CONSOLIDATED FINANCIAL STATEMENTS

Linamar Corporation

December 31, 2019 and December 31, 2018
(in thousands of dollars)

LINAMAR CORPORATION
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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

(Signed) "Linda Hasenfratz"

Linda Hasenfratz
Chief Executive Officer

(Signed) "Dale Schneider"

Dale Schneider
Chief Financial Officer

March 11, 2020

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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 11, 2020

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

	December 31 2019 $	December 31 2018 $
ASSETS		
Cash and cash equivalents	338,226	471,975
Accounts and other receivables (Note 27)	988,245	1,285,806
Inventories (Note 7)	991,759	1,218,956
Income taxes recoverable (Note 8)	47,216	32,509
Current portion of long-term receivables (Note 27)	118,095	134,402
Current portion of derivative financial instruments (Note 27)	6,415	5,229
Other current assets	40,879	31,439
Current Assets	2,530,835	3,180,316
Long-term receivables (Note 27)	403,811	382,384
Derivative financial instruments (Note 27)	84,758	66,048
Property, plant and equipment (Note 9)	2,758,764	2,654,536
Investments	6,642	4,253
Deferred tax assets (Note 8)	61,840	53,495
Intangible assets (Note 10)	873,616	900,571
Goodwill (Note 11)	858,541	891,818
Assets	7,578,807	8,133,421
LIABILITIES		
Short-term borrowings	5,561	16,978
Accounts payable and accrued liabilities (Note 27)	1,271,856	1,471,447
Provisions (Note 12)	40,358	32,534
Income taxes payable (Note 8)	23,188	52,774
Current portion of long-term debt (Note 13)	26,186	8,722
Current Liabilities	1,367,149	1,582,455
Long-term debt (Note 13)	1,865,942	2,462,788
Derivative financial instruments (Notes 27)	20,153	15,882
Deferred tax liabilities (Note 8)	295,808	269,164
Liabilities	3,549,052	4,330,289
EQUITY		
Capital stock (Note 14)	132,356	122,393
Retained earnings	3,830,666	3,459,841
Contributed surplus	27,578	28,449
Accumulated other comprehensive earnings (loss)	39,155	192,449
Equity	4,029,755	3,803,132
Liabilities and Equity	7,578,807	8,133,421

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

On behalf of the Board of Directors:

(Signed) "Frank Hasenfratz"

Frank Hasenfratz

Director

(Signed) "Linda Hasenfratz"

Linda Hasenfratz

Director

LINAMAR CORPORATION
Consolidated Statements of Earnings
For the years ended December 31, 2019 and December 31, 2018
(in thousands of Canadian dollars, except per share figures)

	2019 $	2018 $
Sales (Note 15)	7,416,624	7,620,582
Cost of sales (Note 16)	6,350,782	6,383,621
Gross Margin	1,065,842	1,236,961
Selling, general and administrative (Note 16)	414,449	441,449
Other income and (expenses) (Note 19)	(26,892)	24,341
Operating Earnings (Loss)	624,501	819,853
Share of net earnings (loss) of investments accounted for using the equity method	(10,984)	(13,493)
Finance income and (expenses) (Note 20)	(49,110)	(46,809)
Net Earnings (Loss) before Income Taxes	564,407	759,551
Provision for (recovery of) income taxes (Note 8)	133,966	168,070
Net Earnings (Loss) for the Year	430,441	591,481
Net Earnings (Loss) per Share: (Note 21)		
Basic	6.59	9.05
Diluted	6.56	8.94

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, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	2019 $	2018 $
Net Earnings (Loss) for the Year	430,441	591,481
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	(209,644)	166,460
Change in unrealized gains (losses) on net investment hedges (Note 27)	63,442	(34,342)
Change in unrealized gains (losses) on cash flow hedges (Note 27)	(52,911)	45,147
Change in cost of hedging (Note 27)	9,494	(4,272)
Reclassification to earnings of gains (losses) on cash flow hedges (Note 27)	55,109	(47,081)
Tax impact of above (Note 8)	(18,784)	5,671
Other Comprehensive Earnings (Loss)	(153,294)	131,583
Comprehensive Earnings (Loss) for the Year	277,147	723,064

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, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserves $	Total Equity $
Balance at January 1, 2018	122,393	2,899,730	25,027	61,564	(698)	3,108,016
Net Earnings (Loss)	-	591,481	-	-	-	591,481
Other comprehensive earnings (loss)	-	-	-	135,657	(4,074)	131,583
Comprehensive Earnings (Loss)	-	591,481	-	135,657	(4,074)	723,064
Share-based compensation	-	-	3,422	-	-	3,422
Dividends	-	(31,370)	-	-	-	(31,370)
Balance at December 31, 2018	122,393	3,459,841	28,449	197,221	(4,772)	3,803,132
Net Earnings (Loss)	-	430,441	-	-	-	430,441
Other comprehensive earnings (loss)	-	-	-	(160,752)	7,458	(153,294)
Comprehensive Earnings (Loss)	-	430,441	-	(160,752)	7,458	277,147
Share-based compensation	-	-	2,777	-	-	2,777
Shares issued on exercise of options	11,382	-	(3,648)	-	-	7,734
Common shares repurchased and cancelled (Note 14)	(1,419)	(28,285)	-	-	-	(29,704)
Dividends	-	(31,331)	-	-	-	(31,331)
Balance at December 31, 2019	132,356	3,830,666	27,578	36,469	2,686	4,029,755

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, 2019 and December 31, 2018
(in thousands of Canadian dollars)

