

MANAGEMENT DISCUSSION & ANALYSIS

Linamar Corporation

December 31, 2020 and December 31, 2019
(in millions of dollars)

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended December 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 financial statements for the quarter and year ended December 31, 2020. This MD&A has been prepared as at March 10, 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 Transportation 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 Transportation segment is subdivided into three regional groups; North America, Europe and Asia Pacific. Within the Transportation 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 Transportation 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 Transportation segment. Linamar has 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 \$5.8 billion in 2020. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com or follow us on Twitter at @LinamarCorp.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in the fourth quarter of 2020 ("Q4 2020") and 2019 ("Q4 2019") and year ended December 31, 2020:

(in millions of dollars, except per share figures)	Three Months Ended December 31				Twelve Months Ended December 31			
	2020 \$	2019 \$	+/- \$	+/- %	2020 \$	2019 \$	+/- \$	+/- %
Sales	1,704.8	1,616.1	88.7	5.5%	5,815.6	7,416.6	(1,601.0)	(21.6%)
Gross Margin	273.5	197.5	76.0	38.5%	788.4	1,065.8	(277.4)	(26.0%)
Operating Earnings (Loss) ¹	155.4	79.3	76.1	96.0%	424.2	624.5	(200.3)	(32.1%)
Net Earnings (Loss)	113.1	49.7	63.4	127.6%	279.1	430.4	(151.3)	(35.2%)
Net Earnings (Loss) per Share - Diluted	1.73	0.76	0.97	127.6%	4.27	6.56	(2.29)	(34.9%)
Earnings before interest, taxes and amortization ("EBITDA") ¹	283.5	189.1	94.4	49.9%	893.1	1,038.0	(144.9)	(14.0%)
Operating Earnings (Loss) - Normalized ¹	176.4	112.6	63.8	56.7%	458.0	668.6	(210.6)	(31.5%)
Net Earnings (Loss) - Normalized ¹	129.1	75.4	53.7	71.2%	314.6	464.4	(149.8)	(32.3%)
Net Earnings (Loss) per Share - Diluted - Normalized ¹	1.97	1.15	0.82	71.3%	4.81	7.08	(2.27)	(32.1%)
EBITDA - Normalized ¹	304.5	222.4	82.1	36.9%	919.8	1,082.3	(162.5)	(15.0%)

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

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

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 witnessed a significant reduction in volume in and around April, mostly due to production shut downs, shelter-in-place orders, and general effects on economies impacting customer demand.

Despite these impacts, the Company has maintained sufficient liquidity to satisfy its financial obligations during 2020 and liquidity, measured as cash and cash equivalents and available credit, at December 31, 2020 remains strong and has increased to \$1.6 billion from \$1.1 billion at December 31, 2019. The Company's free cash flow² was \$422.3 million for Q4 2020 and is \$1,185.0 million for 2020.

Since resuming production in mid-May, 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. There has been a strengthening return in volumes as automotive production in North America and Europe restarted in May which has materially improved the results. Despite these positive signs the Company continues to be cautious around costs and capital spending given uncertainties.

Linamar continues to support our local and global communities during this crisis including 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.

In Q4 2020, 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 continues 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.

² For more information, refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Industrial and Transportation. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated financial statements for the quarter ended December 31, 2020.

(in millions of dollars)	Three Months Ended December 31 2020			Three Months Ended December 31 2019		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Sales	315.6	1,389.2	1,704.8	335.9	1,280.2	1,616.1
Operating Earnings (Loss)	32.6	122.8	155.4	26.6	52.7	79.3
EBITDA	49.4	234.1	283.5	41.3	147.8	189.1
Operating Earnings (Loss) – Normalized	39.9	136.5	176.4	39.4	73.2	112.6
EBITDA – Normalized	56.7	247.8	304.5	54.2	168.2	222.4

(in millions of dollars)	Twelve Months Ended December 31 2020			Twelve Months Ended December 31 2019		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Sales	1,172.2	4,643.4	5,815.6	1,780.6	5,636.0	7,416.6
Operating Earnings (Loss)	141.2	283.0	424.2	236.3	388.2	624.5
EBITDA	206.6	686.5	893.1	298.2	739.8	1,038.0
Operating Earnings (Loss) – Normalized	156.5	301.5	458.0	257.8	410.8	668.6
EBITDA – Normalized	221.9	697.9	919.8	319.8	762.5	1,082.3

Industrial Highlights

(in millions of dollars)	Three Months Ended December 31				Twelve Months Ended December 31			
	2020	2019	+/-	+/-	2020	2019	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	315.6	335.9	(20.3)	(6.0%)	1,172.2	1,780.6	(608.4)	(34.2%)
Operating Earnings (Loss)	32.6	26.6	6.0	22.6%	141.2	236.3	(95.1)	(40.2%)
EBITDA	49.4	41.3	8.1	19.6%	206.6	298.2	(91.6)	(30.7%)
Operating Earnings (Loss) – Normalized	39.9	39.4	0.5	1.3%	156.5	257.8	(101.3)	(39.3%)
EBITDA – Normalized	56.7	54.2	2.5	4.6%	221.9	319.8	(97.9)	(30.6%)

The Industrial segment ("Industrial") product sales decreased 6.0%, or \$20.3 million, to \$315.6 million in Q4 2020 from Q4 2019. The sales decrease was due to:

- ♦ access equipment sales declines primarily attributed to adverse conditions associated with the COVID-19 pandemic in North America and Europe; partially offset by
- ♦ increased market share in North America for telehandlers, scissors and booms.

