LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended June 30, 2023

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the quarter ended June 30, 2023. This MD&A has been prepared as at August 9, 2023. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

Additional information regarding Linamar, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.linamar.com or through the SEDAR website at www.sedar.com.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is an advanced manufacturing company where the intersection of leading-edge technology and deep manufacturing expertise is creating solutions that power vehicles, motion, work and lives for the future. The Company is made up of two operating segments – the Industrial segment and the Mobility segment, both global leaders in manufacturing solutions and world-class developers of highly engineered products. The Industrial segment is comprised of Skyjack, MacDon and Salford. 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. Salford also supplies the agriculture market with farm tillage and crop fertilizer applicator equipment. The Mobility segment is focused on propulsion systems, structural and chassis systems, energy storage and power generation for both the global electrified and traditionally powered vehicle markets, and is subdivided into three regional groups and one global product group: North America, Europe, Asia Pacific and the newly formed Structures Group. The Regional Mobility groups are vertically integrated operations combining expertise in light metal casting, forging, machining and assembly. The Linamar Structures Group offers competitive lightweight innovations for safety-critical components and systems for the global mobility market. In addition, the eLIN Product Solutions Group focuses on Electrification and McLaren Engineering provides design, development, and testing services for the Mobility segment. Linamar's medical solutions group, Linamar MedTech, focuses on manufacturing solutions for medical devices and precision medical components. Linamar has over 31,000 employees in 69 manufacturing locations, 14 R&D centres and 28 sales offices in 19 countries in North and South America, Europe and Asia, which generated sales of more than $7.9 billion in 2022. For more information about Linamar Corporation and its industry-leading products and services, visit www.linamar.com or follow us on our social media channels.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in the second quarter of 2023 ("Q2 2023") and 2022 ("Q2 2022"):

	Three Months Ended June 30				Six Months Ended June 30			
(in millions of dollars, except per share figures)	2023 $	2022 $	+/- $	+/- %	2023 $	2022 $	+/- $	+/- %
Sales	2,552.8	1,981.6	571.2	28.8%	4,845.5	3,759.7	1,085.8	28.9%
Gross Margin	361.9	249.9	112.0	44.8%	662.4	448.1	214.3	47.8%
Operating Earnings (Loss)	214.1	143.8	70.3	48.9%	391.0	277.9	113.1	40.7%
Net Earnings (Loss)	135.0	104.5	30.5	29.2%	252.0	200.8	51.2	25.5%
Net Earnings (Loss) per Share - Diluted	2.19	1.61	0.58	36.0%	4.09	3.08	1.01	32.8%
Earnings before interest, taxes and amortization ("EBITDA")[1]	335.6	256.5	79.1	30.8%	633.5	495.2	138.3	27.9%
Operating Earnings (Loss) - Normalized[1]	230.8	149.2	81.6	54.7%	406.6	255.8	150.8	59.0%
Net Earnings (Loss) - Normalized[1]	160.8	109.3	51.5	47.1%	282.5	180.2	102.3	56.8%
Net Earnings (Loss) per Share - Diluted - Normalized[1]	2.61	1.68	0.93	55.4%	4.59	2.76	1.83	66.3%
EBITDA – Normalized[1]	352.2	262.9	89.3	34.0%	649.3	473.7	175.6	37.1%

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

[1] Operating Earnings (Loss) – Normalized, Net Earnings (Loss) – Normalized, Net Earnings (Loss) per Share – Diluted – Normalized, EBITDA and EBITDA – Normalized are non-GAAP financial measures. Please see "Non-GAAP and Other Financial Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Industrial and Mobility. The segments are differentiated by the products that each produces and reflects how the chief operating decision makers of the Company manage the business. The following should be read in conjunction with the Company's consolidated financial statements for the quarter ended June 30, 2023.

			Three Months Ended June 30 2023			Six Months Ended June 30 2023
(in millions of dollars)	Industrial $	Mobility $	Linamar $	Industrial $	Mobility $	Linamar $
Sales	777.3	1,775.5	2,552.8	1,362.3	3,483.2	4,845.5
Operating Earnings (Loss)	139.8	74.3	214.1	244.7	146.3	391.0
EBITDA	155.5	180.1	335.6	276.5	357.0	633.5
Operating Earnings (Loss) – Normalized	151.6	79.2	230.8	249.1	157.5	406.6
EBITDA – Normalized	167.3	184.9	352.2	281.1	368.2	649.3

			Three Months Ended June 30 2022			Six Months Ended June 30 2022
(in millions of dollars)	Industrial $	Mobility $	Linamar $	Industrial $	Mobility $	Linamar $
Sales	504.6	1,477.0	1,981.6	872.8	2,886.9	3,759.7
Operating Earnings (Loss)	39.7	104.1	143.8	61.2	216.7	277.9
EBITDA	52.9	203.6	256.5	87.2	408.0	495.2
Operating Earnings (Loss) – Normalized	49.4	99.8	149.2	62.8	193.0	255.8
EBITDA – Normalized	62.8	200.1	262.9	88.9	384.8	473.7

