# Linamar Delivers Strong Free Cash Flow in Q2 2019, Grows Market Share

August 8, 2019, Guelph, Ontario, Canada (TSX: LNR)

- Free cash flow[1] of $179 million significantly brings net debt levels down;
- Strong content per vehicle growth in North America and Europe as the Company outperforms the market;
- Sales decreased 3.3% over the second quarter of 2018 (“Q2 2018”) at $2.1 billion;
- Normalized EBITDA was $326 million and is strong at 15.6% of sales;
- Continued business wins increases strong launch book to nearly $4.4 billion;
- Transportation segment flat at $1.5 billion with strong launch activity offset by declines in the global light vehicle market; and
- Industrial segment sales down 7.9% due to lower market demand for scissors and agricultural products offsetting increased volumes for telehandlers and booms.

| | Three Months Ended | June 30 | Six Months Ended | June 30 |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (in millions of dollars, except earnings per share figures) | $ | $ | $ | $ |
| Sales | 2,086.1 | 2,157.4 | 4,060.6 | 4,051.4 |
| Operating Earnings (Loss) | | | | |
| Industrial | 99.6 | 133.5 | 172.8 | 208.2 |
| Transportation | 115.5 | 138.8 | 230.1 | 279.1 |
| Operating Earnings (Loss)[2] | 215.1 | 272.3 | 402.9 | 487.3 |
| Net Earnings (Loss) | 150.2 | 197.1 | 282.5 | 353.8 |
| Net Earnings (Loss) per Share – Diluted | 2.28 | 2.98 | 4.28 | 5.35 |
| Earnings before interest, taxes and amortization (“EBITDA”)[2] | 315.5 | 368.2 | 603.1 | 674.3 |
| Operating Earnings (Loss) – Normalized[2] | | | | |
| Industrial | 107.5 | 130.7 | 185.4 | 193.3 |
| Transportation | 117.8 | 136.8 | 237.6 | 283.8 |
| Operating Earnings (Loss) – Normalized | 225.3 | 267.5 | 423.0 | 477.1 |
| Net Earnings (Loss) – Normalized[2] | 158.3 | 193.6 | 297.7 | 346.9 |
| Net Earnings (Loss) per Share – Diluted – Normalized[2] | 2.40 | 2.93 | 4.51 | 5.25 |
| EBITDA – Normalized[2] | 326.2 | 363.7 | 623.0 | 665.5 |

## Operating Highlights

Sales for the second quarter of 2019 (“Q2 2019”) were $2,086.1 million, down $71.3 million from $2,157.4 million in Q2 2018.

The Industrial segment (“Industrial”) product sales decreased 7.9%, or $51.5 million, to $599.1 million in Q2 2019 from Q2 2018. The sales decrease was due to:

- reduced volumes primarily due to lower market demand for scissors in Europe and North America;
- lower MacDon sales as trade issues continue to put pressure on the agricultural market; partially offset by
- increased volumes for telehandlers and booms; and
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2018.

Sales for the Transportation segment (“Transportation”) decreased by $19.8 million, or 1.3% in Q2 2019 compared with Q2 2018. The sales in Q2 2019 were impacted by:

- a reduction of sales related to declines in the global light vehicle market and certain programs that are naturally ending; partially offset by
- additional sales from programs that are currently launching; and
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2018.

The Company’s normalized operating earnings for Q2 2019 were $225.3 million. This compares to $267.5 million in Q2 2018, a decrease of $42.2 million.

Industrial segment normalized operating earnings in Q2 2019 decreased $23.2 million, or 17.8% from Q2 2018. The Industrial normalized operating earnings results were predominantly driven by:

- decreased earnings on lower MacDon sales as trade issues continue to put pressure on the agricultural market;

[1] Free cash flow is defined as cash from operating activities less payments for purchase of property, plant and equipment plus proceeds on disposal of property, plant and equipment less dividends. All figures used in the calculation are presented in the Company’s separately released Consolidated Interim Statements of Cash Flows.
[2] Management uses certain non-GAAP financial measures including normalized earnings which exclude foreign exchange impacts and the impact of unusual items when analyzing consolidated and segment underlying operational performance. For more information refer to the section entitled “Non-GAAP and Additional GAAP Measures” in the Company’s separately released Management’s Discussion and Analysis (“MD&A”).

- reduced volumes primarily due to lower market demand for scissors in Europe and North America; partially offset by
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q2 2018; and
- increased volumes for telehandlers and booms.

Q2 2019 normalized operating earnings for Transportation were lower by $19.0 million, or 13.9% compared to Q2 2018. The Transportation segment's earnings were impacted by the following:

- a reduction of earnings related to declines in the global light vehicle market and certain programs that are naturally ending;
- additional costs related to heavy launch activity globally;
- the margin impact from the transition of mature platforms ramping down and being replaced by launching programs that have not yet reached mature margins; partially offset by
- the impact of additional sales from launching programs; and
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q2 2018.