The 2020 sales for Industrial decreased by \$608.4 million, or 34.2% compared with 2019. Access equipment sales declines primarily attributed to adverse conditions associated with the COVID-19 pandemic in North America and Europe similarly impacted the full year results.

Industrial segment normalized operating earnings in Q4 2020 increased \$0.5 million, or 1.3% from Q4 2019. The Industrial normalized operating earnings results were predominantly driven by:

- ♦ continued focus on cost reductions;
- ♦ the utilization of government support programs related to the global COVID-19 pandemic; partially offset by
- ♦ additional provisions for receivables related to current conditions in industrial markets primarily related to COVID-19; and
- ♦ access equipment net sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic in North America and Europe.

The 2020 normalized operating earnings for Industrial decreased by \$101.3 million, or 39.3% compared with 2019. The factors that impacted Q4 2020 similarly impacted the full year results.

Transportation Highlights

(in millions of dollars)			Three Months Ended December 31				Twelve Months Ended December 31	
	2020	2019	+/-	+/-	2020	2019	+/-	+/-
	\$	\$	\$	%	\$	\$	\$	%
Sales	1,389.2	1,280.2	109.0	8.5%	4,643.4	5,636.0	(992.6)	(17.6%)
Operating Earnings (Loss)	122.8	52.7	70.1	133.0%	283.0	388.2	(105.2)	(27.1%)
EBITDA	234.1	147.8	86.3	58.4%	686.5	739.8	(53.3)	(7.2%)
Operating Earnings (Loss) – Normalized	136.5	73.2	63.3	86.5%	301.5	410.8	(109.3)	(26.6%)
EBITDA – Normalized	247.8	168.2	79.6	47.3%	697.9	762.5	(64.6)	(8.5%)

Sales for the Transportation segment (“Transportation”) increased by \$109.0 million, or 8.5% in Q4 2020 compared with Q4 2019. The sales in Q4 2020 were impacted by:

- ♦ increased sales related to launching programs and increased volumes for certain programs that the Company has significant business with;
- ♦ an increase in sales as a result of the labour disruptions at a key US customer that occurred in Q4 2019; and
- ♦ a favourable impact on sales from the changes in foreign exchange rates from Q4 2019; partially offset by
- ♦ European sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic.

The 2020 sales for Transportation decreased by \$992.6 million, or 17.6% compared with 2019. The factors that impacted Q4 2020 similarly impacted the full year results with the exception that the impacts of COVID-19 had a more significant negative impact on the full year in comparison to Q4 2020.

Q4 2020 normalized operating earnings for Transportation were higher by \$63.3 million, or 86.5% compared to Q4 2019. The Transportation segment’s earnings were impacted by the following:

- ♦ the margin improvement from launching programs that continue to build in volume and for certain programs that the Company has significant business with;
- ♦ an increase in sales as a result of the labour disruptions at a key US customer that occurred in Q4 2019;
- ♦ the utilization of government support programs related to the global COVID-19 pandemic;
- ♦ a favourable impact on sales and expenses from the changes in foreign exchange rates from Q4 2019; and
- ♦ continued focus on cost reductions; partially offset by
- ♦ European sales declines primarily attributed to adverse conditions associated with the global COVID-19 pandemic.

The 2020 normalized operating earnings decreased by \$109.3 million, or 26.6% compared with 2019. The factors that impacted Q4 2020 similarly impacted the full year results in addition to COVID-19 impacts including the plant shutdowns in Asia during Q1 and in North America and Europe during Q1 and Q2 2020.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE³

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 units⁴ 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

³ 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.

⁴ 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.

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 December 31				Twelve Months Ended December 31			
	2020	2019	+/-	%	2020	2019	+/-	%
<i>North America</i>								
Vehicle Production Units	3.97	3.94	0.03	0.8%	13.43	16.88	(3.45)	(20.4%)
Automotive Sales	\$ 680.3	\$ 617.4	\$ 62.9	10.2%	\$ 2,364.3	\$ 2,805.3	\$ (441.0)	(15.7%)
Content Per Vehicle	\$ 171.57	\$ 156.80	\$ 14.77	9.4%	\$ 176.00	\$ 166.17	\$ 9.83	5.9%
<i>Europe</i>								
Vehicle Production Units	5.25	5.12	0.13	2.5%	16.58	21.06	(4.48)	(21.3%)
Automotive Sales	\$ 371.1	\$ 394.6	\$ (23.5)	(6.0%)	\$ 1,288.9	\$ 1,717.9	\$ (429.0)	(25.0%)
Content Per Vehicle	\$ 70.65	\$ 77.01	\$ (6.36)	(8.3%)	\$ 77.73	\$ 81.58	\$ (3.85)	(4.7%)
<i>Asia Pacific</i>								
Vehicle Production Units	13.18	12.36	0.82	6.6%	40.98	46.11	(5.13)	(11.1%)
Automotive Sales	\$ 178.7	\$ 122.6	\$ 56.1	45.8%	\$ 524.7	\$ 448.3	\$ 76.4	17.0%
Content Per Vehicle	\$ 13.55	\$ 9.92	\$ 3.63	36.6%	\$ 12.81	\$ 9.72	\$ 3.09	31.8%

North American automotive sales for Q4 2020 increased 10.2% from Q4 2019 in a market that saw an increase of 0.8% in production volumes for the same period. As a result, content per vehicle in Q4 2020 increased 9.4% from \$156.80 to \$171.57. The increase in North American content per vehicle was mainly impacted by increased volumes for certain programs that the Company has significant business with.

