

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended March 31, 2020

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 March 31, 2020. This MD&A has been prepared as at May 13, 2020. 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 driveline, body and powertrain systems designed for global electrified and traditionally powered vehicle and industrial markets. Linamar has 27,000 employees in 61 manufacturing locations, 11 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia which generated sales of \$7.4 billion in 2019. 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 first quarter of 2020 ("Q1 2020") and 2019 ("Q1 2019"):

| (in millions of dollars, except per share figures) | 2020 | 2019 | Three Months Ended | |
|--|---------|---------|--------------------|---------|
| | | | March 31 | |
| | \$ | \$ | +/- | +/- |
| | | | \$ | % |
| Sales | 1,549.8 | 1,974.5 | (424.7) | (21.5%) |
| Gross Margin | 200.5 | 303.9 | (103.4) | (34.0%) |
| Operating Earnings (Loss) ¹ | 117.9 | 187.7 | (69.8) | (37.2%) |
| Net Earnings (Loss) | 78.5 | 132.3 | (53.8) | (40.7%) |
| Net Earnings (Loss) per Share - Diluted | 1.20 | 2.00 | (0.80) | (40.0%) |
| Earnings before interest, taxes and amortization ("EBITDA") ¹ | 228.0 | 287.7 | (59.7) | (20.8%) |
| Operating Earnings (Loss) - Normalized ¹ | 103.5 | 197.7 | (94.2) | (47.6%) |
| Net Earnings (Loss) - Normalized ¹ | 67.9 | 139.4 | (71.5) | (51.3%) |
| Net Earnings (Loss) per Share - Diluted - Normalized ¹ | 1.04 | 2.11 | (1.07) | (50.7%) |
| EBITDA - Normalized ¹ | 213.9 | 296.8 | (82.9) | (27.9%) |

The changes in these financial highlights are discussed in detail in the following sections of this analysis.

IMPACT ON LINAMAR'S RESULTS AND BUSINESS RELATED TO COVID-19

In early 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization in mid-March. The pandemic and resulting economic contraction has had, and is expected to continue to have, a negative impact on the demand for the Company's products. A number of the Company's key end markets are witnessing a significant reduction in volume, mostly due to production shut downs, shelter-in-place orders, and general effects on economies impacting customer demand.

Despite these impacts, the Company currently believes it maintains sufficient liquidity to satisfy its financial obligations during 2020 and liquidity, measured as cash and cash equivalents and available credit at March 31, 2020, remains strong at \$1.2 billion. The Company's

¹ For more information, refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

free cash flow¹ increased 572% to \$147.1 million for Q1 2020 compared to \$21.9 million for Q1 2019. Some actions the Company has taken to address COVID-19 include:

- setting up our COVID-19 Global Task Force and Action Response Plan;
- continuously reviewing forecasts and scenario analysis;
- conserving cash through cutting costs and capital spending;
- implementation of high level payment controls; and
- creating a global team to pursue additional cost and waste reduction initiatives.

Linamar is supporting our local and global communities during this crisis in a number of ways including leveraging its trucking and logistics division to assist with food delivery, leveraging our global supply chain to source and deliver personal protective equipment (“PPE”) to health care workers, and staging PPE for healthcare sites as needed. In addition, we have expedited the production and assembly of complete ventilator systems and components for numerous customers. The ability of Linamar to pivot from manufacturing auto assemblies to different products such as ventilators is evidence of the company’s agility, flexibility and the ability to respond quickly. These traits are, and have always been, the core of Linamar’s strength. Please see <https://www.linamar.com/coronavirus> for additional updates as they become available.

In light of these recent events the Company has updated its disclosures including: risk factors in the “Risk Management” section, commentary related to COVID-19 in the “Disclosure Controls and Procedures and Internal Controls Over Financial Reporting” section, and updated its discussion of Impairment of Non-Financial Assets critical accounting estimate in the “Critical Accounting Estimates and Judgements” 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 March 31, 2020.