Industrial Highlights

				Three Months Ended June 30				Six Months Ended June 30
(in millions of dollars)	2023 $	2022 $	+/- $	+/- %	2023 $	2022 $	+/- $	+/- %
Sales	777.3	504.6	272.7	54.0%	1,362.3	872.8	489.5	56.1%
Operating Earnings (Loss)	139.8	39.7	100.1	252.1%	244.7	61.2	183.5	299.8%
EBITDA	155.5	52.9	102.6	194.0%	276.5	87.2	189.3	217.1%
Operating Earnings (Loss) – Normalized	151.6	49.4	102.2	206.9%	249.1	62.8	186.3	296.7%
EBITDA – Normalized	167.3	62.8	104.5	166.4%	281.1	88.9	192.2	216.2%

The Industrial segment ("Industrial") product sales increased 54.0%, or $272.7 million, to $777.3 million in Q2 2023 from Q2 2022. The sales increase was due to:

- an increase in agricultural sales from market growth further improved by market share growth in core products;
- additional access equipment sales primarily due to increased market volumes in addition to market share growth for booms in Europe;
- increased sales related to the acquisition of the Salford Group of Companies ("Salford");
- increased pricing to help relieve increased supply chain costs; and
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2022.

Year to date ("YTD") sales for Industrial increased by $489.5 million, or 56.1%, compared with YTD 2022. The factors that impacted Q2 2023 similarly impacted the YTD results.

Industrial segment normalized operating earnings in Q2 2023 increased $102.2 million, or 206.9%, from Q2 2022. The Industrial normalized operating earnings results were predominantly driven by:

- an increase in agricultural sales volumes and pricing;
- an increase in access equipment sales volumes and pricing;
- a favourable impact from the changes in foreign exchange rates from Q2 2022; and
- increased sales related to the acquisition of Salford; partially offset by
- an increase in selling, general and administrative ("SG&A") costs supporting growth.

The YTD normalized operating earnings increased by $186.3 million, or 296.7%, compared with YTD 2022. The factors that impacted Q2 2023 similarly impacted the YTD results.

Mobility Highlights

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	+/- $	+/- %	Six Months Ended June 30 2023 $	2022 $	+/- $	+/- %
Sales	1,775.5	1,477.0	298.5	20.2%	3,483.2	2,886.9	596.3	20.7%
Operating Earnings (Loss)	74.3	104.1	(29.8)	(28.6%)	146.3	216.7	(70.4)	(32.5%)
EBITDA	180.1	203.6	(23.5)	(11.5%)	357.0	408.0	(51.0)	(12.5%)
Operating Earnings (Loss) – Normalized	79.2	99.8	(20.6)	(20.6%)	157.5	193.0	(35.5)	(18.4%)
EBITDA – Normalized	184.9	200.1	(15.2)	(7.6%)	368.2	384.8	(16.6)	(4.3%)

Sales for the Mobility segment ("Mobility") increased by $298.5 million, or 20.2%, in Q2 2023 compared with Q2 2022. The sales in Q2 2023 were impacted by:

- increased sales related to launching programs;
- a favourable impact on sales from the changes in foreign exchange rates from Q2 2022; and
- increased pricing related to cost recovery partially offsetting the associated labour, materials, freight, and utilities.

YTD sales for Mobility increased by $596.3 million, or 20.7%, compared to YTD 2022. The factors that impacted Q2 2023 similarly impacted the YTD results.

Q2 2023 normalized operating earnings for Mobility were lower by $20.6 million, or 20.6%, compared to Q2 2022. The Mobility segment's earnings were impacted by the following:

- increased costs related to labour, materials, freight, and utilities, partially offset by customer cost recovered in sales; and
- an increase in SG&A costs supporting growth; largely offset by
- increased sales related to launching programs.

The YTD normalized operating earnings decreased by $35.5 million, or 18.4%, compared with YTD 2022. The factors that impacted Q2 2023 similarly impacted the YTD results.

Automotive Sales and Content Per Vehicle[1]

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 units[2] for each continent.

In addition to automotive Original Equipment Manufacturers ("OEMs"), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however, the Company estimates the automotive portion of the sales for inclusion in its content per vehicle ("CPV") calculations. The allocation of sales to regions is based on vehicle production volume estimates from industry sources, published closest to the quarter end date. As these estimates are updated, the Company's sales classifications can be impacted.

1 Content per Vehicle is a supplementary financial measure. Please see "Non-GAAP and Other Financial Measures" section of this MD&A. Automotive Sales are measured as the amount of the Company's automotive sales dollars per vehicle, not including tooling sales. CPV does not have a standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers. CPV is an indicator of the Company's market share for the automotive markets that it operates in.

2 Vehicle production units are derived from industry sources and are shown in millions of units. North American vehicle production units used by the Company for the determination of the Company's CPV include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks. All vehicle production volume information is as regularly reported by industry sources. Industry sources release vehicle production volume estimates based on the latest information from the Automotive Manufacturers and update these estimates as more accurate information is obtained. The Company will, on a quarterly basis, update CPV for the current fiscal year in its MD&A as these volume estimates are revised by the industry sources. The CPV figures in this MD&A reflect the volume estimates that were published closest to the quarter end date by the industry sources. These updates to vehicle production units have no effect on the Company's financial statements for those periods.

