

MANAGEMENT DISCUSSION AND ANALYSIS

Linamar Corporation

December 31, 2018 and December 31, 2017
(in millions of dollars)

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended December 31, 2018

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 financial statements for the quarter ended December 31, 2018. This MD&A has been prepared as at March 11, 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 more than 29,000 employees in 60 manufacturing locations, 8 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 fourth quarter of 2018 ("Q4 2018") and 2017 ("Q4 2017"):¹

(in millions of dollars, except content per vehicle figures)	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	1,732.0	1,574.5	157.5	10.0%	7,620.6	6,546.5	1,074.1	16.4%
Gross Margin	260.8	251.7	9.1	3.6%	1,237.0	1,079.3	157.7	14.6%
Operating Earnings (Loss) ¹	171.1	158.2	12.9	8.2%	819.9	707.9	112.0	15.8%
Net Earnings (Loss)	124.5	135.1	(10.6)	(7.8%)	591.5	549.4	42.1	7.7%
Net Earnings (Loss) per Share - Diluted	1.88	2.04	(0.16)	(7.8%)	8.94	8.32	0.62	7.5%
Earnings before interest, taxes and amortization ("EBITDA") ¹	258.9	238.0	20.9	8.8%	1,186.9	1,036.6	150.3	14.5%
Operating Earnings (Loss) - Normalized ¹	158.9	160.8	(1.9)	(1.2%)	807.6	728.9	78.7	10.8%
Net Earnings (Loss) - Normalized ¹	115.4	122.0	(6.6)	(5.4%)	583.8	551.5	32.3	5.9%
Net Earnings (Loss) per Share - Diluted - Normalized ¹	1.75	1.85	(0.10)	(5.4%)	8.82	8.35	0.47	5.6%
EBITDA - Normalized ¹	247.6	240.7	6.9	2.9%	1,176.9	1,058.6	118.3	11.2%

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 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 financial statements for the quarter ended December 31, 2018.

(in millions of dollars)	Three Months Ended December 31 2018			Three Months Ended December 31 2017		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Sales	353.4	1,378.6	1,732.0	208.2	1,366.3	1,574.5
Operating Earnings (Loss)	63.1	108.0	171.1	28.8	129.4	158.2
EBITDA	78.3	180.6	258.9	34.3	203.7	238.0
Operating Earnings (Loss) – Normalized	45.4	113.5	158.9	28.1	132.7	160.8
EBITDA – Normalized	60.8	186.8	247.6	33.5	207.2	240.7

(in millions of dollars)	Twelve Months Ended December 31 2018			Twelve Months Ended December 31 2017		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Sales	1,886.3	5,734.3	7,620.6	1,116.5	5,430.0	6,546.5
Operating Earnings (Loss)	346.2	473.7	819.9	162.4	545.5	707.9
EBITDA	400.4	786.5	1,186.9	183.5	853.1	1,036.6
Operating Earnings (Loss) – Normalized	323.5	484.1	807.6	173.0	555.9	728.9
EBITDA – Normalized	378.4	798.5	1,176.9	194.0	864.6	1,058.6

Industrial Highlights

(in millions of dollars)	Three Months Ended December 31				Twelve Months Ended December 31			
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	353.4	208.2	145.2	69.7%	1,886.3	1,116.5	769.8	68.9%
Operating Earnings (Loss)	63.1	28.8	34.3	119.1%	346.2	162.4	183.8	113.2%
EBITDA	78.3	34.3	44.0	128.3%	400.4	183.5	216.9	118.2%
Operating Earnings (Loss) – Normalized	45.4	28.1	17.3	61.6%	323.5	173.0	150.5	87.0%
EBITDA – Normalized	60.8	33.5	27.3	81.5%	378.4	194.0	184.4	95.1%

The Industrial segment ("Industrial") product sales increased 69.7%, or \$145.2 million, to \$353.4 million in Q4 2018 from Q4 2017. The sales increase was due to:

- increased sales related to the acquisition of Moray Marketing Ltd., parent company of MacDon and its Group of Companies ("MacDon");
- strong market share gains for scissors; and
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2017.

The 2018 sales for Industrial increased by \$769.8 million, or 68.9% compared with 2017. The factors that impacted Q4 2018 similarly impacted the 2018 results with the exception of an unfavourable impact on sales from the changes in foreign exchange rates.

Industrial segment operating earnings in Q4 2018 increased \$34.3 million, or 119.1% from Q4 2017. The Industrial operating earnings results were predominantly driven by:

- increased earnings related to the acquisition of MacDon;
- a favourable foreign exchange impact from the revaluation of the operating balances on the balance sheet from Q3 2018;
- a net increase in access equipment volumes; and

- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q4 2017; partially offset by
- increased material costs as a result of rising commodity prices.

The 2018 operating earnings for Industrial increased by \$183.8 million, or 113.2% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results with the exception of an unfavourable impact on sales and expenses from the changes in foreign exchange rates.

Transportation Highlights

(in millions of dollars)			Three Months Ended December 31				Twelve Months Ended December 31	
	2018	2017	+/-	+/-	2018	2017	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	1,378.6	1,366.3	12.3	0.9%	5,734.3	5,430.0	304.3	5.6%
Operating Earnings (Loss)	108.0	129.4	(21.4)	(16.5%)	473.7	545.5	(71.8)	(13.2%)
EBITDA	180.6	203.7	(23.1)	(11.3%)	786.5	853.1	(66.6)	(7.8%)
Operating Earnings (Loss) – Normalized	113.5	132.7	(19.2)	(14.5%)	484.1	555.9	(71.8)	(12.9%)
EBITDA – Normalized	186.8	207.2	(20.4)	(9.8%)	798.5	864.6	(66.1)	(7.6%)

Sales for the Transportation segment (“Transportation”) increased by \$12.3 million, or 0.9% in Q4 2018 compared with Q4 2017. The sales in Q4 2018 were impacted by:

- additional sales from programs that are currently launching;
- a favourable impact on sales from the changes in foreign exchange rates from Q4 2017; partially offset by
- market declines in Europe related to both the Worldwide Harmonized Light Vehicles Test Procedure (“WLTP”) issues in addition to the impact of consumer sentiment for diesel engines which is impacting volumes with key customers; and
- market declines in Asia which are impacting certain key customers.

