

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended September 30, 2017

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated interim financial statements for the quarter ended September 30, 2017. This MD&A has been prepared as at November 7, 2017. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

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

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The Company is made up of 2 operating segments – the Powertrain/Driveline segment and the Industrial segment, which are further divided into 5 operating groups – Machining & Assembly, Light Metal Casting, Forging, Skyjack and Agriculture, all world leaders in the design, development and production of highly engineered products. The Company's Machining & Assembly, Light Metal Casting and Forging operating groups focus on precision metallic components, modules and systems for powertrain, driveline and body systems designed for global electrified and traditionally powered vehicle and industrial markets. The Company's Skyjack and Agriculture operating groups are noted for their innovative, high quality mobile industrial equipment, notably its class-leading aerial work platforms, telehandlers and agricultural equipment. With more than 25,700 employees in 59 manufacturing locations, 6 R&D centers and 21 sales offices in 17 countries in North and South America, Europe and Asia, Linamar generated sales of \$6.0 billion in 2016. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com or follow us on Twitter at @LinamarCorp.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in the third quarter of 2017 ("Q3 2017") and 2016 ("Q3 2016"):

| (in millions of dollars, except content per vehicle figures) | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|--|------------------------------------|------------|-----------|---------|-----------------------------------|------------|-----------|---------|
| | 2017 \$ | 2016 \$ | +/- \$ | +/ % | 2017 \$ | 2016 \$ | +/- \$ | +/ % |
| Sales | 1,549.7 | 1,455.5 | 94.2 | 6.5% | 4,971.9 | 4,630.8 | 341.1 | 7.4% |
| Gross Margin | 230.8 | 234.4 | (3.6) | (1.5%) | 827.6 | 781.6 | 46.0 | 5.9% |
| Operating Earnings (Loss) ¹ | 141.9 | 163.9 | (22.0) | (13.4%) | 549.6 | 549.7 | (0.1) | 0.0% |
| Attributable to Shareholders of the Company: | | | | | | | | |
| Net Earnings (Loss) | 107.3 | 122.2 | (14.9) | (12.2%) | 414.3 | 406.0 | 8.3 | 2.0% |
| Net Earnings (Loss) per Share – Diluted | 1.62 | 1.86 | (0.24) | (12.9%) | 6.27 | 6.16 | 0.11 | 1.8% |
| Content per Vehicle – North America | 158.28 | 148.02 | 10.26 | 6.9% | 157.73 | 157.26 | 0.47 | 0.3% |
| Content per Vehicle – Europe | 72.18 | 67.82 | 4.36 | 6.4% | 68.88 | 63.99 | 4.89 | 7.6% |
| Content per Vehicle – Asia Pacific | 10.41 | 8.45 | 1.96 | 23.2% | 10.36 | 8.23 | 2.13 | 25.9% |

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

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

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated interim financial statements for the quarter ended September 30, 2017.

| (in millions of dollars) | Three Months Ended September 30 2017 | | | Three Months Ended September 30 2016 | | |
|---------------------------|--|------------|---------|--|------------|---------|
| | Powertrain /Driveline | Industrial | Linamar | Powertrain /Driveline | Industrial | Linamar |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 1,289.4 | 260.3 | 1,549.7 | 1,227.4 | 228.1 | 1,455.5 |
| Operating Earnings (Loss) | 108.1 | 33.8 | 141.9 | 124.2 | 39.7 | 163.9 |

| (in millions of dollars) | Nine Months Ended September 30 2017 | | | Nine Months Ended September 30 2016 | | |
|---------------------------|---|------------|---------|---|------------|---------|
| | Powertrain /Driveline | Industrial | Linamar | Powertrain /Driveline | Industrial | Linamar |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 4,063.6 | 908.3 | 4,971.9 | 3,909.1 | 721.7 | 4,630.8 |
| Operating Earnings (Loss) | 416.0 | 133.6 | 549.6 | 429.1 | 120.6 | 549.7 |

Powertrain/Driveline Highlights

| (in millions of dollars) | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|---------------------------|------------------------------------|---------|--------|---------|-----------------------------------|---------|--------|--------|
| | 2017 | 2016 | +/- | +/- | 2017 | 2016 | +/- | +/- |
| | \$ | \$ | \$ | % | \$ | \$ | \$ | % |
| Sales | 1,289.4 | 1,227.4 | 62.0 | 5.1% | 4,063.6 | 3,909.1 | 154.5 | 4.0% |
| Operating Earnings (Loss) | 108.1 | 124.2 | (16.1) | (13.0%) | 416.0 | 429.1 | (13.1) | (3.1%) |