| (in millions of dollars) | Three Months Ended March 31 2020 | | | Three Months Ended March 31 2019 | | |
|--|--|----------------------|---------------|--|----------------------|---------------|
| | Industrial \$ | Transportation \$ | Linamar \$ | Industrial \$ | Transportation \$ | Linamar \$ |
| Sales | 299.0 | 1,250.8 | 1,549.8 | 465.1 | 1,509.4 | 1,974.5 |
| Operating Earnings (Loss) | 42.9 | 75.0 | 117.9 | 73.1 | 114.6 | 187.7 |
| EBITDA | 59.5 | 168.5 | 228.0 | 88.5 | 199.2 | 287.7 |
| Operating Earnings (Loss) – Normalized | 31.4 | 72.1 | 103.5 | 77.9 | 119.8 | 197.7 |
| EBITDA – Normalized | 48.1 | 165.8 | 213.9 | 93.0 | 203.8 | 296.8 |

Industrial Highlights

| (in millions of dollars) | Three Months Ended March 31 | | | |
|--|--------------------------------|------------|-----------|----------|
| | 2020 \$ | 2019 \$ | +/- \$ | +/- % |
| Sales | 299.0 | 465.1 | (166.1) | (35.7%) |
| Operating Earnings (Loss) | 42.9 | 73.1 | (30.2) | (41.3%) |
| EBITDA | 59.5 | 88.5 | (29.0) | (32.8%) |
| Operating Earnings (Loss) – Normalized | 31.4 | 77.9 | (46.5) | (59.7%) |
| EBITDA – Normalized | 48.1 | 93.0 | (44.9) | (48.3%) |

The Industrial segment (“Industrial”) product sales decreased 35.7%, or \$166.1 million, to \$299.0 million in Q1 2020 from Q1 2019. The sales decrease was due to:

- sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic;
- reduced access equipment volumes from certain key customers that experienced decreases greater than the market; and
- lower agricultural sales as expected due to poor crop conditions, stagnant commodity prices, and the ongoing trade dispute between the United States (“US”) and China governments.

Industrial segment normalized operating earnings in Q1 2020 decreased \$46.5 million, or 59.7% from Q1 2019. The Industrial normalized operating earnings results were predominantly driven by:

- the lower sales volumes which is primarily, directly and indirectly, attributed to the adverse conditions associated with the global COVID-19 pandemic; partially offset by

¹ For more information, refer to the “Non-GAAP and Additional GAAP Measures” section of this MD&A.

- targeted cost reductions to match lower demand.

Transportation Highlights

| (in millions of dollars) | Three Months Ended | | | |
|--|--------------------|---------|----------|---------|
| | 2020 | 2019 | March 31 | |
| | \$ | \$ | +/- | +/- |
| | | | \$ | % |
| Sales | 1,250.8 | 1,509.4 | (258.6) | (17.1%) |
| Operating Earnings (Loss) | 75.0 | 114.6 | (39.6) | (34.6%) |
| EBITDA | 168.5 | 199.2 | (30.7) | (15.4%) |
| Operating Earnings (Loss) – Normalized | 72.1 | 119.8 | (47.7) | (39.8%) |
| EBITDA – Normalized | 165.8 | 203.8 | (38.0) | (18.6%) |

Sales for the Transportation segment (“Transportation”) decreased by \$258.6 million, or 17.1% in Q1 2020 compared with Q1 2019. The sales in Q1 2020 were impacted by:

- sales declines primarily attributed to customer shutdowns associated with the global COVID-19 pandemic; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q1 2019.

Q1 2020 normalized operating earnings for Transportation were lower by \$47.7 million, or 39.8% compared to Q1 2019. The Transportation segment’s earnings were impacted by the following:

- sales declines primarily attributed to customer shutdowns associated with the global COVID-19 pandemic; partially offset by
- targeted cost reductions to match lower demand.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE¹

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are based primarily on the Company’s location of manufacturing and include both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the vehicle production units² for each continent.