The 2018 sales for Transportation increased by \$304.3 million, or 5.6% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results.

Q4 2018 operating earnings for Transportation were lower by \$21.4 million, or 16.5% compared to Q4 2017. The Transportation segment’s earnings were impacted by the following:

- the impact of the lower mature volumes related to the market declines in Europe and Asia which naturally have higher margins than volumes from new launching programs;
- additional costs related to heavy launch activity globally; and
- one-time restructuring costs incurred in Q4 2018; 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 Q4 2017.

The 2018 operating earnings decreased by \$71.8 million, or 13.2% compared with 2017. The factors that impacted Q4 2018 similarly impacted the YTD results coupled with decreased volumes in Asia for certain programs that the company has significant business with.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE²

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

In addition to automotive Original Equipment Manufacturers (“OEMs”), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the Company estimates the automotive portion of

² 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.

the sales for inclusion in its content per vehicle (“CPV”) calculations. The allocation of sales to regions is based on vehicle production volume estimates from industry sources, published closest to the quarter end date. As these estimates are updated, the Company’s sales classifications can be impacted.³

	Three Months Ended				Twelve Months Ended			
			December 31				December 31	
<i>North America</i>	2018	2017	+/-	%	2018	2017	+/-	%
Vehicle Production Units ¹	4.36	4.28	0.08	1.9%	17.53	17.58	(0.05)	(0.3%)
Automotive Sales ¹	\$ 699.2	\$ 675.2	\$ 24.0	3.6%	\$ 2,872.7	\$ 2,797.3	\$ 75.4	2.7%
Content Per Vehicle¹	\$ 160.33	\$ 157.58	\$ 2.75	1.7%	\$ 163.85	\$ 159.07	\$ 4.78	3.0%
<i>Europe</i>								
Vehicle Production Units	5.47	5.80	(0.33)	(5.7%)	21.99	22.33	(0.34)	(1.5%)
Automotive Sales	\$ 399.7	\$ 405.4	\$ (5.7)	(1.4%)	\$ 1,721.6	\$ 1,554.6	\$ 167.0	10.7%
Content Per Vehicle	\$ 73.06	\$ 69.93	\$ 3.13	4.5%	\$ 78.30	\$ 69.62	\$ 8.68	12.5%
<i>Asia Pacific</i>								
Vehicle Production Units	13.29	13.83	(0.54)	(3.9%)	49.71	49.96	(0.25)	(0.5%)
Automotive Sales	\$ 117.6	\$ 131.2	\$ (13.6)	(10.4%)	\$ 488.1	\$ 482.7	\$ 5.4	1.1%
Content Per Vehicle	\$ 8.85	\$ 9.48	\$ (0.63)	(6.6%)	\$ 9.82	\$ 9.66	\$ 0.16	1.7%

North American automotive sales for Q4 2018 increased 3.6% from Q4 2017 in a market that saw an increase of 1.9% in production volumes for the same period. As a result, content per vehicle in Q4 2018 increased 1.7% from \$157.58 to \$160.33. 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 Q4 2018 decreased 1.4% from Q4 2017 in a market that saw a decrease of 5.7% in production volumes for the same period. As a result, content per vehicle in Q4 2018 increased 4.5% from \$69.93 to \$73.06. The increase in European content per vehicle was a result of increases on our launching programs.

Asia Pacific automotive sales for Q4 2018 decreased 10.4% from Q4 2017 in a market that saw a decrease of 3.9% in production volumes for the same period. As a result, content per vehicle in Q4 2018 decreased 6.6% from \$9.48 to \$8.85. 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

(in millions of dollars)	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2018	2017	2018	2017
Sales	\$ 1,732.0	\$ 1,574.5	\$ 7,620.6	\$ 6,546.5
Cost of Sales before Amortization	1,385.9	1,248.9	6,030.2	5,152.2
Amortization	85.3	73.9	353.4	315.0
Cost of Sales	1,471.2	1,322.8	6,383.6	5,467.2
Gross Margin	\$ 260.8	\$ 251.7	\$ 1,237.0	\$ 1,079.3
Gross Margin Percentage	15.1%	16.0%	16.2%	16.5%

³ 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.

Gross margin percentage decreased in Q4 2018 to 15.1% compared to 16.0% in Q4 2017. Cost of sales before amortization as a percentage of sales increased in Q4 2018 to 80.0% compared to 79.3% for the same quarter of last year. In dollar terms, gross margin increased \$9.1 million in Q4 2018 compared with Q4 2017 as a result of the items discussed earlier in this analysis such as:

- increased margins related to the acquisition of MacDon;
- a favourable foreign exchange impact from the changes in foreign exchange rates;
- increased earnings as a result of increased volumes in both segments; partially offset by
- additional costs related to heavy launch activity globally;
- increased material costs in the Industrial segment as a result of rising commodity prices; and
- one-time restructuring costs incurred in Q4 2018.

Q4 2018 amortization increased to \$85.3 million from \$73.9 million in Q4 2017 due to the additional expenses from the acquisition of MacDon and increased expenses related to launching programs. Amortization as a percentage of sales increased to 4.9% of sales as compared to 4.7% in Q4 2017.