European automotive sales for Q4 2020 decreased 6.0% from Q4 2019 in a market that saw an increase of 2.5% in production volumes for the same period. As a result, content per vehicle in Q4 2020 decreased 8.3% from \$77.01 to \$70.65. 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 related issues.

Asia Pacific automotive sales for Q4 2020 increased 45.8% from Q4 2019 in a market that saw an increase of 6.6% in production volumes for the same period. As a result, content per vehicle in Q4 2020 increased 36.6% from \$9.92 to \$13.55. The increase in Asian content per vehicle was mainly impacted by increased volumes for certain programs that the Company has significant business with and launching programs.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2020	2019	2020	2019
Sales	\$ 1,704.8	\$ 1,616.1	\$ 5,815.6	\$ 7,416.6
Cost of Sales before amortization	1,308.2	1,312.3	4,577.0	5,953.7
Amortization	123.1	106.3	450.2	397.1
Cost of Sales	1,431.3	1,418.6	5,027.2	6,350.8
Gross Margin	\$ 273.5	\$ 197.5	\$ 788.4	\$ 1,065.8
Gross Margin percentage	16.0%	12.2%	13.6%	14.4%

Gross margin percentage increased in Q4 2020 to 16.0% compared to 12.2% in Q4 2019. Cost of sales before amortization as a percentage of sales decreased in Q4 2020 to 76.7% compared to 81.2% for the same quarter of last year. In dollar terms, gross margin increased \$76.0 million in Q4 2020 compared with Q4 2019 as a result of the items discussed earlier in this analysis such as:

- the margin improvement from launching programs that continue to build in volume and for certain programs that the Company has significant business within the Transportation segment;
- an increase in sales as a result of the labour disruptions at a key US customer that occurred in Q4 2019;
- the utilization of government support programs related to the global COVID-19 pandemic;
- a favourable impact on sales and expenses from the changes in foreign exchange rates from Q4 2019; and
- continued focus on cost reductions; partially offset by

- ♦ the lower sales volumes in both segments primarily attributed to the adverse conditions associated with the COVID-19 pandemic in North America and Europe.

Q4 2020 amortization increased to \$123.1 million from \$106.3 million in Q4 2019 primarily due to additional amortization from launching programs and products. Amortization as a percentage of sales increased to 7.2% of sales compared to 6.6% in Q4 2019. The factors that impacted Q4 2020 similarly impacted the full year results.

2020 gross margin decreased to 13.6% from 14.4% in 2019. The factors that impacted Q4 2020 gross margin similarly impacted the full year results with the exception that the impacts of COVID-19 had a more significant negative impact on the full year in comparison to Q4 2020.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2020	2019	2020	2019
Selling, general and administrative	\$ 106.0	\$ 98.9	\$ 353.6	\$ 414.4
SG&A percentage	6.2%	6.1%	6.1%	5.6%

Selling, general and administrative (“SG&A”) costs increased in Q4 2020 to \$106.0 million from \$98.9 million and increased as a percentage of sales to 6.2% from 6.1% when compared to Q4 2019. This increase is primarily due to:

- ♦ additional provisions for receivables related to current conditions in industrial markets primarily related to COVID-19; partially offset by
- ♦ continued focus on cost reductions.

The factors that impacted Q4 2020 similarly impacted the full year results with two additional impacts, increasing as a percentage of sales to 6.1% from 5.6% when compared to 2019. The full year results were further impacted by the utilization of government support programs earlier in 2020 and the percentage of sales where more significantly impacted than Q4 due to the impacts of COVID-19 on sales due to the plant shutdowns in Q1 and Q2 of 2020.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2020	2019	2020	2019
Operating Earnings (Loss)	\$ 155.4	\$ 79.3	\$ 424.2	\$ 624.5
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	(6.9)	(3.1)	(22.9)	(11.0)
Finance Income and (Expenses)	(0.2)	(12.0)	(26.9)	(49.1)
Provision for (Recovery of) Income Taxes	35.2	14.5	95.3	134.0
Net Earnings (Loss)	113.1	49.7	279.1	430.4

Finance Expenses

Finance expenses decreased \$11.8 million in Q4 2020 from \$12.0 million in Q4 2019 to \$0.2 million primarily due to:

- ♦ lower interest expense as a result of reducing average daily debt balances for Q4 2020 by \$830 million in comparison to Q4 2019; and
- ♦ lower effective interest rates which improved by 110 bps or 40% which primarily related to the Bank of Canada reducing interest rates in response to managing the economic impacts of the COVID-19 pandemic since March 2020.

The 2020 finance expenses decreased \$22.2 million compared to 2019. The full year finance expenses were impacted by the same factors as described for Q4 2020, in addition to the make-whole amount paid related to the prepayment of the Senior unsecured notes of U.S. \$130 million (“2021 Notes”) in Q2 2020.

The consolidated effective interest rate for Q4 2020 decreased to 1.7% compared to 2.8% in Q4 2019. The decrease in the effective rate was primarily driven by the lower debt levels and the Bank of Canada cutting interest rates. The decrease in the effective interest rate to 2.0% in 2020 versus 2.8% in 2019 is due to the same factors as Q4 2020.

Income Taxes

The effective tax rate for Q4 2020 was 23.7%, an increase from the 22.6% rate in the same quarter of 2019. The effective tax rate in Q4 2020 increased due to adjustments recognized in Q4 2019 regarding tax recoveries from prior years which did not recur in Q4 2020, partially offset by a reduction due to a more favourable mix of foreign tax rates in Q4 2020 compared to Q4 2019.

