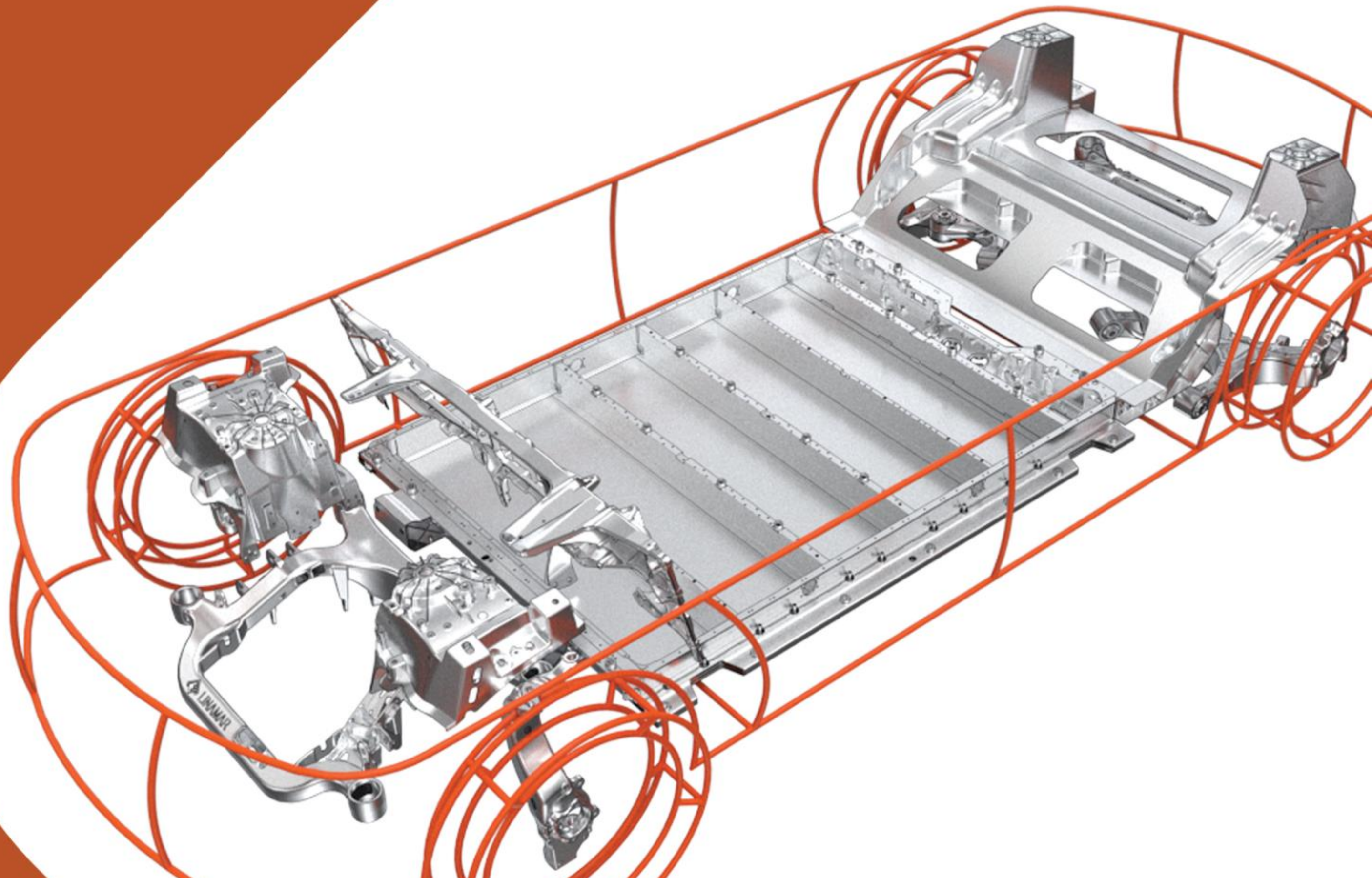
LINAMAR

Annual Report 2023



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LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

Highlights Of 2023

2023 was another record year for us at Linamar despite ongoing challenges in a post pandemic world.

We saw record sales driving off sales growth of 23%, excellent 40% normalized net earnings per share[1] growth and record levels of market share in our mobility and agriculture businesses.

We announced 3 acquisitions in key strategic growth areas of both our Mobility and Industrial businesses, completed two of them and still delivered a very strong balance sheet with net debt to EBITDA less than 1 at year end.

We are gaining substantial traction in our sustainability efforts with significant reductions in energy usage and new systems established to track our environmental footprint globally.

And we continued to invest in our talent pipeline to fuel our continued growth.

We are incredibly proud of how our global team has performed in a challenging timeframe.

We have used our natural flexibility, risk mitigation, innovation, ingenuity and negotiating skills to try to mitigate challenges and push for continued superior performance. Our culture has a proven track record to effectively manage in any environment.

In reflecting on 2023 we can identify many successes.

Employees

For our people the focus in 2023 was all about building our deep bench with continued focus on diversity, equity and inclusion (DEI) as a key driver of such.

We furthered our DEI work with continued training with our global base around unconscious bias to reinforce key behaviors.
Training around unconscious bias had begun in 2022 and was reinforced with continued training each quarter in 2023.

Turnover is normalizing as attraction and retention strategies start to take hold and labour markets ease in certain areas.

We launched an Automation Club for our technical team globally to share ideas around technology, AI and automation.
Our skilled technical team is absolutely critical to our ongoing competitiveness and continuous improvement. Our new Automation Club is a great way to connect this global team to learn and inspire each other. Targeted immigration, apprenticeships and a suite of training programs are helping us to continue to build the team as well.

Our new HRIS system is generating needed data to manage our team and their development needs.
Further system enhancements will provide critical talent management capabilities and reporting.

Customers

For our customers the focus in 2023 was all about connecting with customers and implementing double digit growth plans in each of our businesses.

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[1] Net Earnings (Loss) per Share – Diluted – Normalized (EPS) is a non-GAAP financial ratio. Please refer to "Non-GAAP and Other Financial Measures" in the separately released Q4 2023 MD&A.

We made significant strategic progress on the acquisition front with 3 deals in 2023 adding to both our Mobility and Industrial segments:

- Our Dura Shiloh battery tray acquisition extends our existing battery tray business globally and adds additionally technology with multi-material battery enclosure design including high strength steel, composite materials and unique joining (bonding) process
- Our Mobex acquisition added patented casting technology for lightweight high strength hollow bodied components, a competitive advantage to drive growth in the structural safety critical component areas such as chassis products
- Our Bourgault acquisition perfectly compliments our existing agricultural business with another successful short line OEM, differentiated through technology and with excellent brand recognition and close customer connections

Acquisitions along with propulsion agnostic (PA) and electric vehicle (EV) new business wins (NBW) are proving to be key drivers of a dramatic shift in our Mobility business mix.

- 54% of NBW electrified wins
- 68% NBW PA or EV
- PA/EV sales well ahead of internal combustion engine (ICE) powertrain sales as soon as 2025
- PA/EV sales nearly 60% of booked light vehicle sales by 2028

This is a good position to weather the potentially shifting market adoption of different technologies. We have a solid level of propulsion agnostic business in addition to a good blend of powertrain business the different forms of propulsion systems. Flexibility and a wide range of platform coverage is the name of the game during the next decade as the mobility market transitions.

And of course, our growing Industrial business continues to help insulate us as well from being too exposed to any one industry.

We created a new Linamar Structures operating group which is 100% PA/EV components and systems and already over $1.5 billion in annualized sales and growing.

We created a new Agricultural operating group to optimize opportunities to link and lever our 3 agricultural businesses globally.

- Connect distribution networks globally to optimize selling opportunities and cross selling our products
- Leverage our 3 very strong brand names and loyal customer base at MacDon, Salford and Bourgault
- Link and lever from a purchasing perspective across like product to reduce costs and increase growth opportunities for our suppliers

We saw excellent market share growth in all of our businesses, in some cases to record levels

- Mobility business hitting new records in global content per vehicle (CPV)
- Agricultural business gaining market share internationally
  - Excellent market share growth in combine drapers globally for MacDon this year
- Skyjack market share gains
  - Scissor market share continues to trend positively
  - 2 new plants launching – China, Mexico

Market share is absolutely key to growth in our businesses – it offsets market declines in soft markets and accelerates growth in growing markets. With every business gaining market share we are very well positioned to drive continued double-digit sales growth in 2024 again.

Financials

From a financial perspective the focus in 2023 was all about implementing tangible improvements in terms of sustainability by establishing a program to gather key information and establish a baseline to measure improvements by, as well as continued focus around implementing AI to improve performance company-wide and implementing key systems globally.

CO2 Emissions baseline established & excellent progress made in tangible emissions reductions.

- Year of Data – Prioritized data gathering globally around key metrics to provide a baseline
- 100 GWh of energy savings identified, 55 GWh implemented already

Strong results delivered in terms of cost reductions and pricing relief

- Mitigated challenging supplier issues and achieved targeted customer cost recoveries

We delivered double digit top and bottom-line growth

- Sales up 23%
- Normalized EPS[2] up 40%
- Industrial segment earnings more than doubled

Excellent AI projects implemented globally in every area of the business

- We recognized the best projects with awards at our annual Stepping Stool Banquet celebrating the best in Linamar in every area
- Technology evolution is presenting more opportunities at a rapid pace

Strong Liquidity

- Liquidity[3] levels still strong despite 2 acquisitions completed in 2023
- $1.3 billion of cash available as of end of 2023 and post completion of the Bourgault acquisition is expected to still be north of $1 billion

With 3 acquisitions done in the last year we are shifting to digestion mode and taking a pause on the acquisition front. We did a lot in a short time period, and it is time to focus on integration.

Focus For 2024

As we turn to the upcoming year our focus continues to centre in many of the areas, we made such strong progress on in 2023.

Employee

Building the Talent Pipeline

On the employee side, the focus is building that talent pipeline that we so critically need to support our growth. We have renewed focus on succession and a solid system to track, report on and gain exposure to our top talent.

[2] Net Earnings (Loss) per Share – Diluted – Normalized (EPS) is a non-GAAP financial ratio. Please refer to "Non-GAAP and Other Financial Measures" in the separately released Q4 2023 MD&A.

[3] Liquidity is a non-GAAP financial measure. Please refer to "Non-GAAP and Other Financial Measures" in the separately released Q4 2023 MD&A.

Financial

Boost Margins and Returns
On the financial side our focus is on strengthening profitability and boosting margins, building on the momentum we saw gaining traction in 2023.

Customer

Connecting and Implementing Growth Strategies
On the customer side our focus is in two key areas – driving continued growth as well as evolving that growth in new areas, both in terms of overall markets and products and specifically in each segment and business and achieving both by restoring strong connections with our customers.

Key Business Strategies

Our excellent, consistent financial results are a result of the powerful synergistic diversification model that Linamar has developed.

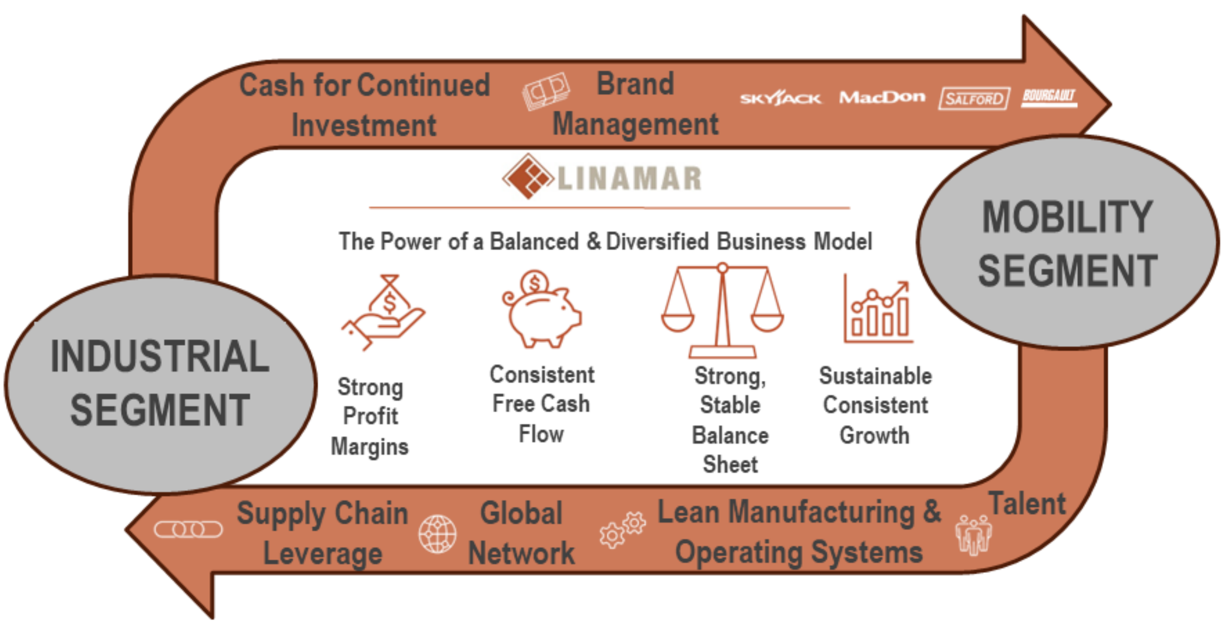
We have 2 key segments, Mobility and Industrial.

The Mobility business is very large and global with excellent technology, systems and a deep talent pool. There are significant growth opportunities for this business which is capital intensive.

The Industrial businesses are more regional, with a stronger presence in North America (NA) and less purchasing power than our Mobility segment. That said they have low capex requirements making them a good generator of cash. They also do an excellent job of managing their various brands of Skyjack, MacDon, Salford and Bourgault and have excellent global growth potential.
Here is how it works.

The Mobility segment helps improve the performance of the Industrial segment by supplying talent, system expertise, a global network to enable global growth and significant purchasing power to improve profit and cash flow.

The Industrial segment then provides much needed cash for investment to the Mobility segment as well as knowledge around effective brand management.



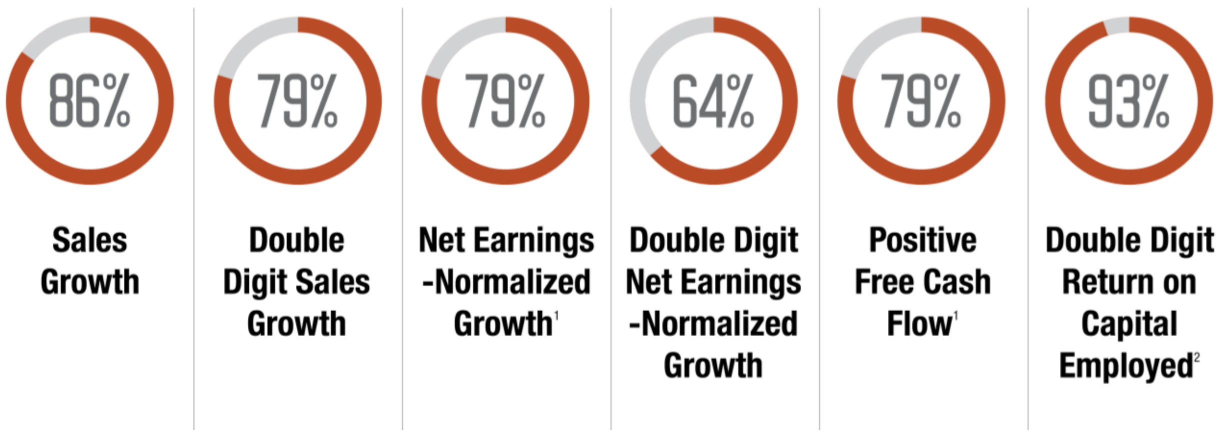
It is a unique model, but it works exceptionally well to help us drive strong and consistent profitable growth, positive free cash[4] flow all while maintaining a strong balance sheet.

And for proof of that you only need to look at our track record.

Year in and year out with very few exceptions we are delivering top and bottom-line growth, the strong majority of those years in double digits, as well as free cash flow and double digit return on capital.

Return on capital[5] has been in double digits 93% of the last 14 years. Every single year but one, that exception being 2020, peak year of the pandemic.

We have generated free cash flow 11 out of the last 14 years and every single year for the last 11 years and expect to again in 2024. That is more than $4.2 billion of free cash flow over the last 14 years.



Percentage of years, out of the last 14 years, when Linamar has delivered upon each metric

1Free Cash Flow (FCF) and Net Earnings (NE) – Normalized are Non-GAAP Financial Measures. Please refer to "Non-GAAP and Other Financial Measures" in the separately released Q4 2023 MD&A.
2 Return of Capital Employed (ROCE) is a non-GAAP financial ratio and the Company finds it useful in assessing the underlying operational performance and in making decisions regarding the ongoing operations of the business. ROCE (A/B) is calculated as Earning base (A) which is trailing twelve-month Operating Earnings of $775 million (Q4 2022 - $595 million) divided by Capital Employed (B) which is Equity (the most directly comparable measure as presented in the Company's Consolidated Statements of Financial Position) less Contributed Surplus of $34 million (Q4 2022 - $31 million) plus Long-Term Debt of $1,772 million (Q4 2022 - $1,308 million) less Cash of $653 million (Q4 2022 – $861 million).

Mobility

Our key strategy for our Mobility business is to maximize growth opportunities in a market that is transitioning.

That means increasing content potential in electrified vehicles and propulsion agnostic parts of the vehicle. Today we have potential for about $3,500 of revenue per vehicle in a BEV, FCEV or HEV. We have a similar level of potential in an ICE vehicle. We would like to continue to grow that content potential and have 4 key areas we look to focus on for such:

- Power Generation
- Energy Storage
- Propulsion Systems
- Structural & Chassis

[4] Free Cash Flow (FCF) is a non-GAAP financial measure. Please refer to "Non-GAAP and Other Financial Measures" in the separately released Q4 2023 MD&A.