2018 gross margin percentage decreased to 16.2% compared to 16.5% in 2017. The increase in 2018 gross margin, in dollar terms, was a result of the same factors that impacted Q4 2018. Amortization as a percentage of sales decreased to 4.6% of sales as compared to 4.8% in 2017.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Selling, general and administrative	\$ 109.2	\$ 91.6	\$ 441.4	\$ 352.1
SG&A Percentage	6.3%	5.8%	5.8%	5.4%

Selling, general and administrative ("SG&A") costs increased in Q4 2018 to \$109.2 million from \$91.6 million and increased as a percentage of sales to 6.3% from 5.8% when compared to Q4 2017 due to additional expenses from the acquisition of MacDon and one-time restructuring costs incurred in Q4 2018.

On an annual basis, SG&A costs reflected a similar pattern of higher dollar costs due to similar issues as seen in the quarter which increased SG&A as a percentage of sales to 5.8% from 5.4% when compared to 2017.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	2018	2017
Operating Earnings (Loss)	\$ 171.1	\$ 158.2	\$ 819.9	\$ 707.9
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(4.0)	(1.9)	(13.5)	(6.0)
Finance Income and (Expenses)	(12.9)	(2.7)	(46.8)	(9.3)
Provision for (Recovery of) Income Taxes	29.7	18.5	168.1	143.2
Net Earnings (Loss)	124.5	135.1	591.5	549.4

Finance Expenses

Finance expenses increased \$10.2 million in Q4 2018 from \$2.7 million in Q4 2017 to \$12.9 million due to:

- an increase in Canadian debt levels due to the acquisition of MacDon in Q1 2018;
- a higher borrowing spread due to the change in the covenant ratio after the MacDon acquisition; and
- higher interest rates due to three Bank of Canada rate hikes during 2018; partially offset by
- higher interest earned on the investment of excess cash and long-term receivable balances.

The 2018 finance expenses increased \$37.5 million compared to 2017 as a result of the same factors as described above for Q4 2018.

The consolidated effective interest rate for Q4 2018 increased to 2.8% compared to 2.4% in Q4 2017. The increase in the effective interest rate was primarily driven by the change in the borrowing spread due to the MacDon acquisition, coupled with Bank of Canada interest rate hikes.

The 2018 effective interest rate increased to 2.8% versus 2.2% in 2017 due to the same factors that impacted the Q4 2018 effective interest rate.

Income Taxes

The effective tax rate for 2018 was 22.1%, a slight increase from the 20.7% rate in 2017 and was in line with the expected annual tax rate. The 2018 effective tax rate was increased largely due to the impact of a future reduction in foreign tax rates on deferred tax liabilities, primarily in the United States and France, that was recognized in 2017 and did not recur in 2018.

The effective tax rate for Q4 2018 was 19.2%, an increase from the 12.1% rate in the same quarter of 2017. The effective tax rate in Q4 2018 was:

- reduced due to adjustments recognized in Q4 2017 regarding tax reserves from prior years which did not recur in Q4 2018; partially offset by
- a significant increase due to the one-time true up of deferred tax liabilities related to the future reduction in foreign tax rates, primarily in the United States and France, that was recognized in Q4 2017 and did not recur in Q4 2018; and
- an increase based on a less favourable mix of foreign tax rates in Q4 2018 compared to Q4 2017.

TOTAL EQUITY

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,354,495 common shares were outstanding as of March 11, 2019. The Company's common shares constitute its only class of voting securities. As of March 11, 2019, there were 1,691,876 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.

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

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2018, 2017 and 2016. This financial data should be read in conjunction with the Company's consolidated financial statements for these years:

(in millions of dollars, except per share figures)	2018 \$	2017 \$	2016 \$
Sales	7,620.6	6,546.5	6,005.6
Net Earnings (Loss)	591.5	549.4	522.1
Normalizing Items	(7.7)	2.1	(18.2)
Net Earnings (Loss) - Normalized	583.8	551.5	503.9
Total Assets	8,133.4	5,851.2	5,227.2
Total Long-term Liabilities	2,747.9	1,442.4	1,370.6
Cash Dividends declared per Share	0.48	0.48	0.40
Net Earnings (Loss) per Share			
Basic	9.05	8.41	8.01
Diluted	8.94	8.32	7.92

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of MacDon for a purchase price of \$1,299.5 million comprised of \$1,224.5 million in cash consideration and an assumed liability of \$75.0 million. MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

The 2018 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and an unusual item. The 2018 unusual item relates to restructuring costs.

The 2017 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and an unusual item. The 2017 unusual item relates to adjusting the effective tax rate of 12.1% in Q4 2017 to an expected annual rate of 23.0%. The low effective tax rate was mainly due to the future reduction in foreign tax rates enacted in the quarter on deferred tax liabilities, primarily in the United States and France.

The 2016 normalizing items include foreign exchange gain (loss) and foreign exchange gain (loss) on debt and derivatives.

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2017 through December 31, 2018. 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)	Dec 31 2018 \$	Sep 30 2018 \$	Jun 30 2018 \$	Mar 31 2018 \$	Dec 31 2017 \$	Sep 30 2017 \$	Jun 30 2017 \$	Mar 31 2017 \$
Sales	1,732.0	1,837.3	2,157.4	1,893.9	1,574.5	1,549.7	1,766.2	1,656.0
Net Earnings (Loss)	124.5	113.2	197.1	156.6	135.1	107.3	161.9	145.1
Net Earnings (Loss) per Share								
Basic	1.91	1.73	3.02	2.40	2.07	1.64	2.48	2.22
Diluted	1.88	1.71	2.98	2.37	2.04	1.62	2.45	2.20

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		Twelve Months Ended	
	December 31		December 31	
	2018	2017	2018	2017
(in millions of dollars)	\$	\$	\$	\$
Cash generated from (used in):				
Operating Activities	259.6	222.8	691.2	633.5
Financing Activities	(79.1)	(199.6)	1,053.2	(170.9)
Investing Activities	(146.8)	(109.2)	(1,726.1)	(424.6)
Effect of translation adjustment on cash	13.7	0.2	14.6	(3.9)
Net Increase (Decrease) in Cash Position	47.4	(85.8)	32.9	34.1
Cash and Cash Equivalents – Beginning of Period	424.6	524.9	439.1	405.0
Cash and Cash Equivalents – End of Period	472.0	439.1	472.0	439.1
Comprised of:				
Cash in bank	358.0	315.4	358.0	315.4
Short-term deposits	130.4	138.2	130.4	138.2
Unpresented Cheques	(16.4)	(14.5)	(16.4)	(14.5)
	472.0	439.1	472.0	439.1

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2018 were \$472.0 million, an increase of \$32.9 million compared to December 31, 2017.

