

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended March 31, 2021

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, 2021. This MD&A has been prepared as at May 6, 2021. 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 two operating segments – the Industrial segment and the Mobility segment, both global leaders in manufacturing solutions and world-class developers of highly engineered products. The Industrial segment is comprised of Skyjack and MacDon. Skyjack manufactures scissor, boom and telehandler lifts for the aerial work platform industry. MacDon manufactures combine draper headers and self-propelled windrowers for the agricultural harvesting industry. The Mobility segment is subdivided into three regional groups: North America, Europe and Asia Pacific. Within the Mobility segment, the regional groups are vertically integrated operations combining expertise in light metal casting, forging, machining and assembly for both the global electrified and traditionally powered vehicle markets. The Mobility segment products are focused on both components and systems for new energy powertrains, body and chassis, driveline, engine and transmission systems of these vehicles. McLaren Engineering provides design, development, and testing services for the Mobility segment. Linamar has over 26,000 employees in 61 manufacturing locations, 12 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 2021 ("Q1 2021") and 2020 ("Q1 2020"):

(in millions of dollars, except per share figures)	2021	2020	Three Months Ended March 31	
			+/-	+/-
	\$	\$	\$	%
Sales	1,781.9	1,549.8	232.1	15.0%
Gross Margin	312.7	200.5	112.2	56.0%
Operating Earnings (Loss) ¹	221.2	117.9	103.3	87.6%
Net Earnings (Loss)	153.5	78.5	75.0	95.5%
Net Earnings (Loss) per Share - Diluted	2.34	1.20	1.14	95.0%
Earnings before interest, taxes and amortization ("EBITDA") ¹	332.7	228.0	104.7	45.9%
Operating Earnings (Loss) - Normalized ¹	221.3	103.5	117.8	113.8%
Net Earnings (Loss) - Normalized ¹	158.3	67.9	90.4	133.1%
Net Earnings (Loss) per Share - Diluted - Normalized ¹	2.41	1.04	1.37	131.7%
EBITDA - Normalized ¹	341.3	213.9	127.4	59.6%

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 mid-March of 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization. A number of the Company's key end markets witnessed a significant reduction in volume in and around April of 2020, mostly due to production shutdowns, shelter-in-place orders, and general effects on economies impacting customer demand. There has been a strengthening return in volumes as automotive production in North America and Europe restarted in May of 2020 which has materially improved the results. Despite these positive signs the Company continues to be cautious around costs and capital spending given uncertainties. The pandemic

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

and resulting economic contraction have had, and is expected to continue to have, a negative impact on the demand for the Company's products.

Since resuming production in mid-May 2020, the Company's focus has been on Recovery, Restarting and Rejuvenation. Ensuring the safety of our workforce to return to work has been a top priority and we have seen excellent results with extremely low incidence of on-site transmission and employees surveyed feeling safe and supportive of protocols.

Despite these continued impacts, the Company has maintained sufficient liquidity to satisfy its financial obligations during this period and liquidity, measured as cash and cash equivalents and available credit, at March 31, 2021 remains strong at \$1.6 billion compared with \$1.2 billion at March 31, 2020. The Company's free cash flow¹ was \$166.2 million for Q1 2021 compared to \$147.1 million for the same period of 2020.

Throughout this crisis Linamar strongly supported our local and global communities by implementing regular testing regimes, establishing a vaccination clinic as well as donating, procuring, and managing PPE for local healthcare providers and manufacturing ventilators and parts thereof for a variety of 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, technical depth and the ability to respond quickly. These traits are, and have always been, the core of Linamar's strength.

Demonstrating this commitment to the health of our communities, beginning in Q1 2021, Linamar is assisting our local community with vaccine rollout efforts. The Company has partnered with local health authorities and has transformed our Customer Access Centre at Skyjack in Guelph to a community vaccination site. Linamar has loaned full-time staff to aid the local health professionals with planning, logistics and coordination. The Company remains focused on helping everyone moving toward a post COVID-19 world as quickly as possible.