	2019 $	2018 $
Cash generated from (used in)		
Operating Activities		
Net earnings (loss)	430,441	591,481
Adjustments for:		
Amortization of property, plant and equipment	360,658	319,982
Amortization of other intangible assets	41,864	38,834
Deferred income taxes	2,407	2,900
Property, plant and equipment impairment provision, net of reversals	-	(1,056)
Share-based compensation	2,777	3,422
Finance (income) and expenses	49,110	46,809
Other	10,164	3,060
	897,421	1,005,432
Changes in operating assets and liabilities		
(Increase) decrease in accounts and other receivables	255,909	(14,267)
(Increase) decrease in inventories	192,148	(236,810)
(Increase) decrease in other current assets	(10,386)	(2,507)
(Increase) decrease in long-term receivables	(26,078)	(82,292)
Increase (decrease) in income taxes	(44,206)	15,478
Increase (decrease) in accounts payable and accrued liabilities	(105,652)	12,734
Increase (decrease) in provisions	8,525	(6,528)
	270,260	(314,192)
Cash generated from (used in) operating activities	1,167,681	691,240
Financing Activities		
Proceeds from (repayments of) short-term borrowings	(10,192)	7,820
Proceeds from (repayments of) long-term debt	(618,242)	1,113,122
Proceeds from exercise of stock options	7,734	-
Repurchase of shares	(29,704)	-
Dividends	(31,331)	(31,370)
Finance income received (expenses paid)	(42,344)	(36,389)
Cash generated from (used in) financing activities	(724,079)	1,053,183
Investing Activities		
Payments for purchase of property, plant and equipment	(525,404)	(537,278)
Proceeds on disposal of property, plant and equipment	25,159	13,035
Payments for purchase of intangible assets	(33,570)	(20,754)
Business acquisitions, net of cash acquired	-	(1,175,939)
Other	(13,382)	(5,135)
Cash generated from (used in) investing activities	(547,197)	(1,726,071)
	(103,595)	18,352
Effect of translation adjustment on cash	(30,154)	14,559
Increase (decrease) in cash and cash equivalents	(133,749)	32,911
Cash and cash equivalents - Beginning of Year	471,975	439,064
Cash and cash equivalents - End of Year	338,226	471,975
Comprised of:		
Cash in bank	285,884	357,980
Short-term deposits	59,019	130,345
Unpresented cheques	(6,677)	(16,350)
	338,226	471,975

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, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 11, 2020.

2 Basis of Preparation

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

3 Significant Accounting Policies

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

Basis of Measurement

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

Basis of Consolidation

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

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

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

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

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

Foreign Currency Translation

Functional and presentation currency

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

Transactions and balances

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

Foreign Operations

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

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

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

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

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

Cash and Cash Equivalents

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

Receivables

Current

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

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

Long-term

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

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

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

Leases
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 statement of earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in each jurisdiction that the Company operates in.

Deferred tax assets and liabilities

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

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

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

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

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

Provision for current and deferred income taxes

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

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

Property, Plant and Equipment

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

Land-use rights	Straight-line over the life of the contract
Buildings	5% diminishing balance
Machinery	Straight-line over 5 - 20 years or 15% - 20% diminishing balance

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

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 10 – 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 units ("CGU") level. The Company has determined a CGU to be an individual entity or group of entities with separately identifiable cash inflows. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

Provisions

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

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

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

Financial Instruments

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

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

Classification and measurement of financial instruments

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

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

(b) Fair value through other comprehensive income: Occasionally, a portion of the Company's portfolio of long-term receivables may be determined to be held for collection of contractual cash flows and for selling the financial assets. The recognition of impairment 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 including hedge accounting
Risk management is predominantly controlled by the corporate treasury department. The corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating entities.

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

The Company applies hedge accounting for certain foreign exchange forward contracts and cross currency interest rate swap contracts as cash flow hedges. The Company uses cash flow hedges for certain risks associated with the cash flows of recognized liabilities and highly probable 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. 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 hedged asset or liability. The deferred amounts are ultimately recognized in net earnings as the hedged asset or liability affects net earnings. For any other cash flow hedges, the amount accumulated in the cost of hedging reserve is reclassified to net earnings as a reclassification adjustment in the same period or periods during which the hedged cash flows affect net earnings.

The Company may designate certain portions of its foreign denominated long-term debt or the spot component of a cross currency interest rate swaps as a net investment hedge. Hedges of net investments are accounted for similarly to cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of or sold. When only the spot component of a financial instrument is designated in the net investment hedge, the change in the forward element of the hedging instrument that relates to the hedged item is recognized within other comprehensive earnings in the 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 and, if they so choose, tandem share appreciation rights ("SARs") to its key employees and directors.

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

Accumulated Other Comprehensive Earnings Reserves

Hedging reserves

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

Cumulative translation adjustment

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

Revenue Recognition

Sale of products

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

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

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

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

Revenue from these sales is recognized based on the lower of transaction price specified in the purchase order or actual price invoiced by the Company to fabricate the asset. This amount corresponds to the amount invoiced to the customer by the Company. Receivables collected through production parts are adjusted for the time value of money when a significant financing component is present. The invoice amount represents the standalone selling price of 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 or when the service is being rendered. Revenue recognized over time is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures as this depicts the progress towards completion of the service. Revenue is recognized over time for contracts where the Company creates an asset without an alternative use and has the contractual right to payment for performance completed to date. For those contracts where the Company does not have a contractual right to payment for performance completed to date, revenue is recognized at a point in time when the customer approves the product or process.

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

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

Practical expedients
The Company has elected to use the practical expedient for significant financing components expected to be collected in one year or less and for incremental costs to obtain a contract that the Company would have recognized in one year or less therefore the Company does not adjust the transaction price for the time value of money and expenses incremental costs when incurred, respectively. 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 fiscal year. The impact from the adoption of these new standards and amendments are reflected below.

