

LINAMAR CORPORATION**Consolidated Interim Statements of Financial Position**

As at March 31, 2018 with comparatives as at December 31, 2017 (Unaudited)

(in thousands of Canadian dollars)

	March 31 2018 \$	December 31 2017 \$
ASSETS		
Cash and cash equivalents	455,265	439,064
Accounts and other receivables	1,486,301	1,083,322
Inventories	1,081,016	791,670
Income taxes recoverable	45,842	33,145
Current portion of long-term receivables (Note 6)	117,981	103,276
Current portion of derivative financial instruments (Note 6)	1,524	1,333
Other current assets	25,901	25,387
Current Assets	3,213,830	2,477,197
Long-term receivables (Note 6)	362,111	304,514
Property, plant and equipment	2,441,465	2,209,884
Investments accounted for using the equity method	6,853	9,263
Intangible assets	699,697	287,827
Goodwill	1,135,932	485,610
Derivative financial instruments (Note 6)	28,403	25,854
Deferred tax assets	51,372	51,074
Assets	7,939,663	5,851,223
LIABILITIES		
Short-term borrowings	14,155	8,836
Accounts payable and accrued liabilities	1,575,778	1,215,803
Provisions	39,763	31,486
Income taxes payable	40,524	33,446
Current portion of long-term debt (Notes 6, 7)	10,048	6,399
Current Liabilities	1,680,268	1,295,970
Long-term debt (Notes 6, 7)	2,591,876	1,288,826
Deferred tax liabilities	273,362	153,589
Liabilities	4,545,506	2,738,385
EQUITY		
Capital stock	122,393	122,393
Retained earnings	3,056,365	2,904,552
Contributed surplus	25,825	25,027
Accumulated other comprehensive earnings (loss)	189,574	60,866
Equity	3,394,157	3,112,838
Liabilities and Equity	7,939,663	5,851,223

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 three months ended March 31, 2018 and March 31, 2017 (Unaudited)

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

	Three Months Ended	
	2018	March 31
	\$	\$
Sales	1,893,922	1,655,988
Cost of sales	1,577,849	1,372,037
Gross Margin	316,073	283,951
Selling, general and administrative	106,601	91,097
Other income and (expenses) (Note 8)	5,473	(693)
Operating Earnings (Loss)	214,945	192,161
Share of net earnings (loss) of investments accounted for using the equity method	(2,721)	(1,233)
Finance (income) and expenses (Note 9)	9,321	2,885
Net Earnings (Loss) before Income Taxes	202,903	188,043
Provision for (recovery of) income taxes	46,268	42,932
Net Earnings (Loss) for the Period	156,635	145,111
Net Earnings (Loss) Per Share:		
Basic	2.40	2.22
Diluted	2.37	2.20

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

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

For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2018	March 31
	2017	
	\$	\$
Net Earnings (Loss) for the Period	156,635	145,111
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	178,876	25,435
Change in foreign exchange gains (losses) on long-term debt designated as a net investment hedge	(49,200)	(3,014)
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	3,312	(4,153)
Tax impact of change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	(828)	1,038
Reclassification to earnings of gains (losses) on cash flow hedges	(4,602)	3,146
Tax impact of reclassification to earnings of gains (losses) on cash flow hedges	1,150	(786)
Other Comprehensive Earnings (Loss)	128,708	21,666
Comprehensive Earnings (Loss) for the Period	285,343	166,777

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

LINAMAR CORPORATION

Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)

(in thousands of Canadian dollars)

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at December 31, 2017	122,393	2,904,552	25,027	61,564	(698)	3,112,838
Adjustment on adoption of IFRS 9 (Note 3)	-	(4,822)	-	-	-	(4,822)
Balance at January 1, 2018	122,393	2,899,730	25,027	61,564	(698)	3,108,016
Net Earnings (Loss)	-	156,635	-	-	-	156,635
Other comprehensive earnings (loss)	-	-	-	129,676	(968)	128,708
Comprehensive Earnings (Loss)	-	156,635	-	129,676	(968)	285,343
Share-based compensation	-	-	798	-	-	798
Balance at March 31, 2018	122,393	3,056,365	25,825	191,240	(1,666)	3,394,157

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at January 1, 2017	120,385	2,386,524	23,332	61,097	(1,077)	2,590,261
Net Earnings (Loss)	-	145,111	-	-	-	145,111
Other comprehensive earnings (loss)	-	-	-	22,421	(755)	21,666
Comprehensive Earnings (Loss)	-	145,111	-	22,421	(755)	166,777
Share-based compensation	-	-	572	-	-	572
Shares issued on exercise of options	359	-	(106)	-	-	253
Balance at March 31, 2017	120,744	2,531,635	23,798	83,518	(1,832)	2,757,863