North America	2023	2022	+/-	Three Months Ended June 30 %	2023	2022	+/-	Six Months Ended June 30 %
Vehicle Production Units	4.24	3.68	0.56	15.2%	8.29	7.36	0.93	12.6%
Automotive Sales	$ 993.0	$ 870.2	$ 122.8	14.1%	$ 1,977.6	$ 1,637.1	$ 340.5	20.8%
Content Per Vehicle	$ 234.25	$ 236.14	$ (1.89)	(0.8%)	$ 238.67	$ 222.45	$ 16.22	7.3%
Europe								
Vehicle Production Units	4.54	3.97	0.57	14.4%	9.16	7.89	1.27	16.1%
Automotive Sales	$ 475.4	$ 396.3	$ 79.1	20.0%	$ 916.6	$ 784.6	$ 132.0	16.8%
Content Per Vehicle	$ 104.76	$ 99.78	$ 4.98	5.0%	$ 100.10	$ 99.49	$ 0.61	0.6%
Asia Pacific								
Vehicle Production Units	12.02	10.26	1.76	17.2%	23.66	21.56	2.10	9.7%
Automotive Sales	$ 139.6	$ 96.0	$ 43.6	45.4%	$ 257.1	$ 230.4	$ 26.7	11.6%
Content Per Vehicle	$ 11.62	$ 9.35	$ 2.27	24.3%	$ 10.86	$ 10.68	$ 0.18	1.7%

North American automotive sales for Q2 2023 increased 14.1% from Q2 2022 in a market that saw an increase of 15.2% in production volumes for the same period. As a result, content per vehicle in Q2 2023 decreased 0.8% from $236.14 to $234.25. North American content per vehicle did see significant increases from launching programs this quarter however this was offset by a reduction in volumes on certain platforms that the Company has significant business with, and a dilution resulting from OEMs that the Company has minimal content with growing more than the overall North American production levels.

European automotive sales for Q2 2023 increased 20.0% from Q2 2022 in a market that saw an increase of 14.4% in production volumes for the same period. As a result, content per vehicle in Q2 2023 increased 5.0% from $99.78 to $104.76. The increase in European content per vehicle was primarily a result of increased sales for launching programs.

Asia Pacific automotive sales for Q2 2023 increased 45.4% from Q2 2022 in a market that saw an increase of 17.2% in production volumes for the same period. As a result, content per vehicle in Q2 2023 increased 24.3% from $9.35 to $11.62. The increase in Asian content per vehicle was primarily a result of increased sales for launching programs.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended June 30 2023	2022	Six Months Ended June 30 2023	2022
Sales	$ 2,552.8	$ 1,981.6	$ 4,845.5	$ 3,759.7
Cost of Sales before amortization	2,074.3	1,621.7	3,951.1	3,096.0
Amortization	116.6	110.0	232.0	215.6
Cost of Sales	2,190.9	1,731.7	4,183.1	3,311.6
Gross Margin	$ 361.9	$ 249.9	$ 662.4	$ 448.1
Gross Margin percentage	14.2%	12.6%	13.7%	11.9%

Gross margin percentage increased in Q2 2023 to 14.2% compared to 12.6% in Q2 2022. Cost of sales before amortization as a percentage of sales decreased in Q2 2023 to 81.3% compared to 81.8% for the same quarter of last year. In dollar terms, gross margin increased $112.0 million in Q2 2023 compared with Q2 2022 as a result of the items discussed earlier in this analysis such as:

- an increase in agricultural sales volumes and pricing;
- an increase in access equipment sales volumes and pricing;
- a favourable impact from the changes in foreign exchange rates from Q2 2022;
- increased sales related to the acquisition of Salford; and
- increased sales related to launching Mobility programs; partially offset by
- increased costs related to labour, materials, freight, and utilities, partially offset by customer cost recovered in sales.

Amortization as a percentage of sales decreased to 4.6% of sales compared to 5.6% in Q2 2022. In dollar terms, Q2 2023 amortization increased as a result of:

- additional amortization from launching programs; and
- additional expenses from the acquisition of Salford in 2022.

YTD amortization was higher at $232.0 million compared to $215.6 million in YTD 2022. YTD amortization as a percentage of sales decreased to 4.8% of sales compared to 5.7% in YTD 2022.

YTD gross margin increased to 13.7% from 11.9% in the same period of 2022. The increase in the YTD gross margin was a result of the same factors that impacted Q2 2023.

Selling, General and Administration

(in millions of dollars)		Three Months Ended June 30 2023	2022		Six Months Ended June 30 2023	2022
Selling, general and administrative	$	131.2	$ 100.7	$	255.9	$ 192.4
SG&A percentage		5.1%	5.1%		5.3%	5.1%

Selling, general and administrative ("SG&A") costs increased in Q2 2023 to $131.2 million from $100.7 million, however remained flat as a percentage of sales at 5.1% in both Q2 2023 and Q2 2022. This increase, in dollar terms, is primarily due to:

- an increase in management and sales costs supporting growth;
- additional expenses from the acquisition of Salford in 2022; and
- an increase in travel expenses supporting growth.