IFRS 16 Leases
The Company has adopted IFRS 16 Leases as issued in January 2016. In accordance with the transition provisions, the standard has been adopted without restating comparative figures. The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting were introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low-value assets).

Management has evaluated all the changes introduced by IFRS 16. The Company has adopted this guidance effective January 1, 2019, resulting in an increase to right-of-use assets within property, plant and equipment and lease liabilities within long-term debt of $78,715. The majority of the increases within property, plant and equipment relate to right-of-use buildings. The right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate if the implicit rate could not be readily determined. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.6%. There was no significant change in the total lease liability at January 1, 2019 as compared to the future aggregate minimum lease payments under operating leases and finance leases as disclosed in the annual financial statements for the year ended December 31, 2018.

New Standards and Interpretations Not Yet Adopted
All pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. At the date of authorization of these financial statements, there were no new standards, amendments and interpretations to existing standards that were relevant to the Company.

5 Critical Accounting Estimates and Judgements

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

Impairment of Non-Financial Assets

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

Current Income Taxes

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

Deferred Income Tax Assets and Liabilities

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

Useful Lives of Depreciable Assets

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

Purchase Price Allocations

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

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, 2019, the maximum exposure to loss is $18,109 (2018 – $3,365).

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

7 Inventories

	December 31 2019 $	December 31 2018 $
General stores	144,455	151,029
Raw materials	314,403	337,401
Work-in-process	221,570	329,821
Finished goods	311,331	400,705
	991,759	1,218,956

The cost of inventories recognized as an expense during the year ended December 31, 2019 was $5,584,415 (2018 – $5,722,996).

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, 2019 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 $37,826 (2018 – $25,230). In the year ended December 31, 2019 the Company recognized a gain to cost of sales for reversal of inventory provisions with a value of $796 (2018 – $363). The inventory balance has been reduced by a provision of $99,868 as at December 31, 2019 (2018 – $87,707).

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

8 Income Taxes

(i) Income Tax Recognized in Net Earnings

	December 31 2019 $	December 31 2019 %	December 31 2018 $	December 31 2018 %
Earnings before taxes	564,407		759,551	
Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction	141,102	25.00%	189,888	25.00%
Increase (decrease) in income taxes resulting from:				
Rate changes on deferred income taxes	-	-	1,988	0.26%
Effect of expenses that are not deductible in determining taxable earnings	10,116	1.79%	247	0.03%
Effect of unused tax losses not recognized as deferred tax assets	2,424	0.43%	5,397	0.71%
Effect of previously unrecognized deferred tax assets and unrecognized unused tax losses	(1,132)	-0.20%	(868)	-0.11%
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13,758)	-2.44%	(22,976)	-3.02%
Adjustments recognized in the current year in relation to the current tax of prior years	(7,447)	-1.32%	(4,804)	-0.63%
Other	2,661	0.47%	(802)	-0.11%
Income tax expense and effective income tax rate	133,966	23.74%	168,070	22.13%
Current tax	131,559		165,170	
Deferred tax	2,407		2,900	
Income tax expense	133,966		168,070	

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2018 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $18,784 (2018 – recovery of $5,671).

(ii) Deferred Tax Balances

	December 31 2019 $	December 31 2018 $
Tax benefit of tax credits and loss carry forwards	45,260	33,119
Goodwill deductible for tax	-	205
Tax benefit (liability) of derivative financial instruments	(12,880)	6,106
Other assets - tax value in excess of book value	87,942	73,951
Cumulative tax amortization in excess of book amortization	(181,990)	(162,877)
Other liabilities - book value in excess of tax value	(172,300)	(166,173)
Deferred tax net position	(233,968)	(215,669)

Reconciliation of deferred tax net balance:

	2019 $	2018 $
At January 1	(215,669)	(102,515)
Tax recovery (expense) during the period recognized in earnings	(2,407)	(2,900)
Tax recovery (expense) during the period recognized in other comprehensive earnings	(18,784)	5,671
Impact of foreign currency translation adjustment	2,897	(964)
Net tax liability related to business acquisition	-	(114,605)
Other	(5)	(356)
At December 31	(233,968)	(215,669)

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

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

	December 31 2019 $	December 31 2018 $
Deferred tax assets to be recovered after more than 12 months	130,990	118,667
Deferred tax assets to be recovered within 12 months	8,328	9,836
Total deferred tax assets	139,318	128,503
Deferred tax liabilities to be utilized after more than 12 months	(358,927)	(332,862)
Deferred tax liabilities to be utilized within 12 months	(14,359)	(11,310)
Total deferred tax liabilities	(373,286)	(344,172)
Deferred tax balances (net)	(233,968)	(215,669)

Unrecognized deferred tax assets were as follows:

	December 31 2019 $	December 31 2018 $
Tax losses	27,898	23,030
Temporary differences	461	2,114
Total deferred tax assets not recognized	28,359	25,144

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, 2019 was $1,785,184 (2018 – $1,679,611).