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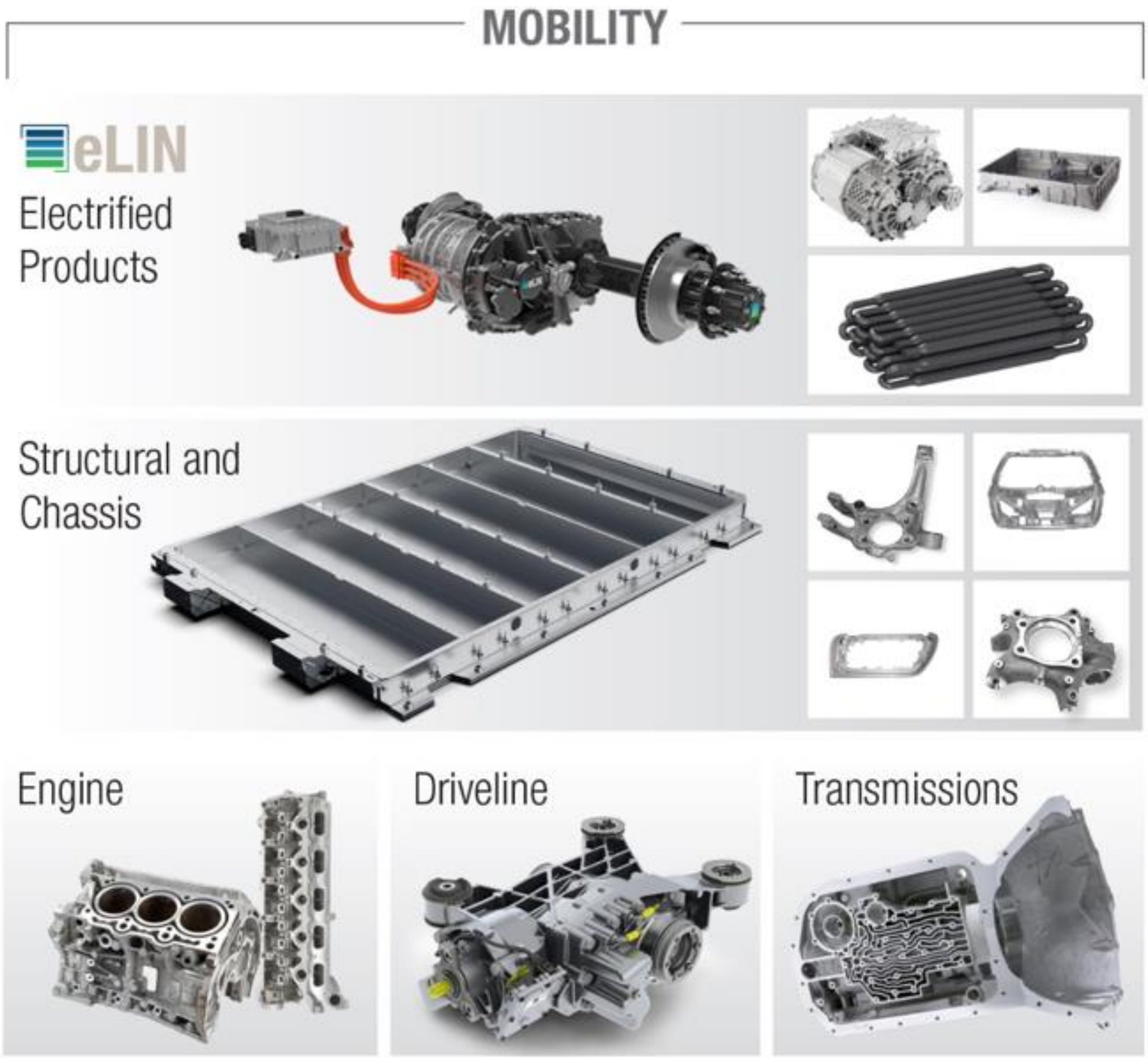


Of particular interest is the rapidly developing hydrogen powered vehicles market. This has been a key focus of Linamar for several years notably in the Energy Storage areas. Our conformable hydrogen storage tank is a game changer in terms of efficiently storing the maximum amount of hydrogen in a space efficient way in the vehicle.

This strategy not only increases our content in electric propulsion systems but notably also grows our product lineup outside of propulsion essentially making us "**Propulsion Agnostic**". This is important as these products are needed in any type of vehicle. We like the idea of growing this area of our business to maximize flexibility in a world where the evolution of propulsion in terms of technology and timing is changing it seems daily.
No technology adoption will be a straight line. There will always be ups and downs just as we see now on the EV side with a dial back in the market.

At Linamar we have always believed that our level of flexibility should directly correlate to levels of uncertainty. There will be uncertainty with respect to timing and volumes of different vehicle platforms over the coming years. That means we must be as flexible as possible.

We have done that in a few very important ways.

First, we have created a Product Portfolio with equal potential for any type of vehicle propulsion as noted.

Next, we have tried to ensure we have content across a wide variety of platforms to optimize sales potential based on market demand.

And finally, **we have maximized the use of flexible equipment wherever possible to shift capacities between programs based on market demand.** We can in many cases use the very same equipment for components we are making for electric vehicles for ICE vehicle components and vice versa. This flexibility is key to ensuring we minimize underutilization of assets.

Also, key are the commercial terms we agree to with customers. We must be more commercially astute in terms of contracts, commitments and expectations than suppliers have typically been in the past with their OEM customers.

Be assured that we are doing all of this in order to successfully navigate the coming transition years in the mobility industry.

Skyjack

In our access business the key focus is Diversification and Globalization. The market is $10 billion globally but the number of players in this business is small meaning the potential for a much larger slice of the market is very real.

For 2024 our strategy includes a laser focus on growth in China as part of that globalization push. The market in China is growing rapidly and we have the right products to gain ground in the region. Establishing manufacturing capacity on the ground to serve that market is key and in place with our new China facility for Skyjack launching in early 2024.

We have also established a new facility in Mexico for Skyjack to add capacity in the NA market where we have been also outgrowing our current footprint. Locating in Mexico is a great complement to our existing facility in Canada giving us great coverage regionally across the continent.

Core operations in Canada are also growing with new products and an important focus on R&D and innovation for global operations.

MacDon, Salford & Bourgault

In our Agriculture businesses the key focus is also Diversification and Globalization as well as aligning our three agricultural businesses to drive stronger growth and find leverage opportunities.

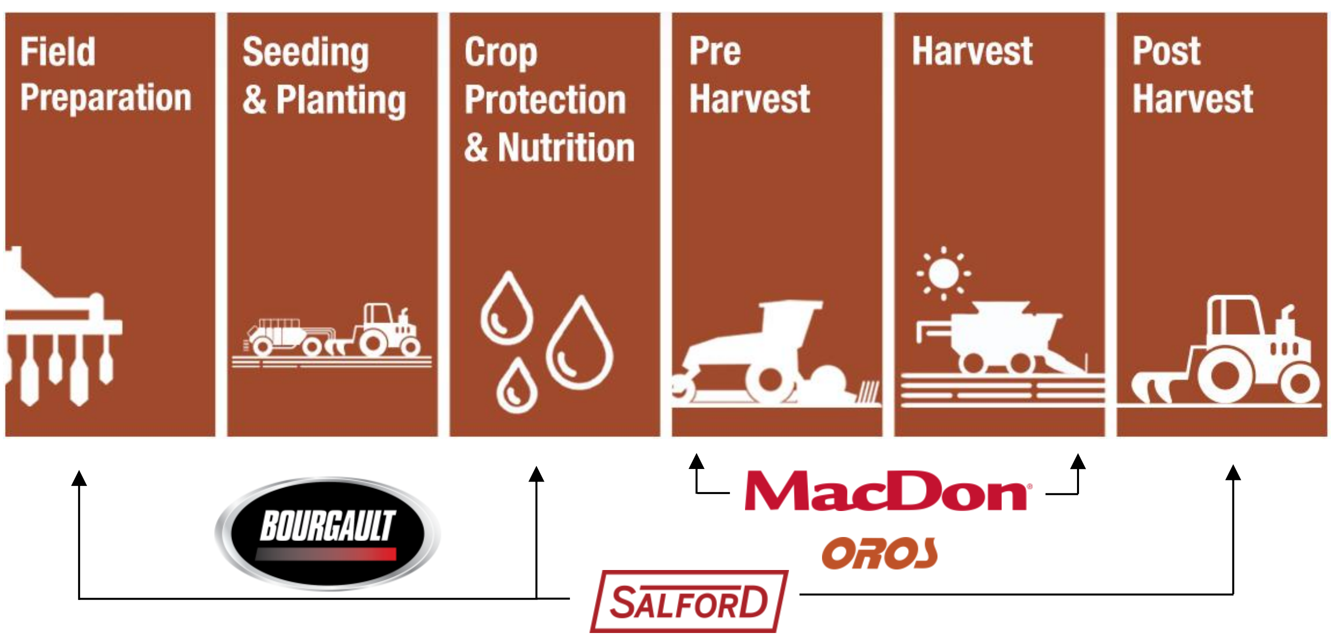
Product diversification has been a strategy we have played out very successfully over the past few years from both a product development and acquisition perspective.

The acquisition of MacDon in 2018 was the first step in our agricultural strategy, building a stronger harvesting product portfolio by adding important technology for harvesting a variety of low to the ground crops to compliment our existing corn and sunflower harvesting business in our Hungarian Oros division.

2022 saw us expand into crop nutrition with the Salford acquisition and we see plenty of opportunity to sell this excellent technically advanced product globally.

The acquisition of Bourgault and its world leading seeding technology in recent months completes the picture in terms of our agricultural strategy complementing our other agricultural businesses perfectly. Bourgault is a technology leader in seeding systems, with patented technology that places the seed in the seedbed and fertilizer for soil nutrition adjacent to such to optimize seed performance and field yield.

We now have products that complete the full span of agricultural equipment, from field preparation to seeding and planting, to crop nutrition, to harvest and finally post-harvest.
Great opportunities exist for us to build market share globally with these 3 excellent brands, each of which have a strong customer following and very strong brand names. The businesses have excellent market share in North America and with global markets much larger than North America alone. We see excellent growth opportunities.



MedTech

We continue to explore the opportunistic MedTech market where we see significant potential for Linamar as a contract manufacturing for both medical implants, instruments and devices.

We have already started down this road on the latter with our ventilator initiative in 2020 (more than 1 million ventilators or parts of such produced the help fight the pandemic in 2020). We continue to produce life support systems, a project originally launched back in 2020.

Our focus is on contract manufacturing for precision medical components and medical devices for orthopedics, prosthesis, surgical devices, respiratory devices and imaging devices.

Innovation

Of course, innovation remains the core strategy for success in every one of these markets.

We have 3 key underpinning strategies throughout our businesses around innovation – to drive and develop green technologies, digitization and operational efficiency. These strategies support both product design and the function of our facilities.

In our facilities, innovation takes the form of Industry 4.0 technology investments to improve efficiency and support digitization and operational efficiency.

Facilities are also making technology investments to reduce their carbon footprint to support green technologies. We are rapidly creating the Factory of the Future.

From a product perspective we achieve our green innovation goals through electrification for Mobility and Skyjack, precision agriculture for MacDon, Salford & Bourgault and compact and energy efficient products for MedTech. And we improve operational efficiency with lighter and quieter products for Mobility, with digitization and telematics for Skyjack, by optimizing harvest, seeding and crop fertilization in our agricultural businesses and by creating digitized and autonomous solutions for MedTech.

The Future

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

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

Sincerely,

(Signed) "Linda Hasenfratz"

Linda Hasenfratz
Executive Chair and Chief Executive Officer

(Signed) "Jim Jarrell"

Jim Jarrell
President and Chief Operating Officer

MANAGEMENT DISCUSSION & ANALYSIS

Linamar Corporation

December 31, 2023 and December 31, 2022
(in millions of dollars)

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended December 31, 2023

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the quarter and year ended December 31, 2023. This MD&A has been prepared as at March 6, 2024. The financial information presented herein has been prepared on the basis of IFRS® Accounting Standards. References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS Accounting Standards as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

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

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading-edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of two operating segments – the Industrial segment and the Mobility segment, both global leaders in manufacturing solutions and world-class developers of highly engineered products. The Industrial segment is comprised of Skyjack and the newly formed Linamar Agriculture operating group which consists of the MacDon, Salford and Bourgault brands. Skyjack manufactures scissors, boom and telehandler lifts for the aerial work platform industry. Within the Agriculture portfolio MacDon manufactures combine draper headers and self-propelled windrowers for harvesting, Salford supplies farm tillage and crop fertilizer application equipment while Bourgault is a leader in air seeding technology. The Mobility segment is focused on propulsion systems, structural and chassis systems, energy storage and power generation for both the global electrified and traditionally powered vehicle markets. Operationally, Mobility is organized into three regional groups North America, Europe, Asia Pacific and the new Linamar Structures product group. The Regional Mobility groups are vertically integrated operations combining expertise in light metal casting, forging, machining and assembly. The Linamar Structures Group offers competitive lightweight innovations for safety-critical components and systems for the global mobility market. Design, development, and testing services for the Mobility segment are provided both by McLaren Engineering and for electrified solutions, the eLIN Product Solutions Group. Linamar's medical solutions group, Linamar MedTech, focuses on manufacturing solutions for medical devices and precision medical components. Linamar has over 32,000 employees in 75 manufacturing locations, 17 R&D centres and 31 sales offices in 19 countries in North and South America, Europe and Asia, which generated sales of more than $9.7 billion in 2023. For more information about Linamar Corporation and its industry-leading products and services, visit www.linamar.com or follow us on our social media channels.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in the fourth quarter of 2023 ("Q4 2023") and 2022 ("Q4 2022"):

(in millions of dollars, except per share figures)	Three Months Ended December 31 2023 $	2022 $	+/- $	+/- %	Twelve Months Ended December 31 2023 $	2022 $	+/- $	+/- %
Sales	2,453.9	2,060.0	393.9	19.1%	9,733.5	7,917.9	1,815.6	22.9%
Gross Margin	320.2	248.8	71.4	28.7%	1,322.8	974.8	348.0	35.7%
Operating Earnings (Loss)	169.6	131.5	38.1	29.0%	774.8	594.8	180.0	30.3%
Net Earnings (Loss)	104.4	92.2	12.2	13.2%	503.1	426.2	76.9	18.0%
Net Earnings (Loss) per Share - Diluted	1.69	1.49	0.20	13.4%	8.17	6.67	1.50	22.5%
Earnings before interest, taxes and amortization ("EBITDA")[1]	307.5	248.2	59.3	23.9%	1,285.4	1,042.2	243.2	23.3%
Operating Earnings (Loss) - Normalized[1]	191.9	140.9	51.0	36.2%	798.9	565.1	233.8	41.4%
Net Earnings (Loss) - Normalized[1]	122.2	99.5	22.7	22.8%	541.1	400.5	140.6	35.1%
Net Earnings (Loss) per Share - Diluted - Normalized[1]	1.98	1.61	0.37	23.0%	8.78	6.26	2.52	40.3%
EBITDA – Normalized[1]	332.6	257.8	74.8	29.0%	1,312.3	1,014.0	298.3	29.4%

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

[1] Operating Earnings (Loss) – Normalized, Net Earnings (Loss) – Normalized, Net Earnings (Loss) per Share – Diluted – Normalized, EBITDA and EBITDA – Normalized are non-GAAP financial measures. Please see "Non-GAAP and Other Financial Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Industrial and Mobility. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated financial statements for the quarter ended December 31, 2023.

(in millions of dollars)	Industrial $	Mobility $	Three Months Ended December 31 2023 Linamar $	Industrial $	Mobility $	Twelve Months Ended December 31 2023 Linamar $
Sales	607.4	1,846.5	2,453.9	2,646.3	7,087.2	9,733.5
Operating Earnings (Loss)	85.8	83.8	169.6	460.9	313.9	774.8
EBITDA	101.9	205.6	307.5	526.1	759.3	1,285.4
Operating Earnings (Loss) – Normalized	100.5	91.4	191.9	471.4	327.5	798.9
EBITDA – Normalized	117.2	215.4	332.6	537.2	775.1	1,312.3

(in millions of dollars)	Industrial $	Mobility $	Three Months Ended December 31 2022 Linamar $	Industrial $	Mobility $	Twelve Months Ended December 31 2022 Linamar $
Sales	507.1	1,552.9	2,060.0	1,913.3	6,004.6	7,917.9
Operating Earnings (Loss)	55.7	75.8	131.5	201.6	393.2	594.8
EBITDA	70.5	177.7	248.2	258.0	784.2	1,042.2
Operating Earnings (Loss) – Normalized	55.5	85.4	140.9	192.5	372.6	565.1
EBITDA – Normalized	70.2	187.6	257.8	249.1	764.9	1,014.0

Industrial Highlights

	Three Months Ended December 31				Twelve Months Ended December 31			
(in millions of dollars)	2023 $	2022 $	+/- $	+/- %	2023 $	2022 $	+/- $	+/- %
Sales	607.4	507.1	100.3	19.8%	2,646.3	1,913.3	733.0	38.3%
Operating Earnings (Loss)	85.8	55.7	30.1	54.0%	460.9	201.6	259.3	128.6%
EBITDA	101.9	70.5	31.4	44.5%	526.1	258.0	268.1	103.9%
Operating Earnings (Loss) – Normalized	100.5	55.5	45.0	81.1%	471.4	192.5	278.9	144.9%
EBITDA – Normalized	117.2	70.2	47.0	67.0%	537.2	249.1	288.1	115.7%

The Industrial segment ("Industrial") product sales increased 19.8%, or $100.3 million, to $607.4 million in Q4 2023 from Q4 2022. The sales increase was due to:

- a significant increase in agricultural sales primarily due to exceptional global market share growth for combine drapers, our largest agricultural product family;
- a strong increase in access equipment sales primarily due to increased global market share growth for scissors, our largest access equipment product family; and
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2022.

The 2023 sales for Industrial increased by $733.0 million, or 38.3%, compared with 2022. The factors that impacted Q4 2023 similarly impacted the 2023 results.

Industrial segment normalized operating earnings in Q4 2023 increased $45.0 million, or 81.1%, from Q4 2022. The Industrial normalized operating earnings results were predominantly driven by:

- a significant increase in agricultural sales; and
- a strong increase in access equipment sales; partially offset by
- an increase in selling, general and administrative ("SG&A") costs supporting growth.

The 2023 normalized operating earnings increased by $278.9 million, or 144.9%, compared with 2022. The factors that impacted Q4 2023 similarly impacted the 2023 results.

