

# LINAMAR CORPORATION

## Consolidated Interim Statements of Financial Position

As at March 31, 2022 with comparatives as at December 31, 2021 (Unaudited)

(in thousands of Canadian dollars)

	March 31 2022 \$	December 31 2021 \$
<b>ASSETS</b>		
Cash and cash equivalents	903,942	928,428
Accounts and other receivables	994,905	870,551
Inventories	1,195,793	1,066,456
Income taxes recoverable	32,559	23,188
Current portion of long-term receivables (Note 6)	35,188	43,883
Current portion of derivative financial instruments (Note 6)	20,024	9,099
Prepaid expenses and other current assets	38,393	40,588
<b>Current Assets</b>	<b>3,220,804</b>	<b>2,982,193</b>
Long-term receivables (Note 6)	188,736	186,186
Derivative financial instruments (Note 6)	4,988	1,031
Property, plant and equipment	2,393,134	2,415,916
Investments	14,040	14,375
Deferred tax assets	131,397	130,925
Intangible assets	787,031	806,476
Goodwill	835,614	853,288
<b>Assets</b>	<b>7,575,744</b>	<b>7,390,390</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,782,673	1,603,466
Provisions	33,904	35,910
Income taxes payable	39,830	77,390
Current portion of long-term debt (Notes 6, 7)	224,921	21,055
Current portion of derivative financial instruments (Note 6)	3,736	7,299
<b>Current Liabilities</b>	<b>2,085,064</b>	<b>1,745,120</b>
Long-term debt (Notes 6, 7)	568,703	770,490
Derivative financial instruments (Note 6)	16	1,044
Deferred tax liabilities	277,799	274,940
<b>Liabilities</b>	<b>2,931,582</b>	<b>2,791,594</b>
<b>EQUITY</b>		
Capital stock	145,803	146,204
Retained earnings	4,536,348	4,449,643
Contributed surplus	29,580	28,816
Accumulated other comprehensive earnings (loss)	(67,569)	(25,867)
<b>Equity</b>	<b>4,644,162</b>	<b>4,598,796</b>
<b>Liabilities and Equity</b>	<b>7,575,744</b>	<b>7,390,390</b>

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

On behalf of the Board of Directors:

(Signed) "Linda Hasenfratz"

Linda Hasenfratz  
Director

(Signed) "Jim Jarrell"

Jim Jarrell  
Director

## LINAMAR CORPORATION

### Consolidated Interim Statements of Earnings

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)

(in thousands of Canadian dollars, except per share figures)

	Three Months Ended	
	2022	2021
	\$	\$
Sales	1,778,089	1,781,857
Cost of sales	1,579,899	1,469,150
<b>Gross Margin</b>	198,190	312,707
Selling, general and administrative	91,703	91,520
Other income and (expenses) (Note 9)	27,654	49
<b>Operating Earnings (Loss)</b>	134,141	221,236
Share of net earnings (loss) of investments accounted for using the equity method	(6,086)	(6,225)
Finance income and (expenses) (Note 10)	(537)	(7,620)
<b>Net Earnings (Loss) before Income Taxes</b>	127,518	207,391
Provision for (recovery of) income taxes	31,227	53,859
<b>Net Earnings (Loss) for the Period</b>	96,291	153,532
<b>Net Earnings (Loss) per Share:</b>		
Basic	1.47	2.35
Diluted	1.47	2.34

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

**LINAMAR CORPORATION****Consolidated Interim Statements of Comprehensive Earnings**

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2022	March 31
	2021	
	\$	\$
<b>Net Earnings (Loss) for the Period</b>	96,291	153,532
<b>Items that may be reclassified subsequently to net income</b>		
Unrealized gains (losses) on translating financial statements of foreign operations	(72,208)	(130,288)
Change in unrealized gains (losses) on net investment hedges	18,016	34,166
Change in unrealized gains (losses) on cash flow hedges	17,381	(4,991)
Change in cost of hedging	1,569	(1,621)
Reclassification to earnings of gains (losses) on cash flow hedges	(1,351)	1,110
Tax impact of above	(4,163)	(1,922)
<b>Other Comprehensive Earnings (Loss)</b>	(40,756)	(103,546)
<b>Comprehensive Earnings (Loss) for the Period</b>	55,535	49,986

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

# LINAMAR CORPORATION

## Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)

(in thousands of Canadian dollars)