(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	60,058	9,797	586,994	3,689,006	29,042	24,061	13,163	4,412,121
Accumulated amortization	-	(488)	(222,837)	(1,940,705)	(21,084)	(8,649)	(8,474)	(2,202,237)
Book value at January 1, 2018	60,058	9,309	364,157	1,748,301	7,958	15,412	4,689	2,209,884
Effect of cumulative translation adjustment	2,044	297	11,936	59,993	313	160	34	74,777
Additions, net of government grants	16,017	(1,345)	23,094	520,072	2,322	2,757	5,663	568,580
Business acquisition (Note 25)	28,073	-	72,742	24,873	6,852	3,077	-	135,617
Impairment provision, net of reversals	-	-	-	1,056	-	-	-	1,056
Disposals	(5,098)	-	(858)	(7,751)	(1,287)	(244)	(158)	(15,396)
Amortization	-	(181)	(24,750)	(282,196)	(5,452)	(3,142)	(4,261)	(319,982)
Book value at December 31, 2018	101,094	8,080	446,321	2,064,348	10,706	18,020	5,967	2,654,536
Cost	101,094	8,764	655,833	3,986,308	29,706	30,094	14,693	4,826,492
Accumulated amortization	-	(684)	(209,512)	(1,921,960)	(19,000)	(12,074)	(8,726)	(2,171,956)
Book value at December 31, 2018	101,094	8,080	446,321	2,064,348	10,706	18,020	5,967	2,654,536
Adjustment on adoption of IFRS 16 (Note 4)	-	-	53,170	1,543	1,364	22,587	51	78,715
Book value at January 1, 2019	101,094	8,080	499,491	2,065,891	12,070	40,607	6,018	2,733,251
Effect of cumulative translation adjustment	(2,565)	(472)	(19,758)	(80,118)	(379)	(773)	(176)	(104,241)
Additions, net of government grants	11,875	-	71,714	408,990	8,107	10,104	7,475	518,265
Disposals	(234)	-	(3,772)	(22,341)	(194)	(1,312)	-	(27,853)
Amortization	-	(170)	(35,511)	(303,073)	(5,988)	(12,165)	(3,751)	(360,658)
Book value at December 31, 2019	110,170	7,438	512,164	2,069,349	13,616	36,461	9,566	2,758,764
Cost	110,170	8,246	748,964	4,065,562	29,765	58,360	17,963	5,039,030
Accumulated amortization	-	(808)	(236,800)	(1,996,213)	(16,149)	(21,899)	(8,397)	(2,280,266)
Book value at December 31, 2019	110,170	7,438	512,164	2,069,349	13,616	36,461	9,566	2,758,764

Amortization expense of $355,215 (2018 – $314,524) has been charged in cost of sales and $5,443 (2018 – $5,458) in selling, general and administration.

Government grants recognized as a reduction in the carrying amount of the assets during the year was $31,827 (2018 – $36,833). See Note 16 for more details regarding government grants.

As of December 31, 2019, property, plant and equipment includes $419,159 (2018 – $495,001) of assets in the course of construction for production purposes.

(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:

	Land	Land use rights	Buildings	Machinery	Office equipment	Transportation equipment	Tooling	Total
	$	$	$	$	$	$	$	$
Book value at December 31, 2018	-	-	1,913	8,398	-	42	-	10,353
Adjustment on adoption of IFRS 16 (Note 4)	-	-	53,170	1,543	1,364	22,587	51	78,715
Book value at January 1, 2019	-	-	55,083	9,941	1,364	22,629	51	89,068
Book value at December 31, 2019	-	-	44,577	6,349	2,972	20,967	287	75,152
Amortization Year Ended December 31, 2019	-	-	10,579	3,380	545	9,287	56	23,847

	Year Ended December 31 2019
	$
Additions to right-of-use assets	18,175
Lease interest expense	2,404
Expenses relating to short-term leases	4,814
Expenses relating to low-value leases	714
Total cash outflow for leases	25,230

The lease agreements do not impose any 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 material 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 or valuation	1,400	194,115	107,517	57,234	1,176	361,442
Accumulated amortization	(717)	(30,072)	(21,318)	(20,535)	(973)	(73,615)
Book value at January 1, 2018	683	164,043	86,199	36,699	203	287,827
Effect of cumulative translation adjustment	-	5,933	3,101	1,790	-	10,824
Additions	-	-	-	14,728	6,026	20,754
Business acquisition (Note 25)	227,400	230,800	114,700	47,100	-	620,000
Amortization	(70)	(21,692)	(13,934)	(2,923)	(215)	(38,834)
Book value at December 31, 2018	228,013	379,084	190,066	97,394	6,014	900,571
Cost or valuation	228,800	433,656	219,226	118,855	6,432	1,006,969
Accumulated amortization	(787)	(54,572)	(29,160)	(21,461)	(418)	(106,398)
Book value at December 31, 2018	228,013	379,084	190,066	97,394	6,014	900,571
Effect of cumulative translation adjustment	-	(10,343)	(5,455)	(2,842)	(21)	(18,661)
Additions	-	-	-	29,762	3,808	33,570
Amortization	(70)	(21,029)	(13,918)	(6,631)	(216)	(41,864)
Book value at December 31, 2019	227,943	347,712	170,693	117,683	9,585	873,616
Cost or valuation	228,800	418,301	211,855	138,200	10,219	1,007,375
Accumulated amortization	(857)	(70,589)	(41,162)	(20,517)	(634)	(133,759)
Book value at December 31, 2019	227,943	347,712	170,693	117,683	9,585	873,616

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 2019, $2,672 of product development costs were separately acquired (2018 - $3,853).

Trade names include the MacDon trade name of $227,400. 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 and Montupet business acquisitions with current carrying amounts of $213,105 and $133,650 respectively and remaining amortization periods of 23 and 11 years respectively.

Technology includes proprietary MacDon and Montupet technology assets acquired through business acquisitions with current carrying amounts of $100,061 and $68,939 respectively and remaining amortization periods of 13 and 11 years respectively.

