

LINAMAR CORPORATION

Management's Discussion and Analysis

For the Quarter Ended March 31, 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 March 31, 2023. This MD&A has been prepared as at May 10, 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 subdivided into three regional groups: North America, Europe and Asia Pacific. Within the Mobility segment, the regional groups are vertically integrated operations combining expertise in light metal casting, forging, machining and assembly for both the global electrified and traditionally powered vehicle markets. The Mobility segment products are focused on both components and systems for new energy powertrains, body and chassis, driveline, engine and transmission systems of these vehicles. In addition to the recently formed eLIN Product Solutions Group that focuses on Electrification, McLaren Engineering provides design, development, and testing services for the Mobility segment. Linamar's recently announced medical solutions group, Linamar MedTech, focuses on manufacturing solutions for medical devices and precision medical components. Linamar has over 28,000 employees in 66 manufacturing locations, 14 R&D centres and 28 sales offices in 17 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 first quarter of 2023 ("Q1 2023") and 2022 ("Q1 2022"):

(in millions of dollars, except per share figures)	2023	2022	Three Months Ended March 31	
			+/-	+/-
	\$	\$	\$	%
Sales	2,292.7	1,778.1	514.6	28.9%
Gross Margin	300.5	198.2	102.3	51.6%
Operating Earnings (Loss)	176.9	134.1	42.8	31.9%
Net Earnings (Loss)	117.0	96.3	20.7	21.5%
Net Earnings (Loss) per Share - Diluted	1.90	1.47	0.43	29.3%
Earnings before interest, taxes and amortization ("EBITDA") ¹	298.0	238.7	59.3	24.8%
Operating Earnings (Loss) - Normalized ¹	175.8	106.5	69.3	65.1%
Net Earnings (Loss) - Normalized ¹	121.7	70.9	50.8	71.7%
Net Earnings (Loss) per Share - Diluted - Normalized ¹	1.98	1.08	0.90	83.3%
EBITDA – Normalized ¹	297.1	210.8	86.3	40.9%

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 March 31, 2023.

(in millions of dollars)	Three Months Ended March 31 2023		
	Industrial \$	Mobility \$	Linamar \$
Sales	585.0	1,707.7	2,292.7
Operating Earnings (Loss)	104.9	72.0	176.9
EBITDA	121.0	177.0	298.0
Operating Earnings (Loss) – Normalized	97.5	78.3	175.8
EBITDA – Normalized	113.7	183.4	297.1

(in millions of dollars)	Three Months Ended March 31 2022		
	Industrial \$	Mobility \$	Linamar \$
Sales	368.2	1,409.9	1,778.1
Operating Earnings (Loss)	21.5	112.6	134.1
EBITDA	34.3	204.4	238.7
Operating Earnings (Loss) – Normalized	13.4	93.1	106.5
EBITDA – Normalized	26.1	184.7	210.8

Industrial Highlights

(in millions of dollars)	Three Months Ended March 31			
	2023 \$	2022 \$	+/- \$	+/- %
Sales	585.0	368.2	216.8	58.9%
Operating Earnings (Loss)	104.9	21.5	83.4	387.9%
EBITDA	121.0	34.3	86.7	252.8%
Operating Earnings (Loss) – Normalized	97.5	13.4	84.1	627.6%
EBITDA – Normalized	113.7	26.1	87.6	335.6%

The Industrial segment ("Industrial") product sales increased 58.9%, or \$216.8 million, to \$585.0 million in Q1 2023 from Q1 2022. The sales increase was due to:

- ◆ an increase in agricultural sales from market growth further improved by global market share growth in all core products;
- ◆ increased sales related to the acquisition of the Salford Group of Companies ("Salford");
- ◆ additional access equipment sales primarily due to increased market volumes in addition to market share growth for certain targeted products and regions;
- ◆ increased pricing to help relieve increased supply chain costs; and
- ◆ a favourable impact on sales from the changes in foreign exchange rates from Q1 2022.