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by \$62.0 million, or 5.1% in Q3 2017 compared with Q3 2016. The sales increase in Q3 2017 was impacted by:

- additional sales from launching programs in Europe, Asia and North America;
- increased volumes from our light vehicle automotive customers in Europe and on select programs in North America; and
- additional sales from our on- and off-highway vehicle customers; offset by
- lower volumes resulting from significant volume declines in the North American light vehicle market down 7.7%; and
- an unfavourable foreign exchange impact from the changes in foreign exchange rates.

Year to date ("YTD") sales for Powertrain/Driveline increased by \$154.5 million, or 4.0% compared with YTD Q3 2016. The factors that impacted Q3 2017 primarily impacted the YTD results.

Q3 2017 operating earnings for Powertrain/Driveline were lower by \$16.1 million, or 13.0% over Q3 2016. The Powertrain/Driveline segment's earnings were impacted by the following:

- production volumes increasing on launching programs in Europe, Asia and North America;
- increased volumes from our light vehicle automotive customers in Europe and on select programs in North America; and
- on- and off-highway vehicle volume increases; offset by
- the non-recurring net recovery related to the premature ending of customer contracts in Q3 2016;
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q3 2017 in comparison to a favourable impact in Q3 2016;
- reduced earnings resulting from the foreign exchange impact from unfavourable changes in foreign exchange rates;
- unfavourable product mix resulting from the North American automotive market decline's impact on higher margin mature programs inadequately offset by the lower margins on programs in the early stages of launch; and
- increased management and sales costs supporting growth.

The YTD operating earnings decreased by \$13.1 million, or 3.1% compared with YTD Q3 2016. The factors that impacted Q3 2017 primarily impacted the YTD results.

Industrial Highlights

| (in millions of dollars) | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|---------------------------|------------------------------------|------------|-----------|----------|-----------------------------------|------------|-----------|----------|
| | 2017 \$ | 2016 \$ | +/- \$ | +/- % | 2017 \$ | 2016 \$ | +/- \$ | +/- % |
| Sales | 260.3 | 228.1 | 32.2 | 14.1% | 908.3 | 721.7 | 186.6 | 25.9% |
| Operating Earnings (Loss) | 33.8 | 39.7 | (5.9) | (14.9%) | 133.6 | 120.6 | 13.0 | 10.8% |

The Industrial segment ("Industrial") product sales increased 14.1%, or \$32.2 million, to \$260.3 million in Q3 2017 from Q3 2016. The sales increase was due to:

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

YTD sales for Industrial increased by \$186.6 million, or 25.9% compared with YTD Q3 2016. The factors that impacted Q3 2017 primarily impacted the YTD results.

Industrial segment operating earnings in Q3 2017 decreased \$5.9 million, or 14.9% from Q3 2016. The Industrial operating earnings results were predominantly driven by:

- net increase in volumes; offset by
- an unfavourable foreign exchange impact from the revaluation of the operating balances on the balance sheet in Q3 2017 in comparison to a favourable impact in Q3 2016;
- lower margins as a result of changes in customer and product mix favouring new launching products with lower margins;
- an unfavourable foreign exchange impact from the changes in foreign exchange rates; and
- increased management and sales costs supporting growth.

The YTD operating earnings for Industrial increased by \$13.0 million, or 10.8% compared with YTD Q3 2016. The factors that impacted Q3 2017 primarily impacted the YTD results.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE¹