Mobility Highlights

(in millions of dollars)	2023 $	2022 $	+/- $	+/- %	2023 $	2022 $	+/- $	+/- %
	Three Months Ended December 31				Twelve Months Ended December 31			
Sales	1,846.5	1,552.9	293.6	18.9%	7,087.2	6,004.6	1,082.6	18.0%
Operating Earnings (Loss)	83.8	75.8	8.0	10.6%	313.9	393.2	(79.3)	(20.2%)
EBITDA	205.6	177.7	27.9	15.7%	759.3	784.2	(24.9)	(3.2%)
Operating Earnings (Loss) – Normalized	91.4	85.4	6.0	7.0%	327.5	372.6	(45.1)	(12.1%)
EBITDA – Normalized	215.4	187.6	27.8	14.8%	775.1	764.9	10.2	1.3%

Sales for the Mobility segment ("Mobility") increased by $293.6 million, or 18.9%, in Q4 2023 compared with Q4 2022. The sales in Q4 2023 were impacted by:

- increased sales related to the Battery Enclosures Business and the Chassis and Suspension Business ("Linamar Structures acquisitions") in 2023;
- increased sales related to launching programs and increased volumes for certain programs that the Company has significant business with;
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2022; and
- increased pricing related to cost recovery offsetting the associated labour, materials, and freight; partially offset by
- a sales decline primarily attributed to lower production for certain ending programs.

The 2023 sales for Mobility increased by $1,082.6 million, or 18.0%, compared to 2022. The factors that impacted Q4 2023 similarly impacted the 2023 results.

Q4 2023 normalized operating earnings for Mobility were higher by $6.0 million, or 7.0%, compared to Q4 2022. The Mobility segment's earnings were impacted by the following:

- increased sales related to launching programs and increased volumes for certain programs that the Company has significant business with; and
- increased sales related to the Linamar Structures acquisitions in 2023; partially offset by
- a sales decline primarily attributed to lower production for certain ending programs;
- an increase in SG&A costs supporting growth; and
- an unfavourable impact from the changes in foreign exchange rates from Q4 2022.

The 2023 normalized operating earnings decreased by $45.1 million, or 12.1%, compared with 2022. The factors that impacted Q4 2023 similarly impacted the 2023 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 vehicle production units[2] 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.

1 Content per Vehicle is a supplementary financial measure. Please see "Non-GAAP and Other Financial Measures" section of this MD&A. 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.

				Three Months Ended December 31				Twelve Months Ended December 31
North America	2023	2022	+/-	%	2023	2022	+/-	%
Vehicle Production Units	3.87	3.69	0.18	4.9%	16.25	14.84	1.41	9.5%
Automotive Sales	$ 1,064.7	$ 876.0	$ 188.7	21.5%	$ 4,071.5	$ 3,425.7	$ 645.8	18.9%
Content Per Vehicle	$ 275.28	$ 237.63	$ 37.65	15.8%	$ 250.55	$ 230.77	$ 19.78	8.6%
Europe								
Vehicle Production Units	4.60	4.29	0.31	7.2%	17.81	15.81	2.00	12.7%
Automotive Sales	$ 456.5	$ 389.5	$ 67.0	17.2%	$ 1,830.2	$ 1,555.0	$ 275.2	17.7%
Content Per Vehicle	$ 99.25	$ 90.70	$ 8.55	9.4%	$ 102.79	$ 98.39	$ 4.40	4.5%
Asia Pacific								
Vehicle Production Units	14.37	12.85	1.52	11.8%	51.41	47.19	4.22	8.9%
Automotive Sales	$ 152.1	$ 150.8	$ 1.3	0.9%	$ 527.0	$ 530.7	$ (3.7)	(0.7%)
Content Per Vehicle	$ 10.59	$ 11.74	$ (1.15)	(9.8%)	$ 10.25	$ 11.24	$ (0.99)	(8.8%)

North American automotive sales for Q4 2023 increased 21.5% from Q4 2022 in a market that saw an increase of 4.9% in production volumes for the same period. As a result, content per vehicle in Q4 2023 increased 15.8% from $237.63 to $275.28. The increase in North American content per vehicle was mainly driven by increased sales related to the Linamar Structures acquisitions in 2023, and launching programs, partially offset by lower production for certain ending programs.

European automotive sales for Q4 2023 increased 17.2% from Q4 2022 in a market that saw an increase of 7.2% in production volumes for the same period. As a result, content per vehicle in Q4 2023 increased 9.4% from $90.70 to $99.25. The increase in European content per vehicle was a result of increased sales related to the Linamar Structures acquisitions in 2023, higher volumes on programs we have significant business with and launching programs.

Asia Pacific automotive sales for Q4 2023 increased 0.9% from Q4 2022 in a market that saw an increase of 11.8% in production volumes for the same period. As a result, content per vehicle in Q4 2023 decreased 9.8% from $11.74 to $10.59. The decrease in Asian content per vehicle was mainly driven by production growth in regions we are not significantly supplying (Japan and Korea), key customers underperforming in the Asia market, lower production for certain ending programs, partially offset by increased sales for launching programs.

RESULTS OF OPERATIONS

Gross Margin

	Three Months Ended December 31		Twelve Months Ended December 31	
(in millions of dollars)	2023	2022	2023	2022
Sales	2,453.9	$ 2,060.0	9,733.5	$ 7,917.9
Cost of Sales before amortization	1,997.9	1,698.5	7,921.6	6,504.8
Amortization	135.8	112.7	489.1	438.3
Cost of Sales	2,133.7	1,811.2	8,410.7	6,943.1
Gross Margin	320.2	$ 248.8	1,322.8	$ 974.8
Gross Margin percentage	13.0%	12.1%	13.6%	12.3%

Gross margin percentage increased in Q4 2023 to 13.0% compared to 12.1% in Q4 2022. Cost of sales before amortization as a percentage of sales decreased in Q4 2023 to 81.4% compared to 82.5% for the same quarter as last year. In dollar terms, gross margin increased $71.4 million in Q4 2023 compared with Q4 2022 as a result of the items discussed earlier in this analysis such as:

- a significant increase in agricultural sales;
- increased sales related to launching Mobility programs and increased volumes for certain programs that the Company has significant business with;
- increased sales related to the Linamar Structures acquisitions in 2023; and
- a strong increase in access equipment sales; partially offset by
- a sales decline primarily attributed to lower production for certain ending Mobility programs; and
- an unfavourable impact from the changes in foreign exchange rates from Q4 2022.

Amortization as a percentage of sales was flat at 5.5% of sales compared to Q4 2022. In dollar terms, Q4 2023 amortization increased as a result of:

- additional amortization related to the Linamar Structures acquisitions in 2023; and
- additional amortization from launching programs.

For 2023 amortization was higher at $489.1 million compared to $438.3 million in 2022 reflecting similar factors that impacted Q4 2023. 2023 amortization as a percentage of sales decreased to 5.0% of sales compared to 5.5% in 2022.

For 2023 gross margin increased to 13.6% from 12.3% in the same period of 2022. The factors that impacted Q4 2023 similarly impacted the 2023 results with the exception of the impact from the changes in foreign exchange rates which was a positive impact on a full year basis.

Selling, General and Administration

	Three Months Ended December 31		Twelve Months Ended December 31	
(in millions of dollars)	2023	2022	2023	2022
Selling, general and administrative	$ 131.5	$ 110.1	$ 526.6	$ 411.2
SG&A percentage	5.4%	5.3%	5.4%	5.2%

Selling, general and administrative ("SG&A") costs increased in Q4 2023 to $131.5 million from $110.1 million, or 5.4% as a percentage of sales in Q4 2023. This increase, in dollar terms, is primarily due to:

- an increase in management and sales costs supporting growth; and
- additional expenses related to the Linamar Structures acquisitions in 2023.

For 2023, SG&A costs reflected similar factors that impacted Q4 2023 and increased as a percentage of sales to 5.4% from 5.2% when compared to 2022.

Finance Expense and Income Taxes

	Three Months Ended December 31		Twelve Months Ended December 31	
	2023	2022	2023	2022
(in millions of dollars)	$	$	$	$
Operating Earnings (Loss)	169.6	131.5	774.8	594.8
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	-	-	-	(6.1)
Finance Income and (Expenses)	(24.7)	(11.4)	(71.0)	(25.6)
Provision for (Recovery of) Income Taxes	40.5	27.9	200.7	136.9
Net Earnings (Loss)	104.4	92.2	503.1	426.2

Finance Expenses

Finance expenses increased $13.3 million in Q4 2023 from $11.4 million in Q4 2022 to $24.7 million due to:

- the issuance of $550 million private placement notes in June 2023 ("2033 Notes") used to fund the 2023 acquisition;
- an increase in interest costs due to change in the Bank of Canada overnight rate and United States Federal Funds rate; partially offset by
- decrease in average bank borrowings in Q4 2023 compared to Q4 2022.

The 2023 finance expenses increased $45.4 million from $25.6 million in 2022 to $71.0 million primarily due to the same factors that impacted the quarter with the exception that for 2023 average bank borrowings increased due to the full year affect of the 2022 acquisitions and partially offset by increase in interest earned.

The consolidated effective interest rate for Q4 2023 increased to 4.6% compared to 3.2% in Q4 2022. The consolidated effective interest rate for 2023 increased to 4.6% compared to 2.5% in 2022. The changes in the effective interest rate for both Q4 2023 and full year were driven by increases in the Bank of Canada overnight rate and United States Federal Funds rate, and issuance of the 2033 Notes.

Income Taxes

The effective tax rate for Q4 2023 was 28.0%, an increase from the 23.3% rate in the same quarter of 2022. The increase in the effective tax rate in Q4 2023 was primarily due to:

- reduction in the utilization of previously unrecorded deferred tax assets in Q4 2023 compared to Q4 2022;
- less favourable mix of foreign tax rates; partially offset by
- decrease in non-deductible expenses incurred in Q4 2023 compared to Q4 2022.

The effective tax rate for 2023 was 28.5%, an increase from the 24.3% rate in 2022. The 2023 effective tax rate increased due to withholding tax on the repatriation of cash from China during the first half of 2023, a reduction in the utilization of previously unrecorded deferred tax assets, and an increase in non-deductible expenses and unrecognized benefit of losses. If the withholding tax impact is excluded, then the effective tax rate for 2023 would have been 25.6% which was in line with the expected tax rate for 2023.

TOTAL EQUITY AND OUTSTANDING SHARE DATA

During the quarter no options expired unexercised, no options were forfeited, 50,000 were exercised, and 150,000 options were issued.

The Company is authorized to issue an unlimited number of common shares, of which 61,578,157 common shares were outstanding as of March 6, 2024. The Company's common shares constitute its only class of voting securities. As of March 6, 2024, there were 1,250,000 options to acquire common shares outstanding and 3,300,000 options still available to be granted under the Company's share option plan.

SELECTED FINANCIAL INFORMATION

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2023, 2022 and 2021. 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)	2023 $	2022 $	2021 $
Sales	9,733.5	7,917.9	6,536.6
Net Earnings (Loss)	503.1	426.2	420.6
Normalizing Items	38.0	(25.7)	7.8
Net Earnings (Loss) - Normalized	541.1	400.5	428.4
Total Assets	9,850.5	8,576.4	7,390.4
Total Long-term Liabilities	2,009.5	1,608.3	1,046.5
Cash Dividends declared per share	0.88	0.80	0.68
Net Earnings (Loss) per Share			
Basic	8.18	6.67	6.43
Diluted	8.17	6.67	6.41
Diluted - Normalized	8.78	6.26	6.53

For 2023, 2022 and 2021 normalizing items please see the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2022 through December 31, 2023. 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 2023 $	Sep 30 2023 $	Jun 30 2023 $	Mar 31 2023 $	Dec 31 2022 $	Sep 30 2022 $	Jun 30 2022 $	Mar 31 2022 $
Sales	2,453.9	2,434.2	2,552.8	2,292.7	2,060.0	2,098.1	1,981.6	1,778.1
Net Earnings (Loss)	104.4	146.7	135.0	117.0	92.2	133.2	104.5	96.3
Net Earnings (Loss) per Share								
Basic	1.70	2.38	2.19	1.90	1.49	2.10	1.61	1.47
Diluted	1.69	2.38	2.19	1.90	1.49	2.10	1.61	1.47

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 Mobility 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. Additionally, supply chain disruptions and cost pressures, indirectly by the lingering economic impacts of COVID-19, had adverse impacts on 2022.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(in millions of dollars)	Three Months Ended December 31 2023 $	2022 $	Twelve Months Ended December 31 2023 $	2022 $
Cash generated from (used in):				
Operating Activities	276.4	221.0	793.6	468.1
Financing Activities	(22.2)	(67.7)	207.4	156.4
Investing Activities	(291.7)	(154.4)	(1,194.0)	(715.7)
Effect of translation adjustment on cash	(3.8)	5.6	(14.2)	23.3
Increase (decrease) in cash and cash equivalents	(41.3)	4.5	(207.2)	(67.9)
Cash and cash equivalents – Beginning of Period	694.6	856.0	860.5	928.4
Cash and cash equivalents – End of Period	653.3	860.5	653.3	860.5
Comprised of:				
Cash in bank	392.6	396.1	392.6	396.1
Short-term deposits	266.2	467.3	266.2	467.3
Unpresented cheques	(5.5)	(2.9)	(5.5)	(2.9)
	653.3	860.5	653.3	860.5

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2023 were $653.3 million, a decrease of $207.2 million, or 24.1%, compared to December 31, 2022.

Cash generated from operating activities was $276.4 million, an increase of $55.4 million from Q4 2022, due to increased earnings and decreased use of cash in operating assets and liabilities. Cash generated from operating activities in 2023 was $793.6 million, $325.5 million more than was provided in 2022, due primarily to increased earnings and a decreased use of cash in operating assets and liabilities.

Financing activities used $22.2 million of cash compared to $67.7 million used in Q4 2022. The decreased use of cash in Q4 2023 was primarily due to no repurchase of shares in 2023 compared to $42.4 million repurchased in Q4 2022. Cash generated from financing activities in 2023 was due to the Company's new 2033 Notes issued in June 2023, partially offset by the repayment of long-term debt. For 2022, cash generated from financing activities was used for the 2022 business acquisitions as well as $236.1 million used for the repurchase of shares under the Company's 2022 normal course issuer bid ("NCIB") program.

Investing activities used $291.7 million in Q4 2023 compared to $154.4 million used in Q4 2022 and 2023 used $1,194.0 million compared to $715.7 million in 2022. The use of cash was primarily for the purchases of property, plant, and equipment and for the 2023 and 2022 business acquisitions.

Operating Activities

(in millions of dollars)	Three Months Ended December 31 2023 $	2022 $	Twelve Months Ended December 31 2023 $	2022 $
Net Earnings (Loss) for the period	104.4	92.2	503.1	426.2
Adjustments to earnings	144.9	134.3	499.0	439.1
	249.3	226.5	1,002.1	865.3
Changes in operating assets and liabilities	27.1	(5.5)	(208.5)	(397.2)
Cash generated from (used in) operating activities	276.4	221.0	793.6	468.1

Cash generated by operations before the effect of changes in operating assets and liabilities increased $22.8 million, or 10.1%, in Q4 2023 to $249.3 million, compared to $226.5 million in Q4 2022 primarily due to higher net earnings. Similarly higher net earnings drove 2023 cash generation from operations before the effect of changes in operating assets and liabilities which increased by $136.8 million in 2023 to $1,002.1 million.

Changes in operating assets and liabilities for Q4 2023 increased cash by $27.1 million primarily due to decreases in accounts receivables required to support sales, partially offset by an increase in inventories. For the full year changes in operating assets and liabilities used cash of $208.5 million due to the increased investment in operating assets and liabilities because of the strong sales growth in the quarter.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2023 $	Three Months Ended December 31 2022 $	Twelve Months Ended December 31 2023 $	Twelve Months Ended December 31 2022 $
Proceeds from (repayments of) long-term debt	(0.3)	(6.7)	(242.3)	462.9
Proceeds from private placement notes	-	-	550.0	-
Proceeds from exercise of stock options	2.1	1.1	2.1	1.1
Repurchase of shares	-	(42.4)	-	(236.1)
Dividends	(13.5)	(12.3)	(54.1)	(51.1)
Finance income received (expenses paid)	(10.5)	(7.4)	(48.3)	(20.4)
Cash generated from (used in) financing activities	(22.2)	(67.7)	207.4	156.4

Cash used for financing activities for Q4 2023 was $22.2 million compared to $67.7 million used in Q4 2022 and 2023 financing activities generated $207.4 million of cash compared to $156.4 million generated in 2022. Financing activities in Q4 2023 were primarily driven by dividends issued to shareholders and finance expenses paid compared to Q4 2022 with the additional funds used for the Company's repurchase of shares under its 2022 NCIB program. In 2023 the increase in cash generated was driven by the issuance of the Company's new 2033 Notes partially offset by its repayment of long-term debt. In 2022, the Company's generation of cash was driven primarily by proceeds from borrowings related to the 2022 acquisitions partially offset by the use of $236.1 million for the repurchase of shares under its 2022 NCIB program.

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2023 $	Three Months Ended December 31 2022 $	Twelve Months Ended December 31 2023 $	Twelve Months Ended December 31 2022 $
Payments for purchase of property, plant and equipment	(194.7)	(154.3)	(762.7)	(410.6)
Proceeds on disposal of property, plant and equipment	1.4	1.4	3.7	36.2
Payments for purchase of intangible assets	(9.7)	(3.9)	(27.5)	(12.6)
Business acquisitions, net of cash acquired	(88.7)	2.8	(407.1)	(325.5)
Other	-	(0.4)	(0.4)	(3.2)
Cash generated from (used in) investing activities	(291.7)	(154.4)	(1,194.0)	(715.7)

Cash used for investing activities for Q4 2023 was $291.7 million compared to Q4 2022 at $154.4 million. For 2023 cash used on investing activities was $1,194.0 million compared to 2022 at $715.7 million. In addition to the Company's ongoing purchase of property, plant and equipment, the primary use of cash in Q4 2023 was for the acquisition of the Chassis and Suspension Business and in Q2 2022 were for the acquisitions of LLM Mills River and Salford.

Liquidity and Capital Resources

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

At December 31, 2023, cash and cash equivalents, including short-term deposits was $653.3 million and the Company's credit facilities had available credit of $668.4 million. Combined, the Company believes this liquidity[1] of $1.3 billion at December 31, 2023 is sufficient to meet cash flow needs. Free cash flow[1] was $83.1 million for Q4 2023 primarily due to cash generated from operating activities, partially offset by payments for the purchase of property, plant and equipment.