Industrial segment normalized operating earnings in Q1 2023 increased \$84.1 million from Q1 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;
- ◆ increased sales related to the acquisition of Salford; and
- ◆ a favourable impact from the changes in foreign exchange rates from Q1 2022; partially offset by
- ◆ an increase in selling, general and administrative ("SG&A") costs supporting growth.

Mobility Highlights

(in millions of dollars)	Three Months Ended March 31			
	2023 \$	2022 \$	+/- \$	+/- %
Sales	1,707.7	1,409.9	297.8	21.1%
Operating Earnings (Loss)	72.0	112.6	(40.6)	(36.1%)
EBITDA	177.0	204.4	(27.4)	(13.4%)
Operating Earnings (Loss) – Normalized	78.3	93.1	(14.8)	(15.9%)
EBITDA – Normalized	183.4	184.7	(1.3)	(0.7%)

Sales for the Mobility segment (“Mobility”) increased by \$297.8 million, or 21.1% in Q1 2023 compared with Q1 2022. The sales in Q1 2023 were impacted by:

- ◆ increased sales related to launching programs and increased volumes for certain programs that the Company has significant business with;
- ◆ increased pricing related to cost recovery partially offsetting the associated labour, utilities, materials and freight;
- ◆ a favourable impact on sales from the changes in foreign exchange rates from Q1 2022; and
- ◆ increased sales related to the acquisition of the remaining 50% interest of GF Linamar LLC now known as Linamar Light Metals Mills River (“LLM Mills River”); partially offset by
- ◆ a sales decline in Asia primarily attributed to lower production as a result of additional COVID-19 outbreaks.

Q1 2023 normalized operating earnings for Mobility were lower by \$14.8 million, or 15.9%, compared to Q1 2022. The Mobility segment’s earnings were impacted by the following:

- ◆ increased sales related to launching programs and increased volumes for certain programs that the Company has significant business with;
- ◆ a favourable impact from the changes in foreign exchange rates from Q1 2022; offset by
- ◆ a sales decline in Asia primarily attributed to lower production as a result of additional COVID-19 outbreaks;
- ◆ reduction in earnings related to the acquisition of LLM Mills River;
- ◆ increased costs related to labour, utilities, materials and freight partially offset by customer cost recovered in sales; and
- ◆ an increase in SG&A costs supporting growth.

Automotive Sales and Content Per Vehicle¹

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

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

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.

	Three Months Ended March 31			
	2023	2022	+/-	%
<i>North America</i>				
Vehicle Production Units	4.03	3.67	0.36	9.8%
Automotive Sales	\$ 985.6	\$ 767.0	\$ 218.6	28.5%
Content Per Vehicle	\$ 244.44	\$ 208.73	\$ 35.71	17.1%
<i>Europe</i>				
Vehicle Production Units	4.59	3.91	0.68	17.4%
Automotive Sales	\$ 429.1	\$ 388.2	\$ 40.9	10.5%
Content Per Vehicle	\$ 93.53	\$ 99.20	\$ (5.67)	(5.7%)
<i>Asia Pacific</i>				
Vehicle Production Units	11.37	11.30	0.07	0.6%
Automotive Sales	\$ 124.5	\$ 134.4	\$ (9.9)	(7.4%)
Content Per Vehicle	\$ 10.95	\$ 11.89	\$ (0.94)	(7.9%)

North American automotive sales for Q1 2023 increased 28.5% from Q1 2022 in a market that saw an increase of 9.8% in production volumes for the same period. As a result, content per vehicle in Q1 2023 increased 17.1% from \$208.73 to \$244.44. The increase in North American content per vehicle was mainly driven by increased sales for launching programs, sales related to the acquisitions in 2022, higher volumes on programs we have significant business with and to a lesser extent hardship cost recovery from key customers.

