

LINAMAR CORPORATION

Consolidated Interim Statements of Financial Position

As at March 31, 2023 with comparatives as at December 31, 2022 (Unaudited)

(in thousands of Canadian dollars)

	March 31 2023 \$	December 31 2022 \$
ASSETS		
Cash and cash equivalents	890,689	860,515
Accounts and other receivables	1,296,203	1,160,509
Inventories	1,620,393	1,509,302
Income taxes recoverable	55,278	76,733
Current portion of long-term receivables (Note 6)	20,684	24,754
Current portion of derivative financial instruments (Note 6)	23,055	14,160
Prepaid expenses and other current assets	44,297	47,313
Current Assets	3,950,599	3,693,286
Long-term receivables (Note 6)	48,463	47,630
Derivative financial instruments (Note 6)	3,182	2,247
Property, plant and equipment	2,928,126	2,793,091
Investments	18,026	18,185
Deferred tax assets	158,953	170,115
Intangible assets	893,521	902,918
Goodwill	955,266	948,919
Assets	8,956,136	8,576,391
LIABILITIES		
Accounts payable and accrued liabilities	2,180,384	2,011,694
Provisions	36,463	35,599
Income taxes payable	50,363	50,425
Current portion of long-term debt (Notes 6, 7)	27,866	26,733
Current portion of derivative financial instruments (Note 6)	27,165	31,974
Current Liabilities	2,322,241	2,156,425
Long-term debt (Notes 6, 7)	1,338,284	1,281,641
Derivative financial instruments (Note 6)	1,829	3,677
Deferred tax liabilities	291,846	322,937
Liabilities	3,954,200	3,764,680
EQUITY		
Capital stock	138,925	138,925
Retained earnings	4,714,510	4,597,513
Contributed surplus	32,559	31,359
Accumulated other comprehensive earnings (loss)	115,942	43,914
Equity	5,001,936	4,811,711
Liabilities and Equity	8,956,136	8,576,391

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, 2023 and March 31, 2022 (Unaudited)

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

	Three Months Ended March 31	
	2023	2022
	\$	\$
Sales	2,292,662	1,778,089
Cost of sales	1,992,139	1,579,899
Gross Margin	300,523	198,190
Selling, general and administrative	124,652	91,703
Other income and (expenses) (Note 8)	1,068	27,654
Operating Earnings (Loss)	176,939	134,141
Share of net earnings (loss) of investments accounted for using the equity method	-	(6,086)
Finance income and (expenses) (Note 9)	(13,226)	(537)
Net Earnings (Loss) before Income Taxes	163,713	127,518
Provision for (recovery of) income taxes	46,716	31,227
Net Earnings (Loss) for the Period	116,997	96,291
Net Earnings (Loss) per Share:		
Basic	1.90	1.47
Diluted	1.90	1.47

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, 2023 and March 31, 2022 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2023	March 31
	2022	2022
	\$	\$
Net Earnings (Loss) for the Period	116,997	96,291
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	68,163	(72,208)
Change in unrealized gains (losses) on net investment hedges	(6,464)	18,016
Change in unrealized gains (losses) on cash flow hedges	10,589	17,381
Change in cost of hedging	(2,067)	1,569
Reclassification to earnings of gains (losses) on cash flow hedges	5,120	(1,351)
Tax impact of above	(3,443)	(4,163)
Other Comprehensive Earnings (Loss)	71,898	(40,756)
Comprehensive Earnings (Loss) for the Period	188,895	55,535

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, 2023 and March 31, 2022 (Unaudited)

(in thousands of Canadian dollars)

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at January 1, 2023	138,925	4,597,513	31,359	59,764	(15,850)	4,811,711
Net Earnings (Loss)	-	116,997	-	-	-	116,997
Other comprehensive earnings (loss)	-	-	-	61,699	10,199	71,898
Comprehensive Earnings (Loss)	-	116,997	-	61,699	10,199	188,895
Hedging transferred to the carrying value of inventory	-	-	-	-	130	130
Share-based compensation	-	-	1,200	-	-	1,200
Balance at March 31, 2023	138,925	4,714,510	32,559	121,463	(5,521)	5,001,936