"Markets are challenging but we are mitigating slowdowns with strong market share gains and careful cost control," said Linamar CEO Linda Hasenfratz. "We are delivering on our promised cash generation with a solid $179 million in free cash flow generated this quarter and are expecting EBITDA growth to resume in the back half of the year."

## Dividends

The Board of Directors today declared an eligible dividend in respect to the quarter ended June 30, 2019 of CDN$0.12 per share on the common shares of the company, payable on or after September 12, 2019 to shareholders of record on August 23, 2019.

## Forward Looking Information, Risk and Uncertainties

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

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

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

## Conference Call Information

### Q2 2019 Conference Call Information

Linamar will hold a webcast call on August 8, 2019 at 5:00 p.m. EST to discuss its second quarter results. The numbers for this call are (647) 427-3383 (local/overseas) or (888) 424-9894 (North America) conference ID 9388922, with a call-in required 10 minutes prior to the start of the conference call.

The URL for the webcast is https://linamar2020.webex.com/linamar2020/j.php?MTID=macbd5a9aca0784ee88a658819c7eed89. The password for the meeting is 2019Q2. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the Company's quarterly financial statements, including the Management's Discussion & Analysis will be available on the Company's website after 4 p.m. EST on August 8, 2019 and at www.sedar.com by the start of business on August 9, 2019. A taped replay of the conference call will also be made available starting at 8:00 p.m. on August 8, 2019 for ten days. The number for replay is (855) 859-2056, Conference ID 9388922. In addition a recording of the call will be posted on the company's website under Investor Relations.

### Q3 2019 Conference Call Information

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

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

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 28,000 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.

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

Guelph, Ontario
August 8, 2019

# LINAMAR CORPORATION
## Management's Discussion and Analysis
For the Quarter Ended June 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 June 30, 2019. This MD&A has been prepared as at August 8, 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 28,000 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 second quarter of 2019 ("Q2 2019") and 2018 ("Q2 2018"):

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars, except per share figures) | 2019 $ | 2018 $ | +/- $ | +/- % | 2019 $ | 2018 $ | +/- $ | +/- % |
| Sales | 2,086.1 | 2,157.4 | (71.3) | (3.3%) | 4,060.6 | 4,051.4 | 9.2 | 0.2% |
| Gross Margin | 334.4 | 385.6 | (51.2) | (13.3%) | 638.2 | 701.6 | (63.4) | (9.0%) |
| Operating Earnings (Loss)[1] | 215.1 | 272.3 | (57.2) | (21.0%) | 402.9 | 487.3 | (84.4) | (17.3%) |
| Net Earnings (Loss) | 150.2 | 197.1 | (46.9) | (23.8%) | 282.5 | 353.8 | (71.3) | (20.2%) |
| Net Earnings (Loss) per Share - Diluted | 2.28 | 2.98 | (0.70) | (23.5%) | 4.28 | 5.35 | (1.07) | (20.0%) |
| Earnings before interest, taxes and amortization ("EBITDA")[1] | 315.5 | 368.2 | (52.7) | (14.3%) | 603.1 | 674.3 | (71.2) | (10.6%) |
| Operating Earnings (Loss) - Normalized[1] | 225.3 | 267.5 | (42.2) | (15.8%) | 423.0 | 477.1 | (54.1) | (11.3%) |
| Net Earnings (Loss) - Normalized[1] | 158.3 | 193.6 | (35.3) | (18.2%) | 297.7 | 346.9 | (49.2) | (14.2%) |
| Net Earnings (Loss) per Share - Diluted - Normalized[1] | 2.40 | 2.93 | (0.53) | (18.1%) | 4.51 | 5.25 | (0.74) | (14.1%) |
| EBITDA - Normalized[1] | 326.2 | 363.7 | (37.5) | (10.3%) | 623.0 | 665.5 | (42.5) | (6.4%) |

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 June 30, 2019.

| | | | Three Months Ended June 30 2019 | | | Three Months Ended June 30 2018 |
|---|---|---|---|---|---|---|
| | Industrial | Transportation | Linamar | Industrial | Transportation | Linamar |
| (in millions of dollars) | $ | $ | $ | $ | $ | $ |
| Sales | 599.1 | 1,487.0 | 2,086.1 | 650.6 | 1,506.8 | 2,157.4 |
| Operating Earnings (Loss) | 99.6 | 115.5 | 215.1 | 133.5 | 138.8 | 272.3 |
| EBITDA | 115.1 | 200.4 | 315.5 | 147.7 | 220.5 | 368.2 |
| Operating Earnings (Loss) – Normalized | 107.5 | 117.8 | 225.3 | 130.7 | 136.8 | 267.5 |
| EBITDA – Normalized | 123.1 | 203.1 | 326.2 | 145.0 | 218.7 | 363.7 |

| | | | Six Months Ended June 30 2019 | | | Six Months Ended June 30 2018 |
|---|---|---|---|---|---|---|
| | Industrial | Transportation | Linamar | Industrial | Transportation | Linamar |
| (in millions of dollars) | $ | $ | $ | $ | $ | $ |
| Sales | 1,064.2 | 2,996.4 | 4,060.6 | 1,048.1 | 3,003.3 | 4,051.4 |
| Operating Earnings (Loss) | 172.8 | 230.1 | 402.9 | 208.2 | 279.1 | 487.3 |
| EBITDA | 203.6 | 399.5 | 603.1 | 233.3 | 441.0 | 674.3 |
| Operating Earnings (Loss) – Normalized | 185.4 | 237.6 | 423.0 | 193.3 | 283.8 | 477.1 |
| EBITDA – Normalized | 216.1 | 406.9 | 623.0 | 218.8 | 446.7 | 665.5 |