In addition to automotive Original Equipment Manufacturers (“OEMs”), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the Company estimates the automotive portion of the sales for inclusion in its content per vehicle (“CPV”) calculations. The allocation of sales to regions is based on vehicle 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 | | | |
|----------------------------|--------------------|------------------|------------------|---------------|
| | 2020 | 2019 | March 31 | |
| | | | +/- | % |
| | | | \$ | |
| <i>North America</i> | | | | |
| Vehicle Production Units | 3.90 | 4.39 | (0.49) | (11.2%) |
| Automotive Sales | \$ 666.4 | \$ 763.7 | \$ (97.3) | (12.7%) |
| Content Per Vehicle | \$ 171.06 | \$ 174.14 | \$ (3.08) | (1.8%) |
| <i>Europe</i> | | | | |
| Vehicle Production Units | 4.50 | 5.66 | (1.16) | (20.5%) |
| Automotive Sales | \$ 399.0 | \$ 478.5 | \$ (79.5) | (16.6%) |
| Content Per Vehicle | \$ 88.68 | \$ 84.60 | \$ 4.08 | 4.8% |
| <i>Asia Pacific</i> | | | | |
| Vehicle Production Units | 7.98 | 11.73 | (3.75) | (32.0%) |
| Automotive Sales | \$ 88.2 | \$ 105.6 | \$ (17.4) | (16.5%) |
| Content Per Vehicle | \$ 11.05 | \$ 9.00 | \$ 2.05 | 22.8% |

North American automotive sales for Q1 2020 decreased 12.7% from Q1 2019 in a market that saw a decrease of 11.2% production volumes for the same period. As a result, content per vehicle in Q1 2020 decreased 1.8% from \$174.14 to \$171.06. The decrease in North American content per vehicle was mainly a result of the production volumes of certain OEM’s that the company has significant business

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.

with declining more than the overall market in addition to the impact of programs that are naturally coming to an end, partially offset by increases on launching programs.

European automotive sales for Q1 2020 decreased 16.6% from Q1 2019 in a market that saw a decrease of 20.5% in production volumes for the same period. As a result, content per vehicle in Q1 2020 increased 4.8% from \$84.60 to \$88.68. The increase in European content per vehicle was a result of increases on our launching programs, partially offset by the reduction of sales related to programs that are naturally coming to an end.

Asia Pacific automotive sales for Q1 2020 decreased 16.5% from Q1 2019 in a market that saw a decrease of 32.0% in production volumes for the same period. As a result, content per vehicle in Q1 2020 increased 22.8% from \$9.00 to \$11.05. The increase in Asian content per vehicle was a result of the production volumes of certain OEM's that the Company has significant business with declining less than the overall market.

RESULTS OF OPERATIONS

Gross Margin

| (in millions of dollars) | Three Months Ended | |
|-----------------------------------|--------------------|------------|
| | 2020 | 2019 |
| Sales | \$ 1,549.8 | \$ 1,974.5 |
| Cost of Sales before amortization | 1,240.6 | 1,575.8 |
| Amortization | 108.7 | 94.8 |
| Cost of Sales | 1,349.3 | 1,670.6 |
| Gross Margin | \$ 200.5 | \$ 303.9 |
| Gross Margin percentage | 12.9% | 15.4% |

Gross margin percentage decreased in Q1 2020 to 12.9% compared to 15.4% in Q1 2019. Cost of sales before amortization as a percentage of sales increased in Q1 2020 to 80.0% compared to 79.8% for the same quarter of last year. In dollar terms, gross margin decreased \$103.4 million in Q1 2020 compared with Q1 2019 as a result of the items discussed earlier in this analysis such as:

- the lower sales volumes in both segments which is primarily, directly and indirectly, attributed to the adverse conditions associated with the global COVID-19 pandemic; partially offset by
- targeted cost reductions to match lower demand.

Q1 2020 amortization increased to \$108.7 million from \$94.8 million in Q1 2019 due to additional amortization from launching programs in the Transportation segment. Amortization as a percentage of sales increased to 7.0% of sales compared to 4.8% in Q1 2019.

Selling, General and Administration

| (in millions of dollars) | Three Months Ended | |
|-------------------------------------|--------------------|----------|
| | 2020 | 2019 |
| Selling, general and administrative | \$ 97.5 | \$ 110.2 |
| SG&A percentage | 6.3% | 5.6% |

Selling, general and administrative ("SG&A") costs decreased in Q1 2020 to \$97.5 million from \$110.2 million and increased as a percentage of sales to 6.3% from 5.6% when compared to Q1 2019. This decrease was primarily due to targeted cost reductions to match lower demand in comparison to Q1 2019.