[1] Liquidity and Free Cash Flow are non-GAAP financial measures. Please see "Non-GAAP and Other Financial Measures" section of this MD&A.

Commitments and Contingencies

The following table summarizes contractual obligations by category and the associated payments:

(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 Lease Liabilities	1,573.7	5.1	521.1	1,047.5
Lease Liabilities[1]	240.8	42.7	129.7	68.4
Purchase Commitments	420.0	420.0	-	-
Total Contractual Obligations	2,234.5	467.8	650.8	1,115.9

The Company occasionally provides guarantees to third parties who, in turn, provide financing to certain Linamar customers for industrial products. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in the notes to the Company's consolidated financial statements for the year ended December 31, 2023.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims, and other details surrounding its financial liabilities, off-balance sheet obligations, or other contractual obligations as applicable, are described in the notes to Company's consolidated financial statements for the year ended December 31, 2023.

Financial Instruments

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

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

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

In June 2023, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of $550.0 million aggregate principal amount, issued at an annual rate of 5.96%, coming due June 2033 and paying interest semi-annually. The new private placement notes have similar terms and conditions as the notes issued in 2021. The funds were used for general corporate purposes including the Battery Enclosures Business acquisition.

Subsequent to year end, effective in February 2024, the Company received funding of $700.0 million through a new term credit agreement. The Company applied the proceeds of this funding to the acquisition of Bourgault Industries Ltd. and general corporate purposes. The term credit agreement has similar terms and conditions as Linamar's existing credit facility. The term credit agreement will mature in three years to closely align to the maturing of Linamar's existing revolving credit facility.

The company is exposed to foreign exchange fluctuations due to foreign operating transactions and to manage this the Company enters into forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated foreign sales and purchases. Any fair value unrealized gains and losses for the hedges are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the hedged items.

For more information, please see the notes to the Company's consolidated financial statements for the year ended December 31, 2023.

CURRENT AND PROPOSED TRANSACTIONS

On August 3, 2023, the Company acquired three battery enclosure facilities from Dura-Shiloh ("Battery Enclosures Business") through the acquisition of certain assets and shares. The acquisition will increase the Company's electrified product portfolio with increased future battery electric vehicle content. The preliminary purchase price is $318.9 million.

[1] Lease Liabilities includes the interest component in accordance with the definition of minimum lease payments under IFRS Accounting Standards.

On October 31, 2023, the Company acquired a substantial portion of the US-based assets from Mobex Fourth and 1, LLC ("Chassis and Suspension Business") and certain of its affiliates. The acquisition will increase the Company's propulsion-agnostic solutions that can be supplied to BEV, hybrid, and internal combustion-powered vehicle applications. The preliminary purchase price is $88.7 million.

Subsequent to year end, on February 1, 2024, the Company closed the acquisition of 100% of the equity interest of Bourgault Industries Ltd. ("Bourgault") for a preliminary purchase price of $640.0 million. Headquartered in St. Brieux, Saskatchewan, Canada, Bourgault is a market and technology leader in broad acre seeding.

Due to the timing of the close and complexities associated with these transactions, the determination of the fair value of consideration, including, assets acquired and liabilities assumed, is subject to further adjustments.

There are no other current and proposed transactions for the quarter ended December 31, 2023.

RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, the Company's Annual Information Form for the year ended December 31, 2023 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 Mobility segment, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. In the Industrial segment the Company also faces competition from well-established aerial work platform and harvesting, tillage and crop nutrition equipment OEMs.

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

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

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

Sources and Availability of Raw Materials

The primary raw materials utilized by the Company's precision machining, access equipment and harvesting equipment operations are iron castings, aluminum castings, raw aluminum (ingot), forgings, raw steel, steel fabrications, powertrain assemblies, powder metal, bearings, mechatronic parts, seals and fasteners, 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, geopolitics, 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 Mobility 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 Mobility sales.

Typically, sales are similarly concentrated for the Industrial segment as product distribution is largely through major access equipment rental companies and agricultural dealerships. Through its Skyjack subsidiary, the Company engages in the production and sale of access equipment including scissor lifts, booms and telehandlers. Through its MacDon and Salford subsidiaries, the Company engages in the production and sale of harvesting equipment including draper headers and self-propelled windrowers, tillage and crop nutrition equipment. There is a relatively defined sales cycle in these industries, as it is closely related to, and affected by, the product life cycle of these construction and agricultural sectors. Therefore, the risks and fluctuations in the construction and agricultural industries in the countries that Skyjack, MacDon and Salford operate in also affect the Company's Industrial sales.

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

Technological Change and Product Launches

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

Public Health Threats

In early 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization. The pandemic and resulting economic contraction significantly impacted the health and economic wellbeing of our employees, customers, suppliers, global and local communities.

Any current or future epidemic, pandemic, or other public health crisis that occurs may pose similar risks to the Company.

Foreign Business Risk

The Company's operations in Europe, the Americas, and Asia, are subject to general business risks that may not exist in Canada. The political climate and government policies are less stable and less predictable in certain 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, geopolitical conflicts impacting customer volumes, supplier sourcing, and cost inputs, economic effects of any epidemic, pandemic or other public health threats such as COVID-19, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations.

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

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 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 Mobility 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.

Cyclicality and Seasonality

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

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Mobility 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.

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, general liability, warranty or recall claims, or other consequential damages claims. A significant judgment against the Company, or the imposition of a significant fine or penalty because 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, general liability, warranty or recall claims, or business interruption claims could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and receivables. The Company's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions with investment grade ratings. A substantial portion of the Company's receivables are with large customers in the automotive, truck, commercial, and industrial sectors which gives rise to concentration risk within those industries. The Company cannot guarantee that its customers will not experience financial difficulties in the future, making it unable to collect all its receivables.

Weather

Generally, adverse weather may impact Linamar's operations and its ability to produce product. For example, weather such as drought and flooding can have an adverse effect on crop quality and yields and therefore net farm income and new equipment orders.

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 in mitigating this risk by increasing its portfolio of Hybrid, Electric and Fuel Cell Electric Vehicle component and system 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.

Capital and Liquidity Risk

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

The Company's current credit facilities and the private placement notes require the Company to comply with certain financial covenants. There can be no assurance of the Company's ability to continue to comply with its financial covenants, to appropriately service its debt, or to obtain continued commitments from debt providers. Additionally, the Company, if required, cannot guarantee access to additional equity or capital given current or future economic market events related to changes in the Company's segments.

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. One example of changing legislation is certain jurisdictions are beginning to implement the OECD's BEPS 2.0 initiative, or Pillar Two Global Minimum tax of 15% anticipated to come into effect in 2024. There is no assurance that tax legislation or tax rates will remain unchanged. The Company currently has tax losses and credits in several 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

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, 2023, 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, 2023, 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, 2023, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except as outlined below in the Limitation of Scope of Design section.

Limitation of Scope of Design

The Company has limited the scope of design of our internal controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of i) the Battery Enclosures Business, which the Company acquired on August 3, 2023, and ii) the Chassis and Suspension Business, which the Company acquired on October 31, 2023. The chart below presents the summary financial information of the Battery Enclosures Business and the Chassis and Suspension Business:

		From the Date of Acquisition for the Period Ended December 31 2023
(in millions of dollars)	Battery Enclosures Business $	Chassis and Suspension Business $
Sales	135.7	94.7
Net Earnings (Loss) for the Period	6.3	2.6
Current Assets	102.3	92.4
Non-Current Assets	404.7	160.1
Current Liabilities	50.0	138.2
Non-Current Liabilities	54.3	47.5

The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109 to which this MD&A relates, which allows an issuer to limit its design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS Accounting Standards 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 assess at the end of each reporting period whether there is any indication that an asset may be impaired and to make significant forward-looking assumptions. In assessing whether there is an indication that an asset may be impaired, there are a number of external and internal sources of information which require a high degree of judgement. 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 with the exception of supply chain constraints and escalated input costs.

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

Purchase Price Allocations

The determination of the purchase price is a critical estimate. 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 its impact on future depreciation and amortization expense as well as impairment tests.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2023 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2023.

NON-GAAP AND OTHER FINANCIAL MEASURES

The Company uses certain non-GAAP and other financial measures to provide useful information to both management, investors, and other stakeholders 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 and other financial measures when analyzing operational performance on a consistent basis.

These Non-GAAP and other 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.

Normalized Non-GAAP Financial Measures and Ratios

All Non-GAAP financial measures denoted with 'Normalized' as presented by the Company are adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and other items.

Operating Earnings (Loss) – Normalized

Operating Earnings (Loss) – Normalized is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Operating Earnings (Loss) – Normalized is calculated as Operating Earnings (Loss), the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for foreign exchange gain (loss), and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

Net Earnings (Loss) – Normalized

Net Earnings (Loss) – Normalized is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net Earnings (Loss) – Normalized is calculated as Net Earnings (Loss), the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

Net Earnings (Loss) per Share – Diluted – Normalized

Net Earnings (Loss) per Share – Diluted – Normalized is a non-GAAP financial ratio and the Company believes it is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net Earnings (Loss) per Share – Diluted – Normalized is calculated as Net Earnings (Loss) – Normalized (as defined above) divided by the fully diluted number of shares outstanding as at the period end date.

EBITDA and EBITDA – Normalized

EBITDA is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's underlying operational performance of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results. EBITDA is calculated as Net Earnings (Loss) before income taxes, the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for amortization of property, plant and equipment, amortization of other intangible assets, interest expense, and other interest.

EBITDA – Normalized is a non-GAAP financial measure and the Company believes EBITDA – Normalized is useful in assessing the Company's underlying operational performance of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results. EBITDA – Normalized is calculated as EBITDA (as defined above) adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, non-cash asset impairments and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

All these other items contained in these non-GAAP financial measures are summarized as follows:

	Three Months Ended December 31		Twelve Months Ended December 31	
	2023	2022	2023	2022
(in millions of dollars)	$	$	$	$
Gain on sale of unused land	-	-	-	(22.1)
Net gain on the purchase of LLM Mills River	-	(7.7)	-	(7.7)
Adjustment for contingent consideration of Mills River earn-out	-	-	4.9	-
Other items impacting Operating Earnings (loss) – Normalized and Net Earnings (Loss) - Normalized	-	(7.7)	4.9	(29.8)
Gain on sale of unused land	-	-	-	(22.1)
Net gain on the purchase of LLM Mills River	-	(7.7)	-	(7.7)
Adjustment for contingent consideration of Mills River earn-out	-	-	4.9	-
Other items	-	(7.7)	4.9	(29.8)
Asset impairment provision, net of reversals	0.3	(0.1)	0.3	-
Other items and asset impairments impacting EBITDA – Normalized	0.3	(7.8)	5.2	(29.8)

Normalizing items for asset impairment provisions, net of reversals adjusted EBITDA and impacted the Mobility segment by $0.3 million for Q4 2023 and $0.3 million for full year 2023 ($0.1 million gain for Q4 2022 and $Nil full year 2022).

During Q1 2023, a normalizing item related to an "adjustment for contingent consideration on Mills River earn-out" impacted the Mobility segment by $4.9 million. Also, during Q1 2023 and Q2 2023 a normalizing item impacting the Company's income taxes related to withholding tax on repatriation of cash from China by $6.9 million and $13.4 million respectively.

During Q4 2022, a normalizing item related to a "net gain on the purchase of LLM Mills River" impacted the Mobility segment by $7.7 million. The Company's acquisition of the remaining 50% interest in the joint venture, LLM Mills River, resulted in a gain on bargain purchase of $29.4 million partially offset by a remeasurement of the original net investment of $21.7 million. During Q1 2022, a normalizing item related to a "gain on sale of unused land" impacted the Mobility segment by $22.1 million.

All normalized non-GAAP financial measures areas reconciled as follows:

	Three Months Ended December 31				Twelve Months Ended December 31			
	2023	2022	+/-	+/-	2023	2022	+/-	+/-
(in millions of dollars, except per share figures)	$	$	$	%	$	$	$	%
Operating Earnings (Loss) – Normalized								
Operating Earnings (Loss)	169.6	131.5	38.1	29.0%	774.8	594.8	180.0	30.3%
Foreign exchange (gain) loss	22.3	17.1	5.2		19.2	0.1	19.1	
Other items	-	(7.7)	7.7		4.9	(29.8)	34.7	
Operating Earnings (Loss) – Normalized	191.9	140.9	51.0	36.2%	798.9	565.1	233.8	41.4%
Net Earnings (Loss) – Normalized								
Net Earnings (Loss)	104.4	92.2	12.2	13.2%	503.1	426.2	76.9	18.0%
Foreign exchange (gain) loss	22.3	17.1	5.2		19.2	0.1	19.1	
Foreign exchange (gain) loss on debt and derivatives	2.5	0.3	2.2		2.5	1.5	1.0	
Other items	-	(7.7)	7.7		4.9	(29.8)	34.7	
Tax impact including Other Items	(7.0)	(2.4)	(4.6)		11.4	2.5	8.9	
Net Earnings (Loss) – Normalized	122.2	99.5	22.7	22.8%	541.1	400.5	140.6	35.1%

(in millions of dollars, except per share figures)	Three Months Ended December 31 2023 $	2022 $	+/- $	+/- %	Twelve Months Ended December 31 2023 $	2022 $	+/- $	+/- %
Net Earnings (Loss) per Share – Diluted – Normalized								
Net Earnings (Loss) per Share – Diluted	1.69	1.49	0.20	13.4%	8.17	6.67	1.50	22.5%
Foreign exchange (gain) loss	0.36	0.27	0.09		0.31	-	0.31	
Foreign exchange (gain) loss on debt and derivatives	0.04	0.01	0.03		0.04	0.02	0.02	
Other items	-	(0.12)	0.12		0.08	(0.47)	0.55	
Tax impact including Other Items	(0.11)	(0.04)	(0.07)		0.18	0.04	0.14	
Net Earnings (Loss) per Share – Diluted – Normalized	1.98	1.61	0.37	23.0%	8.78	6.26	2.52	40.3%
EBITDA and EBITDA – Normalized								
Net Earnings (Loss) before income taxes	144.9	120.1	24.8	20.6%	703.8	563.1	140.7	25.0%
Amortization of property, plant and equipment	119.2	97.6	21.6		427.4	382.8	44.6	
Amortization of other intangible assets	17.3	15.7	1.6		64.1	58.2	5.9	
Interest expense	20.8	10.9	9.9		69.4	28.3	41.1	
Other interest	5.3	3.9	1.4		20.7	9.8	10.9	
EBITDA	307.5	248.2	59.3	23.9%	1,285.4	1,042.2	243.2	23.3%
Foreign exchange (gain) loss	22.3	17.1	5.2		19.2	0.1	19.1	
Foreign exchange (gain) loss on debt and derivatives	2.5	0.3	2.2		2.5	1.5	1.0	
Asset impairment provision, net of reversals	0.3	(0.1)	0.4		0.3	-	0.3	
Other items	-	(7.7)	7.7		4.9	(29.8)	34.7	
EBITDA – Normalized	332.6	257.8	74.8	29.0%	1,312.3	1,014.0	298.3	29.4%

All normalized non-GAAP financial measures areas impacting segments reconciled as follows:

(in millions of dollars)	Three Months Ended December 31 2023 Industrial $	Mobility $	Linamar $	Twelve Months Ended December 31 2023 Industrial $	Mobility $	Linamar $
Operating Earnings (Loss) – Normalized						
Operating Earnings (Loss)	85.8	83.8	169.6	460.9	313.9	774.8
Foreign exchange (gain) loss	14.7	7.6	22.3	10.5	8.7	19.2
Other items	-	-	-	-	4.9	4.9
Operating Earnings (Loss) – Normalized	100.5	91.4	191.9	471.4	327.5	798.9
EBITDA – Normalized						
EBITDA	101.9	205.6	307.5	526.1	759.3	1,285.4
Foreign exchange (gain) loss	14.7	7.6	22.3	10.5	8.7	19.2
Foreign exchange (gain) loss on debt and derivatives	0.6	1.9	2.5	0.6	1.9	2.5
Asset impairment provision, net of reversals	-	0.3	0.3	-	0.3	0.3
Other items	-	-	-	-	4.9	4.9
EBITDA – Normalized	117.2	215.4	332.6	537.2	775.1	1,312.3

(in millions of dollars)	Three Months Ended December 31 2022 Industrial $	Mobility $	Linamar $	Twelve Months Ended December 31 2022 Industrial $	Mobility $	Linamar $
Operating Earnings (Loss) – Normalized						
Operating Earnings (Loss)	55.7	75.8	131.5	201.6	393.2	594.8
Foreign exchange (gain) loss	(0.2)	17.3	17.1	(9.1)	9.2	0.1
Other items	-	(7.7)	(7.7)	-	(29.8)	(29.8)
Operating Earnings (Loss) – Normalized	55.5	85.4	140.9	192.5	372.6	565.1
EBITDA – Normalized						
EBITDA	70.5	177.7	248.2	258.0	784.2	1,042.2
Foreign exchange (gain) loss	(0.2)	17.3	17.1	(9.1)	9.2	0.1
Foreign exchange (gain) loss on debt and derivatives	(0.1)	0.4	0.3	0.2	1.3	1.5
Asset impairment provision, net of reversals	-	(0.1)	(0.1)	-	-	-
Other items	-	(7.7)	(7.7)	-	(29.8)	(29.8)
EBITDA – Normalized	70.2	187.6	257.8	249.1	764.9	1,014.0

Other Non-GAAP Financial Measures

Free Cash Flow

Free Cash Flow is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's ability to generate cash. Free Cash Flow is calculated as Cash from Operating Activities, the most directly comparable measure as presented in the Company's consolidated statements of cash flows, adjusted for payments for purchase of property, plant and equipment, and proceeds on disposal of property, plant and equipment.

Liquidity

Liquidity is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's ability to satisfy its financial obligations as they come due. Liquidity is calculated as Cash, the most directly comparable measure as presented in the Company's consolidated statements of financial position, adjusted for the Company's available credit.