## Industrial Highlights

| | | | | Three Months Ended June 30 | | | | Six Months Ended June 30 |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | +/- | +/- | 2019 | 2018 | +/- | +/- |
| (in millions of dollars) | $ | $ | $ | % | $ | $ | $ | % |
| Sales | 599.1 | 650.6 | (51.5) | (7.9%) | 1,064.2 | 1,048.1 | 16.1 | 1.5% |
| Operating Earnings (Loss) | 99.6 | 133.5 | (33.9) | (25.4%) | 172.8 | 208.2 | (35.4) | (17.0%) |
| EBITDA | 115.1 | 147.7 | (32.6) | (22.1%) | 203.6 | 233.3 | (29.7) | (12.7%) |
| Operating Earnings (Loss) – Normalized | 107.5 | 130.7 | (23.2) | (17.8%) | 185.4 | 193.3 | (7.9) | (4.1%) |
| EBITDA – Normalized | 123.1 | 145.0 | (21.9) | (15.1%) | 216.1 | 218.8 | (2.7) | (1.2%) |

The Industrial segment ("Industrial") product sales decreased 7.9%, or $51.5 million, to $599.1 million in Q2 2019 from Q2 2018. The sales decrease was due to:

- reduced volumes primarily due to lower market demand for scissors in Europe and North America;
- lower MacDon sales as trade issues continue to put pressure on the agricultural market; partially offset by
- increased volumes for telehandlers and booms; and
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2018.

Year to date ("YTD") sales for Industrial increased by $16.1 million, or 1.5% compared with YTD Q2 2018. The factors that impacted Q2 2019 similarly impacted the YTD results except for the additional sales at MacDon including six months of sales YTD Q2 2019 compared to only five months in YTD Q2 2018, partially offset by decreased volumes for booms.

Industrial segment normalized operating earnings in Q2 2019 decreased $23.2 million, or 17.8% from Q2 2018. The Industrial normalized operating earnings results were predominantly driven by:

- decreased earnings on lower MacDon sales as trade issues continue to put pressure on the agricultural market;
- reduced volumes primarily due to lower market demand for scissors in Europe and North America; partially offset by
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q2 2018; and
- increased volumes for telehandlers and booms.

The YTD normalized operating earnings for Industrial decreased by $7.9 million, or 4.1% compared with YTD Q2 2018. The factors that impacted Q2 2019 similarly impacted the YTD results in addition to:

- increased material costs as a result of rising commodity prices; and
- decreased volumes for booms; partially offset by
- additional earnings at MacDon as we had six months of sales YTD Q2 2019 compared to only five months in YTD Q2 2018.

## Transportation Highlights

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | +/- | +/- | 2019 | 2018 | +/- | +/- |
| (in millions of dollars) | $ | $ | $ | % | $ | $ | $ | % |
| Sales | 1,487.0 | 1,506.8 | (19.8) | (1.3%) | 2,996.4 | 3,003.3 | (6.9) | (0.2%) |
| Operating Earnings (Loss) | 115.5 | 138.8 | (23.3) | (16.8%) | 230.1 | 279.1 | (49.0) | (17.6%) |
| EBITDA | 200.4 | 220.5 | (20.1) | (9.1%) | 399.5 | 441.0 | (41.5) | (9.4%) |
| Operating Earnings (Loss) – Normalized | 117.8 | 136.8 | (19.0) | (13.9%) | 237.6 | 283.8 | (46.2) | (16.3%) |
| EBITDA – Normalized | 203.1 | 218.7 | (15.6) | (7.1%) | 406.9 | 446.7 | (39.8) | (8.9%) |

Sales for the Transportation segment ("Transportation") decreased by $19.8 million, or 1.3% in Q2 2019 compared with Q2 2018. The sales in Q2 2019 were impacted by:

- a reduction of sales related to declines in the global light vehicle market and certain programs that are naturally ending; partially offset by
- additional sales from programs that are currently launching; and
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2018.

YTD sales for Transportation decreased by $6.9 million, or 0.2% compared to YTD Q2 2018. The factors that impacted Q2 2019 similarly impacted the YTD results.