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

LINAMAR CORPORATION

Consolidated Interim Statements of Cash Flows

For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2018	March 31 2017
	\$	\$
Cash generated from (used in)		
Operating Activities		
Net Earnings (Loss) for the Period Attributable to Shareholders of the Company	156,635	145,111
Adjustments for:		
Amortization of property, plant and equipment	82,028	76,067
Amortization of other intangible assets	8,402	6,290
Deferred income taxes	689	300
Property, plant and equipment impairment provision, net of reversals	(838)	-
Share-based compensation	798	572
Finance (income) and expenses	9,321	2,885
Other	3,929	2,095
	260,964	233,320
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	(203,061)	(239,152)
(Increase) decrease in inventories	(90,678)	(13,157)
(Increase) decrease in other current assets	2,997	1,621
(Increase) decrease in long-term receivables	(64,368)	(51,380)
Increase (decrease) in income taxes	(10,021)	(30,805)
Increase (decrease) in accounts payable and accrued liabilities	139,387	156,809
Increase (decrease) in provisions	597	1,315
	(225,147)	(174,749)
Cash generated from (used in) operating activities	35,817	58,571
Financing Activities		
Proceeds from (repayments of) short-term borrowings	4,476	1,347
Proceeds from (repayments of) long-term debt	1,250,991	63,588
Proceeds from exercise of stock options	-	253
Interest received (paid)	(7,412)	(8,125)
Cash generated from (used in) financing activities	1,248,055	57,063
Investing Activities		
Payments for purchase of property, plant and equipment	(117,586)	(93,450)
Proceeds on disposal of property, plant and equipment	2,099	2,157
Payments for purchase of intangible assets	(3,901)	(3,232)
Business acquisitions, net of cash acquired (Note 12)	(1,175,356)	(1,060)
Cash generated from (used in) investing activities	(1,294,744)	(95,585)
Effect of translation adjustment on cash	(10,872)	20,049
	27,073	13,169
Increase (decrease) in cash and cash equivalents	16,201	33,218
Cash and cash equivalents - Beginning of Period	439,064	404,966
Cash and cash equivalents - End of Period	455,265	438,184
Comprised of:		
Cash in bank	320,518	251,072
Short-term deposits	141,054	204,260
Unpresented cheques	(6,307)	(17,148)
	455,265	438,184

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

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and March 31, 2017 (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. 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 March 31, 2018 were authorized for issue in accordance with a resolution of the Company's Board of Directors on May 15, 2018.

2 Significant Accounting Policies

The Company has prepared these unaudited consolidated interim financial statements ("interim financial statements") using the same accounting policies and methods as those used in the Company's audited consolidated annual financial statements ("annual financial statements") for the year ended December 31, 2017, 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, 2017. These interim financial statements and the notes thereto have not been reviewed by the Company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Chartered Professional Accountants handbook.

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

3 Changes in Accounting Policies

New Standards and 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 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("new revenue standard") as issued in May 2014. In accordance with the transition provisions in IFRS 15 the new rules have been adopted using the modified retrospective method to those contracts which were not completed as of January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The new revenue standard establishes a framework for determining the nature, amount, and timing of revenue recognition, which the Company has incorporated into its accounting policies. For its significant revenue streams including sale of products and equipment, sale of customer owned assets, and engineering services, the Company identified the impact of each of the five steps of the revenue standard compared to prior policies, concluding there were no significant differences. The Company did not record an adjustment to opening retained earnings as the impact was insignificant. The Company expects the impact of the adoption of the new revenue standard to be insignificant to net earnings for the current year.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 Financial Instruments as issued in July 2014. In accordance with the transitional provisions in the standard, comparative figures have not been restated. The adopted standard resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements.

IFRS 9 replaces the provisions of IAS 39 and introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and an updated approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected

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For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)
(in thousands of Canadian dollars, except where otherwise noted)

credit losses. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

On January 1, 2018, the Company assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories. These reclassifications did not have an impact on the measurement categories. On the date of adoption, the Company applied the simplified approach, as defined in IFRS 9, to provide for expected credit losses for accounts and other receivables and long-term receivables which resulted in a \$4,822 decrease to opening retained earnings (Note 6). Upon transition the Company's derivatives continue to meet the hedging criteria, therefore the fair values flow through other comprehensive income under both IAS 39 and IFRS 9.

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 published since March 7, 2018, the date of the Company's last issuance of interim consolidated financial statements.

4 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. Management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year have been set out in Note 5 of the Company's annual financial statements for the year ended December 31, 2017.

5 Seasonality

Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the 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 the fair value hierarchy for financial assets and financial liabilities carried at fair value on a recurring basis is as follows:

	Subsequent Measurement	Carrying Value Asset (Liability) \$	March 31, 2018 Fair Value \$	December 31, 2017 Carrying Value Asset (Liability) \$	Fair Value \$
Long-term receivables	Amortized cost (Level 2)	480,092	482,734	407,790	413,064
Derivative financial instruments					
US dollar interest payment forward contracts	Fair value (Level 2)	5,021	5,021	5,077	5,077
US dollar debt principal forward contracts	Fair value (Level 2)	24,906	24,906	22,110	22,110
Long-term debt designated as net investment hedge	Amortized cost (Level 2)	(975,083)	(918,579)	(925,883)	(847,296)
Long-term debt, other	Amortized cost (Level 2)	(1,626,841)	(1,604,849)	(369,342)	(357,801)

With the adoption of IFRS 9 on January 1, 2018, the Company applied the simplified approach, as defined in IFRS, to providing for expected credit losses for accounts and other receivables and long-term receivables which resulted in a decrease in the carrying value of these financial assets by \$759 and \$4,063 respectively, which are carried net of their respective loss allowances.