All other non-GAAP financial measures are reconciled as follows:

(in millions of dollars)	Three Months Ended December 31 2023 $	2022 $	Twelve Months Ended December 31 2023 $	2022 $
Free Cash Flow				
Cash generated from (used in) operating activities	276.4	221.0	793.6	468.1
Payments for purchase of property, plant and equipment	(194.7)	(154.3)	(762.7)	(410.6)
Proceeds on disposal of property, plant and equipment	1.4	1.4	3.7	36.2
Free Cash Flow	83.1	68.1	34.6	93.7
Liquidity				
Cash and cash equivalents	653.3	860.5	653.3	860.5
Available credit	668.4	462.5	668.4	462.5
Liquidity	1,321.7	1,323.0	1,321.7	1,323.0

Supplementary Financial Measures

Content per Vehicle

Content per Vehicle is a supplementary financial measure and is calculated within the Mobility segment for the region indicated as automotive sales less tooling sales divided by vehicle production units.

Summary of Content per Vehicle by Quarter

The following table summarizes the updated CPV for the current year for changes in volumes as revised by industry sources:

Estimates as of December 31, 2023		Three Months Ended						Year to Date
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
North America	2023	2023	2023	2023	2023	2023	2023	2023
Vehicle Production Units	4.04	4.24	4.10	3.87	4.04	8.29	12.38	16.25
Automotive Sales	$ 983.5	$ 1,011.9	$ 1,011.4	$ 1,064.7	$ 983.5	$ 1,995.4	$ 3,006.9	$ 4,071.5
Content Per Vehicle	$ 243.26	$ 238.43	$ 246.94	$ 275.28	$ 243.26	$ 240.79	$ 242.82	$ 250.55
Europe								
Vehicle Production Units	4.63	4.65	3.92	4.60	4.63	9.29	13.21	17.81
Automotive Sales	$ 449.4	$ 465.9	$ 458.5	$ 456.5	$ 449.4	$ 915.2	$ 1,373.7	$ 1,830.2
Content Per Vehicle	$ 96.99	$ 100.10	$ 116.98	$ 99.25	$ 96.99	$ 98.55	$ 104.02	$ 102.79
Asia Pacific								
Vehicle Production Units	11.66	12.13	13.26	14.37	11.66	23.79	37.04	51.41
Automotive Sales	$ 110.8	$ 125.3	$ 138.7	$ 152.1	$ 110.8	$ 236.2	$ 374.9	$ 527.0
Content Per Vehicle	$ 9.51	$ 10.33	$ 10.46	$ 10.59	$ 9.51	$ 9.93	$ 10.12	$ 10.25

Estimates as of September 30, 2023		Three Months Ended				Year to Date
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30
North America	2023	2023	2023	2023	2023	2023
Vehicle Production Units	4.04	4.24	4.14	4.04	8.28	12.42
Automotive Sales	$ 983.3	$ 1,011.5	$ 1,011.2	$ 983.3	$ 1,994.8	$ 3,006.0
Content Per Vehicle	$ 243.22	$ 238.47	$ 244.54	$ 243.22	$ 240.79	$ 242.04
Europe						
Vehicle Production Units	4.62	4.65	3.86	4.62	9.27	13.13
Automotive Sales	$ 449.7	$ 466.4	$ 458.8	$ 449.7	$ 916.0	$ 1,374.9
Content Per Vehicle	$ 97.29	$ 100.30	$ 119.01	$ 97.29	$ 98.80	$ 104.73
Asia Pacific						
Vehicle Production Units	11.66	12.15	12.99	11.66	23.80	36.79
Automotive Sales	$ 110.8	$ 125.2	$ 138.7	$ 110.8	$ 236.10	$ 374.8
Content Per Vehicle	$ 9.51	$ 10.31	$ 10.68	$ 9.51	$ 9.92	$ 10.19

Change in Estimates from Prior Quarter		Three Months Ended				Year to Date
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30
	2023	2023	2023	2023	2023	2023
North America	+/-	+/-	+/-	+/-	+/-	+/-
Vehicle Production Units	-	-	(0.04)	-	0.01	(0.04)
Automotive Sales	$ 0.2	$ 0.4	$ 0.2	$ 0.2	$ 0.6	$ 0.9
Content Per Vehicle	$ 0.04	$ (0.04)	$ 2.40	$ 0.04	$ -	$ 0.78
Europe						
Vehicle Production Units	0.01	-	0.06	0.01	0.02	0.08
Automotive Sales	$ (0.3)	$ (0.5)	$ (0.3)	$ (0.3)	$ (0.8)	$ (1.2)
Content Per Vehicle	$ (0.30)	$ (0.20)	$ (2.03)	$ (0.30)	$ (0.25)	$ (0.71)
Asia Pacific						
Vehicle Production Units	-	(0.02)	0.27	-	(0.01)	0.25
Automotive Sales	$ -	$ 0.1	$ -	$ -	$ 0.1	$ 0.1
Content Per Vehicle	$ -	$ 0.02	$ (0.22)	$ -	$ 0.01	$ (0.07)

FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this 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; public health threats; cyclicality and seasonality; legal proceedings and insurance coverage; credit risk; weather; emission standards; capital and liquidity risk; tax laws; securities laws compliance and corporate governance standards; fluctuations in interest rates; environmental emissions and safety regulations; trade and labour disruptions; world political events; pricing concessions to customers; and governmental, environmental and regulatory policies.

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

CONSOLIDATED FINANCIAL STATEMENTS

Linamar Corporation

December 31, 2023 and December 31, 2022
(in thousands of dollars)

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

(Signed) "Linda Hasenfratz"

Linda Hasenfratz
Executive Chair of the Board & Chief Executive Officer

(Signed) "Dale Schneider"

Dale Schneider
Chief Financial Officer

March 6, 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Linamar Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Linamar Corporation and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Goodwill impairment assessment for Linamar Light Metals Group of Companies cash generating unit (CGU)
Refer to note 3 - Material accounting policies and Note 11 - Goodwill to the consolidated financial statements.
Management performs an impairment assessment annually for goodwill, or more frequently when there is an indication of impairment. An impairment loss is recognized if the carrying value of a CGU or grouped CGUs to which the goodwill relates exceeds its recoverable amount. The carrying value of goodwill for the Linamar Light Metals Group of Companies CGUs is $442.6 million. The recoverable amount of that CGU was determined on a value in use calculation (the method) using discounted future operating cash flows (the models) covering a five-year period. The key assumptions used in the models included forecast growth rates, discount rates, forecasted operating costs and capital expenditures. No impairment loss was recognized as a result of the current year impairment assessment.
We considered this a key audit matter due to the judgement made by management in determining the recoverable amount of the CGU, including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.
</td><td>
Our approach to addressing the matter involved the following procedures, amongst others:

Evaluated how management determined the recoverable amount of the Linamar Light Metals Group of Companies CGU, which included the following:

Evaluated the appropriateness of the method used and the mathematical accuracy of the models for the five year period.
Evaluated the reasonableness of the forecast growth rates, and forecasted operating costs and capital expenditures applied by management in the model by (i) comparing to the approved budget, (ii) comparing to current and past performance of the CGU, (iii) assessing consistency with available third party published industry data, (iv) evaluating whether these assumptions were consistent with management's strategic plans.
Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rate applied by management based on available data of comparable companies.
Tested the underlying data used in the model.

Tested the disclosures made in the consolidated financial statements related to goodwill.

</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aneil Manji.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 6, 2024

LINAMAR CORPORATION

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31 2023 $	December 31 2022 $
ASSETS		
Cash and cash equivalents	653,327	860,515
Accounts and other receivables (Note 27)	1,343,322	1,160,509
Inventories (Note 7)	1,836,665	1,509,302
Income taxes recoverable (Note 8)	41,481	76,733
Current portion of long-term receivables (Note 27)	24,151	24,754
Current portion of derivative financial instruments (Note 27)	32,970	14,160
Prepaid expenses and other current assets	65,052	47,313
Current Assets	3,996,968	3,693,286
Long-term receivables (Notes 23 and 27)	39,142	47,630
Derivative financial instruments (Note 27)	5,110	2,247
Property, plant and equipment (Note 9)	3,652,498	2,793,091
Investments	8,227	18,185
Deferred tax assets (Note 8)	172,832	170,115
Intangible assets (Note 10)	942,274	902,918
Goodwill (Note 11)	1,033,449	948,919
Assets	9,850,500	8,576,391
LIABILITIES		
Accounts payable and accrued liabilities (Note 27)	2,328,651	2,011,694
Provisions (Note 12)	49,255	35,599
Income taxes payable (Note 8)	95,781	50,425
Current portion of long-term debt (Note 13)	40,530	26,733
Current portion of derivative financial instruments (Note 27)	4,698	31,974
Current Liabilities	2,518,915	2,156,425
Long-term debt (Note 13)	1,731,817	1,281,641
Derivative financial instruments (Note 27)	139	3,677
Deferred tax liabilities (Note 8)	277,526	322,937
Liabilities	4,528,397	3,764,680
EQUITY		
Capital stock (Note 14)	142,100	138,925
Retained earnings	5,046,422	4,597,513
Contributed surplus	34,177	31,359
Accumulated other comprehensive earnings (loss)	99,404	43,914
Equity	5,322,103	4,811,711
Liabilities and Equity	9,850,500	8,576,391

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

On behalf of the Board of Directors:

(Signed) “Linda Hasenfratz”

Linda Hasenfratz
Director

(Signed) “Jim Jarrell”

Jim Jarrell
Director

LINAMAR CORPORATION

Consolidated Statements of Earnings

For the years ended December 31, 2023 and December 31, 2022
(in thousands of Canadian dollars, except per share figures)

	2023 $	2022 $
Sales (Note 15)	9,733,532	7,917,911
Cost of sales (Note 16)	8,410,685	6,943,101
Gross Margin	1,322,847	974,810
Selling, general and administrative (Note 16)	526,649	411,176
Other income and (expenses) (Note 19)	(21,374)	31,197
Operating Earnings (Loss)	774,824	594,831
Share of net earnings (loss) of investments accounted for using the equity method (Note 23)	-	(6,086)
Finance income and (expenses) (Note 20)	(71,013)	(25,657)
Net Earnings (Loss) before Income Taxes	703,811	563,088
Provision for (recovery of) income taxes (Note 8)	200,757	136,894
Net Earnings (Loss) for the Year	503,054	426,194
Net Earnings (Loss) per Share: (Note 21)		
Basic	8.18	6.67
Diluted	8.17	6.67

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

LINAMAR CORPORATION

Consolidated Statements of Comprehensive Earnings

For the years ended December 31, 2023 and December 31, 2022
(in thousands of Canadian dollars)

	2023 $	2022 $
Net Earnings (Loss) for the Year	503,054	426,194
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	27,258	84,120
Change in unrealized gains (losses) on net investment hedges (Note 27)	(4,576)	(3,072)
Change in unrealized gains (losses) on cash flow hedges (Note 27)	39,087	(33,798)
Change in cost of hedging (Note 27)	(4,799)	4,441
Reclassification to earnings of gains (losses) on cash flow hedges (Note 27)	7,317	21,750
Tax impact of above (Note 8)	(10,936)	3,756
Other Comprehensive Earnings (Loss)	53,351	77,197
Comprehensive Earnings (Loss) for the Year	556,405	503,391

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

LINAMAR CORPORATION

Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and December 31, 2022
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Total Equity $
Balance at January 1, 2022	146,204	4,449,643	28,816	(21,284)	(4,583)	4,598,796
Net Earnings (Loss)	-	426,194	-	-	-	426,194
Other comprehensive earnings (loss)	-	-	-	81,048	(3,851)	77,197
Comprehensive Earnings (Loss)	-	426,194	-	81,048	(3,851)	503,391
Hedging transferred to the carrying value of inventory	-	-	-	-	(7,416)	(7,416)
Share-based compensation	-	-	3,059	-	-	3,059
Shares issued on exercise of options	1,595	-	(516)	-	-	1,079
Common shares repurchased and cancelled (Note 14)	(8,874)	(227,203)	-	-	-	(236,077)
Dividends	-	(51,121)	-	-	-	(51,121)
Balance at December 31, 2022	138,925	4,597,513	31,359	59,764	(15,850)	4,811,711
Net Earnings (Loss)	-	503,054	-	-	-	503,054
Other comprehensive earnings (loss)	-	-	-	22,682	30,669	53,351
Comprehensive Earnings (Loss)	-	503,054	-	22,682	30,669	556,405
Hedging transferred to the carrying value of inventory	-	-	-	-	2,139	2,139
Share-based compensation	-	-	3,937	-	-	3,937
Shares issued on exercise of options	3,175	-	(1,119)	-	-	2,056
Dividends	-	(54,145)	-	-	-	(54,145)
Balance at December 31, 2023	142,100	5,046,422	34,177	82,446	16,958	5,322,103

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

LINAMAR CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and December 31, 2022
(in thousands of Canadian dollars, except where otherwise noted)

	2023 $	2022 $
Cash generated from (used in)		
Operating Activities		
Net earnings (loss)	503,054	426,194
Adjustments for:		
Amortization of property, plant and equipment	427,430	382,755
Amortization of other intangible assets	64,092	58,217
Deferred income taxes	(62,679)	(14,809)
Asset impairment provision, net of reversals	365	68
Share-based compensation	3,937	3,059
Equity investment (earnings) loss	-	6,086
Finance (income) and expenses	71,013	25,657
Gain on bargain purchase (Note 26)	-	(29,440)
Remeasurement of net investment in joint venture (Note 26)	-	21,773
Other	(5,111)	(14,283)
	1,002,101	865,277
Changes in operating assets and liabilities		
(Increase) decrease in accounts and other receivables	(120,033)	(215,353)
(Increase) decrease in inventories	(239,837)	(351,132)
(Increase) decrease in prepaid expenses and other current assets	(3,656)	(4,777)
(Increase) decrease in long-term receivables	4,163	19,230
Increase (decrease) in income taxes	72,839	(82,870)
Increase (decrease) in accounts payable and accrued liabilities	74,792	239,287
Increase (decrease) in provisions	3,183	(1,531)
	(208,549)	(397,146)
Cash generated from (used in) operating activities	793,552	468,131
Financing Activities		
Proceeds from (repayments of) long-term debt	(242,337)	462,924
Proceeds from private placement notes	550,000	-
Proceeds from exercise of stock options	2,056	1,079
Repurchase of shares	-	(236,077)
Dividends	(54,145)	(51,121)
Finance income received (expenses paid)	(48,178)	(20,417)
Cash generated from (used in) financing activities	207,396	156,388
Investing Activities		
Payments for purchase of property, plant and equipment	(762,709)	(410,650)
Proceeds on disposal of property, plant and equipment	3,778	36,170
Payments for purchase of intangible assets	(27,584)	(12,604)
Business acquisitions, net of cash acquired (Note 26)	(407,060)	(325,533)
Other	(439)	(3,125)
Cash generated from (used in) investing activities	(1,194,014)	(715,742)
	(193,066)	(91,223)
Effect of translation adjustment on cash	(14,122)	23,310
Increase (decrease) in cash and cash equivalents	(207,188)	(67,913)
Cash and cash equivalents - Beginning of Year	860,515	928,428
Cash and cash equivalents - End of Year	653,327	860,515
Comprised of:		
Cash in bank	392,636	396,162
Short-term deposits	266,158	467,266
Unpresented cheques	(5,467)	(2,913)
	653,327	860,515

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

1 General Information

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

The consolidated annual financial statements of the Company for the year ended December 31, 2023 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 6, 2024.

2 Basis of Preparation

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

Certain comparative figures have been reclassified to conform to the current period's financial presentation adopted.

3 Material Accounting Policies

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

Basis of Measurement

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

Basis of Consolidation

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

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

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

The Company has partial ownership in joint ventures over whose activities the Company has joint control, established by contractual agreements and requiring unanimous consent for strategic, financial and operating decisions. The Company accounts for jointly controlled entities using the equity method after initially being recognized at cost.

The Company has partial ownership in associates over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method after initially being recognized at cost.

Under the equity method of accounting, the consolidated financial statements include the Company's share of the income and expenses and equity movements of the investments, after adjustments to align the accounting policies with those of the Company, from the date that the significant influence or joint control commences until the date that significant influence or joint control ceases. Dividends are recognized as a reduction in the carrying amount of the investment. Where the Company's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are eliminated unless the transaction provides evidence of impairment.

Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rate of the reporting period. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at period end exchange rates. Non-monetary assets and liabilities, which are measured in terms of historical cost in a foreign currency, are not re-translated. Foreign exchange gains and losses arising from borrowings are presented in the statements of earnings within finance expenses and all other foreign exchange gains and losses are presented within operating earnings except for those which relate to qualifying cash flow hedges and qualifying net investment hedges are presented in other comprehensive earnings within accumulated other comprehensive earnings until realized. Foreign exchange gains and losses arising from long-term intercompany loans, where repayment is neither planned or likely to occur in the foreseeable future, are considered as part of the net investment in a foreign operation. These are also presented in other comprehensive earnings within accumulated other comprehensive earnings until realized.

Foreign Operations

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

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

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

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

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

Cash and Cash Equivalents

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

Receivables

Current

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

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

Long-term

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

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

Impairment

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

Leases

An agreement is a lease if the agreement conveys the right to obtain substantially all of the economic benefit from the use of the identified asset and the right to direct the use of the identified asset.

Company as a lessee

The Company leases certain property, plant and equipment as right-of-use assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities include the present value of fixed and variable payments, residual value guarantees, exercise of purchase options if reasonably certain to be exercised and any penalties for terminating the lease if reasonably certain to terminate. Right-of-use assets are measured at cost comprised of the amount of the initial measurement of the lease liability plus any lease payments made before the lease commencement date, any initial direct costs and restoration costs. Lease payments are allocated between finance charges and a reduction of the outstanding lease obligation. Finance charges are recognized in net earnings, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. If the underlying right-of-use asset transfers to the lessee at the end of the lease term or the lessee is reasonably certain to exercise a purchase option, the depreciation shall be the useful life of the right-of-use asset in accordance with the Company's depreciation methods and rates based on the class of the right-of-use asset. Otherwise, the right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis. The Company is exposed to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect. When the adjustments for variable payments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

For any contracts with a short-term or if the present value of the right-of-use asset has a low-value, the Company will expense the lease payments as incurred and no right-of-use asset will be recorded.

Company as a lessor

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

Sale of Receivables

The sale of receivables is recognized when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a borrowing for the proceeds received. For some transfers, the Company may provide security in the form of a limited guarantee in regards to the risk of default.