Q2 2019 normalized operating earnings for Transportation were lower by $19.0 million, or 13.9% compared to Q2 2018. The Transportation segment's earnings were impacted by the following:

- a reduction of earnings related to declines in the global light vehicle market and certain programs that are naturally ending;
- additional costs related to heavy launch activity globally;
- the margin impact from the transition of mature platforms ramping down and being replaced by launching programs that have not yet reached mature margins; partially offset by
- the impact of additional sales from launching programs; and
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q2 2018.

The YTD normalized operating earnings decreased by $46.2 million, or 16.3% compared with YTD Q2 2018. The factors that impacted Q2 2019 similarly impacted the YTD results.

*AUTOMOTIVE SALES AND CONTENT PER VEHICLE*[1]

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are based primarily on the Company's location of manufacturing and include both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the vehicle production units[2] 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 June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| *North America* | 2019 | 2018 | +/- | % | 2019 | 2018 | +/- | % |
| Vehicle Production Units | 4.38 | 4.49 | (0.11) | (2.4%) | 8.79 | 9.00 | (0.21) | (2.3%) |
| Automotive Sales | $ 727.1 | $ 726.1 | $ 1.0 | 0.1% | $ 1,486.9 | $ 1,472.0 | $ 14.9 | 1.0% |
| Content Per Vehicle | $ 165.82 | $ 161.61 | $ 4.21 | 2.6% | $ 169.22 | $ 163.52 | $ 5.70 | 3.5% |
| *Europe* | | | | | | | | |
| Vehicle Production Units | 5.60 | 6.00 | (0.40) | (6.7%) | 11.23 | 11.89 | (0.66) | (5.6%) |
| Automotive Sales | $ 456.5 | $ 484.3 | $ (27.8) | (5.7%) | $ 938.6 | $ 936.4 | $ 2.2 | 0.2% |
| Content Per Vehicle | $ 81.56 | $ 80.78 | $ 0.78 | 1.0% | $ 83.57 | $ 78.78 | $ 4.79 | 6.1% |
| *Asia Pacific* | | | | | | | | |
| Vehicle Production Units | 11.47 | 12.22 | (0.75) | (6.1%) | 23.20 | 24.72 | (1.52) | (6.1%) |
| Automotive Sales | $ 109.2 | $ 124.1 | $ (14.9) | (12.0%) | $ 214.2 | $ 260.4 | $ (46.2) | (17.7%) |
| Content Per Vehicle | $ 9.52 | $ 10.16 | $ (0.64) | (6.3%) | $ 9.23 | $ 10.53 | $ (1.30) | (12.3%) |

North American automotive sales for Q2 2019 increased 0.1% from Q2 2018 in a market that saw a decrease of 2.4% in production volumes for the same period. As a result, content per vehicle in Q2 2019 increased 2.6% from $161.61 to $165.82. The increase in North American content per vehicle was mainly a result of increases on our launching programs and increases in volumes over market production from certain light vehicle customers.

European automotive sales for Q2 2019 decreased 5.7% from Q2 2018 in a market that saw a decrease of 6.7% in production volumes for the same period. As a result, content per vehicle in Q2 2019 increased 1.0% from $80.78 to $81.56. The increase in European content per vehicle was a result of increases on specific launching programs partially offset by the reduction of sales related to declines in the European light vehicle market.

Asia Pacific automotive sales for Q2 2019 decreased 12.0% from Q2 2018 in a market that saw a decrease of 6.1% in production volumes for the same period. As a result, content per vehicle in Q2 2019 decreased 6.3% from $10.16 to $9.52. The decrease in Asian CPV was a result of decreased volumes for certain programs that the company has significant business with, partially offset by increases on our launching programs.

## RESULTS OF OPERATIONS

### Gross Margin

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| (in millions of dollars) | 2019 | 2018 | 2019 | 2018 |
| Sales | $ 2,086.1 | $ 2,157.4 | $ 4,060.6 | $ 4,051.4 |
| Cost of Sales before amortization | 1,654.8 | 1,680.8 | 3,230.7 | 3,170.0 |
| Amortization | 96.9 | 91.0 | 191.7 | 179.8 |
| Cost of Sales | 1,751.7 | 1,771.8 | 3,422.4 | 3,349.8 |
| Gross Margin | $ 334.4 | $ 385.6 | $ 638.2 | $ 701.6 |
| Gross Margin percentage | 16.0% | 17.9% | 15.7% | 17.3% |

Gross margin percentage decreased in Q2 2019 to 16.0% compared to 17.9% in Q2 2018. Cost of sales before amortization as a percentage of sales increased in Q2 2019 to 79.3% compared to 77.9% for the same quarter of last year. In dollar terms, gross margin decreased $51.2 million in Q2 2019 compared with Q2 2018 as a result of the items discussed earlier in this analysis such as:

- a reduction of earnings related to volume declines in both segments;
- additional costs related to heavy launch activity globally;
- the margin impact from the transition of mature platforms ramping down and being replaced by launching programs that have not yet reached mature margins; partially offset by
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q2 2018.