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
<b>Balance at January 1, 2022</b>	146,204	4,449,643	28,816	(21,284)	(4,583)	4,598,796
Net Earnings (Loss)	-	96,291	-	-	-	96,291
Other comprehensive earnings (loss)	-	-	-	(54,192)	13,436	(40,756)
<b>Comprehensive Earnings (Loss)</b>	-	96,291	-	(54,192)	13,436	55,535
Hedging transferred to the carrying value of inventory	-	-	-	-	(946)	(946)
Share-based compensation	-	-	764	-	-	764
Common shares repurchased and cancelled (Note 8)	(401)	(9,586)	-	-	-	(9,987)
<b>Balance at March 31, 2022</b>	145,803	4,536,348	29,580	(75,476)	7,907	4,644,162

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
<b>Balance at January 1, 2021</b>	146,204	4,073,591	25,546	91,598	16,559	4,353,498
Net Earnings (Loss)	-	153,532	-	-	-	153,532
Other comprehensive earnings (loss)	-	-	-	(99,350)	(4,196)	(103,546)
<b>Comprehensive Earnings (Loss)</b>	-	153,532	-	(99,350)	(4,196)	49,986
Hedging transferred to the carrying value of inventory	-	-	-	-	346	346
Share-based compensation	-	-	706	-	-	706
<b>Balance at March 31, 2021</b>	146,204	4,227,123	26,252	(7,752)	12,709	4,404,536

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

**LINAMAR CORPORATION****Consolidated Interim Statements of Cash Flows**

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2022	March 31 2021
	\$	\$
<b>Cash generated from (used in)</b>		
<b>Operating Activities</b>		
Net Earnings (Loss) for the Period	96,291	153,532
Adjustments for:		
Amortization of property, plant and equipment	92,361	107,207
Amortization of other intangible assets	13,896	11,872
Deferred income taxes	(375)	(10,462)
Asset impairment provision, net of reversals	75	2,151
Share-based compensation	764	706
Equity investment (earnings) loss	6,086	6,225
Finance (income) and expenses	537	7,620
Other	(25,115)	(13,678)
	184,520	265,173
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	(135,463)	(104,384)
(Increase) decrease in inventories	(141,293)	(45,672)
(Increase) decrease in prepaid expenses and other current assets	1,810	(76)
(Increase) decrease in long-term receivables	2,980	(8,852)
Increase (decrease) in income taxes	(47,252)	(20,115)
Increase (decrease) in accounts payable and accrued liabilities	198,927	140,249
Increase (decrease) in provisions	(1,732)	(2,402)
	(122,023)	(41,252)
<b>Cash generated from (used in) operating activities</b>	<b>62,497</b>	<b>223,921</b>
<b>Financing Activities</b>		
Proceeds from (repayments of) long-term debt	(10,120)	(791,989)
Proceeds from senior unsecured notes	-	493,952
Repurchase of shares (Note 8)	(9,987)	-
Finance income received (expenses paid)	(2,694)	367
Settlement of derivative contracts	-	(40,470)
<b>Cash generated from (used in) financing activities</b>	<b>(22,801)</b>	<b>(338,140)</b>
<b>Investing Activities</b>		
Payments for purchase of property, plant and equipment	(88,010)	(59,552)
Proceeds on disposal of property, plant and equipment	29,187	1,845
Payments for purchase of intangible assets	(1,950)	(3,400)
<b>Cash generated from (used in) investing activities</b>	<b>(60,773)</b>	<b>(61,107)</b>
	(21,077)	(175,326)
Effect of translation adjustment on cash	(3,409)	(13,872)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(24,486)</b>	<b>(189,198)</b>
<b>Cash and cash equivalents - Beginning of Period</b>	<b>928,428</b>	<b>861,100</b>
<b>Cash and cash equivalents - End of Period</b>	<b>903,942</b>	<b>671,902</b>
<b>Comprised of:</b>		
Cash in bank	449,544	396,586
Short-term deposits	456,522	281,402
Unpresented cheques	(2,124)	(6,086)
	903,942	671,902

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

# **LINAMAR CORPORATION**

## **Notes to Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

### **1 General Information**

Linamar Corporation and its subsidiaries, including jointly controlled entities, (together, the “Company”) is a diversified global manufacturing company of highly engineered products. The Company is incorporated in Ontario, Canada with common shares listed on the Toronto Stock Exchange (“TSX”). The Company is domiciled in Canada and its registered office is 287 Speedvale Avenue West, Guelph, Ontario, Canada.