11 Goodwill

	2019 $	2018 $
Cost, being book value at January 1	891,818	485,610
Business acquisition (Note 25)	-	388,806
Effect of cumulative translation adjustment	(33,277)	17,402
Cost, being book value at December 31	858,541	891,818

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

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

	December 31 2019 $	December 31 2018 $
MacDon Group of Companies (Note 25)	388,806	388,806
Montupet S.A.	440,447	472,537
Skyjack	12,983	12,983
Linamar Antriebstechnik GmbH	11,511	12,349
Seissenschmidt	4,794	5,143
	858,541	891,818

Impairment of assets

Management performed the annual goodwill and indefinite intangible asset impairment analysis during the fourth quarters of 2019 and 2018 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 estimated impairment include:

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

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

(c) Discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 7.7% to 9.0% (2018 – 8.6% to 12.1%).

A sensitivity of impairment tests relating to discount rates was performed. A 1% increase in the discount rate would have no impact on the results of impairment tests in the year ended December 31, 2019.

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

12 Provisions

	Claims and litigation (a) $	Product warranties and product defects (b) $	Other (c) $	Total $
At January 1, 2018	14,041	16,694	751	31,486
Charged (credited) to earnings:				
Additional provisions	6,892	13,709	32	20,633
Business acquisition (Note 25)	605	6,465	-	7,070
Unused amounts reversed	(9,041)	(4,035)	-	(13,076)
Used during year	(2,075)	(12,733)	(30)	(14,838)
Effect of cumulative translation adjustment	836	398	25	1,259
At December 31, 2018	11,258	20,498	778	32,534
Charged (credited) to earnings:				
Additional provisions	8,913	23,351	55	32,319
Unused amounts reversed	(2,778)	(1,938)	-	(4,716)
Used during year	(2,051)	(16,688)	(26)	(18,765)
Effect of cumulative translation adjustment	(532)	(467)	(15)	(1,014)
At December 31, 2019	14,810	24,756	792	40,358

(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, 2019.

(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 2019 $	December 31 2018 $
Senior unsecured notes	(i)	168,778	177,204
Bank borrowings	(ii)	1,570,791	2,202,263
Lease liabilities (Note 4)	(iii)	72,539	8,620
Government borrowings	(iv)	80,020	83,423
		1,892,128	2,471,510
Less: current portion		26,186	8,722
		1,865,942	2,462,788

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

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

	December 31 2019 $	December 31 2018 $
Not later than 1 year	26,186	8,722
Later than 1 year and not later than 5 years	1,798,474	2,410,266
Later than 5 years	72,651	61,171
Total principal payments	1,897,311	2,480,159
Less: debt issue costs	5,183	8,649
	1,892,128	2,471,510

(i) Senior unsecured notes

The Senior unsecured notes consist of:
U.S. $130 million (the "2021 Notes") effective September 2011, coming due September 2021 and paying interest at 4.84%.

The senior unsecured notes are guaranteed by material subsidiaries of the Company as defined in the bank credit agreement. The senior unsecured notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The Company entered into long-dated forward exchange contracts to lock in the exchange rate on the principal repayment component upon maturity of the 2021 Notes. The unrealized foreign exchange loss determined at inception of the principal swaps is accrued over the term of the forward contracts and is treated as additional costs of the notes recorded through interest. The Company also entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments of the 2021 Notes and to hedge the effective changes in exchange rates. The hedge has the effect of converting the United States stated coupon rate of 4.84% to a Canadian interest rate of 5.00% for the 2021 Notes (Note 27(iii)).

(ii) Bank borrowings

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

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

During 2019, repayments of $550 million were made on the $1.2 billion non-revolving term credit facility reducing the credit facility to $650 million. There were no other significant changes to the credit facilities.

As of December 31, 2019, $771,119 was available under the various credit facilities.

(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.

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

	Minimum lease payments		Present value of minimum lease payments	
	December 31 2019	December 31 2018	December 31 2019	December 31 2018
	$	$	$	$
Not later than 1 year	23,516	3,928	21,171	3,661
Later than 1 year and not later than 5 years	42,425	5,185	36,960	4,959
Later than 5 years	16,828	-	14,408	-
	82,769	9,113	72,539	8,620
Less: future finance charges	10,230	493	-	-
Present value of minimum lease payments	72,539	8,620	72,539	8,620

With the adoption of IFRS 16 on January 1, 2019, there was a resulting increase to right-of-use assets within property, plant and equipment and lease liabilities within long-term debt of $78,715 (Note 4).

(iv) Government borrowings

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

(a) The Technology Partnerships Canada is a program provided by the Ministry of Industry by the Federal Canadian Government. The cumulative net amount received at the end of fiscal 2019 was $2,691 (2018 – $3,588). The discounted value of the debt recognized amounted to $2,474 at the end of fiscal 2019 (2018 – $3,233). The loan is due in ten equal annual payments from 2013 to 2022.

(b) The Automotive Innovation Fund is a program provided by the Ministry of Industry by the Federal Canadian Government. There are two non-revolving interest free loans under this program. The cumulative gross amount of both loans received at the end of fiscal 2019 was $90,237 (2018 – $94,347). The discounted value of the total debt recognized at the end of fiscal 2019 was $77,546 (2018 – $80,190). The loans are both due in ten annual payments, starting in 2019 for the first loan and 2025 for the second loan with final amounts due in 2028 and 2034 respectively.

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, 2018	65,354,495	122,393
Stock options exercised	-	-
At December 31, 2018	65,354,495	122,393
Stock options exercised	600,000	11,382
Repurchase of shares under normal course issuer bid	(715,000)	(1,419)
At December 31, 2019	65,239,495	132,356

In January 2019, the Company announced the TSX approval to commence a normal course issuer bid. The bid permits the Company to acquire up to 4,506,324 of its common shares between January 29, 2019 and January 28, 2020 and any common shares repurchased by the Company under the bid will be cancelled. During January 2020, there were a further 280,674 shares repurchased and cancelled for a further reduction of stated capital of $569 at a repurchase cost of $13,280.