Cash generated from operating activities was \$259.6 million, an increase of \$36.8 million from Q4 2017 due to more cash being generated from the net change in operating assets and by earnings. Cash generated from operating activities in 2018 was \$691.2 million, \$57.7 million more than was provided in 2017, primarily due to an increase in net earnings over 2017.

During the quarter, financing activities used \$79.1 million of cash compared to \$199.6 million used in Q4 2017, primarily due to repayments of long-term debt. Financing activities provided \$1,053.2 million in 2018 compared to \$170.9 million used in 2017, which was primarily used in Q1 2018 to fund the purchase of MacDon.

Investing activities used \$146.8 million in Q4 2018 compared to \$109.2 million used in Q4 2017 mainly for the purchase of property, plant and equipment. Investing activities used \$1,726.1 million in 2018 mainly for the acquisition of MacDon and the purchase of property, plant and equipment.

Operating Activities

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2018	2017	2018	2017
(in millions of dollars)	\$	\$	\$	\$
Net earnings (loss) for the period	124.5	135.1	591.5	549.4
Adjustments to earnings	106.2	83.8	414.0	336.5
	230.7	218.9	1,005.5	885.9
Changes in operating assets and liabilities	28.9	3.9	(314.3)	(252.4)
Cash generated from (used in) operating activities	259.6	222.8	691.2	633.5

Cash generated by operations before the effect of changes in operating assets and liabilities increased \$11.8 million in Q4 2018 to \$230.7 million, compared to \$218.9 million in Q4 2017. Cash generated from operations before the effect of changes in non-cash working capital increased \$119.6 million to \$1,005.5 million from \$885.9 million in 2017.

Changes in operating assets and liabilities for Q4 2018 decreased \$28.9 million. Changes in operating assets and liabilities for 2018 increased \$314.3 million primarily due to an increase in inventory.

Financing Activities

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
(in millions of dollars)	2018	2017	2018	2017
	\$	\$	\$	\$
Proceeds from (repayments of) short-term borrowings	0.6	(1.8)	7.8	-
Proceeds from (repayments of) long-term debt	(72.7)	(190.8)	1,088.3	(140.9)
Proceeds from government borrowings	8.6	-	24.9	8.1
Proceeds from exercise of stock options	-	0.3	-	1.4
Dividends	(7.9)	(7.8)	(31.4)	(31.3)
Finance income received (expenses paid)	(7.7)	0.5	(36.4)	(8.2)
Cash generated from (used in) financing activities	(79.1)	(199.6)	1,053.2	(170.9)

Financing activities for Q4 2018 used \$79.1 million of cash compared to \$199.6 million used in Q4 2017 primarily due to the repayment of long-term debt. Financing activities for 2018 provided \$1,053.2 million of cash compared to \$170.9 million used in 2017 due to the proceeds from long-term debt used to fund the purchase of MacDon in Q1 2018.

Investing Activities

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
(in millions of dollars)	2018	2017	2018	2017
	\$	\$	\$	\$
Payments for purchase of property, plant and equipment	(144.5)	(100.9)	(537.3)	(410.0)
Proceeds on disposal of property, plant and equipment	1.5	3.7	13.0	13.2
Payments for purchase of intangible assets	(2.7)	(6.5)	(20.8)	(17.4)
Business acquisitions, net of cash acquired	(1.1)	-	(1,175.9)	(1.1)
Other	-	(5.5)	(5.1)	(9.3)
Cash generated from (used in) investing activities	(146.8)	(109.2)	(1,726.1)	(424.6)

Cash used for investing activities for Q4 2018 was \$146.8 million compared to Q4 2017 at \$109.2 million primarily due the purchase of property, plant and equipment. Cash spent on investing activities increased to \$1,726.1 million compared to 2017 at \$424.6 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 December 31, 2018, cash and cash equivalents, including short-term deposits (net of unrepresented cheques) was \$472.0 million and the Company's credit facilities had available credit of \$721.8 million.

Commitments and Contingencies

The following table summarizes contractual obligations by category and the associated payments for the next five years:

(in millions of dollars)	Total	1 year	Later than 1 year and not later than 5 years	Later than 5 years
	\$	\$	\$	\$
Long-Term Debt Principal, excluding Capital Leases	2,471.6	5.1	2,405.3	61.2
Finance Lease Obligations ⁴	9.1	3.9	5.2	-
Operating Leases	86.1	23.3	39.9	22.9
Purchase Obligations ⁵	262.2	262.2	-	-
Total Contractual Obligations	2,829.0	294.5	2,450.4	84.1

The Company occasionally provides guarantees to third parties who, in turn, provide financing to credit worthy Linamar customers under finance leases for certain industrial access products. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims are described in the notes to Company's consolidated financial statements for the year ended December 31, 2018.

Financial Instruments

The Company uses derivatives as a part of its risk management program to mitigate variability associated with changing market values related to recognized liabilities and highly probable forecast transactions.