On a YTD basis, SG&A costs reflected similar factors that impacted Q2 2023 and increased as a percentage of sales to 5.3% from 5.1% when compared to YTD 2022.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	Six Months Ended June 30 2023 $	2022 $
Operating Earnings (Loss)	214.1	143.8	391.0	277.9
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	-	-	-	(6.0)
Finance Income and (Expenses)	(15.4)	(4.9)	(28.6)	(5.4)
Provision for (Recovery of) Income Taxes	63.7	34.4	110.4	65.7
Net Earnings (Loss)	135.0	104.5	252.0	200.8

Finance Expenses

Finance expenses increased $10.5 million in Q2 2023 from $4.9 million in Q2 2022 to $15.4 million due to:

- increase in interest costs due to change in the Bank of Canada overnight rate and United States Federal Funds rate;
- increased borrowings to fund the 2022 business acquisitions and the 2022 share repurchase program;
- the issuance of $550 million private placement notes in June 2023 ("2033 Notes"); partially offset by
- increased interest earned due to the elevated interest rates.

YTD finance expenses increased $23.2 million from $5.4 million in YTD 2022 to $28.6 million primarily due to the same factors that impacted the quarter.

The consolidated effective interest rate for Q2 2023 increased to 4.3% compared to 2.1% in Q2 2022. The consolidated effective interest rate for YTD 2023 increased to 4.1% compared to 2.0% in YTD 2022. The changes in the effective interest rate for both Q2 2023 and YTD were driven by increases in the Bank of Canada overnight rate and United States Federal Funds rate.

Income Taxes

The effective tax rate for Q2 2023 was 32.1%, an increase from the 24.8% rate in the second quarter of 2022. The increase in the effective tax rate in Q2 2023 was primarily due to non-recurring increases in non-deductible expenses and withholding tax on the repatriation of cash from China. If the withholding tax impact is excluded, then the effective tax rate for Q2 2023 would have been 25.3%.

The YTD 2023 effective tax rate was 30.5%, an increase from the 24.7% rate for YTD 2022. The YTD 2023 effective tax rate was impacted by similar factors that impacted the Q2 2023 effective tax rate. If the withholding tax impact is excluded, then the effective tax rate for YTD 2023 would have been 24.9% and flat to YTD 2022.

TOTAL EQUITY AND OUTSTANDING SHARE DATA

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

The Company is authorized to issue an unlimited number of common shares, of which 61,528,157 common shares were outstanding as of August 9, 2023. The Company's common shares constitute its only class of voting securities. As of August 9, 2023, there were 1,150,000 options to acquire common shares outstanding and 3,450,000 options still available to be granted under the Company's share option plan.

SELECTED FINANCIAL INFORMATION

Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended September 30, 2021 through June 30, 2023. This information has been derived from the Company's unaudited consolidated interim financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the financial position and results of operations for those periods.

(in millions of dollars, except per share figures)	Jun 30 2023 $	Mar 31 2023 $	Dec 31 2022 $	Sep 30 2022 $	Jun 30 2022 $	Mar 31 2022 $	Dec 31 2021 $	Sep 30 2021 $
Sales	2,552.8	2,292.7	2,060.0	2,098.1	1,981.6	1,778.1	1,534.4	1,645.0
Net Earnings (Loss)	135.0	117.0	92.2	133.2	104.5	96.3	50.2	108.8
Net Earnings (Loss) per Share								
Basic	2.19	1.90	1.49	2.10	1.61	1.47	0.77	1.66
Diluted	2.19	1.90	1.49	2.10	1.61	1.47	0.77	1.66

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter for the Industrial segment are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the Mobility segment, vehicle production is typically at its lowest level during the third and fourth quarters due to lower OEM production schedules resulting from shutdowns related to summer and winter maintenance and model changeovers. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules. Additionally, COVID-19 had adverse impacts on 2021 and 2022.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(in millions of dollars)	Three Months Ended June 30 2023 $	Three Months Ended June 30 2022 $	Six Months Ended June 30 2023 $	Six Months Ended June 30 2022 $
Cash generated from (used in):				
Operating Activities	260.9	66.4	442.6	128.8
Financing Activities	462.0	323.3	472.0	300.5
Investing Activities	(212.7)	(412.7)	(379.6)	(473.4)
Effect of translation adjustment on cash	(25.1)	(3.4)	(19.7)	(6.8)
Increase (decrease) in cash and cash equivalents	485.1	(26.4)	515.3	(50.9)
Cash and cash equivalents – Beginning of Period	890.7	903.9	860.5	928.4
Cash and cash equivalents – End of Period	1,375.8	877.5	1,375.8	877.5
Comprised of:				
Cash in bank	1,142.6	475.5	1,142.6	475.5
Short-term deposits	237.2	409.1	237.2	409.1
Unpresented cheques	(4.0)	(7.1)	(4.0)	(7.1)
	1,375.8	877.5	1,375.8	877.5

The Company's cash and cash equivalents (net of unpresented cheques) at June 30, 2023 were $1,375.8 million, an increase of $498.3 million, or 56.8%, compared to June 30, 2022.