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.

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

Revenue-related receivables, contract assets and liabilities

The Company has recognized revenue-related receivables, contract assets and liabilities in its consolidated statement of financial position. Accounts and other receivables and long-term receivables include $896,708 and $362,307, respectively, of receivables from contracts with customers (2018 - $1,159,705 and $415,411, respectively). Contract assets are insignificant to be disclosed separately. Accounts payable and accrued liabilities and provisions include $147,587 of liabilities from contracts with customers (2018 - $136,545).

(i) Significant changes in contract liabilities

There have been no significant increases in the contract liabilities during the year from either customer related discounts, rebates, productivity or deferred revenue.

(ii) Revenue recognized in relation to contract liabilities

Revenue recognized during the year that was included in the contract liability balance at the beginning of the period included $76,204 (2018 - $38,323).

(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 $164,541, of which $115,866 was attributable to customer owned asset contracts, $45,902 to engineering services contracts and $2,773 to other (2018 - $158,193, of which $125,840 was attributable to customer owned asset contracts, $32,353 to engineering services contracts and $nil to other).

Management expects that $84,229 of the transaction price allocated to remaining performance obligations will be recognized during the next year, $38,779 in 2021, $17,008 in 2022 and the remaining balance in 2023 and beyond. Remaining performance obligations do not include variable consideration which is constrained.

16 Expenses by Nature

	2019 $	2018 $
Cost of materials	3,895,478	3,976,169
Employee benefits (Note 17)	1,675,264	1,719,379
Amortization (Notes 9, 10)	402,522	358,816
Other	791,967	770,706
	6,765,231	6,825,070

During 2019, the benefits of government grants recorded in the statements of earnings was $26,783 (2018 - $27,189). In all cases, repayment of government grants is contingent on employment related measures, investment related measures or both.

17 Employee Benefits

	2019 $	2018 $
Wages, salaries and commissions	1,297,335	1,336,749
Social charges and other personnel expenses	329,797	337,487
Termination benefits	16,459	14,012
Share-based compensation (Note 18)	2,777	3,422
Pension expenses under defined contribution plans	28,896	27,709
	1,675,264	1,719,379

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)

	Number of options	2019 Weighted average exercise price $	Number of options	2018 Weighted average exercise price $
At January 1	1,691,876	30.34	1,491,876	26.41
Granted	150,000	44.30	200,000	59.68
Exercised	(600,000)	12.89	-	-
At December 31	1,241,876	40.46	1,691,876	30.34
Vested at December 31	771,876	31.79	1,257,525	21.82

In 2019, the average share price, during the period the share options were exercised, was $40.41 (2018 – $nil).

The following table is a summary of information about the stock options outstanding at December 31, 2019:

Year of Grant	Exercise Price	Number of options outstanding	Weighted average remaining life in years
2010	$19.32	491,876	0.7
2012	$21.59	50,000	3.0
2013	$41.11	50,000	4.0
2014	$66.63	100,000	4.9
2015	$73.52	100,000	5.9
2016	$50.14	100,000	6.9
2018	$73.96	100,000	8.0
2018	$45.40	100,000	9.0
2019	$44.30	150,000	9.9
		1,241,876	4.5

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 2019	Granted in 2018	Granted in 2018
Share option fair value (per share)	$44.94	$41.99	$21.71
Risk free interest rate	1.53%	2.15%	2.16%
Expected life (years)	10	10	10
Expected volatility	31.40%	48.46%	41.44%
Dividend yield	1.05%	0.73%	0.76%

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

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

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

19 Other Income and (Expenses)

	2019 $	2018 $
Foreign exchange gain (loss)	(27,621)	22,719
Other income (expense)	729	1,622
	(26,892)	24,341

20 Finance Income and (Expenses)

	2019 $	2018 $
Finance costs	(68,721)	(68,451)
Foreign exchange gain (loss) on debt and derivatives	(179)	(2,269)
Interest earned	29,171	31,186
Other	(9,381)	(7,275)
	(49,110)	(46,809)

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.

	2019 $	2018 $
Net earnings (loss)	430,441	591,481
Weighted average common shares	65,282,783	65,354,495
Incremental shares from assumed conversion of stock options	310,453	827,725
Adjusted weighted average common shares for diluted earnings per share	65,593,236	66,182,220
Net earnings (loss) per share:		
Basic	6.59	9.05
Diluted	6.56	8.94

22 Commitments

As at December 31, 2019, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $101,352 (December 31, 2018 - $262,226). Of this amount $98,962 (December 31, 2018 - $249,644) relates to the purchase of manufacturing equipment and $2,390 (December 31, 2018 - $12,582) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

23 Related Party Transactions

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

Key Management Personnel

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

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

	2019 $	2018 $
Compensation and short-term benefits	32,975	41,762
Share-based compensation (Note 18)	2,777	3,422
Total compensation	35,752	45,184

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

24 Segmented Information

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

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

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

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

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

The Company's three largest customers account for 23.6%, 12.8% and 6.6% of total revenue (2018 – 23.3%, 10.7% and 6.7%).