The Company pursues a strategy of optimizing its operating and financing foreign currency cash flows in each region in which it operates. In key foreign exchange markets, the Company's foreign currency outflows for the purchases of materials and capital equipment are offset through the sale of products denominated in the same foreign currencies, creating a natural hedge. In markets where a natural currency hedge cannot be achieved, and a material foreign exchange exposure arises, the Company actively manages the risk through the execution of foreign exchange forward contracts and other derivatives. Despite actively managing the residual foreign exchange exposure, significant long-term movements in relative currency values may affect the Company's operational results. The Company does not currently hedge all the cash flow activities of its foreign subsidiaries and, accordingly operational results may be further affected by a significant change in the relative value of domestic currencies.

The amount and timing of executed derivatives is dependent upon a number of factors, including estimated production delivery schedules, forecasted customer payments, and the anticipated future direction of foreign currency and interest rates. The Company is exposed to counterparty credit risk when executing derivatives with financial institutions, and in order to mitigate this risk the Company limits derivative trading to counterparties within the credit facility which all have investment grade credit ratings.

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

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

The Company's floating Euro denominated debt was repaid in September 2018 and exchanged for floating USD denominated debt and the existing net investment hedge was discontinued. Upon the conversion of the debt, the Company simultaneously entered into two cross-currency interest rate swaps to convert the floating rate debt into fixed rate debt, and hedge the effective change in exchange rates on both its USD debt and its net investment in Euro foreign operations. The cross-currency interest rate swap related to the USD debt qualified as a cash flow hedge for accounting purposes, and the cross-currency interest rate swap related to the Euro foreign operations qualified as a net investment hedge. Any fair value unrealized gains and losses for both hedges are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the hedged items.

⁴ Finance Lease Obligations includes the interest component in accordance with the definition of minimum lease payments under IFRS.

⁵ Purchase Obligations means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

For more information, please see the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

Off Balance Sheet Arrangements

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 13 years, and the majority of lease arrangements are renewable at the end of the lease period at market rates. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 8 years and require notice for termination of the agreements. The Company expects that existing leases will either be renewed or replaced, or alternatively, capital expenditures will be incurred to acquire equivalent capacity.

For a summary of these lease commitments please see the notes to the Company's consolidated financial statements for the year ended December 31, 2018.

CURRENT AND PROPOSED TRANSACTIONS

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of MacDon for a purchase price of \$1,299.5 million comprised of \$1,224.5 million in cash consideration and an assumed liability of \$75.0 million. The liability was immediately extinguished using a portion of the acquired cash of MacDon. The purchase price of \$1,299.5 million includes cash acquired for a net acquisition cash impact of \$1,175.9 million. Headquartered in Winnipeg, Manitoba, Canada, MacDon is a global innovative market leader in the design and manufacturing of specialized agriculture harvesting equipment such as drapers and self-propelled windrowers.

RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, and the Company's Annual Information Form for the year ended December 31, 2018 or otherwise incorporated herein by reference, 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.

Competition, Outsourcing and Insourcing

The Company faces numerous sources of competition in its Transportation segment, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. In the Industrial segment the Company also faces competition from well-established aerial work platform and harvesting equipment OEMs.

As the Company's OEM customers face continued cost pressures as well as wide ranging areas of required capital investment within their business, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for the Company. However, because of various factors affecting the OEMs, such as the level of consumer spending on automobiles and related market volumes, entrenched capital assets, labour contracts, and other economic factors, this impacts the decision on whether to outsource work or not; such changes and decisions are reflected in the Company's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Other competition in machining and assembly work comes from high precision machining companies which typically have several manufacturing locations and substantial capital resources to invest in equipment for high volume, high precision, and long-term contracts. Several of these companies are heavily involved in the automotive industry and are suppliers to major OEMs.

The Company believes that there are no suppliers which have the diversified capability to produce all of the components, modules and systems which the Company currently produces. Rather, Linamar faces a higher number of suppliers that compete on a product by product basis. Some of these competitors are larger and may have access to greater resources than the Company, but the Company believes that none of them are dominant in the markets in which the Company operates. The basis for supplier selection by OEMs is not typically determined solely by price, but would usually also include such elements as quality, service, historical performance, timeliness of delivery, proprietary technologies, scope of in-house capabilities, existing agreements, responsiveness and the supplier's overall relationship with the OEM, as well as being influenced by the degree of available and unutilized capacity of resources in the OEMs' manufacturing facilities, labour relations issues and other factors. The number of competitors that OEMs solicit to bid on any individual product has, in certain circumstances, been significantly reduced and management expects that further reductions will occur as a result of the OEMs' stated intention to deal with fewer suppliers and to award those suppliers longer-term contracts.

Sources and Availability of Raw Materials

The primary raw materials utilized by the Company's precision machining, access equipment and harvesting equipment operations are iron and aluminum castings and forgings, which are readily obtained from a variety of suppliers globally that support the Company's

operations. The Company is not substantially dependent on any one supplier. A disruption in the supply of components could cause the temporary shut-down and a prolonged supply disruption, including the inability to re-source or in-source production of a critical component, could have a material adverse effect on the Company's business.

Raw materials supply factors such as allocations, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw material sourcing decisions of the Company and its plants. When appropriate and available, the Company may negotiate long-term agreements with raw material suppliers to ensure continued availability of certain raw materials on more favourable terms. In the event of significant unanticipated increase in demand for the Company's products and the supply of raw materials, the Company may be unable to manufacture certain products in a quantity sufficient to meet its customers' demand.

Labour Markets and Dependence on Key Personnel

For the development and production of products, the ability for the Company to compete successfully will depend on its ability to acquire and retain competent trades people, management, and product development staff that allow the Company to quickly adapt to technological change and advances in processes. Loss of certain members of the executive team or key technical leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The Company may be unable to retain its key employees or attract, assimilate, train or retain other necessary qualified employees, which may restrict its growth potential.

