

## Linamar Delivers Double Digit Transportation Segment Growth, Continued Free Cash Flow in Q3

November 6, 2019, Guelph, Ontario, Canada (TSX: LNR)

- Transportation segment sales up slightly at \$1.4 billion but normalized Operating Earnings up 15.1%;
- Free cash flow<sup>1,2</sup> of \$90 million;
- Strong content per vehicle growth in Europe and Asia as the Company outperforms the market;
- Continued growth in boom market share in core North American and European markets;
- Sales decreased 5.3% over the third quarter of 2018 ("Q3 2018") to \$1.7 billion;
- Normalized EBITDA strong at \$243.1 million and 14% of sales;
- Continued business wins further strengthens launch book to more than \$4.4 billion;
- Takeover business at \$200 million year to date; and
- Industrial segment sales down 21.5% due to lower agricultural sales and reduced access equipment volumes in Europe and North America resulting in Operating Earnings declines.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars, except earnings per share figures)	\$	\$	\$	\$
<b>Sales</b>	<b>1,740.0</b>	<b>1,837.3</b>	<b>5,800.6</b>	<b>5,888.6</b>
Operating Earnings (Loss)				
Industrial	36.9	74.8	209.7	283.1
Transportation	105.4	86.6	335.5	365.6
Operating Earnings (Loss) <sup>3</sup>	142.3	161.4	545.2	648.7
Net Earnings (Loss)	98.2	113.2	380.7	467.0
Net Earnings (Loss) per Share – Diluted	1.50	1.71	5.80	7.05
Earnings before interest, taxes and amortization ("EBITDA") <sup>3</sup>	245.7	253.7	848.9	928.0
<b>Operating Earnings (Loss) – Normalized<sup>3</sup></b>				
Industrial	39.2	84.7	224.6	278.1
Transportation	100.0	86.9	337.6	370.5
Operating Earnings (Loss) – Normalized	139.2	171.6	562.2	648.6
Net Earnings (Loss) – Normalized <sup>3</sup>	96.2	121.1	393.9	468.0
Net Earnings (Loss) per Share – Diluted – Normalized <sup>3</sup>	1.47	1.83	6.00	7.07
EBITDA – Normalized <sup>3</sup>	243.1	263.8	866.1	929.3

### Operating Highlights

Sales for the third quarter of 2019 ("Q3 2019") were \$1,740.0 million, down \$97.3 million from \$1,837.3 million in Q3 2018.

The Industrial segment ("Industrial") product sales decreased 21.5%, or \$104.2 million, to \$380.6 million in Q3 2019 from Q3 2018. The sales decrease was due to:

- lower agricultural sales due to poor crop conditions, stagnant commodity prices and the ongoing trade dispute between the US and China governments; and
- reduced access equipment volumes in Europe and North America as certain key customers adjust their 2019 capital spend in light of uncertainty in the markets.

Sales for the Transportation segment ("Transportation") increased by \$6.9 million, or 0.5% in Q3 2019 compared with Q3 2018. The sales in Q3 2019 were impacted by:

- additional sales from programs that are currently launching; partially offset by
- a reduction of sales related to certain programs that are naturally ending;
- a reduction in sales as a result of the United Auto Workers Union strike at General Motor's US locations that began in September 2019; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q3 2018.

<sup>1</sup> Free cash flow is defined as cash from operating activities less payments for purchase of property, plant and equipment plus proceeds on disposal of property, plant and equipment less dividends. All figures used in the calculation are presented in the Company's separately released Consolidated Interim Statements of Cash Flows.

<sup>2</sup> Free cash flow has been adjusted for additions of property, plant and equipment related to the dissolution of a joint venture.

<sup>3</sup> Management uses certain non-GAAP financial measures including normalized earnings which exclude foreign exchange impacts and the impact of unusual items when analyzing consolidated and segment underlying operational performance. For more information refer to the section entitled "Non-GAAP and Additional GAAP Measures" in the Company's separately released Management's Discussion and Analysis ("MD&A").

The Company's normalized operating earnings for Q3 2019 were \$139.2 million. This compares to \$171.6 million in Q3 2018, a decrease of \$32.4 million.

Industrial segment normalized operating earnings in Q3 2019 decreased \$45.5 million, or 53.7% from Q3 2018. The Industrial normalized operating earnings results were predominantly driven by:

- decreased earnings from lower agricultural sales due to poor crop conditions, stagnant commodity prices and the ongoing trade dispute between the US and China governments; and
- reduced access equipment volumes in Europe and North America as certain key customers adjust their 2019 capital spend in light of uncertainty in the markets.

Q3 2019 normalized operating earnings for Transportation were higher by \$13.1 million, or 15.1% compared to Q3 2018. The Transportation segment's earnings were impacted by the following:

- the impact of additional sales from launching programs;
- decreased management costs; and
- a more favourable impact from the changes in foreign exchange rates from Q3 2018 on expenses which offsets the sales impact at an operating earnings level; partially offset by
- a reduction of earnings related to certain programs that are naturally ending;
- a reduction in sales as a result of the United Auto Workers Union strike at General Motor's US locations that began in September 2019; and
- additional amortization from launching programs.

"We are very pleased to report growth in our Transportation segment earnings despite the impact of the General Motors strike and challenging markets," said Linamar CEO Linda Hasenfratz. "We continue to focus on market share growth in all of our businesses to offset weak markets as well as cost control and cash generation and are delivering on every front."

#### **Dividends**

The Board of Directors today declared an eligible dividend in respect to the quarter ended September 30, 2019 of CDN\$0.12 per share on the common shares of the company, payable on or after December 6, 2019 to shareholders of record on November 22, 2019.

#### **Forward Looking Information, Risk and Uncertainties**

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

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

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

## Conference Call Information

### Q3 2019 Conference Call Information

Linamar will hold a webcast call on November 6, 2019 at 5:00 p.m. EST to discuss its third quarter results. The numbers for this call are (647) 427-3383 (local/overseas) or (888) 424-9894 (North America) conference ID 2873879, with a call-in required 10 minutes prior to the start of the conference call.

The URL for the webcast is <https://linamar2020.webex.com/linamar2020/j.php?MTID=m09cf9bc3705dfbbb0846d6f299d0a76d>. The password for the meeting is 2019Q3. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the Company's quarterly financial statements, including the Management's Discussion & Analysis will be available on the Company's website after 4 p.m. EST on November 6, 2019 and at [www.sedar.com](http://www.sedar.com) by the start of business on November 7, 2019. A taped replay of the conference call will also be made available starting at 8:00 p.m. on November 6, 2019 for ten days. The number for replay is (855) 859-2056, Conference ID 2873879. In addition a recording of the call will be posted on the company's website under Investor Relations.

### Q4 2019 Release Information

Linamar will release its Q4 2019 results on March 11, 2020.

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of 2 operating segments – the Industrial segment and the Transportation segment, which are further divided into 5 operating groups – Skyjack, Agriculture, Machining & Assembly, Light Metal Casting and Forging, all world leaders in the design, development and production of highly engineered products. The Company's Skyjack and MacDon companies are noted for their innovative, high quality mobile industrial and harvesting equipment, notably class-leading aerial work platforms, telehandlers, draper headers and self-propelled windrowers. The Company's Machining & Assembly, Light Metal Casting and Forging operating groups focus on precision metallic components, modules and systems for powertrain, driveline and body systems designed for global electrified and traditionally powered vehicle and industrial markets. Linamar has 27,000 employees in 61 manufacturing locations, 10 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of \$7.6 billion in 2018. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com) or follow us on Twitter at @LinamarCorp.