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

Operational Segments	Transportation $	Industrial $	2019 $
Total revenue	5,671,332	1,791,937	
Inter-segment sales	35,353	11,292	
Sales to external customers	5,635,979	1,780,645	7,416,624
Cost of sales before amortization	4,624,183	1,329,520	5,953,703
Amortization	353,506	43,573	397,079
Selling, general and administration	261,415	153,034	414,449
Other income (expense)	(8,671)	(18,221)	(26,892)
Operating earnings (loss)	388,204	236,297	624,501
Share of net earnings (loss) of investments accounted for using the equity method			(10,984)
Finance income and (expenses)			(49,110)
Income taxes			133,966
Net earnings (loss)			430,441
Payments for property, plant and equipment	489,648	35,756	525,404
Total assets	4,698,722	2,880,085	7,578,807

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

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

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 $	2019 $
Total sales	4,176,526	925,650	469,342	2,377,376	
Inter-segment sales	293,681	154,050	15,647	68,892	
Sales to external customers	3,882,845	771,600	453,695	2,308,484	7,416,624
Goodwill	401,789	-	-	456,752	858,541
Intangible assets	601,459	38,788	-	233,369	873,616
Property, plant and equipment	969,957	490,015	299,711	999,081	2,758,764

Geographic Segments	Canada $	Rest of North America $	Asia Pacific $	Europe $	2018 $
Total sales	4,160,551	995,341	439,825	2,554,975	
Inter-segment sales	325,749	151,903	15,784	36,674	
Sales to external customers	3,834,802	843,438	424,041	2,518,301	7,620,582
Goodwill	401,789	-	-	490,029	891,818
Intangible assets	615,953	14,174	121	270,323	900,571
Property, plant and equipment	933,024	468,112	209,817	1,043,583	2,654,536

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

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

	2019 $	2018 $
Net earnings (loss) before income taxes	564,407	759,551
Amortization of property, plant and equipment	360,658	319,982
Amortization of other intangible assets	41,864	38,834
Property, plant and equipment impairment provision, net of reversals	-	(1,056)
Finance costs	68,721	68,451
Other interest	2,377	1,092
EBITDA	1,038,027	1,186,854
Transportation	739,815	786,432
Industrial	298,212	400,422
	1,038,027	1,186,854

25 Business Acquisitions

MacDon Group of Companies

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

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

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

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

The sales included in the consolidated statement of earnings from February 2, 2018 to December 31, 2018 contributed by MacDon were $590,909. MacDon also contributed net earnings of $116,252 over the same period. If the acquisition had occurred on January 1, 2018, consolidated pro-forma sales and net earnings for the period ended December 31, 2018 would have been $7,678,032 and $598,782 respectively. These amounts have been calculated using MacDon's results adjusted for the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2018, together with the consequential tax effects.

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

26 Supplemental Cash Flow Information

	2019	2018
	$	$
Interest paid	96,315	74,852
Interest received	29,885	31,319
Finance income received	24,086	7,144
Taxes paid	175,770	142,989

Net Debt Reconciliation of Liabilities Arising from Financing Activities

	Cash and cash equivalents	Short-term borrowings and Long-term debt	Net debt	Derivative financial instruments Asset (Liability)	Total
	$	$	$	$	$
At January 1, 2018	439,064	(1,304,061)	(864,997)	27,187	(837,810)
Cash flows	18,352	(1,120,942)	(1,102,590)	-	(1,102,590)
Effect of cumulative translation adjustment	14,559	(829)	13,730	-	13,730
Effect of foreign exchange adjustments	-	(47,040)	(47,040)	50,195	3,155
Amount recognized in other comprehensive earnings	-	(17,864)	(17,864)	(22,684)	(40,548)
Business acquisition, net of cash acquired (Note 25)	-	(142)	(142)	-	(142)
Other changes	-	2,390	2,390	697	3,087
At December 31, 2018	471,975	(2,488,488)	(2,016,513)	55,395	(1,961,118)
Adjustment on adoption of IFRS 16 (Note 4)	-	(78,715)	(78,715)	-	(78,715)
At January 1, 2019	471,975	(2,567,203)	(2,095,228)	55,395	(2,039,833)
Cash flows	(103,595)	628,434	524,839	-	524,839
Additions, net of disposals - leases	-	(12,995)	(12,995)	-	(12,995)
Effect of cumulative translation adjustment	(30,154)	4,177	(25,977)	-	(25,977)
Effect of foreign exchange adjustments	-	55,037	55,037	(58,219)	(3,182)
Amount recognized in other comprehensive earnings	-	-	-	75,134	75,134
Other changes	-	(5,139)	(5,139)	(1,290)	(6,429)
At December 31, 2019	338,226	(1,897,689)	(1,559,463)	71,020	(1,488,443)

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

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

27 Financial Instruments

(i) Accounts Payable and Accrued Liabilities

	December 31 2019 $	December 31 2018 $
Accounts payable	772,314	912,023
Accrued liabilities	434,145	483,158
Deferred revenues	65,397	76,266
	1,271,856	1,471,447

(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, 2019		December 31, 2018	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	521,906	529,685	516,786	522,372
Derivative financial instruments (iii):					
USD interest payment forward contracts	Fair value (Level 2)	3,230	3,230	5,724	5,724
USD debt principal forward contracts	Fair value (Level 2)	29,838	29,838	34,820	34,820
USD cross currency interest rate swaps	Fair value (Level 2)	(20,153)	(20,153)	30,733	30,733
EUR cross currency interest rate swaps	Fair value (Level 2)	52,218	52,218	(15,882)	(15,882)
USD sales forwards	Fair value (Level 2)	5,887	5,887	-	-
Investment designated at fair value through other comprehensive income	Fair value (Level 3)	6,642	6,642	-	-
Long-term debt, excluding 2019 lease liabilities (Note 13)	Amortized cost (Level 2)	(1,819,589)	(1,807,840)	(2,471,510)	(2,399,915)

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 investment, based on the most recent financing at the same price, is equal to its carrying value. 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.