Q2 2019 amortization increased to $96.9 million from $91.0 million in Q2 2018 due to the additional lease amortization as a result of adopting IFRS 16. Amortization as a percentage of sales increased to 4.6% of sales compared to 4.2% in Q2 2018.

YTD Q2 2019 gross margin decreased to 15.7% from 17.3% in the same period of 2018. The decrease in the YTD gross margin was a result of the same factors that impacted Q2 2019.

## Selling, General and Administration

| (in millions of dollars) | Three Months Ended June 30 2019 | 2018 | Six Months Ended June 30 2019 | 2018 |
|---|---|---|---|---|
| Selling, general and administrative | $ 111.0 | $ 122.7 | $ 221.2 | $ 229.2 |
| SG&A percentage | 5.3% | 5.7% | 5.4% | 5.7% |

Selling, general and administrative ("SG&A") costs decreased in Q2 2019 to $111.0 million from $122.7 million and decreased as a percentage of sales to 5.3% from 5.7% when compared to Q2 2018. This decrease is due to decreased management costs and a reduction in restructuring costs in comparison to Q2 2018.

On a YTD basis, SG&A costs reflected similar factors that impacted Q2 2019, decreasing as a percentage of sales to 5.4% from 5.7% when compared to YTD Q2 2018.

## Finance Expense and Income Taxes

| (in millions of dollars) | Three Months Ended June 30 2019 $ | 2018 $ | Six Months Ended June 30 2019 $ | 2018 $ |
|---|---|---|---|---|
| Operating Earnings (Loss) | 215.1 | 272.3 | 402.9 | 487.3 |
| Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method | (2.8) | (2.8) | (5.5) | (5.6) |
| Finance Income and (Expenses) | (13.7) | (12.6) | (26.0) | (21.9) |
| Provision for (Recovery of) Income Taxes | 48.4 | 59.8 | 88.9 | 106.0 |
| Net Earnings (Loss) | 150.2 | 197.1 | 282.5 | 353.8 |

*Finance Expenses*

Finance expenses increased $1.1 million in Q2 2019 from $12.6 million in Q2 2018 to $13.7 million due to:

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

YTD Q2 2019 finance expenses increased $4.1 million compared to $21.9 million in YTD Q2 2018 and was a result of the same factors as described above for Q2 2019 as well as six months of interest for YTD Q2 2019 compared to only five months in YTD Q2 2018 due to the acquisition of MacDon.

The consolidated effective interest rate for Q2 2019 increased to 2.9% compared to 2.8% in Q2 2018. The increase in the effective rate was primarily driven by the Bank of Canada interest rate hikes during 2018, partially off-set by a lower interest rate on the Company's Euro denominated debt. The increase in the effective interest rate to 2.9% YTD Q2 2019 versus 2.7% YTD Q2 2018 is due to the same factors as above.

*Income Taxes*

The effective tax rate for Q2 2019 was 24.4%, an increase from the 23.3% rate in Q2 2018. The effective tax rate in Q2 2019 increased due to incremental non-deductible expenses in the quarter and one-time tax costs incurred to repatriate foreign earnings.

The Q2 2019 YTD effective tax rate was 23.9%, an increase from the 23.1% rate for Q2 2018 YTD. The Q2 2019 YTD effective tax rate was impacted by the same factors as described for Q2 2019.

## TOTAL EQUITY

During the quarter no options expired unexercised, no options were forfeited and 100,000 options were exercised.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,279,495 common shares were outstanding as of August 8, 2019. The Company's common shares constitute its only class of voting securities. As of August 8, 2019, there were 1,591,876 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 June 30, 2019, the Company repurchased and cancelled 175,000 common shares under its Bid for a total amount of $8.0 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 September 30, 2017 through June 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.

| (in millions of dollars, except per share figures) | Jun 30 2019 $ | Mar 31 2019 $ | Dec 31 2018 $ | Sep 30 2018 $ | Jun 30 2018 $ | Mar 31 2018 $ | Dec 31 2017 $ | Sep 30 2017 $ |
|---|---|---|---|---|---|---|---|---|
| Sales | 2,086.1 | 1,974.5 | 1,732.0 | 1,837.3 | 2,157.4 | 1,893.9 | 1,574.5 | 1,549.7 |
| Net Earnings (Loss) | 150.2 | 132.3 | 124.5 | 113.2 | 197.1 | 156.6 | 135.1 | 107.3 |
| Net Earnings (Loss) per Share | | | | | | | | |
| Basic | 2.30 | 2.02 | 1.91 | 1.73 | 3.02 | 2.40 | 2.07 | 1.64 |
| Diluted | 2.28 | 2.00 | 1.88 | 1.71 | 2.98 | 2.37 | 2.04 | 1.62 |

