

LINAMAR CORPORATION
Consolidated Interim Statements of Financial Position

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

	June 30 2019 \$	December 31 2018 \$
ASSETS		
Cash and cash equivalents	437,552	471,975
Accounts and other receivables	1,499,006	1,285,806
Inventories	1,093,482	1,218,956
Income taxes recoverable	34,449	32,509
Current portion of long-term receivables (Note 6)	119,734	134,402
Current portion of derivative financial instruments (Note 6)	1,673	5,229
Other current assets	27,246	31,439
Current Assets	3,213,142	3,180,316
Long-term receivables (Note 6)	377,175	382,384
Derivative financial instruments (Note 6)	66,271	66,048
Property, plant and equipment	2,707,818	2,654,536
Investments accounted for using the equity method	5,134	4,253
Deferred tax assets	60,792	53,495
Intangible assets	875,984	900,571
Goodwill	868,493	891,818
Assets	8,174,809	8,133,421
LIABILITIES		
Short-term borrowings	13,904	16,978
Accounts payable and accrued liabilities	1,494,733	1,471,447
Provisions	37,315	32,534
Income taxes payable	34,166	52,774
Current portion of long-term debt (Notes 6, 7)	28,220	8,722
Current Liabilities	1,608,338	1,582,455
Long-term debt (Notes 6, 7)	2,327,126	2,462,788
Derivative financial instruments (Note 6)	18,011	15,882
Deferred tax liabilities	283,129	269,164
Liabilities	4,236,604	4,330,289
EQUITY		
Capital stock	123,962	122,393
Retained earnings	3,719,004	3,459,841
Contributed surplus	29,101	28,449
Accumulated other comprehensive earnings (loss)	66,138	192,449
Equity	3,938,205	3,803,132
Liabilities and Equity	8,174,809	8,133,421

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 six months ended June 30, 2019 and June 30, 2018 (Unaudited)

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

	Three Months Ended		Six Months Ended	
	2019	June 30 2018	2019	June 30 2018
	\$	\$	\$	\$
Sales	2,086,113	2,157,437	4,060,607	4,051,359
Cost of sales	1,751,745	1,771,873	3,422,383	3,349,722
Gross Margin	334,368	385,564	638,224	701,637
Selling, general and administrative	111,012	122,622	221,229	229,223
Other income and (expenses) (Note 9)	(8,232)	9,405	(14,141)	14,878
Operating Earnings (Loss)	215,124	272,347	402,854	487,292
Share of net earnings (loss) of investments accounted for using the equity method	(2,812)	(2,843)	(5,474)	(5,564)
Finance income and (expenses) (Note 10)	(13,762)	(12,568)	(26,025)	(21,889)
Net Earnings (Loss) before Income Taxes	198,550	256,936	371,355	459,839
Provision for (recovery of) income taxes	48,388	59,816	88,866	106,084
Net Earnings (Loss) for the Period	150,162	197,120	282,489	353,755
Net Earnings (Loss) Per Share:				
Basic	2.30	3.02	4.33	5.41
Diluted	2.28	2.98	4.28	5.35

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

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

For the six months ended June 30, 2019 and June 30, 2018 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net Earnings (Loss) for the Period	150,162	197,120	282,489	353,755
Items that may be reclassified subsequently to net income				
Unrealized gains (losses) on translating financial statements of foreign operations	(65,659)	(97,408)	(160,015)	81,468
Change in unrealized gains (losses) on net investment hedges	6,599	31,304	44,129	(17,896)
Change in unrealized gains (losses) on cash flow hedges	(26,576)	3,277	(55,128)	7,983
Change in cost of hedging	2,029	24	9,332	(1,370)
Reclassification to earnings of gains (losses) on cash flow hedges	23,435	(3,419)	46,606	(8,021)
Tax impact of above	(1,372)	30	(11,235)	352
Other Comprehensive Earnings (Loss)	(61,544)	(66,192)	(126,311)	62,516
Comprehensive Earnings (Loss) for the Period	88,618	130,928	156,178	416,271

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

LINAMAR CORPORATION

Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2019 and June 30, 2018 (Unaudited)
(in thousands of Canadian dollars)

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at January 1, 2019	122,393	3,459,841	28,449	197,221	(4,772)	3,803,132
Net Earnings (Loss)	-	282,489	-	-	-	282,489
Other comprehensive earnings (loss)	-	-	-	(125,745)	(566)	(126,311)
Comprehensive Earnings (Loss)	-	282,489	-	(125,745)	(566)	156,178
Share-based compensation	-	-	1,260	-	-	1,260
Shares issued on exercise of options	1,897	-	(608)	-	-	1,289
Common shares repurchased and cancelled (Note 8)	(328)	(7,663)	-	-	-	(7,991)
Dividends	-	(15,663)	-	-	-	(15,663)
Balance at June 30, 2019	123,962	3,719,004	29,101	71,476	(5,338)	3,938,205