Cash generated from operating activities was $260.9 million, an increase of $194.5 million from Q2 2022, due to increased earnings for the period and a decreased use of cash in operating assets and liabilities. YTD cash generated from operating activities was $442.6 million, $313.8 million more than was provided in YTD 2022, due primarily to factors as described above.

Financing activities generated $462.0 million of cash compared to $323.3 million generated in Q2 2022. The increased generation of cash for Q2 2023 was primarily due to the proceeds from the issuance of the Company's new 2033 Notes in June 2023 compared to Q2 2022 proceeds related to the borrowings provided for the Company's 2022 business acquisitions. For YTD 2023, cash generated from financing activities was due to similar factors as described above. For YTD 2022, cash generated from financing activities was used for these business acquisitions as well as $83.2 million used for the repurchase of shares under the Company's 2022 normal course issuer bid ("NCIB") program.

Investing activities used $212.7 million in Q2 2023 compared to $412.7 million used in Q2 2022 and YTD 2023 investing activities used $379.6 million compared to $473.4 million in YTD 2022. The use of cash was primarily for the purchases of property, plant, and equipment and for the 2022 business acquisitions.

Operating Activities

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	Six Months Ended June 30 2023 $	2022 $
Net Earnings (Loss) for the period	135.0	104.5	252.0	200.8
Adjustments to earnings	127.9	99.6	245.1	187.8
	262.9	204.1	497.1	388.6
Changes in operating assets and liabilities	(2.0)	(137.7)	(54.5)	(259.8)
Cash generated from (used in) operating activities	260.9	66.4	442.6	128.8

Cash generated by operations before the effect of changes in operating assets and liabilities increased $58.8 million, or 28.8%, in Q2 2023 to $262.9 million, compared to $204.1 million in Q2 2022 primarily due to higher net earnings. YTD cash generated from operations before the effect of changes in operating assets and liabilities increased $108.5 million in 2023 to $497.1 million, compared to $388.6 million YTD 2022.

Changes in operating assets and liabilities for Q2 2023 used cash of $2.0 million primarily due to increases in accounts receivables partially offset by an increase in accounts payable required to support sales growth in the quarter. Changes in operating assets and liabilities YTD used cash of $54.5 million primarily due to increased accounts receivables and inventories partially offset by increased accounts payables.

Financing Activities

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	Six Months Ended June 30 2023 $	2022 $
Proceeds from (repayments of) long-term debt	(48.6)	423.5	(24.3)	413.4
Proceeds from private placement notes	550.0	-	550.0	-
Repurchase of shares	-	(73.2)	-	(83.2)
Dividends	(27.1)	(26.1)	(27.1)	(26.1)
Finance income received (expenses paid)	(12.3)	(0.9)	(26.6)	(3.6)
Cash generated from (used in) financing activities	462.0	323.3	472.0	300.5

Financing activities for Q2 2023 provided $462.0 million of cash compared to $323.3 million provided in Q2 2022 and YTD financing activities generated $472.0 million of cash compared to $300.5 million generated in YTD 2022 primarily driven by the issuance of the Company's new 2033 Notes compared to the Company's proceeds from borrowings related to its business acquisitions in Q2 2022. In YTD 2022, the Company used $83.2 million for the repurchase of shares under its 2022 NCIB program.

Investing Activities

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	Six Months Ended June 30 2023 $	2022 $
Payments for purchase of property, plant and equipment	(205.4)	(84.9)	(368.2)	(172.8)
Proceeds on disposal of property, plant and equipment	0.6	3.8	1.1	33.0
Payments for purchase of intangible assets	(7.6)	(2.3)	(12.1)	(4.3)
Business acquisitions, net of cash acquired	-	(328.4)	-	(328.4)
Other	(0.3)	(0.9)	(0.4)	(0.9)
Cash generated from (used in) investing activities	(212.7)	(412.7)	(379.6)	(473.4)

Cash used for investing activities for Q2 2023 was $212.7 million compared to Q2 2022 at $412.7 million. YTD cash used on investing activities was $379.6 million compared to YTD 2022 at $473.4 million. In addition to the Company's ongoing purchase of property, plant and equipment, the primary use of cash in Q2 2022 were for the 2022 acquisitions.

Liquidity and Capital Resources

The Company's financial condition is solid given its strong balance sheet, which can be attributed to the Company's low cost structure, low level of debt, strong cash position, 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 June 30, 2023, cash and cash equivalents, including short-term deposits was $1.4 billion and the Company's credit facilities had available credit of $465.8 million. Combined, the Company believes this liquidity[1] of $1.8 billion at June 30, 2023 is sufficient to meet cash flow needs. Free cash flow[1] was $56.1 million for Q2 2023 primarily due to cash generated from operating activities from the increase in sales.

Commitments and Contingencies

Please see the Company's December 31, 2022 annual MD&A for a table summarizing the contractual obligations by category. Also, certain guarantees and legal claims are described in the notes to the Company's consolidated financial statements for the year ended December 31, 2022.