Finance Expense and Income Taxes

| (in millions of dollars) | Three Months Ended | |
|---|--------------------|----------|
| | 2020 | 2019 |
| Operating Earnings (Loss) | \$ 117.9 | \$ 187.7 |
| Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method | (6.4) | (2.7) |
| Finance Income and (Expenses) | (7.4) | (12.2) |
| Provision for (Recovery of) Income Taxes | 25.6 | 40.5 |
| Net Earnings (Loss) | 78.5 | 132.3 |

Finance Expenses

Finance expenses decreased \$4.8 million in Q1 2020 from \$12.2 million in Q1 2019 to \$7.4 million due to:

- lower interest expense as a result of declining debt balances; and
- lower interest rate costs as a result of a decline in underlying market rates.

The consolidated effective interest rate for Q1 2020 decreased to 2.5% compared to 2.9% in Q1 2019.

Income Taxes

The effective tax rate for Q1 2020 increased to 24.6% from 23.4% in Q1 2019 primarily due to benefitting losses in the US at the lower US tax rate.

TOTAL EQUITY

During the quarter no options expired unexercised, no options were forfeited, and no options were exercised. Subsequent to March 31, 2020, 393,501 options were exercised at an exercise price of \$19.32 per share.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,352,322 common shares were outstanding as of May 13, 2020. The Company's common shares constitute its only class of voting securities. As of May 13, 2020, there were 848,375 options to acquire common shares outstanding and 3,900,000 options still available to be granted under the Company's share option plan.

In March 2020, the Company announced that the Toronto Stock Exchange ("TSX") had accepted a notice filed by the Company of its intention to renew its normal course issuer bid ("NCIB" or "Bid"). Under the NCIB, Linamar had the ability to purchase for cancellation up to a maximum of 4,396,427 common shares from March 20, 2020 until March 19, 2021, representing approximately 10% of the public float of 43,964,265 that were issued and outstanding as of March 6, 2020. No shares were purchased and cancelled from March 20, 2020 to March 31, 2020 due to the COVID-19 pandemic.

SELECTED FINANCIAL INFORMATION

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended June 30, 2018 through March 31, 2020. 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.

| | Mar 31 2020 | Dec 31 2019 | Sep 30 2019 | Jun 30 2019 | Mar 31 2019 | Dec 31 2018 | Sep 30 2018 | Jun 30 2018 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| (in millions of dollars, except per share figures) | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Sales | 1,549.8 | 1,616.1 | 1,740.0 | 2,086.1 | 1,974.5 | 1,732.0 | 1,837.3 | 2,157.4 |
| Net Earnings (Loss) | 78.5 | 49.7 | 98.2 | 150.2 | 132.3 | 124.5 | 113.2 | 197.1 |
| Net Earnings (Loss) per Share | | | | | | | | |
| Basic | 1.21 | 0.76 | 1.51 | 2.30 | 2.02 | 1.91 | 1.73 | 3.02 |
| Diluted | 1.20 | 0.76 | 1.50 | 2.28 | 2.00 | 1.88 | 1.71 | 2.98 |

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 March 31 | |
|--|--------------------------------|---------|
| (in millions of dollars) | 2020 | 2019 |
| | \$ | \$ |
| Cash generated from (used in): | | |
| Operating Activities | 232.6 | 130.3 |
| Financing Activities | (67.2) | 2.8 |
| Investing Activities | (96.6) | (117.4) |
| Effect of translation adjustment on cash | 6.2 | (2.2) |
| Increase (decrease) in cash and cash equivalents | 75.0 | 13.5 |
| Cash and cash equivalents – Beginning of Period | 338.2 | 472.0 |
| Cash and cash equivalents – End of Period | 413.2 | 485.5 |
| Comprised of: | | |
| Cash in bank | 366.9 | 347.4 |
| Short-term deposits | 69.0 | 144.9 |
| Unpresented cheques | (22.7) | (6.8) |
| | 413.2 | 485.5 |

The Company's cash and cash equivalents (net of unrepresented cheques) at March 31, 2020 were \$413.2 million, a decrease of \$72.3 million compared to March 31, 2019.

Cash generated from operating activities was \$232.6 million, an increase of \$102.3 million from Q1 2019, due to more cash being generated by changes in operating assets and liabilities.

During the quarter, financing activities used \$67.2 million of cash compared to \$2.8 million generated in Q1 2019 due to the repayment of long-term debt and repurchase of shares.

Investing activities used \$96.6 million in Q1 2020 compared to \$117.4 million used in Q1 2019 mainly for the purchase of property, plant and equipment.