European automotive sales for Q1 2023 increased 10.5% from Q1 2022 in a market that saw an increase of 17.4% in production volumes for the same period. As a result, content per vehicle in Q1 2023 decreased 5.7% from \$99.20 to \$93.53. The decrease in European content per vehicle was a result of decreased volumes for certain programs that the company has significant business with, partially offset by increased sales for launching programs and hardship cost recovery from key customers.

Asia Pacific automotive sales for Q1 2023 decreased 7.4% from Q1 2022 in a market that saw an increase of 0.6% in production volumes for the same period. As a result, content per vehicle in Q1 2023 decreased 7.9% from \$11.89 to \$10.95. The decrease in Asian content per vehicle was attributed to lower production for certain customers that the company has significant business with as a result of additional COVID-19 outbreaks, partially offset by increased sales for launching programs.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended March 31	
	2023	2022
Sales	\$ 2,292.7	\$ 1,778.1
Cost of Sales before amortization	1,876.8	1,474.3
Amortization	115.4	105.6
Cost of Sales	1,992.2	1,579.9
Gross Margin	\$ 300.5	\$ 198.2
Gross Margin percentage	13.1%	11.1%

Gross margin percentage increased in Q1 2023 to 13.1% compared to 11.1% in Q1 2022. Cost of sales before amortization as a percentage of sales decreased in Q1 2023 to 81.9% compared to 82.9% for the same quarter of last year. In dollar terms, gross margin increased \$102.3 million in Q1 2023 compared with Q1 2022 as a result of the items discussed earlier in this analysis such as:

- ◆ an increase in agricultural sales;
- ◆ an increase in access equipment sales;
- ◆ increased sales related to the acquisition of Salford;
- ◆ a favourable impact from the changes in foreign exchange rates from Q1 2022; and
- ◆ additional sales for launching Mobility programs and increased volumes for certain programs that the Company has significant business with; partially offset by
- ◆ a sales decline in Asia primarily attributed to lower production as a result of additional COVID-19 outbreaks;
- ◆ increased costs related to labour, utilities, materials and freight partially offset by customer cost recovered in sales; and
- ◆ reduction in earnings related to the acquisition of LLM Mills River.

Amortization as a percentage of sales decreased to 5.0% of sales compared to 5.9% in Q1 2022. In dollar terms, Q1 2023 amortization increased as a result of:

- ◆ additional expenses from the acquisition of LLM Mills River and Salford; and
- ◆ additional amortization from launching programs.

Selling, General and Administration

(in millions of dollars)	Three Months Ended	
	2023	March 31 2022
Selling, general and administrative	\$ 124.7	\$ 91.7
SG&A percentage	5.4%	5.2%

Selling, general and administrative (“SG&A”) costs increased in Q1 2023 to \$124.7 million from \$91.7 million and increased as a percentage of sales to 5.4% from 5.2% when compared to Q1 2022. This increase, in dollar terms, is primarily due to:

- ♦ additional expenses from the acquisitions in 2022;
- ♦ an increase in management and sales costs supporting growth; and
- ♦ an increase in travel expenses supporting growth.

Finance Expense and Income Taxes

(in millions of dollars)	Three Months Ended	
	2023	March 31 2022
Operating Earnings (Loss)	176.9	134.1
Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method	-	(6.1)
Finance Income and (Expenses)	(13.2)	(0.5)
Provision for (Recovery of) Income Taxes	46.7	31.2
Net Earnings (Loss)	117.0	96.3

Finance Expenses

Finance expenses increased \$12.7 million in Q1 2023 from \$0.5 million in Q1 2022 to \$13.2 million due to:

- ♦ increase in interest costs due to change in the Bank of Canada overnight rate and United States Federal Funds rate; and
- ♦ increased borrowings to fund business acquisitions and to fund the Company’s 2022 share repurchase program.

The consolidated effective interest rate for Q1 2023 increased to 3.9% compared to 2.0% in Q1 2022. The changes in the effective interest rate were driven by increases in the Bank of Canada overnight rate and United States Federal Funds rate.