Financial Instruments

In June 2023, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of CAD $550.0 million aggregate principal amount, issued at an annual rate of 5.96%, coming due June 2033 and paying interest semi-annually. The new private placement notes have similar terms and conditions as the notes issued in 2021. The funds will be used for general corporate purposes including the battery enclosures business acquisition in the third quarter of 2023.

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the quarter ended June 30, 2023. For more information, please see the Company's December 31, 2022 annual MD&A and the Company's consolidated financial statements for the year ended December 31, 2022.

CURRENT AND PROPOSED TRANSACTIONS

On May 30, 2023, the Company announced a definitive agreement with Dura-Shiloh, a Middleground Capital portfolio company, to acquire its battery enclosures business for a total estimated USD $325.0 million consideration. The acquisition closed August 3, 2023. The acquisition will increase the Company's electrified product portfolio with increased future battery electric vehicle content.

There are no other current and proposed transactions for the quarter ended June 30, 2023.

RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business that have the potential to affect its operating results. These include, but are not limited to Competition, Outsourcing and Insourcing; Sources and Availability of Raw Materials; Labour Markets and Dependence on Key Personnel; Dependence on Certain Customers; Technological Change and Product Launches; Public Health Threats; Foreign Business Risk; Foreign Currency Risk; Long-term Contracts; Acquisition and Expansion Risk; Cyclicality and Seasonality; Legal Proceedings and Insurance Coverage; Credit Risk; Weather; Emission Standards; Capital and Liquidity Risk; Tax Laws; Securities Laws Compliance and Corporate Governance Standards; and Environmental Matters. These risk factors remain substantially unchanged during the quarter ended June 30, 2023. These risk factors, as well as the other information contained in this MD&A, the Company's December 31, 2022 annual MD&A, and the Company's December 31, 2022 Annual Information Form, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2023, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. 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 have been set out in the Company's consolidated financial statements for the year ended December 31, 2022.

[1] Liquidity and Free Cash Flow are non-GAAP financial measures. Please see "Non-GAAP and Other Financial Measures" section of this MD&A.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2022 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2022 and the consolidated interim financial statements for the quarter ended June 30, 2023.

NON-GAAP AND OTHER FINANCIAL MEASURES

The Company uses certain non-GAAP and other financial measures to provide useful information to both management, investors, and other stakeholders 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 and other financial measures when analyzing operational performance on a consistent basis.

These Non-GAAP and other 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.

Normalized Non-GAAP Financial Measures and Ratios

All Non-GAAP financial measures denoted with 'Normalized' as presented by the Company are adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and other items.

Operating Earnings (Loss) – Normalized

Operating Earnings (Loss) – Normalized is a non-GAAP financial measure and the Company believes it 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), the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for foreign exchange gain (loss), and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

Net Earnings (Loss) – Normalized

Net Earnings (Loss) – Normalized is a non-GAAP financial measure and the Company believes it 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), the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

Net Earnings (Loss) per Share – Diluted – Normalized

Net Earnings (Loss) per Share – Diluted – Normalized is a non-GAAP financial ratio and the Company believes it 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.

EBITDA and EBITDA – Normalized

EBITDA is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's underlying operational performance of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results. EBITDA is calculated as Net Earnings (Loss) before income taxes, the most directly comparable measure as presented in the Company's consolidated statement of earnings, adjusted for amortization of property, plant and equipment, amortization of other intangible assets, interest expense, and other interest.

EBITDA – Normalized is a non-GAAP financial measure and the Company believes EBITDA – Normalized is useful in assessing the Company's underlying operational performance of cash flow and profitability, the effective use and allocation of resources, and to provide more meaningful comparisons of operating results. EBITDA – Normalized is calculated as EBITDA (as defined above) adjusted for foreign exchange gain (loss), foreign exchange gain (loss) on debt and derivatives, non-cash asset impairments and any other items, if applicable, that are considered not to be indicative of underlying operational performance.

All these other items contained in these non-GAAP financial measures are summarized as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
(in millions of dollars)	$	$	$	$
Gain on sale of unused land	-	-	-	(22.1)
Adjustment for contingent consideration of Mills River earn-out	-	-	4.9	-
Other items impacting Operating Earnings (loss) – Normalized and Net Earnings (Loss) - Normalized	-	-	4.9	(22.1)
Gain on sale of unused land	-	-	-	(22.1)
Adjustment for contingent consideration of Mills River earn-out	-	-	4.9	-
Other items	-	-	4.9	(22.1)
Asset impairment provision, net of reversals	-	0.1	-	0.1
Other items and asset impairments impacting EBITDA – Normalized	-	0.1	4.9	(22.0)

Normalizing items for asset impairment provisions, net of reversals adjusted EBITDA and impacted the Mobility segment by $Nil for Q2 2023 and YTD 2023 ($0.1 million loss for Q2 2022 and YTD 2022).