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

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (in millions of dollars) | $ | $ | $ | $ |
| Cash generated from (used in): | | | | |
| Operating Activities | 319.8 | 144.2 | 450.1 | 180.0 |
| Financing Activities | (207.7) | (40.7) | (204.9) | 1,207.3 |
| Investing Activities | (136.1) | (124.9) | (253.4) | (1,419.6) |
| Effect of translation adjustment on cash | (23.9) | (16.8) | (26.2) | 10.3 |
| Increase (decrease) in cash and cash equivalents | (47.9) | (38.2) | (34.4) | (22.0) |
| Cash and cash equivalents – Beginning of Period | 485.5 | 455.3 | 472.0 | 439.1 |
| Cash and cash equivalents – End of Period | 437.6 | 417.1 | 437.6 | 417.1 |
| Comprised of: | | | | |
| Cash in bank | 363.4 | 298.0 | 363.4 | 298.0 |
| Short-term deposits | 110.8 | 144.9 | 110.8 | 144.9 |
| Unpresented cheques | (36.6) | (25.8) | (36.6) | (25.8) |
| | 437.6 | 417.1 | 437.6 | 417.1 |

The Company's cash and cash equivalents (net of unpresented cheques) at June 30, 2019 were $437.6 million, an increase of $20.5 million compared to June 30, 2018.

Cash generated from operating activities was $319.8 million, an increase of $175.6 million from Q2 2018, due to cash being generated by changes in operating assets and liabilities, partially offset by a decrease in net earnings over Q2 2018. YTD cash generated from operating activities was $450.1 million, $270.1 million more than was provided in YTD Q2 2018, due to the same factors as described above for Q2 2019.

During the quarter, financing activities used $207.7 million of cash compared to $40.7 million in Q2 2018, which was primarily used to repay long-term debt. YTD financing activities used $204.9 million, primarily used to repay long-term debt. This compared to $1,207.3 million provided YTD Q2 2018, mostly due to the proceeds of long-term debt used to fund the acquisition of MacDon.

Investing activities used $136.1 million in Q2 2019 compared to $124.9 million used in Q2 2018 mainly for the purchase of property, plant and equipment. Investing activities used $253.4 million in YTD Q2 2019 mainly for the purchase of property, plant and equipment and the acquisition of MacDon.

### Operating Activities

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| (in millions of dollars) | $ | $ | $ | $ |
| Net Earnings (Loss) for the period | 150.2 | 197.1 | 282.5 | 353.8 |
| Adjustments to earnings | 114.0 | 107.7 | 229.7 | 212.0 |
| | 264.2 | 304.8 | 512.2 | 565.8 |
| Changes in operating assets and liabilities | 55.6 | (160.6) | (62.1) | (385.8) |
| Cash generated from (used in) operating activities | 319.8 | 144.2 | 450.1 | 180.0 |

Cash generated by operations before the effect of changes in operating assets and liabilities decreased $40.6 million in Q2 2019 to $264.2 million, compared to $304.8 million in Q2 2018. YTD cash generated from operations before the effect of changes in non-cash working capital decreased $53.6 million to $512.2 million from $565.8 million in YTD Q2 2018.

Changes in operating assets and liabilities for Q2 2019 decreased $55.6 million and YTD increased $62.1 million. When compared to Q2 2018 and YTD Q2 2018, the improvement in the change in operating assets was primarily due to reductions in accounts receivable, inventories and long-term receivables.

## Financing Activities

| (in millions of dollars) | Three Months Ended June 30 2019 $ | 2018 $ | Six Months Ended June 30 2019 $ | 2018 $ |
|---|---|---|---|---|
| Proceeds from (repayments of) short-term borrowings | (2.0) | (0.5) | (2.2) | 3.9 |
| Proceeds from (repayments of) long-term debt | (175.3) | (13.8) | (157.1) | 1,237.2 |
| Proceeds from exercise of stock options | 1.3 | - | 1.3 | - |
| Repurchase of shares | (6.4) | - | (8.0) | - |
| Dividends | (15.7) | (15.7) | (15.7) | (15.7) |
| Finance income received (expenses paid) | (9.6) | (10.7) | (23.2) | (18.1) |
| Cash generated from (used in) financing activities | (207.7) | (40.7) | (204.9) | 1,207.3 |

Financing activities for Q2 2019 used $207.7 million of cash compared to $40.7 million used in Q2 2018. Financing activities for YTD Q2 2019 used $204.9 million of cash compared to $1,207.3 million provided in YTD Q2 2018, primarily due to proceeds from long-term debt used to fund the acquisition of MacDon. The repayments of long-term debt for Q2 2019 and YTD Q2 2019 was a result of improvements in the Company's management of its operating assets and liabilities.