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at January 1, 2018	122,393	2,899,730	25,027	61,564	(698)	3,108,016
Net Earnings (Loss)	-	353,755	-	-	-	353,755
Other comprehensive earnings (loss)	-	-	-	63,572	(1,056)	62,516
Comprehensive Earnings (Loss)	-	353,755	-	63,572	(1,056)	416,271
Share-based compensation	-	-	1,595	-	-	1,595
Dividends	-	(15,685)	-	-	-	(15,685)
Balance at June 30, 2018	122,393	3,237,800	26,622	125,136	(1,754)	3,510,197

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LINAMAR CORPORATION

Consolidated Interim Statements of Cash Flows

For the six months ended June 30, 2019 and June 30, 2018 (Unaudited)
(in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	2019	June 30 2018	2019	June 30 2018
	\$	\$	\$	\$
Cash generated from (used in)				
Operating Activities				
Net Earnings (Loss) for the Period	150,162	197,120	282,489	353,755
Adjustments for:				
Amortization of property, plant and equipment	87,669	83,370	173,392	165,398
Amortization of other intangible assets	10,517	9,650	20,924	18,052
Deferred income taxes	396	1,238	(1,374)	1,927
Property, plant and equipment impairment provision, net of reversals	-	(386)	-	(1,224)
Share-based compensation	630	797	1,260	1,595
Finance (income) and expenses	13,762	12,568	26,025	21,889
Other	1,069	483	9,434	4,412
	264,205	304,840	512,150	565,804
Changes in operating assets and liabilities:				
(Increase) decrease in accounts and other receivables	(33,317)	(149,292)	(246,266)	(352,353)
(Increase) decrease in inventories	117,710	11,924	98,536	(78,754)
(Increase) decrease in other current assets	1,653	237	3,374	3,234
(Increase) decrease in long-term receivables	8,934	(50,543)	7,048	(114,911)
Increase (decrease) in income taxes	1,087	15,381	(20,812)	5,360
Increase (decrease) in accounts payable and accrued liabilities	(44,056)	12,114	90,727	151,501
Increase (decrease) in provisions	3,626	(536)	5,345	61
	55,637	(160,715)	(62,048)	(385,862)
Cash generated from (used in) operating activities	319,842	144,125	450,102	179,942
Financing Activities				
Proceeds from (repayments of) short-term borrowings	(1,969)	(528)	(2,166)	3,948
Proceeds from (repayments of) long-term debt	(175,347)	(13,838)	(157,101)	1,237,153
Proceeds from exercise of stock options	1,289	-	1,289	-
Repurchase of shares (Note 8)	(6,322)	-	(7,991)	-
Dividends	(15,663)	(15,685)	(15,663)	(15,685)
Finance income received (expenses paid)	(9,653)	(10,639)	(23,270)	(18,051)
Cash generated from (used in) financing activities	(207,665)	(40,690)	(204,902)	1,207,365
Investing Activities				
Payments for purchase of property, plant and equipment	(126,395)	(119,717)	(246,794)	(237,303)
Proceeds on disposal of property, plant and equipment	1,093	3,004	13,094	5,103
Payments for purchase of intangible assets	(6,576)	(8,141)	(9,726)	(12,042)
Business acquisitions, net of cash acquired	-	-	-	(1,175,356)
Other	(4,192)	-	(9,959)	-
Cash generated from (used in) investing activities	(136,070)	(124,854)	(253,385)	(1,419,598)
	(23,893)	(21,419)	(8,185)	(32,291)
Effect of translation adjustment on cash	(24,012)	(16,793)	(26,238)	10,280
Increase (decrease) in cash and cash equivalents	(47,905)	(38,212)	(34,423)	(22,011)
Cash and cash equivalents - Beginning of Period	485,457	455,265	471,975	439,064
Cash and cash equivalents - End of Period	437,552	417,053	437,552	417,053
Comprised of:				
Cash in bank	363,412	297,976	363,412	297,976
Short-term deposits	110,807	144,894	110,807	144,894
Unpresented cheques	(36,667)	(25,817)	(36,667)	(25,817)
	437,552	417,053	437,552	417,053

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

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

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

1 General Information

Linamar Corporation and its subsidiaries, including jointly controlled entities, (together, the "Company") is a diversified global manufacturing company of highly engineered products. The Company is incorporated in Ontario, Canada with common shares listed on the Toronto Stock Exchange ("TSX"). The Company is domiciled in Canada and its registered office is 287 Speedvale Avenue West, Guelph, Ontario, Canada.

The consolidated interim financial statements of the Company for the period ended June 30, 2019 were authorized for issue in accordance with a resolution of the Company's Board of Directors on August 8, 2019.

2 Significant Accounting Policies

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

Basis of Presentation

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

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

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

3 Changes in Accounting Policies

New Standards and Amendments Adopted

Certain new standards and amendments became effective during the current fiscal year. The impact from the adoption of these new standards and amendments are reflected below.