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

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

| | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|---|------------------------------------|------------------|-----------------|--------------|-----------------------------------|------------------|----------------|--------------|
| | 2017 | 2016 | +/- | % | 2017 | 2016 | +/- | % |
| <i>North America</i> | | | | | | | | |
| Vehicle Production Units ² | 4.18 | 4.53 | (0.35) | (7.7%) | 13.39 | 13.81 | (0.42) | (3.0%) |
| Automotive Sales ¹ | \$ 662.2 | \$ 670.1 | \$ (7.9) | (1.2%) | \$ 2,112.6 | \$ 2,171.4 | \$ (58.8) | (2.7%) |
| Content Per Vehicle ¹ | \$ 158.28 | \$ 148.02 | \$ 10.26 | 6.9% | \$ 157.73 | \$ 157.26 | \$ 0.47 | 0.3% |
| <i>Europe</i> | | | | | | | | |
| Vehicle Production Units | 5.00 | 4.74 | 0.26 | 5.5% | 16.58 | 16.16 | 0.42 | 2.6% |
| Automotive Sales | \$ 361.1 | \$ 321.7 | \$ 39.4 | 12.2% | \$ 1,142.3 | \$ 1,033.9 | \$ 108.4 | 10.5% |
| Content Per Vehicle | \$ 72.18 | \$ 67.82 | \$ 4.36 | 6.4% | \$ 68.88 | \$ 63.99 | \$ 4.89 | 7.6% |
| <i>Asia Pacific</i> | | | | | | | | |
| Vehicle Production Units | 11.90 | 11.50 | 0.40 | 3.5% | 35.93 | 34.68 | 1.25 | 3.6% |
| Automotive Sales | \$ 123.9 | \$ 97.2 | \$ 26.7 | 27.5% | \$ 372.3 | \$ 285.3 | \$ 87.0 | 30.5% |
| Content Per Vehicle | \$ 10.41 | \$ 8.45 | \$ 1.96 | 23.2% | \$ 10.36 | \$ 8.23 | \$ 2.13 | 25.9% |

North American automotive sales for Q3 2017 decreased 1.2% from Q3 2016 in a market that saw a decrease of 7.7% in production volumes for the same period. As a result, CPV in Q3 2017 increased 6.9% from \$148.02 to \$158.28. The increase in North American CPV was a result of automotive sales declining less than the market. This sales decline was partially offset by increases on launching programs, as well as increased volumes on select automotive programs.

European automotive sales for Q3 2017 increased 12.2% from Q3 2016 in a market that saw an increase of 5.5% in production volumes for the same period. As a result, CPV in Q3 2017 increased 6.4% from \$67.82 to \$72.18. The increase in European CPV was a result of increases in volumes over market production for OEM's that the company has significant business with.

Asia Pacific automotive sales for Q3 2017 increased 27.5% from Q3 2016 in a market that saw an increase of 3.5% in production volumes for the same period. As a result, CPV in Q3 2017 increased 23.2% from \$8.45 to \$10.41. The increase in Asian CPV was a result of increases on launching programs.

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

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

RESULTS OF OPERATIONS

Gross Margin

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-----------------------------------|------------------------------------|------------|-----------------------------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales | \$ 1,549.7 | \$ 1,455.5 | \$ 4,971.9 | \$ 4,630.8 |
| Cost of Sales before Amortization | 1,239.5 | 1,137.0 | 3,903.2 | 3,597.0 |
| Amortization | 79.4 | 84.1 | 241.1 | 252.2 |
| Cost of Sales | 1,318.9 | 1,221.1 | 4,144.3 | 3,849.2 |
| Gross Margin | \$ 230.8 | \$ 234.4 | \$ 827.6 | \$ 781.6 |
| Gross Margin Percentage | 14.9% | 16.1% | 16.6% | 16.9% |

Gross margin percentage decreased to 14.9% in Q3 2017 from 16.1% in Q3 2016. Cost of sales before amortization as a percentage of sales increased in Q3 2017 to 80.0% compared to 78.1% for the same quarter of last year. The reduction in gross margin between Q3 2017 and Q3 2016 is a result of the items discussed earlier in this analysis such as:

- increased earnings as a result of increased volumes in both segments; offset by
- an unfavourable foreign exchange impact from the changes in foreign exchange rates;
- the non-recurring net recovery related to the premature ending of customer contacts in Q3 2016;
- unfavourable product mix resulting from the North American automotive market decline's impact on higher margin mature programs inadequately offset by the lower margins on programs in the early stages of launch; and
- lower Industrial margins as a result of changes in customer and product mix favouring new launching products with lower margins.

Q3 2017 amortization decreased to \$79.4 million from \$84.1 million in Q3 2016 due to lower amortization as a result of redeployment of existing assets on launching programs. Amortization as a percentage of sales decreased to 5.1% of sales as compared to 5.8% in Q3 2016.