The effective tax rate for 2020 was 25.4%, an increase from the 23.7% rate in 2019 and was in line with the expected annual tax rate. The 2020 effective tax rate increased due to a proportional increase in non-deductible expenses and losses not benefited in the year.

TOTAL EQUITY

During the quarter no options expired unexercised, no options were forfeited, no options were exercised, and 150,000 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 March 10, 2021. The Company's common shares constitute its only class of voting securities. As of March 10, 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 10, 2021 due to the COVID-19 pandemic.

SELECTED FINANCIAL INFORMATION

Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2020, 2019 and 2018. This financial data should be read in conjunction with the Company's consolidated financial statements for these years:

(in millions of dollars, except per share figures)	2020 \$	2019 \$	2018 \$
Sales	5,815.6	7,416.6	7,620.6
Net Earnings (Loss)	279.1	430.4	591.5
Normalizing Items	35.5	34.0	(7.7)
Net Earnings (Loss) - Normalized	314.6	464.4	583.8
Total Assets	7,556.7	7,578.8	8,133.4
Total Long-term Liabilities	1,006.0	2,181.9	2,747.9
Cash Dividends declared per share	0.36	0.48	0.48
Net Earnings (Loss) per Share			
Basic	4.27	6.59	9.05
Diluted	4.27	6.56	8.94
Diluted - Normalized	4.81	7.08	8.82

The 2020 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and unusual items. The 2020 unusual items related to restructuring costs, a facility closure and make-whole interest for the early prepayment of the 2021 Notes. For more information refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A. The most significant impact on 2020 sales and earnings was a result of COVID-19 on the Company as discussed throughout this MD&A. In addition, the Company repaid a portion of its long-term debt primarily on its credit facilities as well as its 2021 Notes.

The 2019 normalizing items include foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and unusual items. The 2019 unusual items relate to restructuring costs and a supplier quality issue.

On February 1, 2018, the Company completed its acquisition of 100% of the outstanding equity interest of MacDon for a purchase price of \$1,299.5 million comprised of \$1,224.5 million in cash consideration and an assumed liability of \$75.0 million. As a result there is a significant increase in sales, net earnings, total assets, and total long-term liabilities between 2017 and 2018.

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

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2019 through December 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.

	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019
(in millions of dollars, except per share figures)	\$	\$	\$	\$	\$	\$	\$	\$
Sales	1,704.8	1,637.4	923.6	1,549.8	1,616.1	1,740.0	2,086.1	1,974.5
Net Earnings (Loss)	113.1	125.5	(37.9)	78.5	49.7	98.2	150.2	132.3
Net Earnings (Loss) per Share								
Basic	1.73	1.92	(0.58)	1.21	0.76	1.51	2.30	2.02
Diluted	1.73	1.92	(0.58)	1.20	0.76	1.50	2.28	2.00

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. Additionally, COVID-19 had adverse impacts on each quarter of 2020. Plant shutdowns began mainly in March and April 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		Twelve Months Ended	
	December 31		December 31	
	2020	2019	2020	2019
(in millions of dollars)	\$	\$	\$	\$
Cash generated from (used in):				
Operating Activities	489.6	502.7	1,434.1	1,167.7
Financing Activities	(114.1)	(433.7)	(616.4)	(724.1)
Investing Activities	(81.1)	(129.6)	(290.3)	(547.2)
Effect of translation adjustment on cash	(3.4)	4.0	(4.5)	(30.2)
Increase (decrease) in cash and cash equivalents	291.0	(56.6)	522.9	(133.8)
Cash and cash equivalents – Beginning of Period	570.1	394.8	338.2	472.0
Cash and cash equivalents – End of Period	861.1	338.2	861.1	338.2
Comprised of:				
Cash in bank	628.5	285.9	628.5	285.9
Short-term deposits	236.3	59.0	236.3	59.0
Unpresented cheques	(3.7)	(6.7)	(3.7)	(6.7)
	861.1	338.2	861.1	338.2

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2020 were \$861.1 million, an increase of \$522.9 million compared to December 31, 2019.

Cash generated from operating activities was \$489.6 million, a decrease of \$13.1 million from Q4 2019. Cash generated from operating activities in 2020 was \$1,434.1 million, \$266.4 million more than was provided in 2019, due to an increase in cash being generated by changes in operating assets and liabilities.

During the quarter, financing activities used \$114.1 million of cash compared to \$433.7 million used in Q4 2019 and for the full year financing activities used \$616.4 million compared to \$724.1 million. Both periods saw decreased use of cash primarily due to a lower level of repayment of the Company's long-term debt in comparison to the same periods of 2019.

Subsequent to year end, effective January 2021, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of Euro ("EUR") 320 million aggregate principal amount, issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. The EUR denominated notes have been designated as a net investment hedge for the net investments in EUR foreign operations. Along with available cash and proceeds drawn from the revolving credit facility the Company applied the proceeds of the notes towards the repayment of a non-revolving term credit facility maturing in January 2021 under its bank credit facility.

Investing activities used \$81.1 million in Q4 2020 compared to \$129.6 million used in Q4 2019 and full year investing activities used \$290.3 million compared to \$547.2 million in 2019. The decrease for the quarter and full year was due to a significant reduction in purchases of property, plant and equipment resulting from efforts to conserve cash due to the COVID-19 pandemic.