Operating Activities

| (in millions of dollars) | Three Months Ended | |
|--|--------------------|------------------|
| | 2020 | March 31 2019 |
| | \$ | \$ |
| Net Earnings (Loss) for the period | 78.5 | 132.3 |
| Adjustments to earnings | 104.7 | 115.6 |
| | 183.2 | 247.9 |
| Changes in operating assets and liabilities | 49.4 | (117.6) |
| Cash generated from (used in) operating activities | 232.6 | 130.3 |

Cash generated by operations before the effect of changes in operating assets and liabilities decreased \$64.7 million in Q1 2020 to \$183.2 million, compared to \$247.9 million in Q1 2019.

Changes in operating assets and liabilities for Q1 2020 provided cash of \$49.4 million due to accounts payable, long-term receivables, and in income taxes payable partially offset by an increase in inventories.

Financing Activities

| (in millions of dollars) | Three Months Ended | |
|---|--------------------|------------------|
| | 2020 | March 31 2019 |
| | \$ | \$ |
| Proceeds from (repayments of) short-term borrowings | 7.8 | (0.2) |
| Proceeds from (repayments of) long-term debt | (53.4) | 18.2 |
| Repurchase of shares | (13.3) | (1.6) |
| Finance income received (expenses paid) | (8.3) | (13.6) |
| Cash generated from (used in) financing activities | (67.2) | 2.8 |

Financing activities for Q1 2020 used \$67.2 million of cash compared to \$2.8 million generated in Q1 2019 primarily driven by the Company's repayment of long-term debt and the Company's repurchase of shares under its NCIB program in January 2020. The repayment of long-term debt for Q1 2020 has been a result of improvements in the Company's management of its operating assets and liabilities.

Investing Activities

| (in millions of dollars) | Three Months Ended | |
|--|--------------------|------------------|
| | 2020 | March 31 2019 |
| | \$ | \$ |
| Payments for purchase of property, plant and equipment | (90.7) | (120.4) |
| Proceeds on disposal of property, plant and equipment | 5.2 | 12.0 |
| Payments for purchase of intangible assets | (5.8) | (3.2) |
| Other | (5.3) | (5.8) |
| Cash generated from (used in) investing activities | (96.6) | (117.4) |

Cash used for investing activities for Q1 2020 was \$96.6 million compared to Q1 2019 at \$117.4 million primarily due to the purchase of property, plant and equipment.

Liquidity and 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 March 31, 2020, cash and cash equivalents, including short-term deposits was \$413.2 million and the Company's credit facilities had available credit of \$739.3 million. Combined, the Company believes this liquidity of \$1.2 billion at March 31, 2020 is sufficient to meet cash flow needs and compares to \$1.1 billion at December 31, 2019. In addition free cash flow growth was 572%, at \$147.1 million, for Q1 2020 compared to \$21.9 million for the same period last year.

Commitments and Contingencies

Please see the Company's December 31, 2019 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, 2019.

Financial Instruments

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the quarter ended March 31, 2020. For more information, please see the Company's December 31, 2019 annual MD&A and the Company's consolidated financial statements for the year ended December 31, 2019.

A portion of the Company's financial instruments are held as long-term receivables totalling \$541.9 million at March 31, 2020 compared to \$521.9 million at December 31, 2019. Long-term receivables are primarily made up of financing loans for the sale of industrial access equipment which increased by \$11.6 million to \$373.9 million, financing loans for equity method investments which increased by \$15.2 million to \$110.2 million, and receivables for government assistance which decreased by \$7.0 million to \$55.2 million. After removing the impacts of foreign exchange and cumulative translation the Company's long-term receivables decreased by \$12.7 million during Q1 2020.

Off Balance Sheet Arrangements

For more information about off balance sheet arrangements, please see the notes to the Company's consolidated financial statements for the year ended December 31, 2019.

CURRENT AND PROPOSED TRANSACTIONS

There are no current and proposed transactions for the quarter ended March 31, 2020.

RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business that have the potential to affect its operating results. These include, but are not limited to Competition, Outsourcing and Insourcing; Sources and Availability of Raw Materials; Labour Markets and Dependence on Key Personnel; Dependence on Certain Customers; Technological Change and Product Launches; Foreign Currency Risk; Long-term Contracts; Acquisition and Expansion Risk; Foreign Business Risk; Cyclical and Seasonality; Legal Proceedings and Insurance Coverage; Credit Risk; Weather; Emission Standards; Capital and Liquidity Risk; Tax Laws; Securities Laws Compliance and Corporate Governance Standards; and Environmental Matters.

These risk factors remain substantially unchanged during the quarter ended March 31, 2020 except for the addition of Public Health Threats as outlined below addressing potential protracted impacts such as COVID-19. These risk factors, as well as the other information contained in this MD&A, the Company's December 31, 2019 annual MD&A, and the Company's December 31, 2019 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.

Public Health Threats

In early 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization in mid-March. As the COVID-19 pandemic and resulting economic contraction has significantly impacted the health and economic wellbeing of our employees, customers, suppliers, global and local communities the Company took quick action with our COVID-19 Global Task Force and Action Response Plan.

Public and private sector regulations, policies, and other measures aimed at reducing the transmission of COVID-19 included the imposition of business closures, travel restrictions, the promotion of social distancing, and the adoption of work-from-home and online continuity plans by companies and various institutions. Globally, various governments have provided assistance to those affected including individuals and businesses through a number of taxation deferral, subsidy, and other relief programs. The Company is actively working on plans for reopening, ensuring back-to-work health and safety protocols are in place and implemented across all of our facilities.

The full extent and impact of the COVID-19 pandemic is unknown and at this stage it is very difficult to project what will occur. Potential adverse impacts of the pandemic include, but are not limited to:

- the risk of material reduction in demand for our products due to significant reduction in volume from our automotive and industrial products customers;
- a delay in collection of accounts and long-term receivables which may lead to increased allowance provisions;
- the risk of suppliers and/or customers having financial difficulties up to and including entering restructuring proceedings, insolvency proceedings and/or ceasing operations;
- difficulties in delivering products to customers due to supply chain disruptions; and
- higher capital costs for servicing or paying debt as it comes due.

As at March 31, 2020, the Company is well within covenant compliance. However, should the economic uncertainty extend out for significantly longer periods than is currently generally believed, the Company may have to re-negotiate terms with its existing lenders and/or

seek additional financing. The availability and terms of any such amended or new financing would depend on, among other things, the economic conditions and outlook for the Company and the economy as a whole in existence at that time.

Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

In response to the COVID-19 pandemic, certain physical distancing measures taken by the Company, customers, suppliers and governments had the potential to impact the design and performance of internal controls over financial reporting for the Company. There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2020, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company will continue to monitor any risk associated with a change to its control environment in response to the pandemic.

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 an update to Impairment of Non-Financial Assets which is considered one of the Company's critical estimates 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.

The Company has updated its discussion of the Impairment of Non-Financial Assets critical accounting estimate. As a reminder to our stakeholders that under IFRS, there is a requirement after each reporting period for management to assess whether there is any indication that an asset may be impaired. At the end of March 2020, due to the emergence of COVID-19, management carried out this assessment reviewing for indications that goodwill and other non-financial assets may be impaired and at that time management didn't believe that there would be a continuing adverse long-term impact to the business. For example in our Transportation business at the time of the assessment, there was no expectation of a long-term change in the global demand for automobiles. As part of the review for indicators of impairment, management performed an analysis on certain of its non-financial asset models and determined there were no long-term adverse impacts that would lead to impairment. As required, management will continue to assess these assumptions as this evolving COVID-19 situation changes.

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 assess at the end of each reporting period whether there is any indication that an asset may be impaired and to make significant forward-looking assumptions. In assessing whether there is an indication that an asset may be impaired, there are a number of external and internal sources of information which require a high degree of judgement. 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 with the exception of the length and extent of the COVID-19 pandemic and its impact on the overall global economy which is not known.

Please refer to the "Critical Accounting Estimates and Judgements" section of the Company's December 31, 2019 consolidated annual financial statements and March 31, 2020 consolidated interim financial statements for additional information.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2020 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2019 and the consolidated interim financial statements for the quarter ended March 31, 2020.