Continuing with the first quarter of 2021, the regional COVID-19 restrictions have not had a significant impact on Linamar's sales or expenses as Linamar has been subject to 'essential business' exemptions in the various jurisdictions in which we operate. Consequently, volumes have not been adversely affected by such restrictions. Given the currently available information, these restrictions are not expected to have a significant impact to the Company's performance. However, the length and extent of the COVID-19 pandemic and current and potential future governmental and other responses to it, such as regional business shut-downs, stay-at-home orders, business, border, travel and other restrictions and their impacts on the overall global economy are not known. Accordingly, there is material uncertainty as to the overall impact relating to the Company's future operations due to the ongoing pandemic. The Company is unable to quantify the overall impact of COVID-19 on Linamar's financial results including net of any mitigating factors.

In light of these events, the Company if necessary will continue to update its disclosures including: commentary in the "Financial Condition, Liquidity and Capital Resources" section, 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 its discussion of critical accounting estimates in the "Critical Accounting Estimates and Judgements" section of this MD&A. Please see the "Critical Accounting Estimates and Judgements" section of the December 31, 2020 MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Industrial and Mobility. 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, 2021.

	Three Months Ended			Three Months Ended		
	March 31			March 31		
	Industrial	Mobility	Linamar	Industrial	Mobility	Linamar
(in millions of dollars)	\$	\$	\$	\$	\$	\$
Sales	348.3	1,433.6	1,781.9	299.0	1,250.8	1,549.8
Operating Earnings (Loss)	35.7	185.5	221.2	42.9	75.0	117.9
EBITDA	49.8	282.9	332.7	59.5	168.5	228.0
Operating Earnings (Loss) – Normalized	45.9	175.4	221.3	31.4	72.1	103.5
EBITDA – Normalized	61.2	280.1	341.3	48.1	165.8	213.9

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

Industrial Highlights

(in millions of dollars)	Three Months Ended			
	2021	2020	March 31	
	\$	\$	+/-	+/-
	\$	\$	\$	%
Sales	348.3	299.0	49.3	16.5%
Operating Earnings (Loss)	35.7	42.9	(7.2)	(16.8%)
EBITDA	49.8	59.5	(9.7)	(16.3%)
Operating Earnings (Loss) – Normalized	45.9	31.4	14.5	46.2%
EBITDA – Normalized	61.2	48.1	13.1	27.2%

The Industrial segment (“Industrial”) product sales increased 16.5%, or \$49.3 million, to \$348.3 million in Q1 2021 from Q1 2020. The sales increase was due to:

- increased agricultural sales from stronger equipment sales demand and growing market share in targeted core and expansion markets; and
- additional access equipment sales primarily due to increased market share in North America for telehandlers, scissors and booms; partially offset by
- European access equipment sales declines primarily attributed to adverse conditions associated with the COVID-19 pandemic; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q1 2020.

Industrial segment normalized operating earnings in Q1 2021 increased \$14.5 million, or 46.2% from Q1 2020. The Industrial normalized operating earnings results were predominantly driven by:

- increased agricultural sales from stronger equipment and parts sales demand; and
- a net increase in access equipment volumes; partially offset by
- an unfavourable impact on sales and expenses from the changes in foreign exchange rates from Q1 2020.

Mobility Highlights

(in millions of dollars)	Three Months Ended			
	2021	2020	March 31	
	\$	\$	+/-	+/-
	\$	\$	\$	%
Sales	1,433.6	1,250.8	182.8	14.6%
Operating Earnings (Loss)	185.5	75.0	110.5	147.3%
EBITDA	282.9	168.5	114.4	67.9%
Operating Earnings (Loss) – Normalized	175.4	72.1	103.3	143.3%
EBITDA – Normalized	280.1	165.8	114.3	68.9%

Sales for the Mobility segment (“Mobility”) increased by \$182.8 million, or 14.6% in Q1 2021 compared with Q1 2020. The sales in Q1 2021 were impacted by:

- increased volumes for certain programs that the Company has significant business within North America and Asia;
- increased sales related to launching programs; and
- a favourable impact on sales from the changes in foreign exchange rates from Q1 2020; partially offset by
- sales declines primarily attributed to adverse conditions associated with semi conductor chip supply issues impacting our customers.