## Investing Activities

| (in millions of dollars) | Three Months Ended June 30 2019 $ | 2018 $ | Six Months Ended June 30 2019 $ | 2018 $ |
|---|---|---|---|---|
| Payments for purchase of property, plant and equipment | (126.4) | (119.7) | (246.8) | (237.3) |
| Proceeds on disposal of property, plant and equipment | 1.0 | 3.0 | 13.1 | 5.1 |
| Payments for purchase of intangible assets | (6.5) | (8.2) | (9.7) | (12.0) |
| Business acquisitions, net of cash acquired | - | - | - | (1,175.4) |
| Other | (4.2) | - | (10.0) | - |
| Cash generated from (used in) investing activities | (136.1) | (124.9) | (253.4) | (1,419.6) |

Cash used for investing activities for Q2 2019 was $136.1 million compared to Q2 2018 at $124.9 million primarily due to the purchase of property, plant and equipment. YTD Q2 2019 cash used on investing activities was $253.4 million compared to YTD Q2 2018 at $1,419.6 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 June 30, 2019, cash and cash equivalents, including short-term deposits (net of unpresented cheques) was $437.6 million and the Company's credit facilities had available credit of $774.4 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 June 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 $496.9 million at June 30, 2019 compared to $516.8 million at December 31, 2018. Of this amount, $357.9 million compared to December 31, 2018 at $404.3 million relates to financing loans for the sale of industrial access equipment, $77.8 million compared to December 31, 2018 at $60.2 million relates to financing loans for investments accounted for using the equity method, $51.0 million compared to December 31, 2018 at $38.9 million relates to receivables for government assistance, and $10.2 million compared to December 31, 2018 at $13.4 million relates to other receivables.

## 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 June 30, 2019.

# CURRENT AND PROPOSED TRANSACTIONS

There are no current and proposed transactions for the quarter ended June 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; Cyclicality 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 June 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 June 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 June 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 June 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 and Q2 2019, an unusual item related to restructuring adjusted the Transportation segment's earnings.

All normalizing items are reflected in the tables below:

| | Three Months Ended June 30 | | | | Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | +/- | +/- | 2019 | 2018 | +/- | +/- |
| (in millions of dollars) | $ | $ | $ | % | $ | $ | $ | % |
| Operating Earnings (Loss) | 215.1 | 272.3 | (57.2) | (21.0%) | 402.9 | 487.3 | (84.4) | (17.3%) |
| Foreign exchange (gain) loss | 8.3 | (9.1) | 17.4 | | 14.2 | (14.5) | 28.7 | |
| Unusual item | 1.9 | 4.3 | (2.4) | | 5.9 | 4.3 | 1.6 | |
| Operating Earnings (Loss) – Normalized | 225.3 | 267.5 | (42.2) | (15.8%) | 423.0 | 477.1 | (54.1) | (11.3%) |
| | | | | | | | | |
| Net Earnings (Loss) | 150.2 | 197.1 | (46.9) | (23.8%) | 282.5 | 353.8 | (71.3) | (20.2%) |
| Foreign exchange (gain) loss | 8.3 | (9.1) | 17.4 | | 14.2 | (14.5) | 28.7 | |
| Foreign exchange (gain) loss on debt and derivatives | 0.5 | 0.3 | 0.2 | | (0.2) | 1.4 | (1.6) | |
| Unusual item | 1.9 | 4.3 | (2.4) | | 5.9 | 4.3 | 1.6 | |
| Tax impact | (2.6) | 1.0 | (3.6) | | (4.7) | 1.9 | (6.6) | |
| Net Earnings (Loss) – Normalized | 158.3 | 193.6 | (35.3) | (18.2%) | 297.7 | 346.9 | (49.2) | (14.2%) |
| | | | | | | | | |
| Net Earnings (Loss) per Share – Diluted | 2.28 | 2.98 | (0.70) | (23.5%) | 4.28 | 5.35 | (1.07) | (20.0%) |
| Foreign exchange (gain) loss | 0.12 | (0.14) | 0.26 | | 0.21 | (0.22) | 0.43 | |
| Foreign exchange (gain) loss on debt and derivatives | 0.01 | - | 0.01 | | - | 0.02 | (0.02) | |
| Unusual item | 0.03 | 0.07 | (0.04) | | 0.09 | 0.07 | 0.02 | |
| Tax impact | (0.04) | 0.02 | (0.06) | | (0.07) | 0.03 | (0.10) | |
| Net Earnings (Loss) per Share – Diluted – Normalized | 2.40 | 2.93 | (0.53) | (18.1%) | 4.51 | 5.25 | (0.74) | (14.1%) |
| | | | | | | | | |
| EBITDA | 315.5 | 368.2 | (52.7) | (14.3%) | 603.1 | 674.3 | (71.2) | (10.6%) |
| Foreign exchange (gain) loss | 8.3 | (9.1) | 17.4 | | 14.2 | (14.5) | 28.7 | |
| Foreign exchange (gain) loss on debt and derivatives | 0.5 | 0.3 | 0.2 | | (0.2) | 1.4 | (1.6) | |
| Unusual item | 1.9 | 4.3 | (2.4) | | 5.9 | 4.3 | 1.6 | |
| EBITDA – Normalized | 326.2 | 363.7 | (37.5) | (10.3%) | 623.0 | 665.5 | (42.5) | (6.4%) |