YTD Q3 2017 gross margin decreased to 16.6% from 16.9% in the same period of 2016. The decrease in the YTD gross margin was a result of the factors that primarily impacted Q3 2017. Amortization as a percentage of sales decreased to 4.8% of sales as compared to 5.4% in YTD Q3 2016.

Selling, General and Administration

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|-------------------------------------|------------------------------------|---------|-----------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Selling, general and administrative | \$ 79.4 | \$ 73.7 | \$ 260.6 | \$ 242.6 |
| SG&A Percentage | 5.1% | 5.1% | 5.2% | 5.2% |

Selling, general and administrative ("SG&A") costs increased to \$79.4 million from \$73.7 million in Q3 2016, but remained flat as a percentage of sales at 5.1% when compared to Q3 2016. The increase in SG&A costs was primarily driven by additional management and sales costs supporting growth.

On an YTD basis, SG&A costs reflected a similar pattern of higher dollar costs due to investments made to support launches, future growth and new facilities, but remained flat as a percentage of sales at 5.2% when compared to Q3 2016.

Finance Expense and Income Taxes

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|----------|-----------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating Earnings (Loss) | \$ 141.9 | \$ 163.9 | \$ 549.6 | \$ 549.7 |
| Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method | (1.5) | (1.1) | (4.1) | (1.6) |
| Finance Expenses | 0.8 | 5.2 | 6.6 | 17.1 |
| Provision for (Recovery of) Income Taxes | 32.3 | 35.4 | 124.6 | 124.6 |
| Net Earnings (Loss) | 107.3 | 122.2 | 414.3 | 406.4 |
| Net Earnings (Loss) Attributable to: | | | | |
| Shareholders of the Company | 107.3 | 122.2 | 414.3 | 406.0 |
| Non-Controlling Interests | - | - | - | 0.4 |

Finance Expenses

Finance expenses decreased \$4.4 million in Q3 2017 from Q3 2016 to \$0.8 million due to:

- higher interest earned on the investment of excess cash and long-term receivable balances;
- repayment of private placement debt which has been replaced with floating debt with lower interest rates;
- a lower borrowing spread due to an improvement in the covenant ratio; and
- the repayment of short term floating rate debt.

YTD Q3 2017 finance expenses decreased \$10.5 million compared to YTD Q3 2016 at \$6.6 million. YTD Q3 was impacted by similar factors to Q3 2017.

The consolidated effective interest rate for Q3 2017 decreased to 1.9% compared to 2.1% in Q3 2016. The change in Q3 2017 versus Q3 2016 is primarily driven by higher interest earned on excess cash and long term receivables and the repayment of a tranche of the U.S. \$130 million Private Placement Notes which matured in Q3 2017 ("2017 Notes") and was replaced by lower rate floating debt.

The decrease in effective interest rate of 2.0% YTD Q3 2017 versus 2.1% YTD Q3 2016 is due to the Company's ability to access lower effective financing rates in the Euro market following the Q1 2016 acquisition of Montupet S.A.

Provision for Income Taxes

The effective tax rate for Q3 2017 was 23.1%, an increase from the 22.4% rate in the same quarter of 2016. The effective tax rate in Q3 2017 increased by the impact of a non-recurring future tax rate reduction on deferred tax assets.

The YTD effective tax rate is 23.1% as compared to 23.5% in 2016. The YTD Q3 2017 effective tax rate:

- decreased due to non-deductible business acquisition expenses incurred in Q1 2016 not recurring in 2017;
- reduced due to YTD adjustments in relation to the current tax of prior years; partially offset by
- an increase based on the impact of a future tax rate reduction on the deferred tax assets.

TOTAL EQUITY

Book value per share¹ increased to \$45.43 per share at September 30, 2017 as compared to \$39.69 per share at December 31, 2016.

During the quarter no options expired unexercised, no options were forfeited and 44,569 options were exercised.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,335,895 common shares were outstanding as of November 7, 2017. The Company's common shares constitute its only class of voting securities. As of November 7, 2017, there were 1,515,876 options to acquire common shares outstanding and 4,250,000 options still available to be granted under the Company's share option plan.