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

(iii) Derivative Financial Instruments Including Hedge Accounting

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

	Hedging reserves				Other comprehensive earnings		
	Carrying value $	Cost of hedging reserve $	Total $	Notional Hedge Value	Unrealized gain/(loss) recognized $	Gain/(loss) reclassified to finance expense $	Change in cost of hedging $
a) USD interest payment forward contracts	2,060	-	2,060	12,584 USD	(2,321)	-	-
b) USD debt principal forward contracts	(882)	(671)	(1,553)	130,000 USD	(7,363)	8,450	3,203
c) USD cross currency interest rate swap contract	(3,687)	(813)	(4,500)	716,044 USD	(49,388)	46,659	1,990
d) EUR cross currency interest rate swap contract	(729)	2,993	2,264	615,000 EUR	63,443	-	4,574
e) USD sales forward contracts	4,620	(205)	4,415	206,675 USD	6,160	-	(273)
December 31, 2019	1,382	1,304	2,686		10,531	55,109	9,494

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

There was no ineffectiveness in any of the hedge relationships in 2019 or 2018.

a) USD Interest Payment Forward Contracts

In 2012, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2021. The forward exchange contracts have been designated as cash flow hedges for accounting purposes. The derivatives are denominated in the same currency and notional amount as the coupon components of the Notes, therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

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

b) USD Debt Principal Forward Contracts

In 2011, the Company completed the placement of USD $130 million of senior unsecured Notes due 2021. In 2012, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts have been designated as cash flow hedges for accounting purposes. As the contract has been designated as a cash flow hedge for accounting purposes for the spot component only, the change in the forward element (the excluded component) of the contract is recognized within other comprehensive earnings in the cost of hedging reserve within equity and is amortized to net earnings in finance costs as an additional cost on a systematic basis.

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

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

c) USD Cross Currency Interest Rate Swap Contracts

In 2018, the Company converted EUR 615 million of borrowings to USD $716 million borrowings under the credit facility. The USD borrowings are under a non-revolving facility due in 2021 and a revolving facility due in 2023 (Note 13(ii)). Simultaneously, the Company entered into cross currency interest rate swap contracts to buy Canadian dollar ("CAD") interest and principal amounts in exchange for USD interest and principal amounts. The contracts effectively lock in the exchange rate on the interest and principal repayments of the USD borrowings and hedge the effective changes in exchange rates. The contracts also lock in the interest payments on the USD borrowings from monthly LIBOR floating interest rates to a CAD fixed interest rate. The maturity of the swap contracts corresponds to the due date of the non-revolving portion of the USD borrowings; however both the revolving and non-revolving portions of the USD $716 million borrowings are part of the hedging strategy. The swap contracts have been designated as cash flow hedges for accounting purposes. The derivatives are denominated in the same currency as the principal repayment of the USD $716 million borrowings; therefore, the hedge ratio is on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective.

d) EUR Cross Currency Interest Rate Swap Contracts

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

e) USD Sales Forward Contracts

In the fourth quarter of 2019, the Company entered 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 initial contracts placed will hedge a portion of USD sales from January 2020 to May 2021 for a total of USD $206.7 million at an average forward rate of 1.3271. 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.

f) Long-term Debt Designated as Net Investment Hedge

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

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

(iv) Financial Risk Management

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

Market Risk – Foreign Exchange Risk

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

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

Company, foreign exchange forward contracts and certain portions of its foreign denominated long-term debt may be used to hedge certain foreign currency risk exposures to reduce the uncertainty from foreign currency transactions and functional currency translations.

Approximate Foreign Exchange Exposure as related to the following currencies:

	December 31 2019 %	December 31 2018 %
USD activity	84.5	52.9
EUR activity	8.5	35.9
British pound activity	3.6	8.4
Mexican peso activity	0.9	0.2

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

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

	Impact on net earnings gain/(loss)		Impact on hedging reserve gain/(loss)	
	December 31 2019 $	December 31 2018 $	December 31 2019 $	December 31 2018 $
USD	10,186	3,470	(9,452)	965
EUR	1,023	1,522	(452)	(923)
British pound	(433)	355	-	-
Mexican peso	110	2,372	-	-

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

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

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

As at December 31, 2019, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $2,975 (2018 - $4,974).

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, 2019, the Company's revolving bank facilities had available credit of $771,119. The revolving facilities mature in 2023.

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

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

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

December 31, 2019	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	1,271,856	-	-	1,271,856
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	74,190	1,063,372	776,471	1,914,033
	1,346,046	1,063,372	776,471	3,185,889

December 31, 2018	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	1,471,447	-	-	1,471,447
Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees	33,913	27,651	2,476,001	2,537,565
	1,505,360	27,651	2,476,001	4,009,012

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, 2019, the receivables from the Company's three largest customers amounted to 10.2%, 9.8% and 2.6% (December 31, 2018 – 20.5%, 14.3%, and 3.1%) of total receivables.

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

		December 31 2019		December 31 2018
	Accounts and other receivables $	Long-term receivables $	Accounts and other receivables $	Long-term receivables $
Current	696,336	523,956	943,629	519,052
Past due 1-30 days	175,713	589	224,290	2,160
Past due 31-60 days	33,972	87	35,158	322
Past due 61-90 days	26,216	74	14,271	8
Past due >91 days	62,316	157	73,777	66
Gross carrying amount	994,553	524,863	1,291,125	521,608
Loss allowance provision	6,308	2,957	5,319	4,822
	988,245	521,906	1,285,806	516,786
Expected loss rate	0.6%	0.6%	0.4%	0.9%

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

Capital Risk Management

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

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