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

Guelph, Ontario  
November 6, 2019

# LINAMAR CORPORATION

## Management's Discussion and Analysis

For the Quarter Ended September 30, 2019

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated interim financial statements for the quarter ended September 30, 2019. This MD&A has been prepared as at November 6, 2019. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

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

## OVERALL CORPORATE PERFORMANCE

### Overview of the Business

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of 2 operating segments – the Industrial segment and the Transportation segment, which are further divided into 5 operating groups – Skyjack, Agriculture, Machining & Assembly, Light Metal Casting and Forging, all world leaders in the design, development and production of highly engineered products. The Company's Skyjack and MacDon companies are noted for their innovative, high quality mobile industrial and harvesting equipment, notably class-leading aerial work platforms, telehandlers, draper headers and self-propelled windrowers. The Company's Machining & Assembly, Light Metal Casting and Forging operating groups focus on precision metallic components, modules and systems for powertrain, driveline and body systems designed for global electrified and traditionally powered vehicle and industrial markets. Linamar has 27,000 employees in 61 manufacturing locations, 10 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of \$7.6 billion in 2018. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com) or follow us on Twitter at @LinamarCorp.

### Overall Corporate Results

The following table sets out certain highlights of the Company's performance in the third quarter of 2019 ("Q3 2019") and 2018 ("Q3 2018"):

(in millions of dollars, except per share figures)			Three Months Ended September 30				Nine Months Ended September 30	
	2019	2018	+/-	+/-	2019	2018	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	1,740.0	1,837.3	(97.3)	(5.3%)	5,800.6	5,888.6	(88.0)	(1.5%)
Gross Margin	230.1	274.5	(44.4)	(16.2%)	868.3	976.1	(107.8)	(11.0%)
Operating Earnings (Loss) <sup>1</sup>	142.3	161.4	(19.1)	(11.8%)	545.2	648.7	(103.5)	(16.0%)
Net Earnings (Loss)	98.2	113.2	(15.0)	(13.3%)	380.7	467.0	(86.3)	(18.5%)
Net Earnings (Loss) per Share - Diluted	1.50	1.71	(0.21)	(12.3%)	5.80	7.05	(1.25)	(17.7%)
Earnings before interest, taxes and amortization ("EBITDA") <sup>1</sup>	245.7	253.7	(8.0)	(3.2%)	848.9	928.0	(79.1)	(8.5%)
Operating Earnings (Loss) - Normalized <sup>1</sup>	139.2	171.6	(32.4)	(18.9%)	562.2	648.6	(86.4)	(13.3%)
Net Earnings (Loss) - Normalized <sup>1</sup>	96.2	121.1	(24.9)	(20.6%)	393.9	468.0	(74.1)	(15.8%)
Net Earnings (Loss) per Share - Diluted - Normalized <sup>1</sup>	1.47	1.83	(0.36)	(19.7%)	6.00	7.07	(1.07)	(15.1%)
EBITDA - Normalized <sup>1</sup>	243.1	263.8	(20.7)	(7.8%)	866.1	929.3	(63.2)	(6.8%)

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

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

## **BUSINESS SEGMENT REVIEW**

The Company reports its results of operations in two business segments: Industrial and Transportation. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated interim financial statements for the quarter ended September 30, 2019.

	Three Months Ended September 30 2019			Three Months Ended September 30 2018		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
(in millions of dollars)	\$	\$	\$	\$	\$	\$
Sales	380.6	1,359.4	1,740.0	484.8	1,352.5	1,837.3
Operating Earnings (Loss)	36.9	105.4	142.3	74.8	86.6	161.4
EBITDA	53.3	192.4	245.7	88.9	164.8	253.7
Operating Earnings (Loss) – Normalized	39.2	100.0	139.2	84.7	86.9	171.6
EBITDA – Normalized	55.7	187.4	243.1	98.8	165.0	263.8

	Nine Months Ended September 30 2019			Nine Months Ended September 30 2018		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
(in millions of dollars)	\$	\$	\$	\$	\$	\$
Sales	1,444.8	4,355.8	5,800.6	1,532.9	4,355.7	5,888.6
Operating Earnings (Loss)	209.7	335.5	545.2	283.1	365.6	648.7
EBITDA	256.9	592.0	848.9	322.2	605.8	928.0
Operating Earnings (Loss) – Normalized	224.6	337.6	562.2	278.1	370.5	648.6
EBITDA – Normalized	271.8	594.3	866.1	317.6	611.7	929.3

### **Industrial Highlights**

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	+/-	+/-	2019	2018	+/-	+/-
(in millions of dollars)	\$	\$	\$	%	\$	\$	\$	%
Sales	380.6	484.8	(104.2)	(21.5%)	1,444.8	1,532.9	(88.1)	(5.7%)
Operating Earnings (Loss)	36.9	74.8	(37.9)	(50.7%)	209.7	283.1	(73.4)	(25.9%)
EBITDA	53.3	88.9	(35.6)	(40.0%)	256.9	322.2	(65.3)	(20.3%)
Operating Earnings (Loss) – Normalized	39.2	84.7	(45.5)	(53.7%)	224.6	278.1	(53.5)	(19.2%)
EBITDA – Normalized	55.7	98.8	(43.1)	(43.6%)	271.8	317.6	(45.8)	(14.4%)

The Industrial segment ("Industrial") product sales decreased 21.5%, or \$104.2 million, to \$380.6 million in Q3 2019 from Q3 2018. The sales decrease was due to:

- lower agricultural sales due to poor crop conditions, stagnant commodity prices and the ongoing trade dispute between the US and China governments; and
- reduced access equipment volumes in Europe and North America as certain key customers adjust their 2019 capital spend in light of uncertainty in the markets.

Year to date ("YTD") sales for Industrial decreased by \$88.1 million, or 5.7% compared with YTD Q3 2018. The factors that impacted Q3 2019 similarly impacted the YTD results except for the additional sales at MacDon including nine months of sales YTD Q3 2019 compared to only eight months in YTD Q3 2018.

Industrial segment normalized operating earnings in Q3 2019 decreased \$45.5 million, or 53.7% from Q3 2018. The Industrial normalized operating earnings results were predominantly driven by:

- decreased earnings from lower agricultural sales due to poor crop conditions, stagnant commodity prices and the ongoing trade dispute between the US and China governments; and
- reduced access equipment volumes in Europe and North America as certain key customers adjust their 2019 capital spend in light of uncertainty in the markets.

The YTD normalized operating earnings for Industrial decreased by \$53.5 million, or 19.2% compared with YTD Q3 2018. The factors that impacted Q3 2019 similarly impacted the YTD results except for the additional earnings at MacDon including nine months of sales YTD Q3 2019 compared to only eight months in YTD Q3 2018.

## Transportation Highlights

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	+/-	+/-	2019	2018	+/-	+/-
(in millions of dollars)	\$	\$	\$	%	\$	\$	\$	%
Sales	1,359.4	1,352.5	6.9	0.5%	4,355.8	4,355.7	0.1	-
Operating Earnings (Loss)	105.4	86.6	18.8	21.7%	335.5	365.6	(30.1)	(8.2%)
EBITDA	192.4	164.8	27.6	16.7%	592.0	605.8	(13.8)	(2.3%)
Operating Earnings (Loss) – Normalized	100.0	86.9	13.1	15.1%	337.6	370.5	(32.9)	(8.9%)
EBITDA – Normalized	187.4	165.0	22.4	13.6%	594.3	611.7	(17.4)	(2.8%)

Sales for the Transportation segment ("Transportation") increased by \$6.9 million, or 0.5% in Q3 2019 compared with Q3 2018. The sales in Q3 2019 were impacted by:

- additional sales from programs that are currently launching; partially offset by
- a reduction of sales related to certain programs that are naturally ending;
- a reduction in sales as a result of the United Auto Workers Union strike at General Motor's US locations that began in September 2019; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q3 2018.