IFRS 16 Leases

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

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

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

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

New Standards and Interpretations Not Yet Adopted

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

4 Critical Accounting Estimates and Judgements

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

5 Seasonality

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

6 Fair Value of Financial Instruments

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

		June 30, 2019		December 31, 2018	
	Subsequent Measurement	Carrying Value Asset (Liability) \$	Fair Value \$	Carrying Value Asset (Liability) \$	Fair Value \$
Long-term receivables	Amortized cost (Level 2)	496,909	505,425	516,786	522,372
Derivative financial instruments					
USD interest payment forward contracts	Fair value (Level 2)	4,106	4,106	5,724	5,724
USD debt principal forward contracts	Fair value (Level 2)	29,865	29,865	34,820	34,820
USD cross currency interest rate swap	Fair value (Level 2)	(18,011)	(18,011)	30,733	30,733
EUR cross currency interest rate swap	Fair value (Level 2)	33,973	33,973	(15,882)	(15,882)
Long-term debt, excluding 2019 lease liabilities	Amortized cost (Level 2)	(2,274,569)	(2,266,759)	(2,471,510)	(2,399,915)

7 Long-Term Debt

	June 30 2019 \$	December 31 2018 \$
Senior unsecured notes	170,079	177,204
Bank borrowings	2,024,374	2,202,263
Lease liabilities (Note 3)	80,777	8,620
Government borrowings	80,116	83,423
	2,355,346	2,471,510
Less: current portion	28,220	8,722
	2,327,126	2,462,788

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

As of June 30, 2019, \$774,382 was available under the various credit facilities.

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

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

8 Capital Stock

On January 25, 2019, the Company announced the TSX approval to commence a normal course issuer bid. The bid permits the Company to acquire up to 4,506,324 of its common shares between January 29, 2019 and January 28, 2020 and any common shares repurchased by the Company under the bid will be cancelled. For the period ended June 30, 2019, the Company repurchased and cancelled 175,000 common shares under its bid for a total amount of \$7,991.

9 Other Income and (Expenses)

	Three Months Ended		Six Months Ended	
	2019	June 30 2018	2019	June 30 2018
	\$	\$	\$	\$
Foreign exchange gain (loss)	(8,282)	9,150	(14,224)	14,540
Other income (expense)	50	255	83	338
	(8,232)	9,405	(14,141)	14,878

10 Finance Income and (Expenses)

	Three Months Ended		Six Months Ended	
	2019	June 30 2018	2019	June 30 2018
	\$	\$	\$	\$
Finance costs	(18,557)	(18,417)	(36,980)	(32,006)
Foreign exchange gain (loss) on debt and derivatives	(574)	(312)	226	(1,476)
Interest earned	7,221	7,905	14,493	14,801
Other	(1,852)	(1,744)	(3,764)	(3,208)
	(13,762)	(12,568)	(26,025)	(21,889)

11 Commitments

As at June 30, 2019, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$176,675 (June 30, 2018 - \$344,666). Of this amount, \$146,152 (June 30, 2018 - \$339,911) relates to the purchase of manufacturing equipment and \$30,523 (June 30, 2018 - \$4,755) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

12 Segmented Information

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

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

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

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

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

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

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

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

	Three Months Ended June 30, 2019				Six Months Ended June 30, 2019				
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	EBITDA	Sales to external customers	Inter-segment sales	Operating earnings (loss)	EBITDA	Total identifiable assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Transportation	1,486,945	10,772	115,459	200,388	2,996,388	21,700	230,061	399,546	5,185,079
Industrial	599,168	2,675	99,665	115,089	1,064,219	5,172	172,793	203,591	2,989,730
Total	2,086,113	13,447	215,124	315,477	4,060,607	26,872	402,854	603,137	8,174,809

	Three Months Ended June 30, 2018				Six Months Ended June 30, 2018				
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	EBITDA	Sales to external customers	Inter-segment sales	Operating earnings (loss)	EBITDA	Total identifiable assets
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Transportation	1,506,845	12,891	138,784	220,465	3,003,271	23,967	279,070	440,988	5,261,419
Industrial	650,592	1,158	133,563	147,704	1,048,088	1,798	208,222	233,279	2,787,488
Total	2,157,437	14,049	272,347	368,169	4,051,359	25,765	487,292	674,267	8,048,907

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

	Three Months Ended		Six Months Ended	
	2019	June 30 2018	2019	June 30 2018
	\$	\$	\$	\$
Net earnings (loss) before income taxes	198,550	256,936	371,355	459,839
Amortization of property, plant and equipment	87,669	83,370	173,392	165,398
Amortization of other intangible assets	10,517	9,650	20,924	18,052
Property, plant and equipment impairment provision, net of reversals	-	(386)	-	(1,224)
Finance costs	18,557	18,417	36,980	32,006
Other interest	184	182	486	196
EBITDA	315,477	368,169	603,137	674,267