Income Taxes

The effective tax rate for Q1 2023 was 28.5%, an increase from the 24.5% rate in the first quarter of 2022. The increase in the effective tax rate in Q1 2023 was primarily due to non-recurring increases in non-deductible expenses, withholding tax on the repatriation of cash from China, and less favourable mix of foreign tax rates, partially offset by the impact of the accounting change resulting from acquiring the remaining 50% interest in LLM Mills River in 2022. If the withholding tax impact is excluded, then the effective tax rate for Q1 2023 would have been 24.3%.

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 May 10, 2023. The Company’s common shares constitute its only class of voting securities. As of May 10, 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 June 30, 2021 through March 31, 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.

	Mar 31 2023	Dec 31 2022	Sep 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sep 30 2021	Jun 30 2021
(in millions of dollars, except per share figures)	\$	\$	\$	\$	\$	\$	\$	\$
Sales	2,292.7	2,060.0	2,098.1	1,981.6	1,778.1	1,534.4	1,645.0	1,575.3
Net Earnings (Loss)	117.0	92.2	133.2	104.5	96.3	50.2	108.8	108.0
Net Earnings (Loss) per Share								
Basic	1.90	1.49	2.10	1.61	1.47	0.77	1.66	1.65
Diluted	1.90	1.49	2.10	1.61	1.47	0.77	1.66	1.65

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 March 31	
	2023	2022
	\$	\$
Cash generated from (used in):		
Operating Activities	181.7	62.5
Financing Activities	10.1	(22.8)
Investing Activities	(166.9)	(60.8)
Effect of translation adjustment on cash	5.3	(3.4)
Increase (decrease) in cash and cash equivalents	30.2	(24.5)
Cash and cash equivalents – Beginning of Period	860.5	928.4
Cash and cash equivalents – End of Period	890.7	903.9
Comprised of:		
Cash in bank	494.2	449.5
Short-term deposits	400.6	456.5
Unpresented cheques	(4.1)	(2.1)
	890.7	903.9

The Company's cash and cash equivalents (net of unpresented cheques) at March 31, 2023 were \$890.7 million, a slight decrease of \$13.2 million, or 1.5%, compared to March 31, 2022.

Cash generated from operating activities was \$181.7 million, an increase of \$119.2 million from Q1 2022, due to increased earnings for the period and a decreased use of cash in operating assets and liabilities.

Financing activities generated \$10.1 million of cash compared to \$22.8 million used in Q1 2022. The increased generation of cash for Q1 2023 was primarily due to the proceeds from borrowings on long-term debt.

Investing activities used \$166.9 million in Q1 2023 compared to \$60.8 million used in Q1 2022. The use of cash was primarily for the purchases of property, plant and equipment.

Operating Activities

(in millions of dollars)	Three Months Ended March 31	
	2023	2022
	\$	\$
Net Earnings (Loss) for the period	117.0	96.3
Adjustments to earnings	117.2	88.2
	234.2	184.5
Changes in operating assets and liabilities	(52.5)	(122.0)
Cash generated from (used in) operating activities	181.7	62.5

Cash generated by operations before the effect of changes in operating assets and liabilities increased \$49.7 million, or 26.9%, in Q1 2023 to \$234.2 million, compared to \$184.5 million in Q1 2022 primarily due to higher net earnings.

Changes in operating assets and liabilities for Q1 2023 used cash of \$52.5 million primarily due to increases in accounts receivables and inventories partially offset by an increase in accounts payable required to support sales growth in the quarter.

Financing Activities

(in millions of dollars)	Three Months Ended	
	2023	March 31 2022
	\$	\$
Proceeds from (repayments of) long-term debt	24.4	(10.1)
Repurchase of shares	-	(10.0)
Finance income received (expenses paid)	(14.3)	(2.7)
Cash generated from (used in) financing activities	10.1	(22.8)

Financing activities for Q1 2023 provided \$10.1 million of cash compared to \$22.8 million used in Q1 2022 primarily driven by the Company's proceeds from borrowings on long-term debt. The Company used \$10.0 million in Q1 2022 for the repurchase of shares under its 2022 normal course issuer bid program.