Operating Activities

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2020	2019	2020	2019
(in millions of dollars)	\$	\$	\$	\$
Net Earnings (Loss) for the period	113.1	49.7	279.1	430.4
Adjustments to earnings	125.6	133.7	492.5	467.0
	238.7	183.4	771.6	897.4
Changes in operating assets and liabilities	250.9	319.3	662.5	270.3
Cash generated from (used in) operating activities	489.6	502.7	1,434.1	1,167.7

Cash generated by operations before the effect of changes in operating assets and liabilities increased \$55.3 million in Q4 2020 to \$238.7 million, compared to \$183.4 million in Q4 2019 primarily due to higher net earnings. Cash generated from operations before the effect of changes in operating assets and liabilities decreased \$125.8 million in 2020 to \$771.6 million, compared to \$897.4 million in 2019 primarily due to lower net earnings due to shutdowns related to the COVID-19 pandemic that occurred in Q1 and Q2 2020.

Changes in operating assets and liabilities for Q4 2020 provided cash of \$250.9 million primarily due to lower collections of receivables partially offset by decreases in payments for accounts payable. For the full year changes in operating assets and liabilities provided cash of \$662.5 million driven by decreases in payments for accounts payable, increased collections of long-term receivables partially offset by decreased collections of accounts receivables.

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 in the consolidated statement of earnings was \$21.9 million for the three month period and \$130.0 million for the full year. 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		Twelve Months Ended	
	December 31		December 31	
	2020	2019	2020	2019
(in millions of dollars)	\$	\$	\$	\$
Proceeds from (repayments of) short-term borrowings	-	(4.6)	(6.4)	(10.2)
Proceeds from (repayments of) long-term debt	(106.0)	(413.5)	(601.2)	(618.2)
Proceeds from exercise of stock options	-	-	9.5	7.7
Repurchase of shares	-	-	(13.3)	(29.7)
Dividends	(7.8)	(7.9)	(23.4)	(31.4)
Finance income received (expenses paid)	(0.3)	(7.7)	(23.0)	(42.3)
Settlement of forward contracts	-	-	41.4	-
Cash generated from (used in) financing activities	(114.1)	(433.7)	(616.4)	(724.1)

Financing activities for Q4 2020 used \$114.1 million of cash compared to \$433.7 million used in Q4 2019 primarily driven by the Company's repayment of long-term debt. Financing activities for 2020 used \$616.4 million compared to \$724.1 million used in 2019. The decrease in cash used for financing activities for the full year was due to a lower repayment level of long-term debt combined with cash generated from the settlement of forward contracts related to the Company's prepayment of its 2021 Notes.

Investing Activities

(in millions of dollars)	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2020	2019	2020	2019
	\$	\$	\$	\$
Payments for purchase of property, plant and equipment	(75.8)	(120.1)	(264.3)	(525.4)
Proceeds on disposal of property, plant and equipment	8.5	6.5	15.2	25.2
Payments for purchase of intangible assets	(7.3)	(8.1)	(27.3)	(33.6)
Other	(6.5)	(7.9)	(13.9)	(13.4)
Cash generated from (used in) investing activities	(81.1)	(129.6)	(290.3)	(547.2)

Cash used for investing activities for Q4 2020 was \$81.1 million compared to Q4 2019 at \$129.6 million. Cash used on investing activities for the full year was \$290.3 million compared to 2019 at \$547.2 million. The focus on the conservation of cash by the Company during the quarter and full year related to COVID-19 resulted in a large reduction in purchases 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 operating capital expenditures will be financed by cash flow from operations or utilization of existing financing facilities.

At December 31, 2020, cash and cash equivalents, including short-term deposits was \$861.1 million and the Company's credit facilities had available credit of \$773.4 million. Combined, the Company believes this liquidity of \$1.6 billion at December 31, 2020 is sufficient to meet cash flow needs and has increased from the \$1.1 billion at December 31, 2019. In addition, free cash flow was \$422.3 million for Q4 2020 bringing the full year to \$1,185.0 million.

Commitments and Contingencies

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

(in millions of dollars)	Total	1 year	Later than 1	Later than 5
			year and not later than 5 years	
	\$	\$	\$	\$
Long-Term Debt Principal, excluding Lease Liabilities	1,241.1	558.7	627.7	54.7
Lease Liabilities ⁵	75.5	20.8	37.2	17.5
Purchase Commitments	113.3	113.3	-	-
Total Contractual Obligations	1,429.9	692.8	664.9	72.2

The Company occasionally provides guarantees to third parties who, in turn, provide financing to certain Linamar customers for industrial products. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in the notes to the Company's consolidated financial statements for the year ended December 31, 2020.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims, and other details surrounding its financial liabilities, are described in the notes to Company's consolidated financial statements for the year ended December 31, 2020.

Financial Instruments

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

The Company pursues a strategy of optimizing its operating and financing foreign currency cash flows in each region in which it operates. In key foreign exchange markets, the Company's foreign currency outflows for the purchases of materials and capital equipment are offset through the sale of products denominated in the same foreign currencies, creating a natural hedge. In markets where a natural currency hedge cannot be achieved, and a material foreign exchange exposure arises, the Company actively manages the risk through the execution of foreign exchange forward contracts and other derivatives. Despite actively managing the residual foreign exchange exposure, significant

⁵ Lease Liabilities includes the interest component in accordance with the definition of minimum lease payments under IFRS.

long-term movements in relative currency values may affect the Company's operational results. The Company does not actively hedge all the cash flow activities of its foreign subsidiaries and, accordingly operational results may be further affected by a significant change in the relative value of domestic currencies.