Inventories

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

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

Taxation

Income taxes recoverable and payable

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

Deferred tax assets and liabilities

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

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

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

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

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

Provision for current and deferred income taxes

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

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

Property, Plant and Equipment

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

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

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

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

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

Intangibles

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

Trade names	Straight-line over 20 years or indefinite life
Customer relationships	Straight-line over 12 - 25 years
Technology	Straight-line over 10 - 15 years
Product development costs	Unit of production basis or straight-line over 5 – 15 years
Software	Straight-line over 3 – 5 years

The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Intangible assets with indefinite useful lives are not amortized but are reviewed for impairment annually, or more frequently when there is an indication of impairment.

Goodwill

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

Impairment of Non-Financial Assets

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

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

The recoverable amount is the higher of the fair value less costs of disposal or value in use. Fair value less costs of disposal is based on the amount that a market participant would pay for the asset or CGU. Value in use calculations utilize discounted future operating cash flows. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the full impairment loss is charged against earnings and the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro-rata basis to the carrying amount of each asset in the unit.

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

Provisions

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

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

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

Financial Instruments

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

The classification for some financial assets depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. Debt instruments are assets that are held for collection of contractual cash flows where those cash flows represent payments of principal and interest or are assets that are held for sale. These are classified as either amortized cost, fair value through other comprehensive income or at fair value through profit or loss. Investments in equity instruments are classified at fair value through profit or loss unless an election is applied to classify the investments through other comprehensive income. Financial liabilities are classified as amortized cost. Derivatives are only used for hedging purposes and not as speculative investments; however, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading and are accounted for at fair value through profit or loss.

Classification and measurement of financial instruments

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

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

(b) Fair value through other comprehensive income: Occasionally, a portion of the Company's portfolio of long-term receivables may be determined to be held for collection of contractual cash flows and for selling the financial assets. The recognition of impairment losses or impairment reversals, interest revenue and foreign exchange gains and losses are recognized in profit or loss similar to assets classified at amortized cost; however, movements in the carrying value are taken through other comprehensive income until the asset is de-recognized. At that time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Investments in equity instruments that are strategic in nature and therefore are not held for trading may be classified at fair value through other comprehensive income after an irrevocable election at recognition is completed. The fair value gains and losses on the investments remain in other comprehensive income with no subsequent reclassification of those fair value gains and losses to profit or loss on derecognition of the investment. Dividends from such investments are recognized in profit or loss as finance income when the Company's right to receive payments is established.

(c) Fair value through profit or loss: Derivatives outside of a hedging relationship and investments in equity instruments held for trading have movements in carrying value taken through profit or loss.

Fair value hierarchy

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

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

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

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

The fair values are determined based on observable market data.

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

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

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

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

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

Share-based Compensation

Under the Company's share-based compensation plan, the Company with the approval of the Board of Directors may grant equity-settled stock options to its key employees and directors.

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

Accumulated Other Comprehensive Earnings Reserves

Hedging reserves

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

Cumulative translation adjustment

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

Revenue Recognition

Sale of products

The Company enters into contracts with customers to manufacture and sell a range of products focused on propulsion systems, structural and chassis systems, energy storage and power generation for both the global electrified and traditionally powered markets for the Mobility segment. These contracts are entered into with a customer when the Company can identify each party's rights and the contract has commercial substance, which generally is when the customer has made a firm volume commitment. In addition, the Company manufactures and sells a range of industrial equipment such as aerial work platforms, telehandlers and agricultural equipment. Revenue is recognized when control of the products and equipment has transferred to the customer, generally being when the products and equipment are shipped. This represents the point in time the customer obtains significant risk and rewards of ownership and the Company has the right to payment for the products or equipment.

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

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

Sale of customer owned assets

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

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

Receivables collected through production parts are adjusted for the time value of money when a significant financing component is present. If revenue is recognized before the contractual right to payment exists, a contract asset is recorded.

Revenue from these sales is recognized based on the lower of transaction price specified in the purchase order or actual price invoiced by the Company to fabricate the asset. This amount corresponds to the amount invoiced to the customer by the Company. The invoice amount represents the standalone selling price of the asset, which is consistent with industry practice.

Engineering services

The Company enters into contracts with customers to design and develop a product or process using advanced engineering. Revenue is recognized, for contracts that qualify as a sale of service, as the service is being rendered or on completion of the service. Revenue recognized over time is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures as this depicts the progress towards completion of the service. Revenue is recognized over time for contracts where the Company creates an asset without an alternative use and the customer controls the asset as it is created. For some contracts revenue is recognized at a point in time when the customer approves the product or process.

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

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

Practical expedients

The Company has elected to use the practical expedient for significant financing components expected to be collected in one year or less and for incremental costs to obtain a contract that the Company would have recognized in one year or less. Therefore, the Company does not adjust the transaction price for the time value of money and expenses incremental costs when incurred, respectively. No information is provided regarding any remaining performance obligations at the end of the period for a contract that has an original expected duration of one year or less or for which revenue is recognized based on the right to invoice, as allowed by IFRS 15.

Segment Reporting

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

Research and Development

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

Government Grants

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

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

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

Pension Costs

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

4 Changes in Accounting Policies

New Standards and Amendments Adopted

Certain new standards and amendments became effective during the current year. The impact from the adoption of these new standards and amendments are discussed below.

IAS 12 Income Taxes

The Company has adopted amendments to IAS 12 Income Taxes as issued in May 2023 in regards to Pillar Two model rules. The Pillar Two model was published in December 2021 by the Organization for Economic Cooperation and Development (OECD) and it ensures that large multinational companies are subject to a minimum tax rate. The Pillar Two model rules are anticipated to be substantively enacted into tax law in Canada in 2024. Several jurisdictions where the Company operates have enacted Pillar Two, however, the impact is still being assessed. The Company continues to monitor the other jurisdictions when they plan to enact or substantively enact Pillar Two rules. The IAS 12 amendments for a temporary exception to the accounting and disclosures for deferred taxes related to Pillar Two income taxes have been applied. Due to the complexities in applying the legislation and calculating the impacts, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The Company continues to assess the impact of the Pillar Two legislation on its future financial performance.

New Standards and Interpretations Not Yet Adopted

All pronouncements will be adopted in the Company's accounting policies 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 to existing standards were not relevant nor would they significantly impact the Company’s net earnings or financial position.

IAS 7 Statement of Cash Flows, IFRS 7 Financial Instruments: Disclosures

Effective for the annual financial statements relating to fiscal years beginning on or after January 1, 2024, the International Accounting Standards Board issued disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on the

Company's liabilities, cash flows and exposure to liquidity risk. Management is currently assessing the impact that these amendments will have on disclosures.

5 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS Accounting Standards 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. 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 assess at the end of each reporting period whether there is any indication that an asset may be impaired and to make significant forward-looking assumptions. In assessing whether there is an indication that an asset may be impaired, there are a number of external and internal sources of information which require a high degree of judgement. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward-looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of supply chain constraints and escalated input costs.

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

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

Purchase Price Allocations

The determination of the purchase price is a critical estimate. 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 its impact on future depreciation and amortization expense as well as impairment tests.

6 Sale of Receivables

The Company sells a portion of its receivables through various purchase agreements. Under the agreements, the receivables are mostly sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company receives no fee for administration of the collection of such receivables. The Company has derecognized the receivables as substantially all of the risks and rewards of ownership of the assets have been transferred. Although the receivables have been derecognized, the Company has provided limited guarantees within the purchase agreements in regards to the risk of default. At December 31, 2023, the maximum exposure to loss is $30,891 (2022 – $33,466).

7 Inventories

	December 31 2023 $	December 31 2022 $
General stores	208,228	164,802
Raw materials	738,309	671,034
Work-in-process	370,370	317,481
Finished goods	519,758	355,985
	1,836,665	1,509,302

The cost of inventories recognized as an expense during the year ended December 31, 2023 was $7,623,417 (2022 – $6,272,588).

A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of sales. In the year ended December 31, 2023 the Company recognized a charge to cost of sales for the write-down of slow moving and obsolete inventory, and adjustments to net realizable value aggregating $54,371 (2022 – $47,891).

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

8 Income Taxes

(i) Income Tax Recognized in Net Earnings

		December 31 2023		December 31 2022
	$	%	$	%
Earnings before taxes	703,811		563,088	
Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction	175,953	25.00%	140,772	25.00%
Increase (decrease) in income taxes resulting from:				
Effect of expenses that are not deductible in determining taxable earnings	4,169	0.59%	(551)	-0.10%
Effect of unused tax losses not recognized as deferred tax assets	(694)	-0.10%	(3,135)	-0.56%
Effect of different tax rates of subsidiaries operating in other jurisdictions	4,676	0.66%	963	0.17%
Adjustments recognized in the current year in relation to the current tax of prior years	(4,708)	-0.67%	(2,410)	-0.43%
Withholding tax on dividends from subsidiaries	20,385	2.90%	-	-
Other	976	0.14%	1,255	0.22%
Income tax expense and effective income tax rate	200,757	28.52%	136,894	24.31%
Current tax	263,436		151,703	
Deferred tax	(62,679)		(14,809)	
Income tax expense	200,757		136,894	

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2022 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $10,936 (2022 – recovery of $3,756).

(ii) Deferred Tax Balances

	December 31 2023	December 31 2022
	$	$
Tax benefit of tax credits and loss carry forwards	177,777	137,359
Tax benefit (liability) of derivative financial instruments	(5,653)	5,283
Other assets - tax value in excess of book value	63,854	81,609
Cumulative tax amortization in excess of book amortization	(176,843)	(218,845)
Other liabilities - book value in excess of tax value	(163,829)	(158,228)
Deferred tax net position	(104,694)	(152,822)

Reconciliation of deferred tax net balance:

	2023	2022
	$	$
At January 1	(152,822)	(144,015)
Tax recovery (expense) during the period recognized in earnings	62,679	14,809
Tax recovery (expense) during the period recognized in other comprehensive earnings	(10,936)	3,756
Impact of foreign currency translation adjustment	536	(3,331)
Net tax liability related to business acquisition	(11,785)	(31,539)
Other	7,634	7,498
At December 31	(104,694)	(152,822)

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

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

	December 31 2023 $	December 31 2022 $
Deferred tax assets to be recovered after more than 12 months	251,766	214,918
Deferred tax assets to be recovered within 12 months	10,433	5,979
Total deferred tax assets	262,199	220,897
Deferred tax liabilities to be utilized after more than 12 months	(351,632)	(364,164)
Deferred tax liabilities to be utilized within 12 months	(15,261)	(9,555)
Total deferred tax liabilities	(366,893)	(373,719)
Deferred tax balances (net)	(104,694)	(152,822)

Unrecognized deferred tax assets were as follows:

	December 31 2023 $	December 31 2022 $
Tax losses	38,099	34,998
Tax credits	5,091	5,432
Total deferred tax assets not recognized	43,190	40,430

The unrecognized tax losses expire as follows: $2,994 during 2024-2028, $7,138 during 2029-2043 and $27,967 have no expiry date (2022 - $5,305 during 2023-2027, $4,115 during 2028-2042 and $25,578 had no expiry date). The unrecognized tax credits expire as follows: $Nil during 2024-2028 and $5,091 during 2029-2043 (2022 - $341 during 2023-2027 and $5,091 during 2028-2042).

The temporary difference, for which no deferred tax amounts have been recognized, in respect of the amount of undistributed earnings of foreign operations for December 31, 2023 was $1,979,770 (2022 – $2,191,444).

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

9 Property, Plant and Equipment

	Land $	Land use rights $	Buildings $	Machinery $	Office equipment $	Transportation equipment $	Tooling $	Total $
Cost	109,258	7,694	760,426	3,947,169	26,136	61,142	22,543	4,934,368
Accumulated amortization	-	(1,210)	(291,578)	(2,163,254)	(16,922)	(32,415)	(13,073)	(2,518,452)
Book value at January 1, 2022	109,258	6,484	468,848	1,783,915	9,214	28,727	9,470	2,415,916
Effect of cumulative translation adjustment	615	(13)	12,062	36,285	68	210	81	49,308
Additions, net of government grants	1,750	7,081	73,812	403,969	1,624	8,780	6,721	503,737
Business acquisitions (Note 26)	12,804	-	97,696	112,680	592	828	140	224,740
Impairment provision, net of reversals	-	-	-	(68)	-	-	-	(68)
Disposals	(6,500)	-	(4,124)	(5,926)	(111)	(1,111)	(15)	(17,787)
Amortization	-	(172)	(42,517)	(318,181)	(3,149)	(9,861)	(8,875)	(382,755)
Book value at December 31, 2022	117,927	13,380	605,777	2,012,674	8,238	27,573	7,522	2,793,091
Cost	117,927	14,748	942,230	4,413,998	27,850	64,349	24,451	5,605,553
Accumulated amortization	-	(1,368)	(336,453)	(2,401,324)	(19,612)	(36,776)	(16,929)	(2,812,462)
Book value at December 31, 2022	117,927	13,380	605,777	2,012,674	8,238	27,573	7,522	2,793,091
Effect of cumulative translation adjustment	467	(653)	(1,667)	25,118	(439)	1,086	(119)	23,793
Additions, net of government grants	32,789	-	114,582	653,573	3,533	18,605	10,889	833,971
Business acquisitions (Note 26)	656	-	125,659	302,925	2,024	1,899	1,457	434,620
Impairment provision, net of reversals	-	-	-	(28)	-	-	-	(28)
Disposals	-	-	(218)	(4,017)	(52)	(1,214)	(18)	(5,519)
Amortization	-	(286)	(51,092)	(353,083)	(3,006)	(11,308)	(8,655)	(427,430)
Book value at December 31, 2023	151,839	12,441	793,041	2,637,162	10,298	36,641	11,076	3,652,498
Cost	151,839	14,022	1,177,846	5,431,557	30,101	75,805	43,886	6,925,056
Accumulated amortization	-	(1,581)	(384,805)	(2,794,395)	(19,803)	(39,164)	(32,810)	(3,272,558)
Book value at December 31, 2023	151,839	12,441	793,041	2,637,162	10,298	36,641	11,076	3,652,498

Amortization expense of $425,020 (2022 – $380,077) has been charged in cost of sales and $2,410 (2022 – $2,678) in selling, general and administration.

Building additions made by a related party, a company owned by the spouse of an officer and director, for 2023 were $54,948 (2022 - $13,121).

Government grants recognized as a reduction in the carrying amount of the assets during the year was $24,489 (2022 – $10,916). See Note 16 for more details regarding government grants.

As of December 31, 2023, property, plant and equipment includes $937,445 (2022 – $450,194) of assets in the course of construction for production purposes. The majority of the assets in the course of construction are included under the machinery category above.

Property leases, consisting of land and buildings, are included under the buildings category above.

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

The following amounts are included in property, plant and equipment where the Company is a lessee under lease contracts:

		December 31 2023		December 31 2022
	Amortization Year Ended	Book value	Amortization Year Ended	Book value
	$	$	$	$
Land and buildings	20,317	172,527	13,743	62,299
Machinery	418	482	1,181	507
Office equipment	596	2,553	470	1,858
Transportation equipment	9,426	24,982	7,623	16,160
Tooling	158	199	73	116
	30,915	200,743	23,090	80,940

	December 31 2023	December 31 2022
	$	$
Additions to right-of-use assets	47,789	44,608
Business acquisitions (Note 26)	104,898	2,571
Lease interest expense	5,810	2,233
Expenses relating to short-term leases	12,051	8,943
Expenses relating to low-value leases	995	855
Total cash outflow for leases	26,898	23,477

The lease agreements do not impose any significant covenants other than the security interests in the leased assets that are held by the lessor. Some leases contain variable payment terms and future changes under the variable payments terms will not have a significant impact on future cash flows. There are no significant extension, termination or residual value guarantees that have not already been accounted for within the value of the right-of-use asset or lease liability.

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

10 Intangible Assets

	Trade names $	Customer relationships $	Technology $	Product development costs $	Software $	Total $
Cost	228,800	415,987	210,628	173,488	18,184	1,047,087
Accumulated amortization	(997)	(113,307)	(69,691)	(52,609)	(4,007)	(240,611)
Book value at January 1, 2022	227,803	302,680	140,937	120,879	14,177	806,476
Effect of cumulative translation adjustment	-	134	30	3,335	(4)	3,495
Additions	-	-	-	9,961	2,643	12,604
Business acquisition (Note 26)	17,870	95,170	25,520	-	-	138,560
Amortization	(70)	(23,161)	(14,999)	(17,497)	(2,490)	(58,217)
Book value at December 31, 2022	245,603	374,823	151,488	116,678	14,326	902,918
Cost	246,670	512,459	236,788	184,566	18,668	1,199,151
Accumulated amortization	(1,067)	(137,636)	(85,300)	(67,888)	(4,342)	(296,233)
Book value at December 31, 2022	245,603	374,823	151,488	116,678	14,326	902,918
Effect of cumulative translation adjustment	-	814	92	(1,178)	351	79
Additions	-	-	15,672	24,513	3,071	43,256
Business acquisition (Note 26)	-	60,450	-	-	-	60,450
Impairment provision	-	-	-	(337)	-	(337)
Amortization	(70)	(28,076)	(16,431)	(16,261)	(3,254)	(64,092)
Book value at December 31, 2023	245,533	408,011	150,821	123,415	14,494	942,274
Cost	246,670	574,529	253,442	180,503	21,835	1,276,979
Accumulated amortization	(1,137)	(166,518)	(102,621)	(57,088)	(7,341)	(334,705)
Book value at December 31, 2023	245,533	408,011	150,821	123,415	14,494	942,274

Amortization of intangible assets is included in cost of sales. Product development costs and software are internally generated intangible assets except for those acquired through a business acquisition or separately acquired. During 2023 and 2022, no product development costs were separately acquired.

Trade names include assets of $245,270 deemed to have an indefinite life. The useful life has been deemed to be indefinite because there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of this asset.

Customer relationships includes assets from the MacDon, Linamar Light Metals and Salford business acquisitions with current carrying amounts of $176,177 (2022 – $185,409), $85,131 (2022 - $96,199) and $87,636 (2022 - $92,660), respectively, and remaining amortization periods of 19, 7 and 19 years, respectively.

Technology includes proprietary MacDon and Linamar Light Metals technology assets acquired through business acquisitions with current carrying amounts of $69,474 (2022 - $77,121) and $43,912 (2022 - $49,621), respectively, and remaining amortization periods of 9 and 7 years, respectively.

