financial position or the consolidated statement of earnings in comparison to the current revenue recognition guidance. The new standard will impact the nature and quantity of annual disclosures. Management has implemented the Company's revised revenue policies, reporting processes, and related controls.

The Company has adopted this guidance effective January 1, 2018 using the modified retrospective approach, resulting in no adjustment to opening retained earnings.

IFRS 9 Financial Instruments
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the IASB issued this new standard to replace IAS 39 Financial Instruments: Recognition and Measurement. 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 standard also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. In addition, IFRS 9 significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Management has evaluated all the changes introduced by IFRS 9. Through its evaluation, management determined that the new financial instruments guidance did not have a significant impact to the Company's consolidated statement of financial position or 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, 2018, resulting in an insignificant adjustment to opening retained earnings.

4 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 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. 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 have been set out in Note 5 of the Company's annual financial statements for the year ended December 31, 2017.

5 Seasonality

Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Powertrain/Driveline segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower original equipment manufacturers 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.

(in thousands of Canadian dollars, except where otherwise noted)

6 Fair Value 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, 2017		December 31, 2016	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	407,790	413,064	273,926	280,265
Derivative financial instruments					
US dollar interest payment forward contracts	Fair value (Level 2)	5,077	5,077	10,952	10,952
US dollar debt principal forward contracts	Fair value (Level 2)	22,110	22,110	71,086	71,086
Long-term debt designated as net investment hedge	Amortized cost (Level 2)	(925,883)	(847,296)	(927,529)	(848,309)
Long-term debt, other	Amortized cost (Level 2)	(369,342)	(357,801)	(497,663)	(508,018)

7 Long-Term Debt

	December 31 2017 $	December 31 2016 $
Senior unsecured notes	162,868	349,244
Bank borrowings	1,053,956	998,527
Obligations under finance leases	13,216	18,074
Government borrowings	65,185	58,287
Other financing	-	1,060
	1,295,225	1,425,192
Less: current portion	6,399	197,157
	1,288,826	1,228,035

As of December 31, 2017, $643,834 was available under the various credit facilities.

8 Finance (Income) and Expenses

	Three Months Ended December 31		Twelve Months Ended December 31	
	2017 $	2016 $	2017 $	2016 $
Interest on long-term debt	8,081	7,461	29,394	35,949
Foreign exchange (gain) loss on debt and derivatives	37	245	987	(4,076)
Interest earned	(7,210)	(4,941)	(26,616)	(15,834)
Other	1,794	1,187	5,492	5,032
	2,702	3,952	9,257	21,071

9 Commitments

As at December 31, 2017, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $299,877 (December 31, 2016 - $220,940). Of this amount, $293,911 (December 31, 2016 - $211,748) relates to the purchase of manufacturing equipment and $5,966 (December 31, 2016 - $9,192) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months. $120 of the outstanding construction commitments (December 31, 2016 - $586) represents amounts committed to a related party.

(in thousands of Canadian dollars, except where otherwise noted)

10 Related Party Transactions

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements performed by related parties in the aggregate amount of $1,645 at December 31, 2017 (December 31, 2016 - $5,371). Related party transactions included in the cost of sales are expenses such as rent, maintenance and transportation costs of $598 for the three months ended December 30, 2017 and $1,603 for the twelve months ended December 31, 2017 ($395 for three months ended December 31, 2016 and $1,553 for the twelve months ended December 31, 2016). The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Amounts owed to related parties at December 31, 2017 were $424 (December 31, 2016 - $984).

11 Segmented Information

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

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

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

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

	Three Months Ended December 31, 2017			Twelve Months Ended December 31, 2017			
	Sales to external customers $	Inter-segment sales $	Operating earnings (loss) $	Sales to external customers $	Inter-segment sales $	Operating earnings (loss) $	Total identifiable assets $
Powertrain/Driveline	1,366,342	9,633	129,442	5,429,970	46,602	545,507	4,969,411
Industrial	208,178	787	28,801	1,116,488	2,094	162,365	881,812
Total	1,574,520	10,420	158,243	6,546,458	48,696	707,872	5,851,223

	Three Months Ended December 31, 2016			Twelve Months Ended December 31, 2016			
	Sales to external customers $	Inter-segment sales $	Operating earnings (loss) $	Sales to external customers $	Inter-segment sales $	Operating earnings (loss) $	Total identifiable assets $
Powertrain/Driveline	1,230,086	9,284	122,390	5,139,139	42,753	551,569	4,599,923
Industrial	144,705	139	24,643	866,445	476	145,208	627,247
Total	1,374,791	9,423	147,033	6,005,584	43,229	696,777	5,227,170

12 Business Acquisition

MacDon Group of Companies

Subsequent to year end, the Company announced the acquisition of 100% of the outstanding equity interest of Moray Marketing Ltd., parent company of MacDon and its Group of Companies ("MacDon") for a preliminary purchase price of $1,312,920 comprised of $1,237,920 in cash consideration and an assumed liability of $75,000. The liability was immediately extinguished using a portion of the acquired cash of MacDon. 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. Due to the timing of the close and complexities associated with the transaction, the determination of the fair value of consideration, assets acquired and liabilities assumed is not yet complete and are subject to further adjustments.