YTD sales for Transportation increased slightly when compared to YTD Q3 2018. The factors that impacted Q3 2019 similarly impacted the YTD results except for a favourable impact on sales from the changes in foreign exchange rates on a YTD basis.

Q3 2019 normalized operating earnings for Transportation were higher by \$13.1 million, or 15.1% compared to Q3 2018. The Transportation segment's earnings were impacted by the following:

- the impact of additional sales from launching programs;
- decreased management costs; and
- a more favourable impact from the changes in foreign exchange rates from Q3 2018 on expenses which offsets the sales impact at an operating earnings level; partially offset by
- a reduction of earnings related to certain programs that are naturally ending;
- a reduction in sales as a result of the United Auto Workers Union strike at General Motor's US locations that began in September 2019; and
- additional amortization from launching programs.

The YTD normalized operating earnings decreased by \$32.9 million, or 8.9% compared with YTD Q3 2018. The factors that impacted Q3 2019 similarly impacted the YTD results.

### **AUTOMOTIVE SALES AND CONTENT PER VEHICLE<sup>1</sup>**

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are based primarily on the Company's location of manufacturing and include both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the vehicle production units<sup>2</sup> for each continent.

In addition to automotive Original Equipment Manufacturers ("OEMs"), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the Company estimates the automotive portion of the sales for inclusion in its content per vehicle ("CPV") calculations. The allocation of sales to regions is based on vehicle

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

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

production volume estimates from industry sources, published closest to the quarter end date. As these estimates are updated, the Company's sales classifications can be impacted.

	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	+/-	%	2019	2018	+/-	%
<i>North America</i>								
Vehicle Production Units	4.17	4.17	-	-	12.95	13.17	(0.22)	(1.7%)
Automotive Sales	\$ 691.9	\$ 701.4	\$ (9.5)	(1.4%)	\$ 2,187.9	\$ 2,173.4	\$ 14.5	0.7%
<b>Content Per Vehicle</b>	<b>\$ 165.88</b>	<b>\$ 168.24</b>	<b>\$ (2.36)</b>	<b>(1.4%)</b>	<b>\$ 169.00</b>	<b>\$ 165.02</b>	<b>\$ 3.98</b>	<b>2.4%</b>
<i>Europe</i>								
Vehicle Production Units	4.67	4.63	0.04	0.9%	15.92	16.52	(0.60)	(3.6%)
Automotive Sales	\$ 389.8	\$ 385.5	\$ 4.3	1.1%	\$ 1,323.3	\$ 1,321.9	\$ 1.4	0.1%
<b>Content Per Vehicle</b>	<b>\$ 83.49</b>	<b>\$ 83.28</b>	<b>\$ 0.21</b>	<b>0.3%</b>	<b>\$ 83.13</b>	<b>\$ 80.04</b>	<b>\$ 3.09</b>	<b>3.9%</b>
<i>Asia Pacific</i>								
Vehicle Production Units	11.17	11.70	(0.53)	(4.5%)	33.84	36.42	(2.58)	(7.1%)
Automotive Sales	\$ 112.4	\$ 110.1	\$ 2.3	2.1%	\$ 325.8	\$ 370.5	\$ (44.7)	(12.1%)
<b>Content Per Vehicle</b>	<b>\$ 10.06</b>	<b>\$ 9.41</b>	<b>\$ 0.65</b>	<b>6.9%</b>	<b>\$ 9.63</b>	<b>\$ 10.17</b>	<b>\$ (0.54)</b>	<b>(5.3%)</b>

North American automotive sales for Q3 2019 decreased 1.4% from Q3 2018 in a market with flat production volumes for the same period. As a result, content per vehicle in Q3 2019 decreased 1.4% from \$168.24 to \$165.88. The decrease in North American content per vehicle was mainly a result of overall market product decreases specifically with OEM's we have significant business with, partially offset by increases on our launching programs.

European automotive sales for Q3 2019 increased 1.1% from Q3 2018 in a market that saw an increase of 0.9% in production volumes for the same period. As a result, content per vehicle in Q3 2019 increased 0.3% from \$83.28 to \$83.49. The increase in European content per vehicle was a result of increases on our launching programs, partially offset by decreased volumes for certain programs that the company has significant business with.

Asia Pacific automotive sales for Q3 2019 increased 2.1% from Q3 2018 in a market that saw a decrease of 4.5% in production volumes for the same period. As a result, content per vehicle in Q3 2019 increased 6.9% from \$9.41 to \$10.06. The increase in Asian content per vehicle was a result of increases on our launching programs, partially offset by decreased volumes for certain programs that the company has significant business with.

## **RESULTS OF OPERATIONS**

### **Gross Margin**

(in millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Sales	\$ 1,740.0	\$ 1,837.3	\$ 5,800.6	\$ 5,888.6
Cost of Sales before amortization	1,410.8	1,474.5	4,641.5	4,644.4
Amortization	99.1	88.3	290.8	268.1
Cost of Sales	1,509.9	1,562.8	4,932.3	4,912.5
Gross Margin	\$ 230.1	\$ 274.5	\$ 868.3	\$ 976.1
Gross Margin percentage	13.2%	14.9%	15.0%	16.6%

Gross margin percentage decreased in Q3 2019 to 13.2% compared to 14.9% in Q3 2018. Cost of sales before amortization as a percentage of sales increased in Q3 2019 to 81.1% compared to 80.3% for the same quarter of last year. In dollar terms, gross margin decreased \$44.4 million in Q3 2019 compared with Q3 2018 as a result of the items discussed earlier in this analysis such as:

- the impact of additional sales from launching programs; offset by
- a reduction of earnings related to certain programs that are naturally ending;
- decreased earnings from lower agricultural sales due to poor crop conditions, stagnant commodity prices and the ongoing trade dispute between the US and China governments;
- reduced access equipment volumes in Europe and North America as certain key customers adjust their 2019 capital spend in light of uncertainty in the markets;
- a reduction in sales as a result of the United Auto Workers Union strike at General Motor's US locations that began in September 2019;
- additional amortization from launching programs; and
- one-time restructuring costs incurred in Q3 2019.

Q3 2019 amortization increased to \$99.1 million from \$88.3 million in Q3 2018 due to the additional lease amortization as a result of adopting IFRS 16 in 2019 and additional amortization from launching programs in the Transportation Segment. Amortization as a percentage of sales increased to 5.7% of sales compared to 4.8% in Q3 2018.

YTD Q3 2019 gross margin decreased to 15.0% from 16.6% in the same period of 2018. The factors that impacted Q3 2019 gross margin similarly impacted the YTD results.

## Selling, General and Administration

(in millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Selling, general and administrative	\$ 94.3	\$ 103.0	\$ 315.5	\$ 332.2
SG&A percentage	5.4%	5.6%	5.4%	5.6%

Selling, general and administrative ("SG&A") costs decreased in Q3 2019 to \$94.3 million from \$103.0 million and decreased as a percentage of sales to 5.4% from 5.6% when compared to Q3 2018. This decrease is due to decreased management costs in comparison to Q3 2018 partially offset by restructuring costs.

On a YTD basis, SG&A costs reflected similar factors that impacted Q3 2019, decreasing as a percentage of sales to 5.4% from 5.6% when compared to YTD Q3 2018.

## Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Operating Earnings (Loss)	\$ 142.3	\$ 161.4	\$ 545.2	\$ 648.7
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(2.3)	(3.9)	(7.8)	(9.5)
Finance Income and (Expenses)	(11.1)	(11.9)	(37.2)	(33.8)
Provision for (Recovery of) Income Taxes	30.7	32.4	119.5	138.4
Net Earnings (Loss)	98.2	113.2	380.7	467.0

### Finance Expenses

Finance expenses decreased \$0.8 million in Q3 2019 from \$11.9 million in Q3 2018 to \$11.1 million due to:

- lower interest expense due to decreasing debt balances;
- lower interest on the Company's Euro denominated debt achieved through a cross-currency interest rate swap; partially offset by
- lower interest earned on the investment of excess cash and long-term receivable balances; and
- higher interest costs due to the Bank of Canada rate hikes during 2018.

YTD Q3 2019 finance expenses increased \$3.4 million compared to \$33.8 million in YTD Q3 2018 and was primarily a result of nine months of interest for YTD Q3 2019 compared to only eight months in YTD Q3 2018, due to the acquisition of MacDon, as well as the Bank of Canada interest rate hikes during 2018.

The consolidated effective interest rate for Q3 2019 decreased to 2.8% compared to 2.9% in Q3 2018. The decrease in the effective rate was primarily driven by lower debt balances in Q3 2019 and the lower interest rate on the Company's Euro denominated debt.

The increase in the effective interest rate of 2.9% YTD Q3 2019 versus 2.8% YTD Q3 2018 is primarily due to the Bank of Canada interest rate hikes in 2018.

### Income Taxes

The effective tax rate for Q3 2019 was 23.8%, an increase from the 22.2% rate in Q3 2018. The effective tax rate in Q3 2019 increased due to incremental non-deductible expenses in the quarter including one-time tax costs incurred to repatriate foreign earnings.

The Q3 2019 YTD effective tax rate was 23.9%, an increase from the 22.9% rate for Q3 2018 YTD. The Q3 2019 YTD effective tax rate was impacted by the same factors as described for Q3 2019.

## TOTAL EQUITY

During the quarter no options expired unexercised, no options were forfeited, and 500,000 options were exercised.



## **OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares, of which 65,239,495 common shares were outstanding as of November 6, 2019. The Company's common shares constitute its only class of voting securities. As of November 6, 2019, there were 1,091,876 options to acquire common shares outstanding and 4,050,000 options still available to be granted under the Company's share option plan.

In January 2019, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to make a normal course issuer bid ("NCIB" or "Bid"). Under the NCIB, Linamar has the ability to purchase for cancellation up to a maximum of 4,506,324 common shares, representing approximately 10% of the public float of 45,063,240 that were issued and outstanding as of January 18, 2019. For the YTD period ended September 30, 2019, the Company repurchased and cancelled 715,000 common shares under its Bid for a total amount of \$29.7 million.

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

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

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

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

## **SELECTED FINANCIAL INFORMATION**

### **Quarterly Results**

The following table sets forth unaudited information for each of the eight quarters ended December 31, 2017 through September 30, 2019. This information has been derived from the Company's unaudited consolidated interim financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the financial position and results of operations for those periods.

	Sep 30 2019	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017
(in millions of dollars, except per share figures)	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,740.0	2,086.1	1,974.5	1,732.0	1,837.3	2,157.4	1,893.9	1,574.5
Net Earnings (Loss)	98.2	150.2	132.3	124.5	113.2	197.1	156.6	135.1
Net Earnings (Loss) per Share								
Basic	1.51	2.30	2.02	1.91	1.73	3.02	2.40	2.07
Diluted	1.50	2.28	2.00	1.88	1.71	2.98	2.37	2.04

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter for the Industrial segment are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Transportation segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower OEM production schedules resulting from shutdowns related to summer and winter maintenance and model changeovers. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars)	\$	\$	\$	\$
Cash generated from (used in):				
Operating Activities	214.9	251.7	665.0	431.6
Financing Activities	(85.5)	(75.1)	(290.4)	1,132.3
Investing Activities	(164.2)	(159.6)	(417.6)	(1,579.2)
Effect of translation adjustment on cash	(8.0)	(9.5)	(34.2)	0.8
Increase (decrease) in cash and cash equivalents	(42.8)	7.5	(77.2)	(14.5)
Cash and cash equivalents – Beginning of Period	437.6	417.1	472.0	439.1
Cash and cash equivalents – End of Period	394.8	424.6	394.8	424.6
Comprised of:				
Cash in bank	281.5	262.0	281.5	262.0
Short-term deposits	119.7	170.6	119.7	170.6
Unpresented cheques	(6.4)	(8.0)	(6.4)	(8.0)
	394.8	424.6	394.8	424.6

The Company's cash and cash equivalents (net of unpresented cheques) at September 30, 2019 were \$394.8 million, a decrease of \$29.8 million compared to September 30, 2018.

Cash generated from operating activities was \$214.9 million, a decrease of \$36.8 million from Q3 2018, due to less cash being generated by changes in operating assets and liabilities and a decrease in net earnings over Q3 2018. YTD cash generated from operating activities was \$665.0 million, \$233.4 million more than was provided in YTD Q3 2018, due to more cash being generated by changes in operating assets and liabilities, partially offset by a decrease in net earnings over YTD Q3 2018.

During the quarter, financing activities used \$85.5 million of cash compared to \$75.1 million in Q3 2018, which was primarily used to repay long-term debt. YTD Q3 2019 financing activities used \$290.4 million, again primarily used to repay long-term debt. This compared to \$1,132.3 million provided YTD Q3 2018, mostly due to the proceeds of long-term debt used to fund the acquisition of MacDon.

Investing activities used \$164.2 million in Q3 2019 compared to \$159.6 million used in Q3 2018 mainly for the purchase of property, plant and equipment. Investing activities used \$417.6 million in YTD Q3 2019 mainly for the purchase of property, plant and equipment compared to \$1,579.2 million YTD Q3 2018 primarily used for the acquisition of MacDon.

### Operating Activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars)	\$	\$	\$	\$
Net Earnings (Loss) for the period	98.2	113.2	380.7	467.0
Adjustments to earnings	103.7	95.8	333.3	307.8
	201.9	209.0	714.0	774.8
Changes in operating assets and liabilities	13.0	42.7	(49.0)	(343.2)
Cash generated from (used in) operating activities	214.9	251.7	665.0	431.6

Cash generated by operations before the effect of changes in operating assets and liabilities decreased \$7.1 million in Q3 2019 to \$201.9 million, compared to \$209.0 million in Q3 2018. YTD cash generated by operations before the effect of changes in operating assets and liabilities decreased \$60.8 million to \$714.0 million from \$774.8 million in YTD Q3 2018.

Changes in operating assets and liabilities for Q3 2019 decreased \$13.0 million due to decreased accounts receivable partially offset by decreased accounts payable and accrued liabilities. Changes in operating assets and liabilities for Q3 YTD 2019 increased \$49.0 million due to increased accounts receivable partially offset by decreased inventories. When compared to YTD Q3 2018, the improvement in the change in operating assets was primarily due to year over year reductions in accounts receivable, inventories and long-term receivables.