Q1 2021 normalized operating earnings for Mobility were higher by \$103.3 million, or 143.3% compared to Q1 2020. The Mobility segment’s earnings were impacted by the following:

- increased volumes for certain programs that the Company has significant business within North America and Asia;
- increased sales related to launching programs;
- cost savings achieved in the quarter;
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q1 2020; and
- the utilization of government support programs related to the global COVID-19 pandemic; partially offset by
- sales declines primarily attributed to adverse conditions associated with semi conductor chip supply issues impacting our customers.

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

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.

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 units¹ 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 March 31			
	2021	2020	+/-	%
<i>North America</i>				
Vehicle Production Units	3.74	3.89	(0.15)	(3.9%)
Automotive Sales	\$ 734.2	\$ 666.5	\$ 67.7	10.2%
Content Per Vehicle	\$ 196.05	\$ 171.12	\$ 24.93	14.6%
<i>Europe</i>				
Vehicle Production Units	4.67	4.71	(0.04)	(0.8%)
Automotive Sales	\$ 386.6	\$ 399.6	\$ (13.0)	(3.3%)
Content Per Vehicle	\$ 82.81	\$ 84.87	\$ (2.06)	(2.4%)
<i>Asia Pacific</i>				
Vehicle Production Units	10.90	8.23	2.67	32.4%
Automotive Sales	\$ 147.4	\$ 88.6	\$ 58.8	66.4%
Content Per Vehicle	\$ 13.51	\$ 10.77	\$ 2.74	25.4%

North American automotive sales for Q1 2021 increased 10.2% from Q1 2020 in a market that saw a decrease of 3.9% in production volumes for the same period. As a result, content per vehicle in Q1 2021 increased 14.6% from \$171.12 to \$196.05. The increase in North American content per vehicle was mainly driven by programs we have significant business with and increased sales for launching programs. These increases were partially offset by impacts related to semi conductor chip supply issues. Linamar’s powertrain production requirements increased in the quarter despite the decline in OEM production volumes in their associated vehicles as it has been our experience that typically there is a lag between vehicle plant shutdowns and the associated powertrain plant shutdowns in times of market disruption.

European automotive sales for Q1 2021 decreased 3.3% from Q1 2020 in a market that saw a decrease of 0.8% in production volumes for the same period. As a result, content per vehicle in Q1 2021 decreased 2.4% from \$84.87 to \$82.81. The decrease in European content per vehicle was mainly impacted by decreased volumes for certain programs that the Company has significant business with, which continue to be impacted by COVID-19 and semi conductor chip supply related issues. These sales declines were partially offset by increases in sales for launching programs.

Asia Pacific automotive sales for Q1 2021 increased 66.4% from Q1 2020 in a market that saw an increase of 32.4% in production volumes for the same period. As a result, content per vehicle in Q1 2021 increased 25.4% from \$10.77 to \$13.51. The increase in Asian content per vehicle was mainly impacted by increased volumes for certain programs that the Company has significant business with and additional sales from launching programs.