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

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the year ended December 31, 2020 except for the early repayment of its 2021 Notes, in order to improve its financial flexibility to manage in this uncertain environment, that resulted in an additional \$9.1 million of interest expense recognized during the second quarter. The hedge interest payment and debt principal forward contracts used to convert the United States stated coupon rate to a Canadian interest rate, and to lock in the exchange rate on the principal repayment component, were terminated at the same time. For more information, please see the Company's consolidated financial statements for the year ended December 31, 2020.

As at December 31, 2020, the Company holds floating USD denominated debt along with two cross currency interest rate swaps which converts this floating rate debt into fixed rate debt, and hedges the effective change in exchange rates on both its USD debt and its net investment in Euro foreign operations. The cross currency interest rate swap related to the USD debt qualified as a cash flow hedge for accounting purposes, and the cross currency interest rate swap related to the Euro foreign operations qualified as a net investment hedge. Any fair value unrealized gains and losses for both hedges are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the hedged items.

Subsequent to year end, effective January 2021, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of EUR 320 million aggregate principal amount issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. The 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 under a non-revolving credit facility, matured 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 that first net investment hedge. For more information, please see the Company's consolidated financial statements for the year ended December 31, 2020.

The company is exposed to foreign exchange fluctuations due to foreign operating transactions and to manage this the Company enters into forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated foreign sales and purchases. Any fair value unrealized gains and losses for the hedges are included in other comprehensive earnings, with reclassifications to net earnings for the effective portion to match the net earnings impact of the hedged items.

For more information, please see the notes to 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 \$376.4 million at December 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 decreased by \$127.8 million to \$234.5 million, financing loans for equity method investments which increased by \$16.2 million to \$111.2 million, and receivables for government assistance which decreased by \$34.2 million to \$28.0 million.

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 similar 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

On January 1, 2019, the Company adopted IFRS 16 Leases. Significant changes to lessee accounting were introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The resulting change was an increase to right-of-use assets within property, plant and equipment and lease liabilities within long-term debt. The right-of-use assets and lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate if the implicit rate could not be readily determined. In accordance with the transition provisions, the standard has been adopted without restating comparative figures.

CURRENT AND PROPOSED TRANSACTIONS

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

RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, and the Company's Annual Information Form for the year ended December 31, 2020 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

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 has reopened its manufacturing facilities, while ensuring back-to-work health and safety protocols that were implemented across all of our facilities, is maintained.

The full extent and impact of the ongoing COVID-19 pandemic, including current and potential future responses to it, are unknown. At this stage it is very difficult, and in some cases impossible, to predict what will occur. Potential future adverse impacts of the pandemic include, but are not limited to the risks of:

- ◆ governmental and other responses to the COVID-19 pandemic, such as regional business shut-downs, stay-at-home orders, business, border, travel and other restrictions;
- ◆ the health, availability for work and productivity of our workforce;
- ◆ 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;
- ◆ 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;
- ◆ resultant higher operating costs; and
- ◆ higher capital costs for servicing or paying debt as it comes due.

As at December 31, 2020, the Company is well within covenant compliance. The Company's scenario planning, which includes stress testing our forecasts currently demonstrate that the Company will remain within covenant compliance for the foreseeable future. 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.

Competition, Outsourcing and Insourcing

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

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

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

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

Sources and Availability of Raw Materials

The primary raw materials utilized by the Company's precision machining, access equipment and harvesting equipment operations are iron castings, aluminum castings, raw aluminum (ingot), forgings, raw steel, steel fabrications, powertrain assemblies, powder metal, bearings, seals and fasteners, which are readily obtained from a variety of suppliers globally that support the Company's operations. The Company is not substantially dependent on any one supplier. A disruption in the supply of components could cause the temporary shut-down and a prolonged supply disruption, including the inability to re-source or in-source production of a critical component, could have a material adverse effect on the Company's business.

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

Labour Markets and Dependence on Key Personnel

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

Dependence on Certain Customers

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

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

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

Technological Change and Product Launches

The automotive and non-automotive precision machining industry, as well as the access equipment and harvesting equipment industry, may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards.

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

Foreign Currency Risk

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

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

Long-term Contracts

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

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

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

Acquisition and Expansion Risk

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

Foreign Business Risk

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

Operations outside Canada subject the Company to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of any epidemic, pandemic or other public health threats such as COVID-19, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations.

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

Cyclicality and Seasonality

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

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

Legal Proceedings and Insurance Coverage

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

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

Credit Risk

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

Weather

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

Emission Standards

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

Capital and Liquidity Risk

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

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

Tax Laws

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

Securities Laws Compliance and Corporate Governance Standards

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

Environmental Matters

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

As of December 31, 2020, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

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

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

Internal Control over Financial Reporting

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

As of December 31, 2020, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

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

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

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

Changes in Internal Controls over Financial Reporting

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 December 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 management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

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 this MD&A. The Company has not changed its fundamental risk management practices. However, in order to improve its financial flexibility to manage in this uncertain environment, the Company prepaid its Senior unsecured notes of U.S. \$130 million in June 2020. 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 year, 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.

During the fourth quarter ended December 2020, management carried out its annual impairment tests on goodwill and certain other non-financial assets and no impairment resulted. Currently, based on the limited reliable information and current assessments regarding COVID-19, management doesn't believe that there would be a significant continuing adverse long-term impact to the business as a result of COVID-

19. 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 required, management will continue to assess assumptions as this evolving COVID-19 situation changes.

Current Income Taxes

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

Deferred Income Tax Assets and Liabilities

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

Useful Lives of Depreciable Assets

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

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, 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 Q4 2020, an unusual item related to “restructuring” adjusted the Transportation segment by \$8.6 million. The restructuring was to improve operational efficiencies, primarily in Europe, and not in response to COVID-19. During Q4 2019, an unusual item related to restructuring adjusted the Transportation segment for \$3.3 million and Industrial segment for \$1.1 million.