SELECTED FINANCIAL INFORMATION

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended December 31, 2015 through September 30, 2017. This information has been derived from the Company's unaudited consolidated interim financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the financial position and results of operations for those periods.

| | Sep 30 2017 | Jun 30 2017 | Mar 31 2017 | Dec 31 2016 | Sep 30 2016 | Jun 30 2016 | Mar 31 2016 | Dec 31 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (in millions of dollars, except per share figures) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 1,549.7 | 1,766.2 | 1,656.0 | 1,374.8 | 1,455.5 | 1,657.2 | 1,518.1 | 1,243.0 |
| Net Earnings (Loss) Attributable to Shareholders of the Company | 107.3 | 161.9 | 145.1 | 116.1 | 122.2 | 157.3 | 126.4 | 95.3 |
| Net Earnings (Loss) per Share Attributable to Shareholders of the Company: | | | | | | | | |
| Basic | 1.64 | 2.48 | 2.22 | 1.78 | 1.88 | 2.41 | 1.94 | 1.46 |
| Diluted | 1.62 | 2.45 | 2.20 | 1.76 | 1.86 | 2.39 | 1.92 | 1.45 |

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

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|------------|-----------------------------------|------------|
| | 2017 \$ | 2016 \$ | 2017 \$ | 2016 \$ |
| Cash generated from (used in): | | | | |
| Operating Activities | 194.2 | 280.6 | 580.7 | 622.7 |
| Financing Activities | 3.1 | (128.9) | 28.6 | 1,006.3 |
| Investing Activities | (169.3) | (101.5) | (485.3) | (1,467.6) |
| Effect of translation adjustment on cash | (13.7) | (2.8) | (4.1) | (38.4) |
| Net Increase (Decrease) in Cash Position | 14.3 | 47.4 | 119.9 | 123.0 |
| Cash and Cash Equivalents – Beginning of Period | 510.6 | 414.7 | 405.0 | 339.1 |
| Cash and Cash Equivalents – End of Period | 524.9 | 462.1 | 524.9 | 462.1 |
| Comprised of: | | | | |
| Cash in bank | 339.1 | 315.9 | 339.1 | 315.9 |
| Short-term deposits | 197.6 | 155.8 | 197.6 | 155.8 |
| Unpresented Cheques | (11.8) | (9.6) | (11.8) | (9.6) |
| | 524.9 | 462.1 | 524.9 | 462.1 |

The Company's cash and cash equivalents (net of unpresented cheques) at September 30, 2017 were \$524.9 million, an increase of \$62.8 million compared to September 30, 2016.

Cash generated from operating activities was \$194.2 million, a decrease of \$86.4 million from Q3 2016 due to more cash being used to fund non-cash working capital. YTD cash generated from operating activities was \$580.7 million, \$42.0 million less than was provided YTD Q3 2016, primarily due to a Q3 2016 impairment loss related to customer contracts that prematurely ended.

During the quarter, financing activities provided \$3.1 million of cash compared to \$128.9 million used in Q3 2016. YTD financing activities provided \$28.6 million compared to \$1,006.3 million YTD Q3 2016 which were primarily used in Q1 2016 to fund the purchase of Montupet S.A.

Investing activities used \$169.3 million in Q3 2017 and used \$101.5 million in Q3 2016 mainly for the purchase of property, plant and equipment and an increase in long-term receivables. Investing activities used \$1,467.6 million in YTD Q3 2016 mainly for the acquisition of Montupet S.A. partially offset by the purchase of property, plant and equipment and an increase in long-term receivables.

Operating Activities

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|------------|-----------------------------------|------------|
| | 2017 \$ | 2016 \$ | 2017 \$ | 2016 \$ |
| Net earnings (loss) for the Period Attributable to Shareholders of the Company | 107.3 | 122.2 | 414.3 | 406.0 |
| Adjustments to earnings | 78.4 | 105.8 | 252.7 | 291.2 |
| | 185.7 | 228.0 | 667.0 | 697.2 |
| Changes in non-cash working capital | 8.5 | 52.6 | (86.3) | (74.5) |
| Cash generated from (used in) operating activities | 194.2 | 280.6 | 580.7 | 622.7 |

Cash generated by operations before the effect of changes in non-cash working capital decreased \$42.3 million in Q3 2017 to \$185.7 million, compared to \$228.0 million in Q3 2016. YTD cash generated from operations before the effect of changes in non-cash working capital decreased \$30.2 million to \$667.0 million from \$697.2 million in YTD Q3 2016.