| | Three Months Ended June 30 2019 | | | Six Months Ended June 30 2019 | | |
|---|---|---|---|---|---|---|
| | Industrial | Transportation | Linamar | Industrial | Transportation | Linamar |
| (in millions of dollars) | $ | $ | $ | $ | $ | $ |
| Operating Earnings (Loss) | 99.6 | 115.5 | 215.1 | 172.8 | 230.1 | 402.9 |
| EBITDA | 115.1 | 200.4 | 315.5 | 203.6 | 399.5 | 603.1 |
| Foreign exchange (gain) loss | 7.9 | 0.4 | 8.3 | 12.6 | 1.6 | 14.2 |
| Unusual item | - | 1.9 | 1.9 | - | 5.9 | 5.9 |
| Operating Earnings (Loss) – Normalized | 107.5 | 117.8 | 225.3 | 185.4 | 237.6 | 423.0 |
| Foreign exchange (gain) loss on debt and derivatives | 0.1 | 0.4 | 0.5 | (0.1) | (0.1) | (0.2) |
| EBITDA – Normalized | 123.1 | 203.1 | 326.2 | 216.1 | 406.9 | 623.0 |

| | Three Months Ended June 30 2018 | | | Six Months Ended June 30 2018 | | |
|---|---|---|---|---|---|---|
| | Industrial | Transportation | Linamar | Industrial | Transportation | Linamar |
| (in millions of dollars) | $ | $ | $ | $ | $ | $ |
| Operating Earnings (Loss) | 133.5 | 138.8 | 272.3 | 208.2 | 279.1 | 487.3 |
| EBITDA | 147.7 | 220.5 | 368.2 | 233.3 | 441.0 | 674.3 |
| Foreign exchange (gain) loss | (4.0) | (5.1) | (9.1) | (16.1) | 1.6 | (14.5) |
| Unusual item | 1.2 | 3.1 | 4.3 | 1.2 | 3.1 | 4.3 |
| Operating Earnings (Loss) – Normalized | 130.7 | 136.8 | 267.5 | 193.3 | 283.8 | 477.1 |
| Foreign exchange (gain) loss on debt and derivatives | 0.1 | 0.2 | 0.3 | 0.4 | 1.0 | 1.4 |
| EBITDA – Normalized | 145.0 | 218.7 | 363.7 | 218.8 | 446.7 | 665.5 |

*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 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 June 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 June 30, 2019 | Three Months Ended | | Year to Date | |
|---|---|---|---|---|
| | Mar 31 | Jun 30 | Mar 31 | Jun 30 |
| *North America* | 2019 | 2019 | 2019 | 2019 |
| 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 |
| *Europe* | | | | |
| 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 |
| *Asia Pacific* | | | | |
| 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 |

| Estimates as of March 31, 2019 | Three Months Ended | Year to Date |
|---|---|---|
| | Mar 31 | Mar 31 |
| *North America* | 2019 | 2019 |
| Vehicle Production Units | 4.50 | 4.50 |
| Automotive Sales | $ 752.9 | $ 752.9 |
| Content Per Vehicle | $ 167.37 | $ 167.37 |
| *Europe* | | |
| Vehicle Production Units | 5.58 | 5.58 |
| Automotive Sales | $ 472.4 | $ 472.4 |
| Content Per Vehicle | $ 84.62 | $ 84.62 |
| *Asia Pacific* | | |
| Vehicle Production Units | 11.68 | 11.68 |
| Automotive Sales | $ 120.2 | $ 120.2 |
| Content Per Vehicle | $ 10.29 | $ 10.29 |

| Change in Estimates from Prior Quarter | Three Months Ended | Year to Date |
|---|---|---|
| | Mar 31 | Mar 31 |
| | 2019 | 2019 |
| *North America* | +/- | +/- |
| Vehicle Production Units | (0.10) | (0.10) |
| Automotive Sales | $ 6.9 | $ 6.9 |
| Content Per Vehicle | $ 5.24 | $ 5.24 |
| *Europe* | | |
| Vehicle Production Units | 0.05 | 0.05 |
| Automotive Sales | $ 9.7 | $ 9.7 |
| Content Per Vehicle | $ 0.94 | $ 0.94 |
| *Asia Pacific* | | |
| Vehicle Production Units | 0.05 | 0.05 |
| Automotive Sales | $ (15.1) | $ (15.1) |
| Content Per Vehicle | $ (1.34) | $ (1.34) |

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

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

## LINAMAR CORPORATION
### Consolidated Interim Statements of Financial Position
As at 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 | June 30 | Six Months Ended | June 30 |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 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 June 30 | | Six Months Ended 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 |

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

## 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 | June 30 | Six Months Ended | June 30 |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 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.

# 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.

(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.

(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 | |
|---|---|---|---|---|
| | | June 30 | | June 30 |
| | 2019 | 2018 | 2019 | 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 | |
|---|---|---|---|---|
| | | June 30 | | June 30 |
| | 2019 | 2018 | 2019 | 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.

(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 June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2019 $ | 2018 $ | 2019 $ | 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 |