RESULTS OF OPERATIONS

Gross Margin

	Three Months Ended March 31	
(in millions of dollars)	2021	2020
Sales	\$ 1,781.9	\$ 1,549.8
Cost of Sales before amortization	1,351.0	1,240.6
Amortization	118.2	108.7
Cost of Sales	1,469.2	1,349.3
Gross Margin	\$ 312.7	\$ 200.5
Gross Margin percentage	17.5%	12.9%

¹ 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 increased in Q1 2021 to 17.5% compared to 12.9% in Q1 2020. Cost of sales before amortization as a percentage of sales decreased in Q1 2021 to 75.8% compared to 80.0% for the same quarter of last year. In dollar terms, gross margin increased \$112.2 million in Q1 2021 compared with Q1 2020 as a result of the items discussed earlier in this analysis such as:

- the margin improvement from certain Mobility programs that the Company has significant business with and launching programs that continue to build in volume;
- increased agricultural sales from stronger equipment and parts sales demand;
- cost savings achieved in the quarter;
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q1 2020;
- the utilization of government support programs related to the global COVID-19 pandemic; and
- a net increase in access equipment volumes; partially offset by
- sales declines primarily attributed to adverse conditions associated with the semi conductor chip supply issues.

Q1 2021 amortization increased to \$118.2 million from \$108.7 million in Q1 2020 primarily due to additional amortization from launching programs and products. Amortization as a percentage of sales decreased to 6.6% of sales compared to 7.0% in Q1 2020.

Selling, General and Administration

(in millions of dollars)	Three Months Ended March 31	
	2021	2020
Selling, general and administrative	\$ 91.5	\$ 97.5
SG&A percentage	5.1%	6.3%

Selling, general and administrative (“SG&A”) costs decreased in Q1 2021 to \$91.5 million from \$97.5 million and decreased as a percentage of sales to 5.1% from 6.3% when compared to Q1 2020. This decrease is primarily due to continued focus on cost reductions.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended March 31	
	2021	2020
Operating Earnings (Loss)	\$ 221.2	\$ 117.9
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(6.2)	(6.4)
Finance Income and (Expenses)	(7.6)	(7.4)
Provision for (Recovery of) Income Taxes	53.9	25.6
Net Earnings (Loss)	153.5	78.5

Finance Expenses

Finance expenses increased \$0.2 million in Q1 2021 from \$7.4 million in Q1 2020 to \$7.6 million primarily due to:

- a one-time foreign exchange impact due to the repayment of the United States Dollar (“USD”) denominated bank borrowings and the receipt of the new Euro (“EUR”) 320 million private placement notes (“2031 Notes”) in January 2021;
- lower interest earned on declining long-term receivable balances; partially offset by
- lower interest expense as a result of reducing average daily debt balances by \$680 million since Q1 2020; and
- lower effective interest rates which improved by 55 bps or 20%.

The consolidated effective interest rate for Q1 2021 decreased to 1.9% compared to 2.5% in Q1 2020 which primarily related to the Bank of Canada reducing interest rates in response to managing the economic impacts of the COVID-19 pandemic and an improvement in the Company’s leverage ratio.

Income Taxes

The effective tax rate for Q1 2021 increased to 26.0% from 24.6% in Q1 2020 primarily due to a non-recurring increase in non-deductible expenses.

TOTAL EQUITY

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,450,697 common shares were outstanding as of May 6, 2021. The Company’s common shares constitute its only class of voting securities. As of May 6, 2021, there were 900,000 options to acquire common shares outstanding and 3,750,000 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 19, 2021 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, 2019 through March 31, 2021. 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 2021	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019
(in millions of dollars, except per share figures)	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,781.9	1,704.8	1,637.4	923.6	1,549.8	1,616.1	1,740.0	2,086.1
Net Earnings (Loss)	153.5	113.1	125.5	(37.9)	78.5	49.7	98.2	150.2
Net Earnings (Loss) per Share								
Basic	2.35	1.73	1.92	(0.58)	1.21	0.76	1.51	2.30
Diluted	2.34	1.73	1.92	(0.58)	1.20	0.76	1.50	2.28