11 Goodwill

	2023 $	2022 $
Cost, being book value at January 1	948,919	853,288
Business acquisition (Note 26)	80,572	92,572
Effect of cumulative translation adjustment	3,958	3,059
Cost, being book value at December 31	1,033,449	948,919

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

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

	December 31 2023 $	December 31 2022 $
Battery Enclosures Group of Companies (Note 26)	80,086	-
Salford Group of Companies (Note 26)	92,572	92,572
MacDon Group of Companies	388,806	388,806
Linamar Light Metals Group of Companies	442,636	438,351
Other	29,349	29,190
	1,033,449	948,919

Impairment of assets

Management performed the annual goodwill and indefinite intangible asset impairment analysis during the fourth quarters of 2023 and 2022 and found that there were no impairments. The recoverable amounts of the CGUs were determined on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the Board of Directors, covering a five-year period.

Key assumptions used in the determination of the recoverable amount include:

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

(b) Forecast growth rates are principally based on the Company's expectations for future performance. For the purpose of the impairment test, the Company set the terminal value to reflect a 3.0% (2022 – 3.0%) growth rate for the present value calculation.

(c) Discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 8.1% to 13.7% (2022 – 6.9% to 11.5%).

Sensitivity of impairment tests were performed. A 1% increase in the discount rate would have no impact on the results of impairment tests. A 0.25% decrease in the growth rate would have no impact on the results of impairment tests.

12 Provisions

	Claims and litigation (a) $	Product warranties and product defects (b) $	Other (c) $	Total $
At January 1, 2022	13,620	21,048	1,242	35,910
Charged (credited) to earnings:				
Additional provisions	3,003	11,967	23	14,993
Business acquisition (Note 26)	303	733	-	1,036
Unused amounts reversed	(5,077)	(2,277)	-	(7,354)
Used during year	(882)	(7,236)	(709)	(8,827)
Effect of cumulative translation adjustment	24	(244)	61	(159)
At December 31, 2022	10,991	23,991	617	35,599
Charged (credited) to earnings:				
Additional provisions	1,460	19,575	51	21,086
Business acquisition (Note 26)	-	-	10,415	10,415
Unused amounts reversed	(1,246)	(2,918)	(17)	(4,181)
Used during year	(1,751)	(11,362)	(54)	(13,167)
Effect of cumulative translation adjustment	(63)	34	(468)	(497)
At December 31, 2023	9,391	29,320	10,544	49,255

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

(a) **Claims and litigation:** Claims and litigation provision relate to certain legal and commercial claims brought against the Company by stakeholders and potential repayment of government assistance in various jurisdictions. In management's opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at December 31, 2023.

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

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

13 Long-Term Debt

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

	Note	December 31 2023 $	December 31 2022 $
Private placement notes	(i)	1,015,213	461,782
Bank borrowings	(ii)	485,195	694,940
Lease liabilities	(iii)	203,513	79,526
Government borrowings	(iv)	68,426	72,126
		1,772,347	1,308,374
Less: current portion		40,530	26,733
		1,731,817	1,281,641

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

	December 31 2023 $	December 31 2022 $
Not later than 1 year	40,530	26,733
Later than 1 year and not later than 5 years	627,937	770,852
Later than 5 years	1,108,750	514,271
Total principal payments	1,777,217	1,311,856
Less: debt issue costs	4,870	3,482
	1,772,347	1,308,374

(i) Private placement notes

The Private placement notes consisted of:

(a) In January 2021, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of Euro ("EUR") 320 million aggregate principal amount issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. The private placement notes are guaranteed by material subsidiaries of the Company as defined in the agreement. The private placement notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The EUR denominated notes have been designated as a net investment hedge for the net investments in EUR foreign operations.

(b) In June 2023, the Company received funding through a note purchase agreement with certain institutional investors for private placement of $550 million aggregate principal amount, issued at an annual rate of 5.96%, coming due June 2033 and paying interest semi-annually. The new private placement notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The funds were used for general corporate purposes including the Battery Enclosures Business acquisition (Note 26).

(ii) Bank borrowings

The Company's credit facility was last amended and restated in November 2022. The facility includes a revolving credit facility for up to $1.175 billion which will expire in November 2026 and is under terms and conditions largely consistent with the Company's previously existing credit facilities. Borrowings are subject to short-term market rates, plus applicable margin. The facility includes the use of alternative benchmark rates in order to complete the transition due to the IBOR reform. The facility is unsecured and guaranteed by material subsidiaries of the Company, as defined in the credit agreement. The bank borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities. The Company is in compliance with all financial covenants.

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

As of December 31, 2023, $668,365 was available under the Company's credit facility.

In February 2024, the Company entered into a new term credit agreement for $700 million in connection with the acquisition of the Bourgault Group of Companies (Note 26) and general corporate purposes. The term credit agreement is repayable in three tranches with the last expiring in February 2027 and has terms and conditions largely consistent with the Company's existing credit facility. Borrowings are subject to short-term market rates, plus applicable margin. The term credit agreement is unsecured and guaranteed by material subsidiaries of the Company, as defined in the agreement. The borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities.

(iii) Lease liabilities

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

	Minimum lease payments		Present value of minimum lease payments	
	December 31 2023 $	December 31 2022 $	December 31 2023 $	December 31 2022 $
Not later than 1 year	42,733	23,877	35,421	21,774
Later than 1 year and not later than 5 years	129,664	52,875	106,870	48,401
Later than 5 years	68,378	11,036	61,222	9,351
	240,775	87,788	203,513	79,526
Less: future finance charges	37,262	8,262	-	-
Present value of minimum lease payments	203,513	79,526	203,513	79,526

(iv) Government borrowings

The Company has two unsecured non-revolving interest free government loans due in annual payments through 2034.

14 Capital Stock

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

	Common Shares Issued/(Cancelled) #	Stated capital $
At January 1, 2022	65,450,697	146,204
Stock options exercised	50,000	1,595
Repurchase of shares under normal course issuer bid	(3,972,540)	(8,874)
At December 31, 2022	61,528,157	138,925
Stock options exercised	50,000	3,175
At December 31, 2023	61,578,157	142,100

In November 2021, the Company announced TSX approval to commence a normal course issuer bid. This bid permitted the Company to acquire for cancellation up to 4,421,507 common shares between November 30, 2021 and November 29, 2022. This bid was subject to daily limits and blackout periods.

15 Revenue from Contracts with Customers

The disaggregated revenue from contracts with customers aligns with the revenue information as disclosed for each reportable segment in Note 24. The Company has recognized revenue-related receivables, contract assets and contract liabilities in its consolidated statements of financial position. Accounts and other receivables and long-term receivables include $1,147,627 and $30,547, respectively, of receivables from contracts with customers (2022 - $1,088,683 and $42,647, respectively). Accounts payable and accrued liabilities include $156,195 of liabilities from contracts with customers (2022 - $157,490) (Note 27).

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

(i) Significant changes in contract liabilities

Decreases in contract liabilities were offset by similar increases contributed by the business acquisitions in the year.

(ii) Revenue recognized in relation to contract liabilities

Revenue recognized during the year that was included in the contract liability balance at the beginning of the period was $116,341 (2022 - $137,977).

(iii) Remaining performance obligations

The aggregate amount of the transaction price allocated to remaining performance obligations as of the end of the year amounted to $156,457, of which $134,450 was attributable to customer owned asset contracts, $21,340 to engineering services contracts and $667 to other (2022 - $128,602, of which $96,945 was attributable to customer owned asset contracts, $30,555 to engineering services contracts and $1,102 to other).

Management expects that $66,586 of the transaction price allocated to remaining performance obligations will be recognized during the next year, $79,746 in 2025, $9,036 in 2026 and the remaining balance in 2027 and beyond. Remaining performance obligations do not include variable consideration which is constrained.

16 Expenses by Nature

	2023 $	2022 $
Cost of materials	5,155,189	4,263,955
Employee benefits (Note 17)	2,186,210	1,770,665
Amortization (Notes 9, 10)	491,522	440,972
Transportation	283,997	222,268
Other	820,416	656,417
	8,937,334	7,354,277

During 2023, the benefits of government grants recorded in the statements of earnings was $17,541 (2022 - $18,168). In all cases, repayment of government grants is contingent on employment related measures, investment related measures or both.

During 2023, the Company has incurred research and development costs in the statement of earnings of $146,111 (2022 - $121,815).

17 Employee Benefits

	2023 $	2022 $
Wages, salaries and commissions	1,702,462	1,395,891
Social charges and other personnel expenses	436,574	335,008
Termination benefits	5,341	4,327
Share-based compensation (Note 18)	3,937	3,059
Pension expenses under defined contribution plans	37,896	32,380
	2,186,210	1,770,665

18 Share-Based Compensation

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

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

	2023 Number of options	2023 Weighted average exercise price $	2022 Number of options	2022 Weighted average exercise price $
At January 1	1,150,000	61.20	1,050,000	58.80
Granted	150,000	58.25	150,000	64.74
Exercised	(50,000)	41.11	(50,000)	21.59
At December 31	1,250,000	61.65	1,150,000	61.20
Vested at December 31	615,000	61.58	540,000	59.67

In 2023, the average share price, during the period the share options were exercised, was $58.11 (2022 – $63.49).

The following table is a summary of information about the stock options outstanding at December 31, 2023:

Year of Grant	Exercise Price	Number of options outstanding	Weighted average remaining life in years
2014	$66.63	100,000	0.9
2015	$73.52	100,000	1.9
2016	$50.14	100,000	2.9
2018	$73.96	100,000	4.0
2018	$45.40	100,000	5.0
2019	$44.30	150,000	5.9
2020	$65.42	150,000	6.9
2021	$74.57	150,000	7.9
2022	$64.74	150,000	8.9
2023	$58.25	150,000	9.9
		1,250,000	5.9

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

	Granted in 2023	Granted in 2022
Share option fair value (per share)	$23.01	$24.84
Risk free interest rate	3.37%	2.79%
Expected life (years)	10	10
Expected volatility	32.52%	32.23%
Dividend yield	1.33%	1.32%

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

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

19 Other Income and (Expenses)

	2023 $	2022 $
Foreign exchange gain (loss)	(19,192)	(70)
Gain on sale of unused land	-	22,157
Gain on bargain purchase (Note 26)	-	29,440
Remeasurement of net investment in joint venture (Note 26)	-	(21,773)
Other income (expense)	(2,182)	1,443
	(21,374)	31,197

20 Finance Income and (Expenses)

	2023 $	2022 $
Interest expense	(69,370)	(28,337)
Foreign exchange gain (loss) on debt and derivatives	(2,505)	(1,647)
Interest earned	25,884	18,916
Other	(25,022)	(14,589)
	(71,013)	(25,657)

21 Earnings per Share

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

	2023 $	2022 $
Net earnings (loss)	503,054	426,194
Weighted average common shares	61,532,541	63,877,686
Incremental shares from assumed conversion of stock options	67,106	54,981
Adjusted weighted average common shares for diluted earnings per share	61,599,647	63,932,667
Net earnings (loss) per share:		
Basic	8.18	6.67
Diluted	8.17	6.67

22 Commitments

As at December 31, 2023, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $419,983 (December 31, 2022 - $400,953). Of this amount $350,151 (December 31, 2022 - $346,701) relates to the purchase of manufacturing equipment and $69,832 (December 31, 2022 - $54,252) relates to general contracting and construction costs in respect of plant construction. Of the commitments for plant construction, $55,313 (December 31, 2022 - $2,467) were commitments to a related party, a company owned by the spouse of an officer and director. The majority of these commitments are due within the next twelve months.

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

23 Related Party Transactions

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

(i) Key Management Personnel

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

	2023 $	2022 $
Compensation and short-term benefits	33,853	28,740
Share-based compensation (Notes 17, 18)	3,937	3,059
Total compensation	37,790	31,799

(ii) Other Related Party Transactions

Interest earned on a long-term receivable due from an investee accounted for using the equity method included in finance income was $Nil for the year ended December 31, 2023 (December 31, 2022 - $1,470). Included in the cost of sales are material purchases from the same related party of $Nil for the year ended December 31, 2023 (December 31, 2022 - $7,458). Please see Note 26 regarding the business acquisition of the remaining 50% interest in the joint venture, GF Linamar LLC, on April 1, 2022. Please see other related party transactions in Notes 9 and 22.

24 Segmented Information

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

Mobility: The Mobility segment derives revenues from the collaborative design, development and manufacture of propulsion systems, structural and chassis systems, energy storage and power generation for both the global electrified and traditionally powered 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 Mobility and Industrial operating segments accordingly.

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

The Company's three largest customers are in the Mobility segment and account for 18.4%, 16.4% and 6.1% of total revenue (2022 – 21.3%, 18.1% and 5.0%).

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

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

Operational Segments	Mobility $	Industrial $	2023 $
Total revenue	7,144,147	2,657,784	
Inter-segment sales	(56,878)	(11,521)	
Sales to external customers	7,087,269	2,646,263	9,733,532
Cost of sales before amortization	6,019,819	1,901,754	7,921,573
Amortization	427,290	61,822	489,112
Selling, general and administration	315,025	211,624	526,649
Other income and (expenses)	(11,189)	(10,185)	(21,374)
Operating earnings (loss)	313,946	460,878	774,824
Finance income and (expenses)			(71,013)
Income taxes			200,757
Net earnings (loss)			503,054
Payments for property, plant and equipment	633,043	129,666	762,709

Operational Segments	Mobility $	Industrial $	2022 $
Total revenue	6,041,075	1,923,925	
Inter-segment sales	(36,446)	(10,643)	
Sales to external customers	6,004,629	1,913,282	7,917,911
Cost of sales before amortization	4,998,093	1,506,714	6,504,807
Amortization	384,808	53,486	438,294
Selling, general and administration	250,341	160,835	411,176
Other income and (expenses)	21,850	9,347	31,197
Operating earnings (loss)	393,237	201,594	594,831
Share of net earnings (loss) of investments accounted for using the equity method			(6,086)
Finance income and (expenses)			(25,657)
Income taxes			136,894
Net earnings (loss)			426,194
Payments for property, plant and equipment	388,523	22,127	410,650

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

Geographic Segments	Canada $	Rest of North America $	Asia Pacific $	Europe $	2023 $
Total sales	5,582,982	1,872,321	665,959	2,552,285	
Inter-segment sales	(356,670)	(414,639)	(19,428)	(149,278)	
Sales to external customers	5,226,312	1,457,682	646,531	2,403,007	9,733,532
Goodwill	494,361	80,086	-	459,002	1,033,449
Intangible assets	665,885	107,440	329	168,620	942,274
Property, plant and equipment	985,816	1,192,721	326,368	1,147,593	3,652,498

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

Geographic Segments	Canada	Rest of North America	Asia Pacific	Europe	2022
	$	$	$	$	$
Total sales	4,479,263	1,380,060	650,584	2,245,443	
Inter-segment sales	(348,766)	(314,958)	(7,427)	(166,288)	
Sales to external customers	4,130,497	1,065,102	643,157	2,079,155	7,917,911
Goodwill	494,361	-	-	454,558	948,919
Intangible assets	687,882	58,788	-	156,248	902,918
Property, plant and equipment	884,925	765,598	302,617	839,951	2,793,091

25 Supplemental Cash Flow Information

	2023	2022
	$	$
Interest paid	73,991	39,382
Interest received	25,813	18,965
Taxes paid	181,891	232,386

Net Debt Reconciliation of Liabilities Arising from Financing Activities

	Cash and cash equivalents	Long-term debt	Total
	$	$	$
At January 1, 2022	928,428	(791,545)	136,883
Cash flow activity	(91,223)	(462,924)	(554,147)
Additions, net of disposals - leases	-	(40,645)	(40,645)
Effect of cumulative translation adjustment	23,310	(311)	22,999
Amount recognized in other comprehensive earnings	-	(3,072)	(3,072)
Business acquisitions, net of cash acquired (Note 26)	-	(5,952)	(5,952)
Other changes	-	(3,925)	(3,925)
At December 31, 2022	860,515	(1,308,374)	(447,859)
Cash flow activity	(193,066)	(307,663)	(500,729)
Additions, net of disposals - leases	-	(46,070)	(46,070)
Effect of cumulative translation adjustment	(14,122)	2,053	(12,069)
Effect of foreign exchange adjustments	-	2,011	2,011
Amount recognized in other comprehensive earnings	-	(4,576)	(4,576)
Business acquisitions, net of cash acquired (Note 26)	-	(104,898)	(104,898)
Other changes	-	(4,830)	(4,830)
At December 31, 2023	653,327	(1,772,347)	(1,119,020)

The table above details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's consolidated statements of cash flows as cash flows from financing activities. This also applies to derivative financial instruments held to hedge liabilities arising from financing activities although there were none in 2023 or 2022. The Company is also presenting cash and cash equivalents to reflect net debt.

26 Business Acquisitions

(i) Battery Enclosures Business

On August 3, 2023, the Company acquired three battery enclosures facilities from Dura-Shiloh ("Battery Enclosures Business") through the acquisition of certain assets and shares. The acquisition will increase the Company's electrified product portfolio with increased future battery electric vehicle content. The preliminary purchase price is $318,860.

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

Due to the timing of the close and complexities associated with these transactions, the determination of the fair value of the purchase price, assets acquired and liabilities assumed, is not yet complete and are subject to further adjustments. The Company has recorded a preliminary amount of $80,572 to goodwill as the current unallocated portion of the purchase price. The Company will update this balance and disclose the finalized purchase price allocation when the determination of the fair value is complete. The following table summarizes the consideration paid for the Battery Enclosures Business' acquired net assets, recognized at the acquisition date, which has been accounted for as a business combination.

Preliminary summary of identifiable assets acquired and liabilities assumed after acquisition completed on August 3, 2023:

	$
Cash and cash equivalents	530
Accounts and other receivables	30,071
Inventories	33,097
Prepaid expenses and other current assets	7,602
Property, plant and equipment	223,291
Leased assets	48,171
Intangible assets	60,450
Goodwill	80,572
Total assets acquired	483,784
Accounts payable and accrued liabilities	104,968
Lease liabilities	48,171
Deferred tax liabilities	11,785
Total liabilities assumed	164,924
Preliminary net identifiable assets acquired	318,860

The goodwill is attributable to expanding the Company's capabilities and further diversifies the Company's end markets. A portion of the goodwill arising from this acquisition will be deductible for tax purposes.

The sales included in the consolidated statements of earnings from August 3, 2023 to December 31, 2023 contributed by the Battery Enclosures Business was $135,726. The acquisition also contributed net earnings of $6,258 over the same period. The Battery Enclosures Business is included in the Mobility segment.