## Financing Activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars)	\$	\$	\$	\$
Proceeds from (repayments of) short-term borrowings	(3.4)	3.3	(5.6)	7.2
Proceeds from (repayments of) long-term debt	(47.6)	(60.0)	(204.7)	1,177.3
Proceeds from exercise of stock options	6.4	-	7.7	-
Repurchase of shares	(21.7)	-	(29.7)	-
Dividends	(7.8)	(7.8)	(23.5)	(23.5)
Finance income received (expenses paid)	(11.4)	(10.6)	(34.6)	(28.7)
Cash generated from (used in) financing activities	(85.5)	(75.1)	(290.4)	1,132.3

Financing activities for Q3 2019 used \$85.5 million of cash compared to \$75.1 million used in Q3 2018. Financing activities for YTD Q3 2019 used \$290.4 million of cash compared to \$1,132.3 million provided in YTD Q3 2018, primarily due to proceeds from long-term debt used to fund the acquisition of MacDon. For Q3 2019 and YTD Q3 2019 the use of cash for financing activities was driven by the repayment of long-term debt as well as the Company's repurchase of shares under its NCIB program. The repayments of long-term debt for Q3 2019 and YTD Q3 2019 has been a result of improvements in the Company's management of its operating assets and liabilities.

## Investing Activities

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
(in millions of dollars)	\$	\$	\$	\$
Payments for purchase of property, plant and equipment	(158.5)	(155.4)	(405.3)	(392.7)
Proceeds on disposal of property, plant and equipment	5.6	6.5	18.7	11.5
Payments for purchase of intangible assets	(15.8)	(6.1)	(25.5)	(18.1)
Business acquisitions, net of cash acquired	-	0.5	-	(1,174.8)
Other	4.5	(5.1)	(5.5)	(5.1)
Cash generated from (used in) investing activities	(164.2)	(159.6)	(417.6)	(1,579.2)

Cash used for investing activities for Q3 2019 was \$164.2 million compared to Q3 2018 at \$159.6 million primarily due to the purchase of property, plant and equipment. YTD Q3 2019 cash used for investing activities was \$417.6 million compared to YTD Q3 2018 at \$1,579.2 million which was primarily related to the acquisition of MacDon in Q1 2018.

## Capital Resources

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

At September 30, 2019, cash and cash equivalents, including short-term deposits (net of unrepresented cheques) was \$394.8 million and the Company's credit facilities had available credit of \$704.0 million.

## Commitments and Contingencies

Please see the Company's December 31, 2018 annual MD&A for a table summarizing the contractual obligations by category. Also, certain guarantees and legal claims are described in the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

## Financial Instruments

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the quarter ended September 30, 2019. For more information, please see the Company's December 31, 2018 annual MD&A and the Company consolidated financial statements for the year ended December 31, 2018.

A portion of the Company's financial instruments are held as long-term receivables totalling \$530.3 million at September 30, 2019 compared to \$516.8 million at December 31, 2018. Long-term receivables are primarily made up of financing loans for the sale of industrial access equipment which improved by \$27.1 million to \$377.2 million, financing loans for equity method investments which increased by \$28.6 million to \$88.8 million, and receivables for government assistance which increased by \$16.3 million to \$55.2 million.

## **Off Balance Sheet Arrangements**

On January 1, 2019, the Company adopted IFRS 16 Leases. 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). The resulting change was an increase to right-of-use assets within property, plant and equipment and lease liabilities within long-term debt. 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. In accordance with the transition provisions, the standard has been adopted without restating comparative figures.

For more information, please see the notes to the Company's interim consolidated financial statements for the quarter ended September 30, 2019.

## **CURRENT AND PROPOSED TRANSACTIONS**

There are no current and proposed transactions for the quarter ended September 30, 2019.

## **RISK MANAGEMENT**

The Company is exposed to a number of risks in the normal course of business that have the potential to affect its operating results. These include, but are not limited to Competition, Outsourcing and Insourcing; Sources and Availability of Raw Materials; Labour Markets and Dependence on Key Personnel; Dependence on Certain Customers; Technological Change and Product Launches; Foreign Currency Risk; Long-term Contracts; Acquisition and Expansion Risk; Foreign Business Risk; Cyclical and Seasonality; Weather; Capital and Liquidity Risk; Legal Proceedings and Insurance Coverage; Credit Risk; Emission Standards; Tax Laws; Securities Laws Compliance and Corporate Governance Standards; and Environmental Matters. These risk factors remain substantially unchanged during the quarter ended September 30, 2019. These risk factors, as well as the other information contained in this MD&A, the Company's December 31, 2018 annual MD&A, and the Company's December 31, 2018 Annual Information Form, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2019, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. Please refer to the "Critical Accounting Estimates and Judgements" section of the Company's December 31, 2018 consolidated annual financial statements and September 30, 2019 consolidated interim financial statements for additional information.

## **RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES**

Please see the notes to the Company's consolidated financial statements for the year ended December 31, 2018, and the consolidated interim financial statements for the quarter ended September 30, 2019 for information regarding accounting changes effective January 1, 2019.

## **NON-GAAP AND ADDITIONAL GAAP MEASURES**

### **Non-GAAP Measures**

The Company uses certain non-GAAP financial measures including Operating Earnings (Loss) – Normalized, Net Earnings (Loss) – Normalized, Net Earnings (Loss) per Share – Diluted – Normalized and EBITDA - Normalized. The Company believes these non-GAAP financial measures provide useful information to both management and investors in assessing the financial performance and financial condition of the Company.

Certain expenses and income that must be recognized under GAAP are not necessarily reflective of the Company's underlying operational performance. For this reason, management uses certain non-GAAP financial measures to exclude foreign exchange

impacts, and the impact of unusual items when analyzing consolidated and segment underlying operational performance, on a consistent basis. The exclusion of certain items does not imply that they are non-recurring.

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

### **Normalizing Items**

During Q1, Q2 and Q3 2019, an unusual item related to restructuring adjusted the Transportation and Industrial segment's earnings.

All normalizing items are reflected in the tables below:

(in millions of dollars)	Three Months Ended September 30				Nine Months Ended September 30			
	2019 \$	2018 \$	+/- \$	+/- %	2019 \$	2018 \$	+/- \$	+/- %
Operating Earnings (Loss)	142.3	161.4	(19.1)	(11.8%)	545.2	648.7	(103.5)	(16.0%)
Foreign exchange (gain) loss	(6.2)	10.2	(16.4)		8.0	(4.4)	12.4	
Unusual item	3.1	-	3.1		9.0	4.3	4.7	
Operating Earnings (Loss) – Normalized	139.2	171.6	(32.4)	(18.9%)	562.2	648.6	(86.4)	(13.3%)
Net Earnings (Loss)	98.2	113.2	(15.0)	(13.3%)	380.7	467.0	(86.3)	(18.5%)
Foreign exchange (gain) loss	(6.2)	10.2	(16.4)		8.0	(4.4)	12.4	
Foreign exchange (gain) loss on debt and derivatives	0.5	(0.1)	0.6		0.2	1.4	(1.2)	
Unusual item	3.1	-	3.1		9.0	4.3	4.7	
Tax impact	0.6	(2.2)	2.8		(4.0)	(0.3)	(3.7)	
Net Earnings (Loss) – Normalized	96.2	121.1	(24.9)	(20.6%)	393.9	468.0	(74.1)	(15.8%)
Net Earnings (Loss) per Share – Diluted	1.50	1.71	(0.21)	(12.3%)	5.80	7.05	(1.25)	(17.7%)
Foreign exchange (gain) loss	(0.09)	0.15	(0.24)		0.12	(0.07)	0.19	
Foreign exchange (gain) loss on debt and derivatives	-	-	-		-	0.02	(0.02)	
Unusual item	0.05	-	0.05		0.14	0.07	0.07	
Tax impact	0.01	(0.03)	0.04		(0.06)	-	(0.06)	
Net Earnings (Loss) per Share – Diluted – Normalized	1.47	1.83	(0.36)	(19.7%)	6.00	7.07	(1.07)	(15.1%)
EBITDA	245.7	253.7	(8.0)	(3.2%)	848.9	928.0	(79.1)	(8.5%)
Foreign exchange (gain) loss	(6.2)	10.2	(16.4)		8.0	(4.4)	12.4	
Foreign exchange (gain) loss on debt and derivatives	0.5	(0.1)	0.6		0.2	1.4	(1.2)	
Unusual item	3.1	-	3.1		9.0	4.3	4.7	
EBITDA – Normalized	243.1	263.8	(20.7)	(7.8%)	866.1	929.3	(63.2)	(6.8%)

