

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 or through the SEDAR website at www.sedar.com.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of 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 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)	2019		2018		Three Months Ended September 30		Nine Months Ended September 30	
	\$	\$	+/-\$	+/%	\$	\$	+/-\$	+/%
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) ¹	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") ¹	245.7	253.7	(8.0)	(3.2%)	848.9	928.0	(79.1)	(8.5%)
Operating Earnings (Loss) - Normalized ¹	139.2	171.6	(32.4)	(18.9%)	562.2	648.6	(86.4)	(13.3%)
Net Earnings (Loss) - Normalized ¹	96.2	121.1	(24.9)	(20.6%)	393.9	468.0	(74.1)	(15.8%)
Net Earnings (Loss) per Share - Diluted - Normalized ¹	1.47	1.83	(0.36)	(19.7%)	6.00	7.07	(1.07)	(15.1%)
EBITDA - Normalized ¹	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.

¹ 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.

(in millions of dollars)	Three Months Ended September 30 2019			Three Months Ended September 30 2018		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
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

(in millions of dollars)	Nine Months Ended September 30 2019			Nine Months Ended September 30 2018		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
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

(in millions of dollars)	Three Months Ended September 30				Nine Months Ended September 30			
	2019	2018	+/-	+/-	2019	2018	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
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

(in millions of dollars)			Three Months Ended September 30				Nine Months Ended September 30	
	2019	2018	+/-	+/-	2019	2018	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
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 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 vehicle production units² 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

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.

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				Nine Months Ended				
	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%	
Content Per Vehicle	\$ 165.88	\$ 168.24	\$ (2.36)	(1.4%)	\$ 169.00	\$ 165.02	\$ 3.98	2.4%	
<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%	
Content Per Vehicle	\$ 83.49	\$ 83.28	\$ 0.21	0.3%	\$ 83.13	\$ 80.04	\$ 3.09	3.9%	
<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%)	
Content Per Vehicle	\$ 10.06	\$ 9.41	\$ 0.65	6.9%	\$ 9.63	\$ 10.17	\$ (0.54)	(5.3%)	

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		Nine Months Ended	
	September 30		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

(in millions of dollars)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
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

(in millions of dollars)	Three Months Ended		Nine Months Ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
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		Nine Months Ended	
	September 30		September 30	
(in millions of dollars)	2019	2018	2019	2018
	\$	\$	\$	\$
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		Nine Months Ended	
	September 30		September 30	
(in millions of dollars)	2019	2018	2019	2018
	\$	\$	\$	\$
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 ex change (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 ex change (gain) loss	(6.2)	10.2	(16.4)		8.0	(4.4)	12.4	
Foreign ex change (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 ex change (gain) loss	(0.09)	0.15	(0.24)		0.12	(0.07)	0.19	
Foreign ex change (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 ex change (gain) loss	(6.2)	10.2	(16.4)		8.0	(4.4)	12.4	
Foreign ex change (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%)

(in millions of dollars)	Three Months Ended September 30 2019			Nine Months Ended September 30 2019		
	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

(in millions of dollars)	Three Months Ended September 30 2018			Nine Months Ended September 30 2018		
	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 2019	Jun 30 2019	Sep 30 2019	Mar 31 2019	Jun 30 2019	Sep 30 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
Content Per Vehicle	\$ 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
Content Per Vehicle	\$ 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
Content Per Vehicle	\$ 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 2019	Jun 30 2019	Mar 31 2019	Jun 30 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
Content Per Vehicle	\$ 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
Content Per Vehicle	\$ 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
Content Per Vehicle	\$ 8.95	\$ 9.52	\$ 8.95	\$ 9.23

Change in Estimates from Prior Quarter	Three Months Ended		Year to Date	
	Mar 31 2019	Jun 30 2019	Mar 31 2019	Jun 30 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
Content Per Vehicle	\$ 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)
Content Per Vehicle	\$ (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)
Content Per Vehicle	\$ 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.