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, EBITDA – Normalized, and Free Cash Flow. 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 2019, an unusual item related to restructuring adjusted the Transportation segment's earnings.

| (in millions of dollars) | Three Months Ended March 31 | | | |
|---|--------------------------------|------------|-----------|----------|
| | 2020 \$ | 2019 \$ | +/- \$ | +/- % |
| Operating Earnings (Loss) | 117.9 | 187.7 | (69.8) | (37.2%) |
| Foreign exchange (gain) loss | (14.4) | 6.0 | (20.4) | |
| Unusual item | - | 4.0 | (4.0) | |
| Operating Earnings (Loss) – Normalized | 103.5 | 197.7 | (94.2) | (47.6%) |
| Net Earnings (Loss) | 78.5 | 132.3 | (53.8) | (40.7%) |
| Foreign exchange (gain) loss | (14.4) | 6.0 | (20.4) | |
| Foreign exchange (gain) loss on debt and derivatives | 0.3 | (0.9) | 1.2 | |
| Unusual item | - | 4.0 | (4.0) | |
| Tax impact | 3.5 | (2.0) | 5.5 | |
| Net Earnings (Loss) – Normalized | 67.9 | 139.4 | (71.5) | (51.3%) |
| Net Earnings (Loss) per Share – Diluted | 1.20 | 2.00 | (0.80) | (40.0%) |
| Foreign exchange (gain) loss | (0.22) | 0.09 | (0.31) | |
| Foreign exchange (gain) loss on debt and derivatives | 0.01 | (0.01) | 0.02 | |
| Unusual item | - | 0.06 | (0.06) | |
| Tax impact | 0.05 | (0.03) | 0.08 | |
| Net Earnings (Loss) per Share – Diluted – Normalized | 1.04 | 2.11 | (1.07) | (50.7%) |
| EBITDA | 228.0 | 287.7 | (59.7) | (20.8%) |
| Foreign exchange (gain) loss | (14.4) | 6.0 | (20.4) | |
| Foreign exchange (gain) loss on debt and derivatives | 0.3 | (0.9) | 1.2 | |
| Unusual item | - | 4.0 | (4.0) | |
| EBITDA – Normalized | 213.9 | 296.8 | (82.9) | (27.9%) |

| (in millions of dollars) | Three Months Ended March 31 2020 | | |
|---|--|----------------------|---------------|
| | Industrial \$ | Transportation \$ | Linamar \$ |
| Operating Earnings (Loss) | 42.9 | 75.0 | 117.9 |
| EBITDA | 59.5 | 168.5 | 228.0 |
| Foreign exchange (gain) loss | (11.5) | (2.9) | (14.4) |
| Unusual item | - | - | - |
| Operating Earnings (Loss) – Normalized | 31.4 | 72.1 | 103.5 |
| Foreign exchange (gain) loss on debt and derivatives | 0.1 | 0.2 | 0.3 |
| EBITDA – Normalized | 48.1 | 165.8 | 213.9 |

| (in millions of dollars) | Three Months Ended March 31 2019 | | |
|---|--|----------------------|---------------|
| | Industrial \$ | Transportation \$ | Linamar \$ |
| Operating Earnings (Loss) | 73.1 | 114.6 | 187.7 |
| EBITDA | 88.5 | 199.2 | 287.7 |
| Foreign exchange (gain) loss | 4.8 | 1.2 | 6.0 |
| Unusual item | - | 4.0 | 4.0 |
| Operating Earnings (Loss) – Normalized | 77.9 | 119.8 | 197.7 |
| Foreign exchange (gain) loss on debt and derivatives | (0.3) | (0.6) | (0.9) |
| EBITDA – Normalized | 93.0 | 203.8 | 296.8 |

Operating Earnings (Loss) – Normalized

The Company believes Operating Earnings (Loss) – Normalized is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Operating Earnings (Loss) – Normalized is calculated as Operating Earnings (Loss), as defined in "Additional GAAP Measures" below, and as presented in the Company's consolidated financial statements, adjusted for 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 adjusted for 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, adjusted for 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.

Free Cash Flow

The Company believes Free Cash Flow is useful in assessing the Company's ability to generate cash. Free Cash Flow is calculated as cash from operating activities less payments for purchase of property, plant and equipment plus proceeds on disposal of property, plant and equipment.

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 interim 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 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.

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; public health threats; cyclical and seasonality; legal proceedings and insurance coverage; credit risk; weather; emission standards; capital and liquidity risk; 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.