	Three Months Ended September 30 2019			Nine Months Ended September 30 2019		
(in millions of dollars)	Industrial \$	Transportation \$	Linamar \$	Industrial \$	Transportation \$	Linamar \$
Operating Earnings (Loss)	36.9	105.4	142.3	209.7	335.5	545.2
EBITDA	53.3	192.4	245.7	256.9	592.0	848.9
Foreign exchange (gain) loss	0.5	(6.7)	(6.2)	13.1	(5.1)	8.0
Unusual item	1.8	1.3	3.1	1.8	7.2	9.0
Operating Earnings (Loss) – Normalized	39.2	100.0	139.2	224.6	337.6	562.2
Foreign exchange (gain) loss on debt and derivatives	0.1	0.4	0.5	-	0.2	0.2
EBITDA – Normalized	55.7	187.4	243.1	271.8	594.3	866.1

	Three Months Ended September 30 2018			Nine Months Ended September 30 2018		
(in millions of dollars)	Industrial \$	Transportation \$	Linamar \$	Industrial \$	Transportation \$	Linamar \$
Operating Earnings (Loss)	74.8	86.6	161.4	283.1	365.6	648.7
EBITDA	88.9	164.8	253.7	322.2	605.8	928.0
Foreign exchange (gain) loss	9.9	0.3	10.2	(6.2)	1.8	(4.4)
Unusual item	-	-	-	1.2	3.1	4.3
Operating Earnings (Loss) – Normalized	84.7	86.9	171.6	278.1	370.5	648.6
Foreign exchange (gain) loss on debt and derivatives	-	(0.1)	(0.1)	0.4	1.0	1.4
EBITDA – Normalized	98.8	165.0	263.8	317.6	611.7	929.3

#### **Operating Earnings (Loss) – Normalized**

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

#### **Net Earnings (Loss) – Normalized**

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

#### **Net Earnings (Loss) per Share – Diluted – Normalized**

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

#### **EBITDA – Normalized**

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

## **Additional GAAP Measures**

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

### ***Operating Earnings (Loss)***

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

### ***EBITDA***

EBITDA is calculated as Net Earnings (Loss) before interest, income taxes, and amortization. Please see the notes to the consolidated interim financial statements for the quarter ended September 30, 2019 for the calculation. This measure, along with other GAAP and non-GAAP measures are used by the chief operating decision makers and management to assess operating performance, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results.

## SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of September 30, 2019	Three Months Ended			Year to Date		
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30
	2019	2019	2019	2019	2019	2019
<i>North America</i>						
Vehicle Production Units	4.37	4.41	4.17	4.37	8.77	12.95
Automotive Sales	\$ 763.7	\$ 732.3	\$ 691.9	\$ 763.7	\$ 1,496.0	\$ 2,187.9
<b>Content Per Vehicle</b>	\$ 174.81	\$ 166.20	\$ 165.88	\$ 174.81	\$ 170.49	\$ 169.00

<i>Europe</i>						
Vehicle Production Units	5.65	5.60	4.67	5.65	11.25	15.92
Automotive Sales	\$ 478.5	\$ 454.9	\$ 389.8	\$ 478.5	\$ 933.4	\$ 1,323.3
<b>Content Per Vehicle</b>	\$ 84.67	\$ 81.28	\$ 83.49	\$ 84.67	\$ 82.98	\$ 83.13

<i>Asia Pacific</i>						
Vehicle Production Units	11.73	10.94	11.17	11.73	22.67	33.84
Automotive Sales	\$ 105.6	\$ 107.9	\$ 112.4	\$ 105.6	\$ 213.4	\$ 325.8
<b>Content Per Vehicle</b>	\$ 9.00	\$ 9.85	\$ 10.06	\$ 9.00	\$ 9.41	\$ 9.63

Estimates as of June 30, 2019	Three Months Ended		Year to Date	
	Mar 31	Jun 30	Mar 31	Jun 30
	2019	2019	2019	2019
<i>North America</i>				
Vehicle Production Units	4.40	4.38	4.40	8.79
Automotive Sales	\$ 759.8	\$ 727.1	\$ 759.8	\$ 1,486.9
<b>Content Per Vehicle</b>	\$ 172.61	\$ 165.82	\$ 172.61	\$ 169.22

<i>Europe</i>				
Vehicle Production Units	5.63	5.60	5.63	11.23
Automotive Sales	\$ 482.1	\$ 456.5	\$ 482.1	\$ 938.6
<b>Content Per Vehicle</b>	\$ 85.56	\$ 81.56	\$ 85.56	\$ 83.57

<i>Asia Pacific</i>				
Vehicle Production Units	11.73	11.47	11.73	23.20
Automotive Sales	\$ 105.1	\$ 109.2	\$ 105.1	\$ 214.2
<b>Content Per Vehicle</b>	\$ 8.95	\$ 9.52	\$ 8.95	\$ 9.23

Change in Estimates from Prior Quarter	Three Months Ended		Year to Date	
	Mar 31	Jun 30	Mar 31	Jun 30
	2019	2019	2019	2019
	+/-	+/-	+/-	+/-
<i>North America</i>				
Vehicle Production Units	(0.03)	0.03	(0.03)	(0.02)
Automotive Sales	\$ 3.9	\$ 5.2	\$ 3.9	\$ 9.1
<b>Content Per Vehicle</b>	\$ 2.20	\$ 0.38	\$ 2.20	\$ 1.27

<i>Europe</i>				
Vehicle Production Units	0.02	-	0.02	0.02
Automotive Sales	\$ (3.6)	\$ (1.6)	\$ (3.6)	\$ (5.2)
<b>Content Per Vehicle</b>	\$ (0.89)	\$ (0.28)	\$ (0.89)	\$ (0.59)

<i>Asia Pacific</i>				
Vehicle Production Units	-	(0.53)	-	(0.53)
Automotive Sales	\$ 0.5	\$ (1.3)	\$ 0.5	\$ (0.8)
<b>Content Per Vehicle</b>	\$ 0.05	\$ 0.33	\$ 0.05	\$ 0.18

## FORWARD LOOKING INFORMATION

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



statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

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

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

# LINAMAR CORPORATION

## Consolidated Interim Statements of Financial Position

As at September 30, 2019 with comparatives as at December 31, 2018 (Unaudited)  
(in thousands of Canadian dollars)