During Q3 2020, an unusual item of \$13.8 million related to the closing of a facility (“facility closure”) impacted the Transportation segment’s earnings. The closure of this North American facility was due to operational issues and was not in response to COVID-19. For EBITDA the non-cash impairment of assets is already excluded in its definition and therefore the unusual item is the remaining portion for the closure of the facility.

During Q2 2020, an unusual item of \$9.1 million related to “make-whole interest” for the early prepayment of the 2021 Notes impacted net earnings. This was to improve the Company’s financial flexibility in an uncertain environment.

During Q4 2019, as part of the Company’s annual inventory cost review a year-to-date adjustment (“inventory adjustment”) was booked at our European Industrial Fabrication facility. There is no impact to the full year 2019 results as Q4 expenses were overstated and prior quarters of 2019 were understated. The adjustment is not material to the Company’s overall financial results for either 2019 or for any of the prior quarters of 2019. The adjustment relates to a new product launch. This represented a unique circumstance for the facility, which previously had rarely launched a new line of product.

Linamar recognized an expense in Q4 2019 related to a “supplier quality issue” in the Transportation segment. Normally, any supplier quality issues would be fully reimbursed to Linamar from the supplier. In this case, Linamar was not able to receive full reimbursement for the costs incurred.

All normalizing items are reflected in the tables below:

(in millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2020 \$	2019 \$	2020 \$	2019 \$
Restructuring	8.6	4.4	8.6	13.4
Facility closure	-	-	13.8	-
Inventory adjustment	-	6.2	-	-
Supplier quality issue	-	3.1	-	3.1
Unusual items impacting operating earnings (loss)	8.6	13.7	22.4	16.5
Make-whole interest	-	-	9.1	-
Unusual items impacting net earnings (loss) before income taxes	8.6	13.7	31.5	16.5
Restructuring	8.6	4.4	8.6	13.4
Facility closure	-	-	2.1	-
Inventory adjustment	-	6.2	-	-
Supplier quality issue	-	3.1	-	3.1
Unusual items impacting EBITDA	8.6	13.7	10.7	16.5

(in millions of dollars)	Three Months Ended December 31				Twelve Months Ended December 31			
	2020 \$	2019 \$	+/- \$	+/- %	2020 \$	2019 \$	+/- \$	+/- %
Operating Earnings (Loss)	155.4	79.3	76.1	96.0%	424.2	624.5	(200.3)	(32.1%)
Foreign exchange (gain) loss	12.4	19.6	(7.2)		11.4	27.6	(16.2)	
Unusual items	8.6	13.7	(5.1)		22.4	16.5	5.9	
Operating Earnings (Loss) – Normalized	176.4	112.6	63.8	56.7%	458.0	668.6	(210.6)	(31.5%)
Net Earnings (Loss)	113.1	49.7	63.4	127.6%	279.1	430.4	(151.3)	(35.2%)
Foreign exchange (gain) loss	12.4	19.6	(7.2)		11.4	27.6	(16.2)	
Foreign exchange (gain) loss on debt and derivatives	-	-	-		4.6	0.2	4.4	
Unusual items	8.6	13.7	(5.1)		31.5	16.5	15.0	
Tax impact	(5.0)	(7.6)	2.6		(12.0)	(10.3)	(1.7)	
Net Earnings (Loss) – Normalized	129.1	75.4	53.7	71.2%	314.6	464.4	(149.8)	(32.3%)
Net Earnings (Loss) per Share – Diluted	1.73	0.76	0.97	127.6%	4.27	6.56	(2.29)	(34.9%)
Foreign exchange (gain) loss	0.19	0.30	(0.11)		0.17	0.42	(0.25)	
Foreign exchange (gain) loss on debt and derivatives	-	-	-		0.07	-	0.07	
Unusual items	0.13	0.21	(0.08)		0.48	0.25	0.23	
Tax impact	(0.08)	(0.12)	0.04		(0.18)	(0.15)	(0.03)	
Net Earnings (Loss) per Share – Diluted – Normalized	1.97	1.15	0.82	71.3%	4.81	7.08	(2.27)	(32.1%)
EBITDA	283.5	189.1	94.4	49.9%	893.1	1,038.0	(144.9)	(14.0%)
Foreign exchange (gain) loss	12.4	19.6	(7.2)		11.4	27.6	(16.2)	
Foreign exchange (gain) loss on debt and derivatives	-	-	-		4.6	0.2	4.4	
Unusual items	8.6	13.7	(5.1)		10.7	16.5	(5.8)	
EBITDA – Normalized	304.5	222.4	82.1	36.9%	919.8	1,082.3	(162.5)	(15.0%)

(in millions of dollars)	Three Months Ended December 31 2020			Twelve Months Ended December 31 2020		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Operating Earnings (Loss)	32.6	122.8	155.4	141.2	283.0	424.2
EBITDA	49.4	234.1	283.5	206.6	686.5	893.1
Foreign exchange (gain) loss	7.3	5.1	12.4	15.3	(3.9)	11.4
Unusual items	-	8.6	8.6	-	22.4	22.4
Operating Earnings (Loss) – Normalized	39.9	136.5	176.4	156.5	301.5	458.0
Impairment of assets within Unusual Item	-	-	-	-	(11.7)	(11.7)
Foreign exchange (gain) loss on debt and derivatives	-	-	-	-	4.6	4.6
EBITDA – Normalized	56.7	247.8	304.5	221.9	697.9	919.8