Non-cash working capital for Q3 2017 decreased \$8.5 million. Non-cash working capital for YTD Q3 2017 increased \$86.3 million primarily due to increases in accounts receivable resulting from the sales growth in YTD Q3 2017.

Financing Activities

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|------------------------------------|---------|-----------------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ |
| Proceeds from (repayments of) short-term borrowings | 4.5 | 5.1 | 1.8 | - |
| Proceeds from (repayments of) long-term debt | 1.6 | (126.8) | 49.9 | 1,036.3 |
| Proceeds from government borrowings | 8.1 | 11.9 | 8.1 | 11.9 |
| Proceeds from exercise of stock options | 0.7 | 0.1 | 1.0 | 0.3 |
| Dividends | (7.8) | (6.6) | (23.5) | (19.6) |
| Interest received (paid) | (4.0) | (12.6) | (8.7) | (22.6) |
| Cash generated from (used in) financing activities | 3.1 | (128.9) | 28.6 | 1,006.3 |

Financing activities for Q3 2017 generated \$3.1 million of cash compared to \$128.9 million used in Q3 2016. During the quarter a tranche of the 2017 Notes matured and was replaced by a draw on the revolving credit facility. Financing activities for YTD Q3 2017 provided \$28.6 million of cash compared to \$1,006.3 million provided in YTD Q3 2016. The \$1,036.3 million in YTD Q3 2016 proceeds was from long-term debt primarily provided in Q1 2016 to fund the purchase of Montupet S.A.

Investing Activities

| (in millions of dollars) | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|--|------------------------------------|---------|-----------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | \$ | \$ |
| Payments for purchase of property, plant and equipment | (114.9) | (85.4) | (309.2) | (253.5) |
| Proceeds on disposal of property, plant and equipment | 2.7 | 0.5 | 9.5 | 1.8 |
| Payments for purchase of intangible assets | (3.3) | (0.7) | (10.9) | (8.0) |
| Business acquisitions, net of cash acquired | - | - | (1.1) | (1,133.9) |
| (Increase) decrease in long-term receivables | (53.9) | (15.4) | (169.9) | (73.3) |
| Other | 0.1 | (0.5) | (3.7) | (0.7) |
| Cash generated from (used in) investing activities | (169.3) | (101.5) | (485.3) | (1,467.6) |

Cash spent on investing activities for Q3 2017 was \$169.3 million compared to Q3 2016 at \$101.5 million primarily due to the purchase of property, plant and equipment and an increase in long-term receivables. YTD Q3 2017 cash spent on investing activities was \$485.3 million compared to YTD Q3 2016 at \$1,467.6 million which was primarily for the Q1 2016 acquisition of Montupet S.A.

Capital Resources

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

At September 30, 2017, cash including short-term deposits (net of unrepresented cheques) was \$524.9 million, and the Company's credit facilities had available credit of \$518.7 million.

Commitments and Contingencies

Please see the Company's December 31, 2016 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, 2016.

Foreign Currency Activities

The Company pursues a strategy of optimizing its foreign currency cash flows in each region in which it operates. In key foreign exchange markets, the Company's foreign currency outflows for the purchases of materials and capital equipment are offset through the sale of products denominated in the same foreign currencies, creating a natural hedge. In markets where a natural currency hedge cannot be achieved and a material foreign exchange exposure arises, the Company actively manages the risk through the execution of foreign exchange forward contracts and other derivatives.

The amount and timing of executed forward contracts is dependent upon a number of factors, including estimated production delivery schedules, forecasted customer payments, and the anticipated future direction of foreign currency rates. The Company is exposed to counterparty credit risk when executing foreign exchange derivatives with financial institutions, and in order to mitigate this risk the Company limits foreign exchange trading to counterparties within the credit facility. Despite actively managing the residual foreign exchange exposure, significant long-term movements in relative currency values may affect the Company's operational results. The Company does not currently hedge all the cash flow activities of its foreign subsidiaries and, accordingly results of operations may be further affected by a significant change in the relative values of the currencies in which the Company operates.

The Company is committed to long-dated forward contracts to buy U.S. dollars which hedge the changes in exchange rates on the U.S. \$130 million Private Placement Notes due 2021 ("2021 Notes"). A tranche of the 2017 Notes matured and were repaid during the quarter ended September 30, 2017. These forward exchange contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the principal portion.