The consolidated interim financial statements of the Company for the period ended March 31, 2022 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on May 11, 2022.

### **2 Basis of Preparation and Significant Accounting Policies**

The Company has prepared its consolidated interim financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and with interpretations of the International Financial Reporting Issues Committee.

These interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Accordingly, certain information and footnotes as required in the annual financial statements have been omitted or condensed and as such these interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2021. These interim financial statements and the notes thereto have not been reviewed by the Company’s external auditors pursuant to a review engagement applying review standards set out in the Canadian Chartered Professional Accountants handbook.

These interim financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

The Company has prepared these unaudited consolidated interim financial statements using the same accounting policies and methods as those used in the Company’s audited consolidated annual financial statements for the year ended December 31, 2021. These policies have been consistently applied to all periods presented, unless otherwise stated.

### **3 Changes in Accounting Policies**

#### **New Standards and Amendments Adopted**

Certain new standards and amendments became effective during the current period; however the adoption of these new standards and amendments did not significantly impact the Company’s net earnings or financial position.

#### **New Standards and Interpretations Not Yet Adopted**

All pronouncements will be adopted in the Company’s accounting policies after the effective date of the pronouncement. At the date of authorization of these interim financial statements, there were no new standards, amendments and interpretations to existing standards that were relevant to the Company.

### **4 Critical Accounting Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. Due to the uncertainty of COVID-19, the following discussion sets forth an update to 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 these financial statements. The Company has not changed its fundamental risk management practices. The Company will continue to evaluate the situation and monitor any impacts or potential impacts to its business.

## LINAMAR CORPORATION

### Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

Please refer to the “Critical Accounting Estimates and Judgements” section of the Company’s December 31, 2021 consolidated annual financial statements for additional information.

## 5 Seasonality

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

## 6 Composition of Financial Instruments

The comparison of fair values to carrying amounts of financial assets and financial liabilities along with their fair value hierarchy for financial assets and financial liabilities carried at fair value on a recurring basis is as follows:

		March 31, 2022		December 31, 2021	
	Subsequent Measurement	Carrying Value Asset (Liability) \$	Fair Value \$	Carrying Value Asset (Liability) \$	Fair Value \$
Long-term receivables	Amortized cost (Level 2)	223,924	223,234	230,069	240,456
Derivative financial instruments					
USD sales forwards – CAD functional entities	Fair value (Level 2)	5,819	5,819	(3,880)	(3,880)
USD sales forwards – MXN functional entities	Fair value (Level 2)	7,929	7,929	3,323	3,323
USD sales forwards – CNY functional entities	Fair value (Level 2)	949	949	1,045	1,045
CAD purchase forwards – GBP functional entities	Fair value (Level 2)	6,563	6,563	1,299	1,299
Investment designated at fair value through other comprehensive income	Fair value (Level 3)	6,705	6,705	6,794	6,794
Long-term debt, excluding lease liabilities	Amortized cost (Level 2)	(710,684)	(649,515)	(732,249)	(700,197)

## 7 Long-Term Debt

	March 31 2022	December 31 2021
	\$	\$
Senior unsecured notes	440,552	458,521
Bank borrowings	198,159	198,007
Lease liabilities	82,940	59,296
Government borrowings	71,973	75,721
	793,624	791,545
Less: current portion	224,921	21,055
	568,703	770,490

As of March 31, 2022, \$957,593 was available under the revolving credit facility.

## 8 Capital Stock

In November 2021, the Company announced TSX approval to commence a new normal course issuer bid. This bid permits the Company to acquire for cancellation up to 4,421,507 common shares between November 30, 2021 and November 29, 2022. This bid is subject to daily limits and blackout periods. For the period ended March 31, 2022, the Company repurchased and cancelled 179,220 common shares under its bid for a total amount of \$9,987.