Dependence on Certain Customers

The Company's Transportation segment has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The global precision machining industry is characterized by a large number of manufacturers. As a result, manufacturers, such as the Company, tend to have a relatively small share of the markets they serve. Nonetheless, the Company believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the Company's Transportation sales.

Typically, sales are similarly concentrated for the Industrial segment as product distribution is largely through major rental companies. Through its Skyjack subsidiary, the Company engages in the production and sale of access equipment including scissor lifts, booms and telehandlers. Through its MacDon subsidiary, the Company engages in the production and sale of harvesting equipment including draper headers and self-propelled windrowers. There is a relatively defined sales cycle in these industries, as it is closely related to, and affected by, the product life cycle of these construction and agricultural sectors. Therefore, the risks and fluctuations in the construction and agricultural industries in the countries that Skyjack and MacDon operate in also affect the Company's Industrial sales.

Any disruption in the Company's relationships with these major customers or any decrease in revenue from these major customers, as a consequence of current or future conditions or events in the economy or markets in general or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry, as well as the access equipment and harvesting equipment industry, may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards. Accordingly, the Company believes that its future success depends on its ability to launch new programs as well as enhance or develop current and future products at competitive prices and in a timely manner. The Company's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. In addition, there can be no assurance that products or technologies developed by other companies will not render the Company's products uncompetitive or obsolete.

Foreign Currency Risk

Although the Company's financial results are reported in Canadian dollars, a significant portion of the Company's revenues and operating costs are realized in other currencies. Fluctuations in the exchange rates between these currencies may affect the Company's results of operations.

The Company's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure to foreign currency risk, if material, the Company will employ hedging programs as appropriate. The Company uses forecasted future cash flows of foreign currencies to determine the residual foreign exchange exposure. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. From time to time the Company will incur foreign denominated debt to finance the acquisition of foreign operations. In these cases the Company may elect to designate the foreign denominated debt as a net investment hedge of the foreign operation.

Long-term Contracts

Through its Transportation businesses, the Company principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Long-term contracts support the long-term sales of the Company but these contracts do not guarantee production volumes and as such the volumes produced by the Company could be significantly different than the volume capacity for which the contract was awarded.

Contracts for customer programs not yet in production generally provide for the supply of components for a customer's future production levels. Actual production volumes may vary significantly from these estimates. These contracts can be terminated by a customer at any time and, if terminated, could result in the Company incurring pre-production, engineering and other various costs which may not be recoverable from the customer.

Long term supply agreements may also include mutually agreed price reductions over the life of the agreement. The Company attempts to offset price concessions and costs in a number of ways, including through negotiations with our customers, improved operating efficiencies and cost reduction efforts.

Acquisition and Expansion Risk

The Company may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Foreign Business Risk

The Company's operations in Europe, the America's, and Asia, are subject to general business risks that do not exist in Canada. The political climate and government policies are less stable and less predictable in certain of these countries. As well, certain countries do not currently have the same economic infrastructure as exists in Canada.

Operations outside Canada subject the Company to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of public health threats, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations.

Expansion of the Company's operations in non-traditional markets is an important element of our strategy and, as a result, the Company's exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable.

Cyclical and Seasonality

The demand for the Company's products is cyclical and is driven by changing market conditions in which the Company's sells into. Current or future conditions or events in the economy or markets in general, or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

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.

Weather

Weather such as drought and flooding can have an adverse effect on crop quality and yields and therefore net farm income and new equipment orders.

Capital and Liquidity Risk

The Company is engaged in a capital-intensive business and it has fewer financial resources than some of its principal competitors. There is no assurance that the Company will be able to obtain additional debt or equity financing that may be required to successfully achieve its strategic plans.

The Company's current credit facility and the 2021 Notes require the Company to comply with certain financial covenants. There can be no assurance of the Company's ability to continue to comply with its financial covenants, to appropriately service its debt, or to obtain continued commitments from debt providers. Additionally the Company, if required, cannot guarantee access to additional equity or capital given current or future economic market events related to changes in the Company's segments.

Legal Proceedings and Insurance Coverage

The Company may be threatened from time to time in the ordinary course of conducting its business with, or may be named as a defendant in, various legal and regulatory proceedings. These legal proceedings could include securities, environmental or occupational health and safety regulatory proceedings, as well as product liability claims, warranty or recall claims, or other consequential damages claims. A significant judgment against the Company, or the imposition of a significant fine or penalty as a result of a finding that the Company has failed to comply with laws or regulations, could have a material adverse effect on the Company.

No assurance can be given that the insurance coverage or insurance coverage limits of the Company would be adequate to protect it against any claims for product liability claims, warranty or recall claims, or business interruption claims that may arise. The Company may require additional insurance coverage in these areas as the Company advances its involvement with product design and development. This type of insurance could be expensive and may not be available on acceptable terms, or at all. Any uninsured or underinsured product liability claims, warranty or recall claims, or business interruption claims could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and receivables. The Company's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions with investment grade ratings. A substantial portion of the Company's receivables are with large customers in the automotive, truck, commercial, and industrial sectors which gives rise to concentration risk within those industries. The Company cannot guarantee that its customers will not experience financial difficulties in the future, making it unable to collect all of its receivables.

Emission Standards

Emissions and Corporate Average Fuel Economy (CAFÉ) regulations continue to be a major influence on technology within the auto industry. These regulations could potentially impact the sales of certain products the Company manufactures; in particular components for internal combustion engines could be negatively impacted by increased penetration of electric or fuel cell vehicles. In recent years, the Company has made strides however, in mitigating this risk by increasing its portfolio of Hybrid, Electric and Fuel Cell Electric Vehicle component offerings. The Company's strategy is to target content in each technology (or propulsion system) to ensure it is well prepared for whichever technology becomes the most dominant in the market.