The Company is committed to a series of forward contracts to lock in the exchange rate on the semi-annual coupon payments related to the 2021 Notes. These forward contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the coupon portion.

During the first quarter of 2016, the Euro denominated debt used to purchase Montupet S.A. was designated as a net investment hedge. Hedges of net investments are accounted for in a similar manner as cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of, or sold.

For more information regarding the Company's long-term debt and forward contracts including related risks please see the notes to the Company's consolidated financial statements for the year ended December 31, 2016.

Off Balance Sheet Arrangements

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 13 years, and the majority of lease arrangements are renewable at the end of the lease period at market rates. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 7 years and require notice for termination of the agreements. The Company expects that existing leases will either be renewed or replaced, or alternatively, capital expenditures will be incurred to acquire equivalent capacity.

For a summary of these lease commitments please see the notes to the Company's consolidated financial statements for the year ended December 31, 2016. Such obligations have not changed significantly during 2017.

TRANSACTIONS WITH RELATED PARTIES

Included in the cost of property, plant and equipment is the construction of buildings, building additions and building improvements performed by related parties in the aggregate amount of \$1.3 million at September 30, 2017 (\$4.7 million at September 30, 2016). Related party transactions included in the cost of sales are expenses such as rent, maintenance and transportation costs of \$0.2 million for Q3 2017 and \$1.0 million for YTD Q3 2017 (\$0.2 million for Q3 2016 and \$1.2 million for YTD Q3 2016). The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Amounts owed to related parties at September 30, 2017 were \$0.7 million (\$0.5 million at September 30, 2016).

The Company has designed an independent process to ensure all related party transactions are transacted at estimated fair value.

CURRENT AND PROPOSED TRANSACTIONS

On July 4, 2017, the Company announced that it filed conditional offers with the Commercial Court in Paris to acquire selected assets of Societe Aveyronnaise de Metallurgie S.A. ("SAM") and F.V.M. Technologies S.A. ("FVM") from their respective bankruptcy estates and 100% of the outstanding shares of Alfisa Technologies, S.L.U. ("Alfisa") a Spanish company. SAM, FVM and Alfisa are a part of Groupe Arche S.A., a French company specialized in the design, casting, and machining of high pressure die cast aluminum components for the automotive industry. As a result of further due diligence and discussion with various interested parties, on September 29, 2017, the Company announced that it is not in a position to file final, binding, unconditional offers and has decided not to pursue these acquisitions.

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; Cyclicity and Seasonality; 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, 2017. These risk factors, as well as the other information contained in this MD&A, the Company's December 31, 2016 annual MD&A, and the Company's December 31, 2016 Annual Information Form or otherwise, 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, 2017, which have materially affected, or are 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, 2016 consolidated annual financial statements and September 30, 2017 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, 2016, and Note 3 of the consolidated interim financial statements for the quarter ended September 30, 2017 for information regarding the accounting changes effective January 1, 2018.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Non-GAAP Measures

The Company uses certain non-GAAP financial measures including book value per share. The Company believes this non-GAAP financial measure provides useful information to both management and investors in assessing the financial performance and financial condition of the Company.

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.

Book Value per Share

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

| (in millions of dollars except share and per share figures) | September 30 2017 | December 31 2016 |
|---|----------------------|---------------------|
| Total equity | \$ 2,968.2 | \$ 2,590.3 |
| Shares outstanding at the end of the period | 65,331,095 | 65,258,426 |
| Book value per share | \$ 45.43 | \$ 39.69 |

Additional GAAP Measures

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

Operating Earnings

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

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of September 30, 2017

| | Three Months Ended | | | Year to Date | | |
|----------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|
| | Mar 31 2017 | Jun 30 2017 | Sep 30 2017 | Mar 31 2017 | Jun 30 2017 | Sep 30 2017 |
| <i>North America</i> | | | | | | |
| Vehicle Production Units | 4.64 | 4.58 | 4.18 | 4.64 | 9.21 | 13.39 |
| Automotive Sales | \$ 718.1 | \$ 732.3 | \$ 662.2 | \$ 718.1 | \$ 1,450.4 | \$ 2,112.6 |
| Content Per Vehicle | \$ 154.93 | \$ 160.05 | \$ 158.28 | \$ 154.93 | \$ 157.48 | \$ 157.73 |