Investing Activities

(in millions of dollars)	Three Months Ended	
	2023	March 31 2022
	\$	\$
Payments for purchase of property, plant and equipment	(162.7)	(88.0)
Proceeds on disposal of property, plant and equipment	0.4	29.2
Payments for purchase of intangible assets	(4.5)	(2.0)
Other	(0.1)	-
Cash generated from (used in) investing activities	(166.9)	(60.8)

Cash used for investing activities for Q1 2023 was \$166.9 million compared to Q1 2022 at \$60.8 million. The purchase of property, plant and equipment in Q1 2022 was partially offset by the disposal of property, plant and equipment mostly comprised of the sale of unused land.

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 March 31, 2023, cash and cash equivalents, including short-term deposits was \$890.7 million and the Company's credit facilities had available credit of \$425.0 million. Combined, the Company believes this liquidity¹ of \$1.3 billion at March 31, 2023 is sufficient to meet cash flow needs. Free cash flow¹ was \$19.4 million for Q1 2023 primarily due to cash generated from operating activities.

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

The Company's strategy, risks and presentation of its financial instruments remain substantially unchanged during the quarter ended March 31, 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 June 3, 2022, the Company acquired 100% of the issued and outstanding equity of the Salford Group of Companies. The ownership will expand the Company's agricultural portfolio into crop nutrition application and tillage products. The preliminary purchase price is CAD \$245.2 million.

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

There are no other current and proposed transactions for the quarter ended March 31, 2023.

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

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; Cyclicity and Seasonality; Legal Proceedings and Insurance Coverage; Credit Risk; Weather; Emission Standards; Capital and Liquidity Risk; Tax Laws; Securities Laws Compliance and Corporate Governance Standards; and Environmental Matters. These risk factors remain substantially unchanged during the quarter ended March 31, 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 March 31, 2023, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except as outlined below in the Limitation of Scope of Design section.

Limitation of Scope of Design

The Company has limited the scope of design of our internal controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the Salford business, which the Company acquired 100% of the then outstanding shares on June 3, 2022. The chart below presents the summary financial information of Salford:

(in millions of dollars)	Salford \$
From the date of acquisition for the period ended December 31, 2022:	
Sales	107.5
Net Earnings (Loss) for the Period	8.4
As at March 31, 2023:	
Current Assets	85.2
Non-Current Assets	253.7
Current Liabilities	35.5
Non-Current Liabilities	31.7

The scope limitation is in accordance with section 3.3(1)(b) of National Instrument 52-109 to which this MD&A relates, which allows an issuer to limit its design of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period.

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.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2023 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 March 31, 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:

(in millions of dollars)	Three Months Ended	
	2023	March 31 2022
	\$	\$
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	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
Other items and asset impairments impacting EBITDA – Normalized	4.9	(22.0)

Normalizing items for asset impairment provisions, net of reversals adjusted EBITDA and impacted the Mobility segment by \$Nil for Q1 2023 (\$0.1 million loss for Q1 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 a normalizing item impacting the Company’s income taxes related to withholding tax on repatriation of cash from China by \$5.2 million.