Tax Laws

The tax laws in Canada and abroad are continuously changing and no assurance can be given that Canadian federal or provincial tax laws or the tax laws in foreign jurisdictions will not be changed in a manner that adversely affects the Company. Over the past several years, many countries have reduced their tax rate in an effort to attract new business investment. There is no assurance that this trend will continue or that tax rates will remain unchanged. The Company currently has tax losses and credits in a number of countries that, given unforeseen changes in tax laws, may not continue indefinitely. Also, the Company's expansion into emerging markets subjects the Company to new tax regimes that may change based on political or social conditions.

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad may change at any time. The impact of these changes on the Company cannot be predicted.

Environmental Matters

The Company's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the Company conducts business, including among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA") requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

As of December 31, 2018, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's management, inclusive of the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective in providing reasonable, not absolute assurance that the objectives of our disclosure control system have been met.

Internal Control over Financial Reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

As of December 31, 2018, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute, assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's internal control over financial reporting is effective in providing reasonable, not absolute, assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2018, 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. The following discussion sets forth 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.

Impairment of Non-Financial Assets

The Company believes that the estimate of impairment for goodwill and non-financial assets is a “critical accounting estimate” because management is required to make significant forward-looking assumptions. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward-looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used.

Current Income Taxes

The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company’s forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Useful Lives of Depreciable Assets

Due to the significance of property, plant and equipment and intangible assets on the Company’s statement of financial position, the Company considers the amortization policy relating to property, plant and equipment and intangible assets to be a “critical accounting estimate”. The Company considers the expected useful life of the assets, expected residual value, and contract length when setting the amortization rates of its assets. Judgement is involved when establishing these estimates as such factors as technological innovation, maintenance programs, and relevant market information must be taken into consideration. The assets’ residual values, useful lives and amortization methods are reviewed at the end of each reporting period and are adjusted if expectations differ from previous estimates. If circumstances impacting these assumptions and estimates change, the change in accounting estimates may represent a material impact to the consolidated financial statements.

Purchase Price Allocations

The purchase price related to a business combination is allocated to the underlying acquired assets and liabilities based on their estimated fair values at the time of acquisition. The determination of fair value requires the Company to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amounts assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Company’s reported assets and liabilities and future net earnings due to the impact on future depreciation and amortization expense and impairment tests.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2018 and for future fiscal years please see the Company’s consolidated financial statements for the year ended December 31, 2018.

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 Q2 2018, an unusual item related to restructuring adjusted both the Industrial and Transportation segment's earnings. Additionally during Q4 2018, an unusual item related to restructuring has adjusted the Transportation segment earnings. During Q4, 2017, an unusual item related to adjusting the effective tax rate of 12.1% in Q4 2017 to an expected annual rate of 23.0%. The low effective tax rate was mainly due to the future reduction in foreign tax rates enacted in Q4 2017 on deferred tax liabilities, primarily in the United States and France.

All normalizing items, as defined below, are reflected in the tables below:

(in millions of dollars)	Three Months Ended December 31				Twelve Months Ended December 31			
	2018 \$	2017 \$	+/- \$	+/ %	2018 \$	2017 \$	+/- \$	+/ %
Operating Earnings (Loss)	171.1	158.2	12.9	8.2%	819.9	707.9	112.0	15.8%
Foreign ex change (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Unusual Item	6.2	-	6.2		10.5	-	10.5	
Operating Earnings (Loss) – Normalized	158.9	160.8	(1.9)	(1.2%)	807.6	728.9	78.7	10.8%
Net Earnings (Loss)	124.5	135.1	(10.6)	(7.8%)	591.5	549.4	42.1	7.7%
Foreign ex change (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Foreign ex change (gain) loss on debt and derivatives	0.9	0.1	0.8		2.3	1.0	1.3	
Unusual Item	6.2	(15.1)	21.3		10.5	(15.1)	25.6	
Tax impact	2.2	(0.7)	2.9		2.3	(4.8)	7.1	
Net Earnings (Loss) – Normalized	115.4	122.0	(6.6)	(5.4%)	583.8	551.5	32.3	5.9%
Net Earnings (Loss) per share – Diluted	1.88	2.04	(0.16)	(7.8%)	8.94	8.32	0.62	7.5%
Foreign ex change (gain) loss	(0.27)	0.04	(0.31)		(0.34)	0.31	(0.65)	
Foreign ex change (gain) loss on debt and derivatives	0.01	-	0.01		0.03	0.01	0.02	
Unusual Item	0.09	(0.22)	0.31		0.16	(0.22)	0.38	
Tax impact	0.04	(0.01)	0.05		0.03	(0.07)	0.10	
Net Earnings (Loss) per share – Diluted – Normalized	1.75	1.85	(0.10)	(5.4%)	8.82	8.35	0.47	5.6%
EBITDA	258.9	238.0	20.9	8.8%	1,186.9	1,036.6	150.3	14.5%
Foreign ex change (gain) loss	(18.4)	2.6	(21.0)		(22.8)	21.0	(43.8)	
Foreign ex change (gain) loss on debt and derivatives	0.9	0.1	0.8		2.3	1.0	1.3	
Unusual Item	6.2	-	6.2		10.5	-	10.5	
EBITDA – Normalized	247.6	240.7	6.9	2.9%	1,176.9	1,058.6	118.3	11.2%

(in millions of dollars)	Three Months Ended December 31 2018			Twelve Months Ended December 31 2018		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Operating Earnings (Loss)	63.1	108.0	171.1	346.2	473.7	819.9
EBITDA	78.3	180.6	258.9	400.4	786.5	1,186.9
Foreign exchange (gain) loss	(17.7)	(0.7)	(18.4)	(23.9)	1.1	(22.8)
Unusual Item	-	6.2	6.2	1.2	9.3	10.5
Operating Earnings (Loss) – Normalized	45.4	113.5	158.9	323.5	484.1	807.6
Foreign exchange (gain) loss on debt and derivatives	0.2	0.7	0.9	0.7	1.6	2.3
EBITDA – Normalized	60.8	186.8	247.6	378.4	798.5	1,176.9