	September 30 2019 \$	December 31 2018 \$
<b>ASSETS</b>		
Cash and cash equivalents	394,765	471,975
Accounts and other receivables	1,394,319	1,285,806
Inventories	1,051,155	1,218,956
Income taxes recoverable	35,606	32,509
Current portion of long-term receivables (Note 6)	122,794	134,402
Current portion of derivative financial instruments (Note 6)	1,764	5,229
Other current assets	33,668	31,439
<b>Current Assets</b>	<b>3,034,071</b>	<b>3,180,316</b>
Long-term receivables (Note 6)	407,480	382,384
Derivative financial instruments (Note 6)	94,845	66,048
Property, plant and equipment	2,719,162	2,654,536
Investments accounted for using the equity method	-	4,253
Deferred tax assets	60,792	53,495
Intangible assets	874,512	900,571
Goodwill	854,209	891,818
<b>Assets</b>	<b>8,045,071</b>	<b>8,133,421</b>
<b>LIABILITIES</b>		
Short-term borrowings	10,015	16,978
Accounts payable and accrued liabilities	1,397,393	1,471,447
Provisions	33,380	32,534
Income taxes payable	33,991	52,774
Current portion of long-term debt (Notes 6, 7)	26,963	8,722
<b>Current Liabilities</b>	<b>1,501,742</b>	<b>1,582,455</b>
Long-term debt (Notes 6, 7)	2,296,109	2,462,788
Derivative financial instruments (Note 6)	4,903	15,882
Deferred tax liabilities	288,130	269,164
<b>Liabilities</b>	<b>4,090,884</b>	<b>4,330,289</b>
<b>EQUITY</b>		
Capital stock	132,356	122,393
Retained earnings	3,788,781	3,459,841
Contributed surplus	26,688	28,449
Accumulated other comprehensive earnings (loss)	6,362	192,449
<b>Equity</b>	<b>3,954,187</b>	<b>3,803,132</b>
<b>Liabilities and Equity</b>	<b>8,045,071</b>	<b>8,133,421</b>

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

On behalf of the Board of Directors:

(Signed) "Frank Hasenfratz"

Frank Hasenfratz  
Director

(Signed) "Linda Hasenfratz"

Linda Hasenfratz  
Director

**LINAMAR CORPORATION****Consolidated Interim Statements of Earnings**

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)

(in thousands of Canadian dollars, except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Sales	1,739,957	1,837,258	5,800,564	5,888,617
Cost of sales	1,509,884	1,562,767	4,932,267	4,912,489
<b>Gross Margin</b>	<b>230,073</b>	<b>274,491</b>	<b>868,297</b>	<b>976,128</b>
Selling, general and administrative	94,316	102,962	315,545	332,185
Other income and (expenses) (Note 9)	6,560	(10,093)	(7,581)	4,785
<b>Operating Earnings (Loss)</b>	<b>142,317</b>	<b>161,436</b>	<b>545,171</b>	<b>648,728</b>
Share of net earnings (loss) of investments accounted for using the equity method	(2,332)	(3,898)	(7,806)	(9,462)
Finance income and (expenses) (Note 10)	(11,130)	(11,983)	(37,155)	(33,872)
<b>Net Earnings (Loss) before Income Taxes</b>	<b>128,855</b>	<b>145,555</b>	<b>500,210</b>	<b>605,394</b>
Provision for (recovery of) income taxes	30,617	32,358	119,483	138,442
<b>Net Earnings (Loss) for the Period</b>	<b>98,238</b>	<b>113,197</b>	<b>380,727</b>	<b>466,952</b>
<b>Net Earnings (Loss) Per Share:</b>				
Basic	1.51	1.73	5.83	7.14
Diluted	1.50	1.71	5.80	7.05

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

# LINAMAR CORPORATION

## Consolidated Interim Statements of Comprehensive Earnings

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Net Earnings (Loss) for the Period</b>	98,238	113,197	380,727	466,952
<b>Items that may be reclassified subsequently to net income</b>				
Unrealized gains (losses) on translating financial statements of foreign operations	(82,136)	(71,680)	(242,151)	9,788
Change in unrealized gains (losses) on net investment hedges	27,446	19,764	71,575	1,868
Change in unrealized gains (losses) on cash flow hedges	15,379	(18,764)	(39,749)	(10,781)
Change in cost of hedging	(364)	(6,191)	8,968	(7,561)
Reclassification to earnings of gains (losses) on cash flow hedges	(12,648)	21,428	33,958	13,407
Tax impact of above	(7,453)	(4,051)	(18,688)	(3,699)
<b>Other Comprehensive Earnings (Loss)</b>	(59,776)	(59,494)	(186,087)	3,022
<b>Comprehensive Earnings (Loss) for the Period</b>	38,462	53,703	194,640	469,974

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

# LINAMAR CORPORATION

## Consolidated Interim Statements of Changes in Equity

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)

(in thousands of Canadian dollars)

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
<b>Balance at January 1, 2019</b>	122,393	3,459,841	28,449	197,221	(4,772)	3,803,132
Net Earnings (Loss)	-	380,727	-	-	-	380,727
Other comprehensive earnings (loss)	-	-	-	(186,893)	806	(186,087)
<b>Comprehensive Earnings (Loss)</b>	-	380,727	-	(186,893)	806	194,640
Share-based compensation	-	-	1,887	-	-	1,887
Shares issued on exercise of options	11,382	-	(3,648)	-	-	7,734
Common shares repurchased and cancelled (Note 8)	(1,419)	(28,285)	-	-	-	(29,704)
Dividends	-	(23,502)	-	-	-	(23,502)
<b>Balance at September 30, 2019</b>	132,356	3,788,781	26,688	10,328	(3,966)	3,954,187

  

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
<b>Balance at January 1, 2018</b>	122,393	2,899,730	25,027	61,564	(698)	3,108,016
Net Earnings (Loss)	-	466,952	-	-	-	466,952
Other comprehensive earnings (loss)	-	-	-	7,490	(4,468)	3,022
<b>Comprehensive Earnings (Loss)</b>	-	466,952	-	7,490	(4,468)	469,974
Share-based compensation	-	-	2,390	-	-	2,390
Dividends	-	(23,528)	-	-	-	(23,528)
<b>Balance at September 30, 2018</b>	122,393	3,343,154	27,417	69,054	(5,166)	3,556,852

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

# LINAMAR CORPORATION

## Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Cash generated from (used in)</b>				
<b>Operating Activities</b>				
Net Earnings (Loss) for the Period	98,238	113,197	380,727	466,952
Adjustments for:				
Amortization of property, plant and equipment	90,465	80,571	263,857	245,969
Amortization of other intangible assets	10,034	9,018	30,958	27,070
Deferred income taxes	(1,947)	(4,339)	(3,321)	(2,412)
Property, plant and equipment impairment provision, net of reversals	-	-	-	(1,224)
Share-based compensation	627	795	1,887	2,390
Finance (income) and expenses	11,130	11,983	37,155	33,872
Other	(6,679)	(2,262)	2,755	2,150
	201,868	208,963	714,018	774,767
Changes in operating assets and liabilities:				
(Increase) decrease in accounts and other receivables	88,437	145,475	(157,829)	(206,878)
(Increase) decrease in inventories	27,316	(54,469)	125,852	(133,223)
(Increase) decrease in other current assets	(6,820)	(4,006)	(3,446)	(772)
(Increase) decrease in long-term receivables	(32,291)	14,640	(25,243)	(100,271)
Increase (decrease) in income taxes	(752)	16,089	(21,564)	21,449
Increase (decrease) in accounts payable and accrued liabilities	(59,074)	(75,624)	31,653	75,877
Increase (decrease) in provisions	(3,777)	642	1,568	703
	13,039	42,747	(49,009)	(343,115)
<b>Cash generated from (used in) operating activities</b>	<b>214,907</b>	<b>251,710</b>	<b>665,009</b>	<b>431,652</b>
<b>Financing Activities</b>				
Proceeds from (repayments of) short-term borrowings	(3,420)	3,249	(5,586)	7,197
Proceeds from (repayments of) long-term debt	(47,633)	(59,875)	(204,734)	1,177,278
Proceeds from exercise of stock options	6,445	-	7,734	-
Repurchase of shares (Note 8)	(21,713)	-	(29,704)	-
Dividends	(7,839)	(7,843)	(23,502)	(23,528)
Finance income received (expenses paid)	(11,357)	(10,618)	(34,627)	(28,669)
<b>Cash generated from (used in) financing activities</b>	<b>(85,517)</b>	<b>(75,087)</b>	<b>(290,419)</b>	<b>1,132,278</b>
<b>Investing Activities</b>				
Payments for purchase of property, plant and equipment	(158,533)	(155,444)	(405,327)	(392,747)
Proceeds on disposal of property, plant and equipment	5,605	6,451	18,699	11,554
Payments for purchase of intangible assets	(15,766)	(6,014)	(25,492)	(18,056)
Business acquisitions, net of cash acquired	-	510	-	(1,174,846)
Other	4,480	(5,135)	(5,479)	(5,135)
<b>Cash generated from (used in) investing activities</b>	<b>(164,214)</b>	<b>(159,632)</b>	<b>(417,599)</b>	<b>(1,579,230)</b>
	(34,824)	16,991	(43,009)	(15,300)
Effect of translation adjustment on cash	(7,963)	(9,485)	(34,201)	795
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(42,787)</b>	<b>7,506</b>	<b>(77,210)</b>	<b>(14,505)</b>
<b>Cash and cash equivalents - Beginning of Period</b>	<b>437,552</b>	<b>417,053</b>	<b>471,975</b>	<b>439,064</b>
<b>Cash and cash equivalents - End of Period</b>	<b>394,765</b>	<b>424,559</b>	<b>394,765</b>	<b>424,559</b>
<b>Comprised of:</b>				
Cash in bank	281,495	261,974	281,495	261,974
Short-term deposits	119,698	170,608	119,698	170,608
Unpresented cheques	(6,428)	(8,023)	(6,428)	(8,023)
	394,765	424,559	394,765	424,559