## LINAMAR CORPORATION

### Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

#### 9 Other Income and (Expenses)

	Three Months Ended	
	2022	March 31 2021
	\$	\$
Foreign exchange gain (loss)	5,472	(77)
Gain on sale of unused land	22,157	-
Other income (expense)	25	126
	27,654	49

#### 10 Finance Income and (Expenses)

	Three Months Ended	
	2022	March 31 2021
	\$	\$
Finance costs	(3,866)	(5,400)
Foreign exchange gain (loss) on debt and derivatives	342	(6,324)
Interest earned	5,056	6,165
Other	(2,069)	(2,061)
	(537)	(7,620)

#### 11 Commitments

As at March 31, 2022, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$248,750 (March 31, 2021 - \$126,879). Of this amount \$233,159 (March 31, 2021 - \$125,501) relates to the purchase of manufacturing equipment and \$15,591 (March 31, 2021 - \$1,378) relates to general contracting and construction costs in respect of plant construction. Of the commitments for plant construction, \$13,922 (March 31, 2021 - \$23) were commitments to a related party, a company owned by the spouse of an officer and director. The majority of these commitments are due within the next twelve months.

#### 12 Related Party Transactions

Related party transactions include long-term receivables due from an investee accounted for using the equity method at March 31, 2022 of \$136,052 (March 31, 2021 - \$117,877). Interest earned on the receivable included in finance income was \$1,470 for the three months ended March 31, 2022 (\$1,133 for the three months ended March 31, 2021). Included in the cost of sales are material purchases from the same related party of \$7,458 for the three months ended March 31, 2022 (\$3,310 for the three months ended March 31, 2021), with amounts payable at March 31, 2022 of \$9,165 (March 31, 2021 - \$6,607).

Building additions made by a related party, a company owned by the spouse of an officer and director, the three months ended March 31, 2022 were \$5,322 (\$199 for the three months ended March 31, 2021).

#### 13 Segmented Information

Management has determined the operating segments based on the reports reviewed by the Senior Executive Group that are used to make strategic decisions.

**Mobility:** The Mobility segment derives revenues primarily from the collaborative design, development and manufacture of both systems and components for new energy powertrains, body and chassis, driveline, engine, and transmission systems for both the global electrified and traditionally powered on and off highway vehicle markets.

**Industrial:** The Industrial segment is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms, telehandlers and agricultural equipment.

The segments are differentiated by the products that each produces and reflects how the Senior Executive Group manages the business. Corporate headquarters and other small operating entities are allocated to the Mobility and Industrial operating segments accordingly.

The Company accounts for inter-segment sales and transfers as arm's length transactions at current market rates. The Company ensures that the measurement and policies are consistently followed among the Company's reportable segments for sales, operating earnings, net earnings and assets.

## LINAMAR CORPORATION

### Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and March 31, 2021 (Unaudited)  
(in thousands of Canadian dollars, except where otherwise noted)

The Company derives revenue from the transfer of goods and services at a point in time and over time in the following operating segments. These segments best depict how economic factors affect the nature, amount, timing and uncertainty of revenue and cash flows.

	Three Months Ended March 31, 2022		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
Mobility	1,409,934	9,511	112,626
Industrial	368,155	2,538	21,515
Total	1,778,089	12,049	134,141

	Three Months Ended March 31, 2021		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
Mobility	1,433,568	6,352	185,514
Industrial	348,289	2,235	35,722
Total	1,781,857	8,587	221,236

The Company operates in four geographic segments. The sales to external customers in Canada, Rest of North America, Asia Pacific and Europe are as follows:

	Three Months Ended March 31	
	2022	2021
	\$	\$
Canada	892,604	884,843
Rest of North America	223,776	222,626
Asia Pacific	148,947	139,071
Europe	512,762	535,317
Total	1,778,089	1,781,857

## 14 Business Acquisitions

On March 31, 2022, it was announced that the Company will acquire the remaining 50% interest in the joint venture, GF Linamar LLC, from GF Casting Solutions, a division of Georg Fischer AG on April 1, 2022 thereby assuming 100% ownership and operational control. The ownership change will help secure the Company's long-term growth plan in lightweight structural castings; a critical component in electrified vehicles. The preliminary purchase price is USD \$73 million plus an earn out of up to a maximum of USD \$24 million.

On April 27, 2022, it was announced that the Company will acquire 100% of the issued and outstanding equity of the Salford Group of Companies with an expected close during the second quarter of 2022. The ownership will expand the Company's agricultural portfolio into crop nutrition application and tillage products. The preliminary purchase price is CAD \$260 million.

Due to the timing of the close and complexities associated with these transactions, the determination of the fair value of consideration, assets acquired and liabilities assumed, is subject to further adjustments.