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 Mobility 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. Additionally, COVID-19 had adverse impacts on each quarter of 2020 and Q1 2021. Plant shutdowns began mainly in March 2020 and April 2020 with the automotive OEM’s restarting production in May 2020 resulting in volumes growing over the remainder of the year.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Three Months Ended March 31	
	2021	2020
(in millions of dollars)	\$	\$
Cash generated from (used in):		
Operating Activities	223.9	232.6
Financing Activities	(338.1)	(67.2)
Investing Activities	(61.1)	(96.6)
Effect of translation adjustment on cash	(13.9)	6.2
Increase (decrease) in cash and cash equivalents	(189.2)	75.0
Cash and cash equivalents – Beginning of Period	861.1	338.2
Cash and cash equivalents – End of Period	671.9	413.2
Comprised of:		
Cash in bank	396.6	366.9
Short-term deposits	281.4	69.0
Unpresented cheques	(6.1)	(22.7)
	671.9	413.2

The Company’s cash and cash equivalents (net of unpresented cheques) at March 31, 2021 were \$671.9 million, an increase of \$258.7 million compared to March 31, 2020.

Cash generated from operating activities was \$223.9 million, a decrease of \$8.7 million from Q1 2020, due to an increased use of cash in operating assets and liabilities partially offset by increased earnings for the period.

During the quarter, financing activities used \$338.1 million of cash compared to \$67.2 million used in Q1 2020. The increase during Q1 2021 was primarily due to the repayment of the Company’s USD denominated bank borrowings a portion which came due in January 2021 partially offset by funding received through the Company’s new 2031 Notes.

Investing activities used \$61.1 million in Q1 2021 compared to \$96.6 million used in Q1 2020. The decrease for the quarter was due to a reduction in purchases of property, plant and equipment compared to the same period of 2020.

Operating Activities

	Three Months Ended	
	March 31	
	2021	2020
(in millions of dollars)	\$	\$
Net Earnings (Loss) for the period	153.5	78.5
Adjustments to earnings	111.7	104.7
	265.2	183.2
Changes in operating assets and liabilities	(41.3)	49.4
Cash generated from (used in) operating activities	223.9	232.6

Cash generated by operations before the effect of changes in operating assets and liabilities increased \$82.0 million in Q1 2021 to \$265.2 million, compared to \$183.2 million in Q1 2020 primarily due to higher net earnings.

Changes in operating assets and liabilities for Q1 2021 used cash of \$41.3 million primarily due to increases in accounts receivable and inventories partially offset by increased accounts payables.

In response to COVID-19, many governments around the world have provided various subsidy programs to assist companies during the crisis. The Company received government assistance in certain regions where such assistance was available and where the Company was eligible for the subsidy programs. The Company has recognized these subsidy programs as a reduction to the related expenses. A significant benefit to Linamar was from a subsidy program in Canada. The Canada Emergency Wage Subsidy ("CEWS") program was announced in March 2020. CEWS provides a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including a demonstration of revenue declines. The direct benefit of CEWS and other COVID-19 related programs recorded was \$15.9 million for Q1 2021. However, the Company is unable to quantify the overall impact of COVID-19 on Linamar's financial results net of any mitigating factors such as government assistance programs.

Although Linamar has received COVID-19-related assistance from various governments, including Canada's CEWS program, as of the date of this MD&A it remains unknown if these or any other COVID-19-related government assistance will be available in the future.

Financing Activities

	Three Months Ended	
	March 31	
	2021	2020
(in millions of dollars)	\$	\$
Proceeds from (repayments of) short-term borrowings	-	7.8
Proceeds from (repayments of) long-term debt	(792.0)	(53.4)
Proceeds from senior unsecured notes	494.0	-
Repurchase of shares	-	(13.3)
Finance income received (expenses paid)	0.4	(8.3)
Settlement of derivative contracts	(40.5)	-
Cash generated from (used in) financing activities	(338.1)	(67.2)

Financing activities for Q1 2021 used \$338.1 million of cash compared to \$67.2 million used in Q1 2020 primarily driven by the Company's repayment of long-term debt. In January 2021, the Company received EUR 320 million of its 2031 Notes, issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. In January, the Company also repaid USD denominated bank borrowings a portion which came due in January 2021 that was maturing under its bank credit facility.