(ii) Chassis and Suspension Business

On October 31, 2023 the Company acquired the substantial portion of the US-based assets from Mobex Fourth and 1, LLC ("Chassis and Suspension Business") and certain of its affiliates. The acquisition will increase the Company's propulsion-agnostic solutions that can be supplied to BEV, hybrid and internal combustion-powered vehicle applications. The preliminary purchase price was $88,730.

Due to the timing of the close and complexities associated with these transactions, the determination of the fair value of the purchase price, assets acquired and liabilities assumed, is not yet complete and are subject to further adjustments. The Company has recorded a preliminary amount of $Nil to goodwill as the current unallocated portion of the purchase price. The Company will update this balance and disclose the finalized purchase price allocation when the determination of the fair value is complete. The following table summarizes the consideration paid for the acquired net assets, recognized at the acquisition date, which has been accounted for as a business combination.

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

Preliminary summary of identifiable assets acquired and liabilities assumed after acquisition completed on October 31, 2023:

	$
Accounts and other receivables	25,005
Inventories	42,262
Prepaid expenses and other current assets	5,626
Property, plant and equipment	106,431
Leased assets	56,727
Total assets acquired	236,051
Accounts payable and accrued liabilities	80,179
Provisions	10,415
Lease liabilities	56,727
Total liabilities assumed	147,321
Preliminary net identifiable assets acquired	88,730

The sales included in the consolidated statements of earnings from October 31, 2023 to December 31, 2023 contributed by the Chassis and Suspension Business was $94,724. The acquisition also contributed net earnings of $2,605 over the same period. The Chassis and Suspension Business is included in the Mobility segment.

(iii) GF Linamar LLC

On April 1, 2022, the Company acquired the remaining 50% interest in the joint venture, GF Linamar LLC ("GFL"), from GF Casting Solutions, a division of Georg Fischer AG thereby assuming 100% ownership and operational control. GFL continues operations as LLM Mills River ("Mills River"). The ownership change helped secure the Company's long-term growth plan in lightweight structural castings; a critical component in electrified vehicles. The purchase price was USD $73,000 plus an earn-out of CAD $8,424 for a total purchase price in CAD of $99,513. The earn-out was calculated based on cash flow projections covering a five-year period. Key assumptions used for the cash flow projections included operating costs and capital expenditures based on internal management forecasts, forecast growth rates based on the Company's expectations for future performance and an appropriate discount rate reflecting specific risks related to Mills River.

The acquisition of Mills River has been accounted for as a step business combination. The original net investment in the joint venture was remeasured for fair value. Using the cash flow projections to calculate the fair value, the carrying value of the original 50% interest in the joint venture of $120,817 was remeasured by a decrease of $21,773. The following table summarizes the consideration paid or payable for the remaining 50% interest for Mills River's acquired net assets, recognized at the acquisition date. The gain recognized for the bargain purchase was the result of the purchase price being below the fair value of the net identifiable assets acquired. This gain, along with the remeasurement for fair value on the original 50% interest in the joint venture, were included in other income and expenses (Note 19).

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

Summary of identifiable assets acquired and liabilities assumed on April 1, 2022:

	$
Cash consideration	91,089
Earn-out contingent consideration	8,424
Purchase price	99,513
Cash and cash equivalents	8,132
Accounts and other receivable	37,551
Inventories	38,610
Prepaids expenses and other current assets	844
Property, plant and equipment	197,243
Total assets acquired	282,380
Accounts payable and accrued liabilities	48,431
Long-term debt	5,952
Total liabilities assumed	54,383
Net identifiable assets acquired	227,997
Less: fair value of net investment and purchase price	
Net investment of original 50% equity investment in joint venture	120,817
Remeasurement of net investment in joint venture	(21,773)
Purchase price	99,513
Gain on bargain purchase	29,440
Gain on bargain purchase	29,440
Remeasurement of net investment in joint venture	(21,773)
Net impact to other income and expenses (Note 19)	7,667

The sales included in the consolidated statements of earnings from April 1, 2022 to December 31, 2022 contributed by Mills River were $146,651, which does not include sales to another Linamar facility of $35,172. Mills River also contributed net losses of $39,369 over the same period. Mills River is included in the Mobility segment.

(iv) Salford Group of Companies

On June 3, 2022, the Company acquired 100% of the issued and outstanding equity of the Salford Group of Companies ("Salford"). The ownership expands the Company's agricultural portfolio into crop nutrition application and tillage products. The purchase price was $245,174.

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

Summary of identifiable assets acquired and liabilities assumed on June 3, 2022:

	$
Cash and cash equivalents	2,598
Accounts and other receivables	14,593
Inventories	39,586
Prepaid expenses and other current assets	717
Property, plant and equipment	27,497
Intangible assets	138,560
Goodwill	92,572
Total assets acquired	316,123
Accounts payable and accrued liabilities	37,024
Provisions	1,036
Income taxes payable	1,350
Deferred tax liabilities	31,539
Total liabilities assumed	70,949
Net identifiable assets acquired	245,174

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

The sales included in the consolidated statements of earnings from June 3, 2022 to December 31, 2022 contributed by Salford were $107,505. Salford also contributed net earnings of $8,362 over the same period. Salford is included in the Industrial segment.

(v) Consolidated Pro-forma Sales and Earnings 2022

If the Mills River and Salford acquisitions had occurred on January 1, 2022, the Company's consolidated pro-forma sales and net earnings for the period ended December 31, 2022 would have been $8,046,009 and $430,324, respectively. These amounts have been calculated using Mills River and Salford's results adjusted for the additional depreciation and amortization that would have been charged assuming the preliminary fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2022, together with the consequential tax effects.

(vi) Bourgault Group of Companies

Subsequent to year end, on February 1, 2024 the Company closed the acquisition of 100% of the equity interest of Bourgault Industries Ltd. ("Bourgault") for a preliminary purchase price of $640,000. Headquartered in St. Brieux, Saskatchewan, Canada, Bourgault is a market and technology leader in broad acre seeding.

27 Financial Instruments

(i) Accounts Payable and Accrued Liabilities

	December 31 2023 $	December 31 2022 $
Accounts payable	1,427,926	1,231,468
Accrued liabilities	744,530	622,736
Financial liabilities	2,172,456	1,854,204
Contract liabilities (Note 15)	156,195	157,490
Accounts payable and accrued liabilities	2,328,651	2,011,694

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

(ii) Composition of Financial Instruments

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

		December 31, 2023		December 31, 2022	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	63,293	62,803	72,384	71,305
Derivative financial instruments (hedge relationships) (iii):					
USD sales forwards – CAD functional entities	Fair value (Level 2)	15,385	15,385	(30,651)	(30,651)
USD sales forwards – MXN functional entities	Fair value (Level 2)	20,653	20,653	11,414	11,414
USD sales forwards – CNY functional entities	Fair value (Level 2)	(702)	(702)	392	392
CAD purchase forwards – GBP functional entities	Fair value (Level 2)	-	-	(399)	(399)
Derivative financial instruments (held for trading) (iii):					
CAD foreign currency forwards	Fair value (Level 2)	(2,093)	(2,093)	-	-
Investments designated at fair value through other comprehensive income	Fair value (Level 3)	8,227	8,227	7,952	7,952
Long-term debt, excluding lease liabilities (Note 13)	Amortized cost (Level 2)	(1,568,834)	(1,478,148)	(1,228,848)	(1,156,636)

The fair value of the long-term receivables, derivative financial instruments, and long-term debt are determined by using valuation techniques based on observable market data other than quoted prices. The Company determined that the fair value of its investments, is equal to its carrying values. The fair value of other financial instruments such as cash and cash equivalents, accounts and other receivables, short-term bank borrowings and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments. There were no transfers in the fair value hierarchy between Levels 1, 2 and 3 during the year.

Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices for similar instruments;

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

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

(iii) Derivative Financial Instruments and Hedge Accounting

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

	Hedging reserves			Other comprehensive earnings			
	Carrying value $	Cost of hedging reserve $	Total $	Unrealized gain/(loss) recognized $	Amount reclassified to inventory $	Gain/(loss) reclassified to sales and finance expense $	Change in cost of hedging $
a) USD sales forward contracts	15,794	1,164	16,958	41,569	-	6,350	(4,718)
b) CAD purchase forward contracts	-	-	-	(2,482)	2,139	967	(81)
c) Long-term debt designated as net investment hedge	-	-	-	(4,576)	-	-	-
December 31, 2023, gross	15,794	1,164	16,958	34,511	2,139	7,317	(4,799)
Deferred tax				(9,772)	(535)	(1,829)	1,200
December 31, 2023, net				24,739	1,604	5,488	(3,599)

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

	Hedging reserve			Other comprehensive earnings			
	Carrying value $	Cost of hedging reserve $	Total $	Unrealized gain/(loss) recognized $	Amount reclassified to inventory $	Gain/(loss) reclassified to sales and finance expense $	Change in cost of hedging $
a) USD sales forward contracts	(20,146)	4,703	(15,443)	(39,561)	-	21,750	4,531
b) CAD purchase forward contracts	(435)	28	(407)	5,763	(7,416)	-	(90)
c) Long-term debt designated as net investment hedge	-	-	-	(3,072)	-	-	-
December 31, 2022, gross	(20,581)	4,731	(15,850)	(36,870)	(7,416)	21,750	4,441
Deferred tax				8,450	1,854	(5,438)	(1,110)
December 31, 2022, net				(28,420)	(5,562)	16,312	3,331

There was a business model change during 2023 that ended the current hedge program for forecasted consolidated CAD purchases for GBP functional entities. The forecasted purchases were reclassified to finance expenses for an ineffective loss of $967. Further details in b) below. There was no ineffectiveness in any of the hedge relationships in 2022.

a) USD Sales Forward Contracts

The Company enters into a series of forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated USD sales. The Company's program hedges a portion of USD sales contracts entered into by entities with various functional currencies. Every quarter, additional contracts will be initiated in order to maintain a proportional coverage for up to 18 months of forecasted USD sales.

All the contracts are designated as cash flow hedges for accounting purposes for the spot component only, up until the month of the sales activity. The change in the forward element (the excluded component) of the contracts are recognized within other comprehensive earnings in the cost of hedging reserve within equity and is reclassified to net earnings in sales when the hedging relationship ends. The derivatives are in the same currency and notional amounts as a portion of the anticipated USD sales; therefore the hedge ratio is on a one to one basis. It is anticipated that all critical terms will match during the period they are outstanding, therefore the economic relationship will remain 100% effective. After the month the sales activity occurs, the net fair value on the derivatives outstanding until maturity is recognized in other income and (expenses). For the current year, this was a gain of $8,879 (2022 – loss of $3,400).

The summary of contracts in place with USD notional hedge values and average forward rates back to the respective functional currencies is as follows:

	December 31, 2023		December 31, 2022	
	Notional Hedge Value USD $	Average Forward Rate	Notional Hedge Value USD $	Average Forward Rate
USD sales forwards – CAD functional entities	802,050	1.3410	693,300	1.3071
USD sales forwards – MXN functional entities	150,725	19.5271	132,975	21.4926
USD sales forwards – CNY functional entities	36,175	6.9173	37,100	6.8096
	988,950		863,375	

b) CAD Purchase Forward Contracts

The Company enters into a series of forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated CAD purchases. The Company's program hedges a portion of CAD purchase contracts entered into by entities with various functional currencies. While programs are outstanding, every quarter, additional contracts will be initiated in order to maintain a proportional coverage for up to 18 months of forecasted CAD purchases.

All the contracts are designated as cash flow hedges for accounting purposes for the spot component only, up until the month of the purchase activity when the change in the spot component of the contracts in the hedges reserve within equity is reclassified to inventory recognized with the hedging transaction. The change in the forward element (the excluded component) of the contracts are recognized within other comprehensive earnings in the cost of hedging reserve within equity and is reclassified to inventory recognized with the hedging transaction, when the hedging relationship ends. The deferred amounts carried in inventory are recognized in net earnings as the inventory impacts net earnings approximately 90 days later. The derivatives are in the same currency and notional amounts as a portion of the anticipated CAD purchases; therefore, the hedge ratio is on a one to one basis. It is anticipated that all critical terms will match during the period they are outstanding, therefore the economic relationship will remain 100% effective. After the month the purchase activity occurs, the net fair value on the derivatives outstanding until maturity is recognized in other income and (expenses). For the current year, before the current program ended this was a loss of $1,115 (2022 gain – $1,358).

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

During 2023, the Company revised its business model which decreased the forecasted purchases to be made in CAD for GBP functional entities. It was determined that the forecasted purchases could no longer be considered as highly probable to occur. The balances related to these forecasted purchases were reclassified from the hedge reserve and cost of hedging reserve into finance expenses for a loss of $967. At the time of the reclassification, the contracts in place had a notional value of CAD $58,500 (2022 – CAD $127,500) at an average forward rate of 1.6095 (2022 – 1.6408) back to the GBP functional currency. There were further impacts to the finance expenses for changes in the fair value of the contracts until the end of the year for a loss of $1,535. As at December 31 2023, the remaining contracts yet to mature have a notional value of CAD $32,900 at an average forward rate of 1.6087 back to the GBP functional currency. They will fully mature before the end of 2024. No further contracts are being added to this current program for forecasted CAD purchases.

c) Long-term Debt Designated as Net Investment Hedge

In 2021, EUR denominated private placement notes used towards the repayment of a non-revolving term credit facility were designated as a net investment hedge for the net investments in EUR foreign operations. As all critical terms matched during the period, the economic relationship was 100% effective.

Further terms of the EUR denominated private placement notes are disclosed in Note 13(i).

(iv) Financial Risk Management

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

Market Risk – Foreign Exchange Risk

The Company operates in several different geographical regions in the world and has many business arrangements with customers and suppliers also based in different geographical regions. The Company therefore is impacted by changes in foreign exchange rates. These foreign exchange rate changes affect net sales and expenses based in foreign currencies and the translation of monetary balances in relation to functional currencies. In order to minimize the adverse effects on the financial performance of the Company, foreign exchange derivative contracts, which may or may not be designated in a hedge accounting relationship, and certain portions of its foreign denominated long-term debt may be used to mitigate certain foreign currency risk exposures to reduce the uncertainty from foreign currency transactions and functional currency translations.

Approximate foreign exchange exposure as related to the following significant currencies:

	December 31 2023 %	December 31 2022 %
USD activity	79.9	84.5
EUR activity	0.8	8.3
British pound activity	14.8	3.3
Mexican peso activity	1.0	1.1

The Company has foreign operations with functional currencies that differ from the parent.

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

	Impact on net earnings gain/(loss)		Impact on hedging reserve gain/(loss)	
	December 31 2023 $	December 31 2022 $	December 31 2023 $	December 31 2022 $
USD	(13,986)	(13,884)	(33,206)	(29,055)
EUR	(18)	(972)	-	-
British pound	1,987	1,650	788	3,580
Mexican peso	(167)	(356)	(5,895)	(5,329)

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

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

Market Risk – Interest Rate Risk

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

As at December 31, 2023, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $2,848 (2022 - $3,182).

Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company manages the liquidity risk of forecasted cash flows from operations, by ensuring that there are cash resources available to meet these needs. As at December 31, 2023, the Company's revolving bank facility had available credit of $668,365. The revolving facility matures in 2026.

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

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

December 31, 2023	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	2,172,456	-	-	2,172,456
Long-term debt and contractual interest payments, derivative instruments, and financial guarantees	171,599	118,440	1,974,283	2,264,322
	2,344,055	118,440	1,974,283	4,436,778

December 31, 2022	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	1,854,204	-	-	1,854,204
Long-term debt and contractual interest payments, derivative instruments, and financial guarantees	146,874	35,959	1,313,743	1,496,576
	2,001,078	35,959	1,313,743	3,350,780

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The maximum exposure to credit risk at the reporting date is represented by the net carrying amount of the Company's cash and cash equivalents, accounts and other receivables, long-term receivables, derivative financial instruments and financial guarantees. The Company is exposed to credit risk from potential default by counterparties that carry the Company's cash and cash equivalents and derivative financial instruments. The Company attempts to mitigate this risk by dealing only with large financial institutions with investment grade credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

A substantial portion of the Company's receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. At December 31, 2023, the receivables from the Company's three largest customers amounted to 12.3%, 9.2% and 8.8% (December 31, 2022 – 15.6%, 12.6%, and 3.7%) of customer receivables.

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

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

	December 31, 2023		December 31, 2022	
	Accounts and other receivables $	Long-term receivables $	Accounts and other receivables $	Long-term receivables $
Current	1,103,097	62,684	942,083	71,579
Past due 1-30 days	150,745	358	128,477	679
Past due 31-60 days	42,979	18	40,730	9
Past due 61-90 days	16,845	18	13,848	5
Past due >91 days	32,997	1,017	37,143	1,269
Gross carrying amount	1,346,663	64,095	1,162,281	73,541
Loss allowance provision	3,341	802	1,772	1,157
	1,343,322	63,293	1,160,509	72,384
Expected loss rate	0.2%	1.3%	0.2%	1.6%

The above gross carrying amounts represent the maximum exposure to credit risk without taking into consideration any collateral held or other credit enhancements. This is mitigated as the Company may hold a security interest in the underlying asset until the balance is fully settled by the customer, resulting in a reduced actual exposure.

Capital Risk Management

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

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

ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will take place in May 2024:

Date: May 16, 2024
Time: 10:00 a.m. (EST)
Location: The Frank Hasenfratz Centre of Excellence in Manufacturing
700 Woodlawn Road West, Guelph, ON N1K 1G4

Officers:

Linda Hasenfratz
Executive Chairman of the Board & Chief Executive Officer

Jim Jarrell
President & Chief Operating Officer

Dale Schneider
Chief Financial Officer

Elliot Burger
General Counsel, Corporate Secretary and Global Vice President of Corporate Development

Mark Stoddart
Chief Technology Officer & Executive Vice President - Marketing

Henry Huang
Group President, Linamar Manufacturing Asia Pacific

Sam Cocca
Group President, Linamar Manufacturing Europe

Kurt Buehler
Group President, MacDon

Directors:

Linda Hasenfratz
Executive Chairman of the Board

Jim Jarrell
Director

Mark Stoddart
Director

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

Lisa Forwell
Director
Member of the Human Resources & Corporate Governance Committee and Audit Committee

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

Auditors, Transfer Agent & Registrar

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

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

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