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

# **LINAMAR CORPORATION**

## **Notes to Consolidated Interim Financial Statements**

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

### **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 interim financial statements of the Company for the period ended September 30, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on November 6, 2019.

### **2 Significant Accounting Policies**

The Company has prepared these unaudited consolidated interim financial statements ("interim financial statements") using the same accounting policies and methods as those used in the Company's audited consolidated annual financial statements ("annual financial statements") for the year ended December 31, 2018, except as described in Note 3. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### **Basis of Presentation**

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

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. Accordingly, certain information and footnotes as required in the annual financial statements have been omitted or condensed and as such these interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2018. These interim financial statements and the notes thereto have not been reviewed by the Company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Chartered Professional Accountants handbook.

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

### **3 Changes in Accounting Policies**

#### **New Standards and 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.

# LINAMAR CORPORATION

## Notes to Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

### New Standards and Interpretations Not Yet Adopted

At the date of authorization of these interim financial statements, there were no new standards, amendments and interpretations to existing standards that were relevant to the Company.

## 4 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. Management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year have been set out in the Company's annual financial statements for the year ended December 31, 2018.

## 5 Seasonality

Historically, earnings in the second quarter for the Industrial segment are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Transportation segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower original equipment manufacturers' production schedules resulting from shutdowns related to summer and winter maintenance and model changeovers. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

## 6 Fair Value of Financial Instruments

The comparison of fair values to carrying amounts of financial assets and financial liabilities along with their fair value hierarchy is as follows:

	Subsequent Measurement	September 30, 2019		December 31, 2018	
		Carrying Value Asset (Liability) \$	Fair Value \$	Carrying Value Asset (Liability) \$	Fair Value \$
Long-term receivables	Amortized cost (Level 2)	530,274	541,055	516,786	522,372
Derivative financial instruments					
USD interest payment forward contracts	Fair value (Level 2)	3,503	3,503	5,724	5,724
USD debt principal forward contracts	Fair value (Level 2)	32,633	32,633	34,820	34,820
USD cross currency interest rate swap	Fair value (Level 2)	(4,903)	(4,903)	30,733	30,733
EUR cross currency interest rate swap	Fair value (Level 2)	60,473	60,473	(15,882)	(15,882)
Long-term debt, excluding 2019 lease liabilities	Amortized cost (Level 2)	(2,247,641)	(2,236,397)	(2,471,510)	(2,399,915)

## 7 Long-Term Debt

	September 30 2019 \$	December 31 2018 \$
Senior unsecured notes	172,022	177,204
Bank borrowings	1,995,104	2,202,263
Lease liabilities (Note 3)	75,431	8,620
Government borrowings	80,515	83,423
	2,323,072	2,471,510
Less: current portion	26,963	8,722
	2,296,109	2,462,788

Without restating comparative figures, effective January 1, 2019 the Company adopted IFRS 16 Leases thereby increasing property, plant and equipment and lease liabilities by \$78,715.

As of September 30, 2019, \$704,031 was available under the various credit facilities.



## LINAMAR CORPORATION

### Notes to Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

## 8 Capital Stock

On January 25, 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. For the period ended September 30, 2019, the Company repurchased and cancelled 715,000 common shares under its bid for a total amount of \$29,704.

## 9 Other Income and (Expenses)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Foreign exchange gain (loss)	6,191	(10,190)	(8,033)	4,350
Other income (expense)	369	97	452	435
	6,560	(10,093)	(7,581)	4,785

## 10 Finance Income and (Expenses)

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Finance costs	(15,989)	(18,404)	(52,969)	(50,410)
Foreign exchange gain (loss) on debt and derivatives	(411)	93	(185)	(1,383)
Interest earned	7,269	8,088	21,762	22,889
Other	(1,999)	(1,760)	(5,763)	(4,968)
	(11,130)	(11,983)	(37,155)	(33,872)

## 11 Commitments

As at September 30, 2019, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$113,084 (September 30, 2018 - \$229,706). Of this amount, \$104,248 (September 30, 2018 - \$212,585) relates to the purchase of manufacturing equipment and \$8,836 (September 30, 2018 - \$17,121) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

## 12 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, earnings and assets.

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.

# LINAMAR CORPORATION

## Notes to Consolidated Interim Financial Statements

For the nine months ended September 30, 2019 and September 30, 2018 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

	Three Months Ended September 30, 2019				Nine Months Ended September 30, 2019				
	Sales to external customers \$	Inter- segment sales \$	Operating earnings (loss) \$	EBITDA \$	Sales to external customers \$	Inter- segment sales \$	Operating earnings (loss) \$	EBITDA \$	Total identifiable assets \$
Transportation	1,359,381	9,391	105,384	192,482	4,355,769	31,091	335,445	592,028	5,010,561
Industrial	380,576	3,048	36,933	53,266	1,444,795	8,220	209,726	256,857	3,034,510
Total	1,739,957	12,439	142,317	245,748	5,800,564	39,311	545,171	848,885	8,045,071

	Three Months Ended September 30, 2018				Nine Months Ended September 30, 2018				
	Sales to external customers \$	Inter- segment sales \$	Operating earnings (loss) \$	EBITDA \$	Sales to external customers \$	Inter- segment sales \$	Operating earnings (loss) \$	EBITDA \$	Total identifiable assets \$
Transportation	1,352,450	10,806	86,607	164,844	4,355,721	34,773	365,677	605,832	5,203,730
Industrial	484,808	2,907	74,829	88,877	1,532,896	4,705	283,051	322,156	2,727,582
Total	1,837,258	13,713	161,436	253,721	5,888,617	39,478	648,728	927,988	7,931,312

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2019 \$	2018 \$	2019 \$	2018 \$
Net earnings (loss) before income taxes	128,855	145,555	500,210	605,394
Amortization of property, plant and equipment	90,465	80,571	263,857	245,969
Amortization of other intangible assets	10,034	9,018	30,958	27,070
Property, plant and equipment impairment provision, net of reversals	-	-	-	(1,224)
Finance costs	15,989	18,404	52,969	50,410
Other interest	405	173	891	369
EBITDA	245,748	253,721	848,885	927,988