Europe

| | | | | | | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Vehicle Production Units | 5.85 | 5.73 | 5.00 | 5.85 | 11.58 | 16.58 |
| Automotive Sales | \$ 387.8 | \$ 393.5 | \$ 361.1 | \$ 387.8 | \$ 781.2 | \$ 1,142.3 |
| Content Per Vehicle | \$ 66.23 | \$ 68.70 | \$ 72.18 | \$ 66.23 | \$ 67.45 | \$ 68.88 |

Asia Pacific

| | | | | | | |
|----------------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|
| Vehicle Production Units | 12.55 | 11.48 | 11.90 | 12.55 | 24.04 | 35.93 |
| Automotive Sales | \$ 118.7 | \$ 129.8 | \$ 123.9 | \$ 118.7 | \$ 248.5 | \$ 372.3 |
| Content Per Vehicle | \$ 9.45 | \$ 11.30 | \$ 10.41 | \$ 9.45 | \$ 10.34 | \$ 10.36 |

Estimates as of June 30, 2017

| | Three Months Ended | | Year to Date | |
|----------------------------|--------------------|------------------|------------------|------------------|
| | Mar 31 2017 | Jun 30 2017 | Mar 31 2017 | Jun 30 2017 |
| <i>North America</i> | | | | |
| Vehicle Production Units | 4.64 | 4.59 | 4.64 | 9.23 |
| Automotive Sales | \$ 725.0 | \$ 744.9 | \$ 725.0 | \$ 1,469.9 |
| Content Per Vehicle | \$ 156.35 | \$ 162.21 | \$ 156.35 | \$ 159.27 |

Europe

| | | | | |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| Vehicle Production Units | 5.85 | 5.72 | 5.85 | 11.57 |
| Automotive Sales | \$ 386.7 | \$ 391.8 | \$ 386.7 | \$ 778.5 |
| Content Per Vehicle | \$ 66.12 | \$ 68.47 | \$ 66.12 | \$ 67.28 |

Asia Pacific

| | | | | |
|----------------------------|----------------|-----------------|----------------|----------------|
| Vehicle Production Units | 12.57 | 11.46 | 12.57 | 24.03 |
| Automotive Sales | \$ 110.4 | \$ 118.9 | \$ 110.4 | \$ 229.3 |
| Content Per Vehicle | \$ 8.79 | \$ 10.37 | \$ 8.79 | \$ 9.54 |

Change in Estimates from Prior Quarter

| | Three Months Ended | | Year to Date | |
|----------------------------|--------------------|------------------|------------------|------------------|
| | Mar 31 2017 | Jun 30 2017 | Mar 31 2017 | Jun 30 2017 |
| <i>North America</i> | | | | |
| Vehicle Production Units | +/- | +/- | +/- | +/- |
| Vehicle Production Units | - | (0.01) | - | (0.02) |
| Automotive Sales | \$ (6.9) | \$ (12.6) | \$ (6.9) | \$ (19.5) |
| Content Per Vehicle | \$ (1.42) | \$ (2.16) | \$ (1.42) | \$ (1.79) |

Europe

| | | | | |
|----------------------------|----------------|----------------|----------------|----------------|
| Vehicle Production Units | - | 0.01 | - | 0.01 |
| Automotive Sales | \$ 1.1 | \$ 1.7 | \$ 1.1 | \$ 2.7 |
| Content Per Vehicle | \$ 0.11 | \$ 0.23 | \$ 0.11 | \$ 0.17 |

Asia Pacific

| | | | | |
|----------------------------|----------------|----------------|----------------|----------------|
| Vehicle Production Units | (0.02) | 0.02 | (0.02) | 0.01 |
| Automotive Sales | \$ 8.3 | \$ 10.9 | \$ 8.3 | \$ 19.2 |
| Content Per Vehicle | \$ 0.66 | \$ 0.93 | \$ 0.66 | \$ 0.80 |

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; cyclicity and seasonality; capital and liquidity risk; legal proceedings and insurance coverage; credit risk; emission standards; tax laws; securities laws compliance and corporate governance standards; fluctuations in interest rates; environmental emissions and safety regulations; trade and labour disruptions; world political events; pricing concessions to customers; and governmental, environmental and regulatory policies.

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