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:

(in millions of dollars)	2023	2022	Three Months Ended	
			March 31	March 31
	\$	\$	+/-	+/-
			\$	%
Operating Earnings (Loss) – Normalized				
Operating Earnings (Loss)	176.9	134.1	42.8	31.9%
Foreign exchange (gain) loss	(6.0)	(5.5)	(0.5)	
Other items	4.9	(22.1)	27.0	
Operating Earnings (Loss) – Normalized	175.8	106.5	69.3	65.1%
Net Earnings (Loss) – Normalized				
Net Earnings (Loss)	117.0	96.3	20.7	21.5%
Foreign exchange (gain) loss	(6.0)	(5.5)	(0.5)	
Foreign exchange (gain) loss on debt and derivatives	0.2	(0.4)	0.6	
Other items	4.9	(22.1)	27.0	
Tax impact including Other Items	5.6	2.6	3.0	
Net Earnings (Loss) – Normalized	121.7	70.9	50.8	71.7%
Net Earnings (Loss) per Share – Diluted – Normalized				
Net Earnings (Loss) per Share – Diluted	1.90	1.47	0.43	29.3%
Foreign exchange (gain) loss	(0.09)	(0.08)	(0.01)	
Foreign exchange (gain) loss on debt and derivatives	-	(0.01)	0.01	
Other items	0.08	(0.34)	0.42	
Tax impact including Other Items	0.09	0.04	0.05	
Net Earnings (Loss) per Share – Diluted – Normalized	1.98	1.08	0.90	83.3%
EBITDA and EBITDA – Normalized				
Net Earnings (Loss) before income taxes	163.7	127.5	36.2	28.4%
Amortization of property, plant and equipment	100.1	92.4	7.7	
Amortization of other intangible assets	15.9	13.9	2.0	
Interest expense	13.2	3.9	9.3	
Other interest	5.1	1.0	4.1	
EBITDA	298.0	238.7	59.3	24.8%
Foreign exchange (gain) loss	(6.0)	(5.5)	(0.5)	
Foreign exchange (gain) loss on debt and derivatives	0.2	(0.4)	0.6	
Asset impairment provision, net of reversals	-	0.1	(0.1)	
Other items	4.9	(22.1)	27.0	
EBITDA – Normalized	297.1	210.8	86.3	40.9%

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

(in millions of dollars)	Three Months Ended		
	Industrial	Mobility	Linamar
	\$	\$	\$
Operating Earnings (Loss) – Normalized			
Operating Earnings (Loss)	104.9	72.0	176.9
Foreign exchange (gain) loss	(7.4)	1.4	(6.0)
Other items	-	4.9	4.9
Operating Earnings (Loss) – Normalized	97.5	78.3	175.8
EBITDA – Normalized			
EBITDA	121.0	177.0	298.0
Foreign exchange (gain) loss	(7.4)	1.4	(6.0)
Foreign exchange (gain) loss on debt and derivatives	0.1	0.1	0.2
Asset impairment provision, net of reversals	-	-	-
Other items	-	4.9	4.9
EBITDA – Normalized	113.7	183.4	297.1
	Three Months Ended		
	March 31		
	2022		
(in millions of dollars)	Industrial	Mobility	Linamar
	\$	\$	\$
Operating Earnings (Loss) – Normalized			
Operating Earnings (Loss)	21.5	112.6	134.1
Foreign exchange (gain) loss	(8.1)	2.6	(5.5)
Other items	-	(22.1)	(22.1)
Operating Earnings (Loss) – Normalized	13.4	93.1	106.5
EBITDA – Normalized			
EBITDA	34.3	204.4	238.7
Foreign exchange (gain) loss	(8.1)	2.6	(5.5)
Foreign exchange (gain) loss on debt and derivatives	(0.1)	(0.3)	(0.4)
Asset impairment provision, net of reversals	-	0.1	0.1
Other items	-	(22.1)	(22.1)
EBITDA – Normalized	26.1	184.7	210.8

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	
	2023	March 31 2022
	\$	\$
Free Cash Flow		
Cash generated from (used in) operating activities	181.7	62.5
Payments for purchase of property, plant and equipment	(162.7)	(88.0)
Proceeds on disposal of property, plant and equipment	0.4	29.2
Free Cash Flow	19.4	3.7
Liquidity		
Cash	890.7	903.9
Available credit	425.0	957.6
Liquidity	1,315.7	1,861.5

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.

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; 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.