(in millions of dollars)	Three Months Ended December 31 2019			Twelve Months Ended December 31 2019		
	Industrial	Transportation	Linamar	Industrial	Transportation	Linamar
	\$	\$	\$	\$	\$	\$
Operating Earnings (Loss)	26.6	52.7	79.3	236.3	388.2	624.5
EBITDA	41.3	147.8	189.1	298.2	739.8	1,038.0
Foreign exchange (gain) loss	5.5	14.1	19.6	18.6	9.0	27.6
Unusual items	7.3	6.4	13.7	2.9	13.6	16.5
Operating Earnings (Loss) – Normalized	39.4	73.2	112.6	257.8	410.8	668.6
Foreign exchange (gain) loss on debt and derivatives	0.1	(0.1)	-	0.1	0.1	0.2
EBITDA – Normalized	54.2	168.2	222.4	319.8	762.5	1,082.3

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, 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 of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results.

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of December 31, 2020		Three Months Ended				Year to Date			
	Mar 31	Jun 30	Sep 30	Dec 31	Mar 31	Jun 30	Sep 30	Dec 31	
	2020	2020	2020	2020	2020	2020	2020	2020	2020
<i>North America</i>									
Vehicle Production Units	3.89	1.44	4.13	3.97	3.89	5.33	9.47	13.43	
Automotive Sales	\$ 666.5	\$ 267.1	\$ 750.3	\$ 680.3	\$ 666.5	\$ 933.6	\$ 1,684.0	\$ 2,364.3	
Content Per Vehicle	\$ 171.12	\$ 185.56	\$ 181.50	\$ 171.57	\$ 171.12	\$ 175.02	\$ 177.85	\$ 176.00	
<i>Europe</i>									
Vehicle Production Units	4.71	2.25	4.37	5.25	4.71	6.96	11.33	16.58	
Automotive Sales	\$ 399.6	\$ 183.0	\$ 335.2	\$ 371.1	\$ 399.6	\$ 582.7	\$ 917.9	\$ 1,288.9	
Content Per Vehicle	\$ 84.87	\$ 81.27	\$ 76.71	\$ 70.65	\$ 84.87	\$ 83.70	\$ 81.01	\$ 77.73	
<i>Asia Pacific</i>									
Vehicle Production Units	8.23	8.55	11.02	13.18	8.23	16.78	27.79	40.98	
Automotive Sales	\$ 88.6	\$ 118.9	\$ 138.5	\$ 178.7	\$ 88.6	\$ 207.5	\$ 346.0	\$ 524.7	
Content Per Vehicle	\$ 10.77	\$ 13.92	\$ 12.57	\$ 13.55	\$ 10.77	\$ 12.37	\$ 12.45	\$ 12.81	
Estimates as of September 30, 2020		Three Months Ended				Year to Date			
	Mar 31	Jun 30	Sep 30		Mar 31	Jun 30	Sep 30		
	2020	2020	2020		2020	2020	2020		
<i>North America</i>									
Vehicle Production Units	3.90	1.42	4.11		3.90	5.31	9.42		
Automotive Sales	\$ 666.5	\$ 267.1	\$ 750.3		\$ 666.5	\$ 933.6	\$ 1,684.0		
Content Per Vehicle	\$ 170.96	\$ 188.58	\$ 182.76		\$ 170.96	\$ 175.66	\$ 178.75		
<i>Europe</i>									
Vehicle Production Units	4.70	2.24	4.31		4.70	6.94	11.26		
Automotive Sales	\$ 399.7	\$ 183.1	\$ 335.3		\$ 399.7	\$ 582.8	\$ 918.1		
Content Per Vehicle	\$ 85.01	\$ 81.70	\$ 77.72		\$ 85.01	\$ 83.94	\$ 81.56		
<i>Asia Pacific</i>									
Vehicle Production Units	8.22	8.57	10.87		8.22	16.78	27.65		
Automotive Sales	\$ 88.6	\$ 118.9	\$ 138.5		\$ 88.6	\$ 207.5	\$ 346.0		
Content Per Vehicle	\$ 10.79	\$ 13.88	\$ 12.74		\$ 10.79	\$ 12.37	\$ 12.51		
Change in Estimates from Prior Quarter		Three Months Ended				Year to Date			
	Mar 31	Jun 30	Sep 30		Mar 31	Jun 30	Sep 30		
	2020	2020	2020		2020	2020	2020		
	+/-	+/-	+/-		+/-	+/-	+/-		
<i>North America</i>									
Vehicle Production Units	(0.01)	0.02	0.02		(0.01)	0.02	0.05		
Automotive Sales	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Content Per Vehicle	\$ 0.16	\$ (3.02)	\$ (1.26)		\$ 0.16	\$ (0.64)	\$ (0.90)		
<i>Europe</i>									
Vehicle Production Units	0.01	0.01	0.06		0.01	0.02	0.07		
Automotive Sales	\$ (0.1)	\$ (0.1)	\$ (0.1)		\$ (0.1)	\$ (0.1)	\$ (0.2)		
Content Per Vehicle	\$ (0.14)	\$ (0.43)	\$ (1.01)		\$ (0.14)	\$ (0.24)	\$ (0.55)		
<i>Asia Pacific</i>									
Vehicle Production Units	0.01	(0.02)	0.15		0.01	-	0.14		
Automotive Sales	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -		
Content Per Vehicle	\$ (0.02)	\$ 0.04	\$ (0.17)		\$ (0.02)	\$ -	\$ (0.06)		

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.