During Q1 2023, a normalizing item related to an “adjustment for contingent consideration on Mills River earn-out” impacted the Mobility segment by $4.9 million. Also, during Q1 2023 and Q2 2023 a normalizing item impacting the Company’s income taxes related to withholding tax on repatriation of cash from China by $5.2 million and $13.4 million respectively.

During Q1 2022, a normalizing item related to a “gain on sale of unused land” impacted the Mobility segment by $22.1 million.

All normalized non-GAAP financial measures areas reconciled as follows:

	Three Months Ended June 30				Six Months Ended June 30			
	2023	2022	+/-	+/-	2023	2022	+/-	+/-
(in millions of dollars, except per share figures)	$	$	$	%	$	$	$	%
Operating Earnings (Loss) – Normalized								
Operating Earnings (Loss)	214.1	143.8	70.3	48.9%	391.0	277.9	113.1	40.7%
Foreign exchange (gain) loss	16.7	5.4	11.3		10.7	-	10.7	
Other items	-	-	-		4.9	(22.1)	27.0	
Operating Earnings (Loss) – Normalized	230.8	149.2	81.6	54.7%	406.6	255.8	150.8	59.0%
Net Earnings (Loss) – Normalized								
Net Earnings (Loss)	135.0	104.5	30.5	29.2%	252.0	200.8	51.2	25.5%
Foreign exchange (gain) loss	16.7	5.4	11.3		10.7	-	10.7	
Foreign exchange (gain) loss on debt and derivatives	(0.1)	0.9	(1.0)		0.2	0.5	(0.3)	
Other items	-	-	-		4.9	(22.1)	27.0	
Tax impact including Other Items	9.2	(1.5)	10.7		14.7	1.0	13.7	
Net Earnings (Loss) – Normalized	160.8	109.3	51.5	47.1%	282.5	180.2	102.3	56.8%

(in millions of dollars, except per share figures)	2023 $	2022 $	Three Months Ended June 30 +/- $	+/- %	2023 $	2022 $	Six Months Ended June 30 +/- $	+/- %
Net Earnings (Loss) per Share – Diluted – Normalized								
Net Earnings (Loss) per Share – Diluted	2.19	1.61	0.58	36.0%	4.09	3.08	1.01	32.8%
Foreign exchange (gain) loss	0.27	0.08	0.19		0.17	-	0.17	
Foreign exchange (gain) loss on debt and derivatives	-	0.01	(0.01)		-	0.01	(0.01)	
Other items	-	-	-		0.08	(0.34)	0.42	
Tax impact including Other Items	0.15	(0.02)	0.17		0.25	0.01	0.24	
Net Earnings (Loss) per Share – Diluted – Normalized	2.61	1.68	0.93	55.4%	4.59	2.76	1.83	66.3%
EBITDA and EBITDA – Normalized								
Net Earnings (Loss) before income taxes	198.7	138.9	59.8	43.1%	362.4	266.5	95.9	36.0%
Amortization of property, plant and equipment	101.7	97.2	4.5		201.8	189.5	12.3	
Amortization of other intangible assets	15.4	13.6	1.8		31.3	27.5	3.8	
Interest expense	14.8	5.0	9.8		27.9	8.9	19.0	
Other interest	5.0	1.8	3.2		10.1	2.8	7.3	
EBITDA	335.6	256.5	79.1	30.8%	633.5	495.2	138.3	27.9%
Foreign exchange (gain) loss	16.7	5.4	11.3		10.7	-	10.7	
Foreign exchange (gain) loss on debt and derivatives	(0.1)	0.9	(1.0)		0.2	0.5	(0.3)	
Asset impairment provision, net of reversals	-	0.1	(0.1)		-	0.1	(0.1)	
Other items	-	-	-		4.9	(22.1)	27.0	
EBITDA – Normalized	352.2	262.9	89.3	34.0%	649.3	473.7	175.6	37.1%

All normalized non-GAAP financial measures areas impacting segments reconciled as follows:

(in millions of dollars)	Industrial $	Mobility $	Three Months Ended June 30 2023 Linamar $	Industrial $	Mobility $	Six Months Ended June 30 2023 Linamar $
Operating Earnings (Loss) – Normalized						
Operating Earnings (Loss)	139.8	74.3	214.1	244.7	146.3	391.0
Foreign exchange (gain) loss	11.8	4.9	16.7	4.4	6.3	10.7
Other items	-	-	-	-	4.9	4.9
Operating Earnings (Loss) – Normalized	151.6	79.2	230.8	249.1	157.5	406.6
EBITDA – Normalized						
EBITDA	155.5	180.1	335.6	276.5	357.0	633.5
Foreign exchange (gain) loss	11.8	4.9	16.7	4.4	6.3	10.7
Foreign exchange (gain) loss on debt and derivatives	-	(0.1)	(0.1)	0.2	-	0.2
Asset impairment provision, net of reversals	-	-	-	-	-	-
Other items	-	-	-	-	4.9	4.9
EBITDA – Normalized	167.3	184.9	352.2	281.1	368.2	649.3