(in millions of dollars)	Three Months Ended December 31 2017			Twelve Months Ended December 31 2017		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Operating Earnings (Loss)	28.8	129.4	158.2	162.4	545.5	707.9
EBITDA	34.3	203.7	238.0	183.5	853.1	1,036.6
Foreign exchange (gain) loss	(0.7)	3.3	2.6	10.6	10.4	21.0
Operating Earnings (Loss) – Normalized	28.1	132.7	160.8	173.0	555.9	728.9
Foreign exchange (gain) loss on debt and derivatives	(0.1)	0.2	0.1	(0.1)	1.1	1.0
EBITDA – Normalized	33.5	207.2	240.7	194.0	864.6	1,058.6

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 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 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 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 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

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

EBITDA

EBITDA is calculated as net earnings (loss) before interest, income taxes, and amortization. Please see the notes to the consolidated financial statements for the quarter ended December 31, 2018 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 and the effective use and allocation of resources and to provide more meaningful comparisons of operating results.

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of December 31, 2018	Three Months Ended				Year to Date			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31
	2018	2018	2018	2018	2018	2018	2018	2018
<i>North America</i>								
Vehicle Production Units	4.51	4.49	4.17	4.36	4.51	9.00	13.17	17.53
Automotive Sales	\$ 745.9	\$ 726.1	\$ 701.4	\$ 699.2	\$ 745.9	\$ 1,472.0	\$ 2,173.4	\$ 2,872.7
Content Per Vehicle	\$ 165.43	\$ 161.61	\$ 168.24	\$ 160.33	\$ 165.43	\$ 163.52	\$ 165.02	\$ 163.85

<i>Europe</i>								
Vehicle Production Units	5.89	6.00	4.63	5.47	5.89	11.89	16.52	21.99
Automotive Sales	\$ 452.1	\$ 484.3	\$ 385.5	\$ 399.7	\$ 452.1	\$ 936.4	\$ 1,321.9	\$ 1,721.6
Content Per Vehicle	\$ 76.74	\$ 80.78	\$ 83.28	\$ 73.06	\$ 76.74	\$ 78.78	\$ 80.04	\$ 78.30

<i>Asia Pacific</i>								
Vehicle Production Units	12.50	12.22	11.70	13.29	12.50	24.72	36.42	49.71
Automotive Sales	\$ 136.2	\$ 124.1	\$ 110.1	\$ 117.6	\$ 136.2	\$ 260.4	\$ 370.5	\$ 488.1
Content Per Vehicle	\$ 10.90	\$ 10.16	\$ 9.41	\$ 8.85	\$ 10.90	\$ 10.53	\$ 10.17	\$ 9.82

Estimates as of September 30, 2018	Three Months Ended			Year to Date		
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30
	2018	2018	2018	2018	2018	2018
<i>North America</i>						
Vehicle Production Units	4.51	4.50	4.24	4.51	9.01	13.25
Automotive Sales	\$ 761.6	\$ 748.7	\$ 718.4	\$ 761.6	\$ 1,510.3	\$ 2,228.7
Content Per Vehicle	\$ 168.91	\$ 166.36	\$ 169.52	\$ 168.91	\$ 167.64	\$ 168.24

<i>Europe</i>						
Vehicle Production Units	5.88	6.01	4.79	5.88	11.89	16.69
Automotive Sales	\$ 458.6	\$ 480.8	\$ 376.1	\$ 458.6	\$ 939.4	\$ 1,315.5
Content Per Vehicle	\$ 77.97	\$ 79.98	\$ 78.44	\$ 77.97	\$ 78.98	\$ 78.83

<i>Asia Pacific</i>						
Vehicle Production Units	12.48	12.20	11.87	12.48	24.68	36.55
Automotive Sales	\$ 118.3	\$ 110.7	\$ 108.4	\$ 118.3	\$ 228.9	\$ 337.3
Content Per Vehicle	\$ 9.48	\$ 9.07	\$ 9.13	\$ 9.48	\$ 9.28	\$ 9.23

Change in Estimates from Prior Quarter	Three Months Ended			Year to Date		
	Mar 31	Jun 30	Sep 30	Mar 31	Jun 30	Sep 30
	2018	2018	2018	2018	2018	2018
	+/-	+/-	+/-	+/-	+/-	+/-
<i>North America</i>						
Vehicle Production Units	-	(0.01)	(0.07)	-	(0.01)	(0.08)
Automotive Sales	\$ (15.7)	\$ (22.6)	\$ (17.0)	\$ (15.7)	\$ (38.3)	\$ (55.3)
Content Per Vehicle	\$ (3.48)	\$ (4.75)	\$ (1.28)	\$ (3.48)	\$ (4.12)	\$ (3.22)

<i>Europe</i>						
Vehicle Production Units	0.01	(0.01)	(0.16)	0.01	-	(0.17)
Automotive Sales	\$ (6.5)	\$ 3.5	\$ 9.4	\$ (6.5)	\$ (3.0)	\$ 6.4
Content Per Vehicle	\$ (1.23)	\$ 0.80	\$ 4.84	\$ (1.23)	\$ (0.20)	\$ 1.21

<i>Asia Pacific</i>						
Vehicle Production Units	0.02	0.02	(0.17)	0.02	0.04	(0.13)
Automotive Sales	\$ 17.9	\$ 13.4	\$ 1.7	\$ 17.9	\$ 31.5	\$ 33.2
Content Per Vehicle	\$ 1.42	\$ 1.09	\$ 0.28	\$ 1.42	\$ 1.25	\$ 0.94

FORWARD LOOKING INFORMATION

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

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

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