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Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)
(in thousands of Canadian dollars, except where otherwise noted)

7 Long-Term Debt

	March 31 2018 \$	December 31 2017 \$
Senior unsecured notes	167,476	162,868
Bank borrowings	2,356,281	1,053,956
Obligations under finance leases	12,672	13,216
Government borrowings	65,495	65,185
	2,601,924	1,295,225
Less: current portion	10,048	6,399
	2,591,876	1,288,826

As of December 31, 2017, \$542,146 was available under the various credit facilities.

8 Other Income and (Expenses)

	Three Months Ended March 31	
	2018 \$	2017 \$
Foreign exchange gain (loss)	5,391	(1,043)
Other income (expense)	82	350
	5,473	(693)

9 Finance (Income) and Expenses

	Three Months Ended March 31	
	2018 \$	2017 \$
Interest on long-term debt	13,589	9,118
Foreign exchange (gain) loss on debt and derivatives	1,164	(1,683)
Interest earned	(6,896)	(5,711)
Other	1,464	1,161
	9,321	2,885

10 Commitments

As at March 31, 2018, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$354,401 (March 31, 2017 - \$172,068). Of this amount, \$347,940 (March 31, 2017 - \$166,390) relates to the purchase of manufacturing equipment and \$6,461 (March 31, 2017 - \$5,678) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

11 Segmented Information

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

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.

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

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.

	Sales to external customers \$	Inter- segment sales \$	Three Months Ended March 31, 2018		
			Operating earnings (loss) \$	EBITDA \$	Total identifiable assets \$
Transportation	1,496,426	11,076	140,286	220,523	5,338,762
Industrial	397,496	640	74,659	85,575	2,600,901
Total	1,893,922	11,716	214,945	306,098	7,939,663

	Sales to external customers \$	Inter- segment sales \$	Three Months Ended March 31, 2017		
			Operating earnings (loss) \$	EBITDA \$	Total identifiable assets \$
Transportation	1,369,092	11,691	146,362	228,788	4,859,296
Industrial	286,896	215	45,799	50,880	780,086
Total	1,655,988	11,906	192,161	279,668	5,639,382

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

	Three Months Ended	
	2018 \$	March 31 2017 \$
Net earnings (loss) before income taxes	202,903	188,043
Amortization of property, plant and equipment	82,028	76,067
Amortization of other intangible assets	8,402	6,290
Property, plant and equipment impairment provision, net of reversals	(838)	-
Interest on long-term debt	13,589	9,118
Other interest	14	150
EBITDA	306,098	279,668

12 Business Acquisition

MacDon Group of Companies

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of Moray Marketing Ltd., parent company of MacDon and its Group of Companies ("MacDon") for a preliminary purchase price of \$1,298,893 comprised of \$1,223,893 in cash consideration and an assumed liability of \$75,000. The liability was immediately extinguished using a portion of the acquired cash of MacDon. The preliminary purchase price of \$1,298,893 includes cash acquired for a net acquisition cash impact of \$1,175,356. Headquartered in Winnipeg, Manitoba, Canada, MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

Due to the timing of the close and complexities associated with the transaction, the determination of the fair value of consideration, assets acquired and liabilities assumed is not yet complete and are subject to further adjustments. The Company has recorded a provisional amount of \$625,729 to goodwill as the current unallocated portion of the purchase price. The Company will update this balance and disclose the full purchase price allocation when the determination of the fair value is complete. The following table summarizes the \$1,298,893 consideration paid for MacDon's acquired net assets, recognized at the acquisition date, which has been accounted for as a business combination.

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Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and March 31, 2017 (Unaudited)

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

Preliminary summary of identifiable assets acquired and liabilities assumed after acquisition completed on February 1, 2018:

	\$
Current assets	398,064
Non-current assets	517,900
Goodwill	625,729
Total assets acquired	1,541,693
Current liabilities	124,884
Non-current liabilities	117,916
Total liabilities assumed	242,800
Preliminary net identifiable assets acquired	1,298,893

The sales included in the consolidated statement of earnings from February 2, 2018 to March 31, 2018 contributed by MacDon were \$81,599. MacDon also contributed net earnings (loss) of \$14,843 over the same period. If the acquisition had occurred on January 1, 2018, consolidated pro-forma sales and net earnings (loss) for the period ended March 31, 2018 would have been \$1,951,371 and \$164,151 respectively. These amounts have been calculated using MacDon's results adjusted for the additional depreciation and amortization that would have been charged assuming the preliminary fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2018, together with the consequential tax effects.

13 Comparative Figures

On January 1, 2018, the Company adopted a change in the presentation and classification with respect to cash flow impacts from long-term receivables in the Statement of Cash Flows to include effects within operating activities rather than the financing activities. The Company has determined that such a change in presentation results in the Statement of Cash Flows providing more relevant and appropriate information to its business.