Investing Activities

	Three Months Ended	
	March 31	
	2021	2020
(in millions of dollars)	\$	\$
Payments for purchase of property, plant and equipment	(59.5)	(90.7)
Proceeds on disposal of property, plant and equipment	1.8	5.2
Payments for purchase of intangible assets	(3.4)	(5.8)
Other	-	(5.3)
Cash generated from (used in) investing activities	(61.1)	(96.6)

Cash used for investing activities for Q1 2021 was \$61.1 million compared to Q1 2020 at \$96.6 million. The focus on the conservation of cash by the Company during the quarter related to COVID-19 continues to result in a large reduction in purchases of property, plant and equipment.

Liquidity and Capital Resources

The Company's financial condition is 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 operating capital expenditures will be financed by cash flow from operations or utilization of existing financing facilities.

At March 31, 2021, cash and cash equivalents, including short-term deposits was \$671.9 million and the Company's credit facilities had available credit of \$957.5 million. Combined, the Company believes this liquidity of \$1.6 billion at March 31, 2021 is sufficient to meet cash flow needs. In addition, free cash flow was \$166.2 million for Q1 2021 compared to \$147.1 million for the same period last year.

Commitments and Contingencies

Please see the Company's December 31, 2020 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, 2020.

Financial Instruments

In January 2021, the Company received EUR 320 million in funding through its 2031 Notes. These EUR denominated notes have been designated as a net investment hedge for the net investments in EUR foreign operations. The Company applied the proceeds of these notes, as well as a portion of available surplus cash, and proceeds drawn from the revolving credit facility towards the repayment of the USD denominated debt, a portion of which came due in January 2021. The USD cross currency interest rate swap contract associated with the USD denominated debt matured and settled at the same time. The EUR cross currency interest rate swap contract matured and also settled in January 2021, ending the associated net investment hedge. For more information, please see the Company's consolidated financial statements for the year ended December 31, 2020.

A portion of the Company's financial instruments are held as long-term receivables totalling \$373.5 million at March 31, 2021 compared to \$376.4 million at December 31, 2020. Long-term receivables are primarily made up of financing loans for the sale of industrial access equipment which decreased by \$12.1 million to \$222.4 million, financing loans for equity method investments which increased by \$6.7 million to \$117.9 million, and receivables for government assistance which increased by \$2.1 million to \$30.1 million. Subsequent to Q1 2021, the Company received payment of \$132.6 million of long-term receivables from a customer.

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the quarter ended March 31, 2021. For more information, please see the Company's December 31, 2020 annual MD&A and the Company's consolidated financial statements for the year ended December 31, 2020.

Due to COVID-19 and underlying business operation issues at certain customers, there is uncertainty in the future repayment of certain of Linamar's long-term accounts receivable, as indicated by credit rating downgrades of certain customers, and a reduction in the value of related collateral securing certain long-term receivables. A review and adjustment for an increase in economic credit risk due to COVID-19 was also completed on the Company's accounts and other receivables.

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, 2020.

CURRENT AND PROPOSED TRANSACTIONS

There are no current and proposed transactions for the quarter ended March 31, 2021.

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 Public Health Threats; 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; Cyclicity 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, 2021. These risk factors, as well as the other information contained in this MD&A, the Company's December 31, 2020 annual MD&A, and the Company's December 31, 2020 Annual Information Form, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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. Although our pre-existing controls were not specifically designed to operate in this current pandemic environment, we continue to believe that our

established internal control over financial reporting addresses all identified risk areas. There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2021, 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 Company provided updates to its estimates and judgements during 2020 related to COVID-19 and in particular the 'Impact of COVID-19 on Results and Risk Management Practices', the 'Impact of COVID-19 on Receivables' and 'Impairment of Non-Financial Assets'. The following are these critical estimates and judgements the Company has disclosed again in its March 31, 2021 consolidated interim financial statements.