(in millions of dollars)	Industrial $	Mobility $	Three Months Ended June 30 2022 Linamar $	Industrial $	Mobility $	Six Months Ended June 30 2022 Linamar $
Operating Earnings (Loss) – Normalized						
Operating Earnings (Loss)	39.7	104.1	143.8	61.2	216.7	277.9
Foreign exchange (gain) loss	9.7	(4.3)	5.4	1.6	(1.6)	-
Other items	-	-	-	-	(22.1)	(22.1)
Operating Earnings (Loss) – Normalized	49.4	99.8	149.2	62.8	193.0	255.8
EBITDA – Normalized						
EBITDA	52.9	203.6	256.5	87.2	408.0	495.2
Foreign exchange (gain) loss	9.7	(4.3)	5.4	1.6	(1.6)	-
Foreign exchange (gain) loss on debt and derivatives	0.2	0.7	0.9	0.1	0.4	0.5
Asset impairment provision, net of reversals	-	0.1	0.1	-	0.1	0.1
Other items	-	-	-	-	(22.1)	(22.1)
EBITDA – Normalized	62.8	200.1	262.9	88.9	384.8	473.7

Other Non-GAAP Financial Measures

Free Cash Flow

Free Cash Flow is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's ability to generate cash. Free Cash Flow is calculated as Cash from Operating Activities, the most directly comparable measure as presented in the Company's consolidated statements of cash flows, adjusted for payments for purchase of property, plant and equipment, and proceeds on disposal of property, plant and equipment.

Liquidity

Liquidity is a non-GAAP financial measure and the Company believes it is useful in assessing the Company's ability to satisfy its financial obligations as they come due. Liquidity is calculated as Cash, the most directly comparable measure as presented in the Company's consolidated statements of financial position, adjusted for the Company's available credit.

All other non-GAAP financial measures are reconciled as follows:

(in millions of dollars)	Three Months Ended June 30 2023 $	2022 $	Six Months Ended June 30 2023 $	2022 $
Free Cash Flow				
Cash generated from (used in) operating activities	260.9	66.4	442.6	128.8
Payments for purchase of property, plant and equipment	(205.4)	(84.9)	(368.2)	(172.8)
Proceeds on disposal of property, plant and equipment	0.6	3.8	1.1	33.0
Free Cash Flow	56.1	(14.7)	75.5	(11.0)
Liquidity				
Cash	1,375.8	877.5	1,375.8	877.5
Available credit	465.8	527.0	465.8	527.0
Liquidity	1,841.6	1,404.5	1,841.6	1,404.5

Supplementary Financial Measures

Content per Vehicle

Content per Vehicle is a supplementary financial measure and is calculated within the Mobility segment for the region indicated as automotive sales less tooling sales divided by vehicle production units.

Summary of Content per Vehicle by Quarter

The following table summarizes the updated CPV for the current year for changes in volumes as revised by industry sources:

Estimates as of June 30, 2023	Three Months Ended		Year to Date	
	Mar 31	Jun 30	Mar 31	Jun 30
North America	2023	2023	2023	2023
Vehicle Production Units	4.05	4.24	4.05	8.29
Automotive Sales	$ 984.6	$ 993.0	$ 984.6	$ 1,977.6
Content Per Vehicle	$ 243.31	$ 234.25	$ 243.31	$ 238.67
Europe				
Vehicle Production Units	4.62	4.54	4.62	9.16
Automotive Sales	$ 441.2	$ 475.4	$ 441.2	$ 916.6
Content Per Vehicle	$ 95.52	$ 104.76	$ 95.52	$ 100.10
Asia Pacific				
Vehicle Production Units	11.65	12.02	11.65	23.66
Automotive Sales	$ 117.5	$ 139.6	$ 117.5	$ 257.1
Content Per Vehicle	$ 10.09	$ 11.62	$ 10.09	$ 10.86

Estimates as of March 31, 2023	Three Months Ended	Year to Date
	Mar 31	Mar 31
North America	2023	2023
Vehicle Production Units	4.03	4.03
Automotive Sales	$ 985.6	$ 985.6
Content Per Vehicle	$ 244.44	$ 244.44
Europe		
Vehicle Production Units	4.59	4.59
Automotive Sales	$ 429.1	$ 429.1
Content Per Vehicle	$ 93.53	$ 93.53
Asia Pacific		
Vehicle Production Units	11.37	11.37
Automotive Sales	$ 124.5	$ 124.5
Content Per Vehicle	$ 10.95	$ 10.95

Change in Estimates from Prior Quarter	Three Months Ended	Year to Date
	Mar 31	Mar 31
	2023	2023
North America	+/-	+/-
Vehicle Production Units	0.02	0.02
Automotive Sales	$ (1.0)	$ (1.0)
Content Per Vehicle	$ (1.13)	$ (1.13)
Europe		
Vehicle Production Units	0.03	0.03
Automotive Sales	$ 12.1	$ 12.1
Content Per Vehicle	$ 1.99	$ 1.99
Asia Pacific		
Vehicle Production Units	0.28	0.28
Automotive Sales	$ (7.0)	$ (7.0)
Content Per Vehicle	$ (0.86)	$ (0.86)

FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this MD&A, the consolidated financial statements 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; cyclicality 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.