Impact of COVID-19 on Results and Risk Management Practices

During 2020, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, spread across the globe impacting worldwide economic activity. The extent to which the financial results and condition of the Company in future periods may be affected by COVID-19 depends on future developments and cannot be reliably determined at the date of these financial statements. The Company has not changed its fundamental risk management practices. The Company will continue to evaluate the situation and monitor any impacts or potential impacts to its business.

Impact of COVID-19 on Receivables

With regard to the Company's receivables, the recognition and measurement of the expected credit loss rate involves a provision matrix incorporating historical experiences adjusted for current and future conditions expected for the life of the balance. No significant changes were made to the methodology during the period, except for enhancements made to assess the economic impacts of COVID-19. The level of estimation uncertainty and judgement has increased as a result of the economic effects of the COVID-19 pandemic, particularly as the length and extent of the pandemic and its impact on the overall global economy are not known. Modelled assumptions and linkages between economic factors and credit losses may underestimate or overestimate expected credit losses.

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, 2020 consolidated annual financial statements and March 31, 2021 consolidated interim financial statements for additional information on its estimates and judgements.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2021 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2020 and the consolidated interim financial statements for the quarter ended March 31, 2021.

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

(in millions of dollars)	2021 \$	2020 \$	Three Months Ended March 31	
			+/- \$	+/- %
Operating Earnings (Loss)	221.2	117.9	103.3	87.6%
Foreign exchange (gain) loss	0.1	(14.4)	14.5	
Operating Earnings (Loss) – Normalized	221.3	103.5	117.8	113.8%
Net Earnings (Loss)	153.5	78.5	75.0	95.5%
Foreign exchange (gain) loss	0.1	(14.4)	14.5	
Foreign exchange (gain) loss on debt and derivatives	6.3	0.3	6.0	
Tax impact	(1.6)	3.5	(5.1)	
Net Earnings (Loss) – Normalized	158.3	67.9	90.4	133.1%
Net Earnings (Loss) per Share – Diluted	2.34	1.20	1.14	95.0%
Foreign exchange (gain) loss	-	(0.22)	0.22	
Foreign exchange (gain) loss on debt and derivatives	0.10	0.01	0.09	
Tax impact	(0.03)	0.05	(0.08)	
Net Earnings (Loss) per Share – Diluted – Normalized	2.41	1.04	1.37	131.7%
EBITDA	332.7	228.0	104.7	45.9%
Foreign exchange (gain) loss	0.1	(14.4)	14.5	
Foreign exchange (gain) loss on debt and derivatives	6.3	0.3	6.0	
Asset impairment provision, net of reversals	2.2	-	2.2	
EBITDA – Normalized	341.3	213.9	127.4	59.6%

Normalizing Items by Segment

(in millions of dollars)	Three Months Ended March 31 2021			Three Months Ended March 31 2020		
	Industrial \$	Mobility \$	Linamar \$	Industrial \$	Mobility \$	Linamar \$
Operating Earnings (Loss)	35.7	185.5	221.2	42.9	75.0	117.9
EBITDA	49.8	282.9	332.7	59.5	168.5	228.0
Foreign exchange (gain) loss	10.2	(10.1)	0.1	(11.5)	(2.9)	(14.4)
Operating Earnings (Loss) – Normalized	45.9	175.4	221.3	31.4	72.1	103.5
Asset impairment provision, net of reversals	-	2.2	2.2	-	-	-
Foreign exchange (gain) loss on debt and derivatives	1.2	5.1	6.3	0.1	0.2	0.3
EBITDA – Normalized	61.2	280.1	341.3	48.1	165.8	213.9

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 of cash flow and profitability, 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, non-cash asset impairments 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 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 table below 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 of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results.

	Three Months Ended	
	March 31	
	2021	2020
(in millions of dollars)	\$	\$
Net Earnings (Loss) before income taxes	207.4	104.1
Amortization of property, plant and equipment	107.2	99.6
Amortization of other intangible assets	11.9	10.6
Finance costs	5.4	11.7
Other interest	0.8	2.0
EBITDA	332.7	228.0

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.