	Capital stock \$	Retained earnings \$	Contributed surplus \$	Cumulative translation adjustment \$	Hedging reserves \$	Total Equity \$
Balance at January 1, 2022	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)
Comprehensive Earnings (Loss)	-	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	(401)	(9,586)	-	-	-	(9,987)
Balance at March 31, 2022	145,803	4,536,348	29,580	(75,476)	7,907	4,644,162

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, 2023 and March 31, 2022 (Unaudited)

(in thousands of Canadian dollars)

	Three Months Ended	
	2023	2022
	\$	\$
Cash generated from (used in)		
Operating Activities		
Net Earnings (Loss) for the Period	116,997	96,291
Adjustments for:		
Amortization of property, plant and equipment	100,065	92,361
Amortization of other intangible assets	15,912	13,896
Deferred income taxes	(14,143)	(375)
Asset impairment provision, net of reversals	23	75
Share-based compensation	1,200	764
Equity investment (earnings) loss	-	6,086
Finance (income) and expenses	13,226	537
Other	884	(25,115)
	234,164	184,520
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and other receivables	(119,077)	(135,463)
(Increase) decrease in inventories	(94,326)	(141,293)
(Increase) decrease in prepaid expenses and other current assets	3,762	1,810
(Increase) decrease in long-term receivables	3,915	2,980
Increase (decrease) in income taxes	13,268	(47,252)
Increase (decrease) in accounts payable and accrued liabilities	139,286	198,927
Increase (decrease) in provisions	715	(1,732)
	(52,457)	(122,023)
Cash generated from (used in) operating activities	181,707	62,497
Financing Activities		
Proceeds from (repayments of) long-term debt	24,326	(10,120)
Repurchase of shares	-	(9,987)
Finance income received (expenses paid)	(14,271)	(2,694)
Cash generated from (used in) financing activities	10,055	(22,801)
Investing Activities		
Payments for purchase of property, plant and equipment	(162,748)	(88,010)
Proceeds on disposal of property, plant and equipment	398	29,187
Payments for purchase of intangible assets	(4,402)	(1,950)
Other	(126)	-
Cash generated from (used in) investing activities	(166,878)	(60,773)
Effect of translation adjustment on cash	24,884	(21,077)
	5,290	(3,409)
Increase (decrease) in cash and cash equivalents	30,174	(24,486)
Cash and cash equivalents - Beginning of Period	860,515	928,428
Cash and cash equivalents - End of Period	890,689	903,942
Comprised of:		
Cash in bank	494,167	449,544
Short-term deposits	400,591	456,522
Unpresented cheques	(4,069)	(2,124)
	890,689	903,942

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, 2023 and March 31, 2022 (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, 2023 were authorized for issue in accordance with a resolution of the Company’s Board of Directors on May 10, 2023.

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, 2022. 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, 2022. 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 nor would significantly impact the Company’s net earnings or financial position.

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. 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 annual financial statements for the year ended December 31, 2022.

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.

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Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and March 31, 2022 (Unaudited)
(in thousands of Canadian dollars, except where otherwise noted)

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:

	Subsequent Measurement	March 31, 2023		December 31, 2022	
		Carrying Value Asset (Liability) \$	Fair Value \$	Carrying Value Asset (Liability) \$	Fair Value \$
Long-term receivables	Amortized cost (Level 2)	69,147	67,833	72,384	71,305
Derivative financial instruments (hedge relationships)					
USD sales forwards – CAD functional entities	Fair value (Level 2)	(23,092)	(23,092)	(30,651)	(30,651)
USD sales forwards – MXN functional entities	Fair value (Level 2)	22,950	22,950	11,414	11,414
USD sales forwards – CNY functional entities	Fair value (Level 2)	526	526	392	392
CAD purchase forwards – GBP functional entities	Fair value (Level 2)	(3,141)	(3,141)	(399)	(399)
Investment designated at fair value through other comprehensive income	Fair value (Level 3)	8,083	8,083	7,952	7,952
Long-term debt, excluding lease liabilities	Amortized cost (Level 2)	(1,265,972)	(1,218,267)	(1,228,848)	(1,156,636)

7 Long-Term Debt

	March 31 2023 \$	December 31 2022 \$
Senior unsecured notes	468,293	461,782
Bank borrowings	729,325	694,940
Lease liabilities	100,178	79,526
Government borrowings	68,354	72,126
	1,366,150	1,308,374
Less: current portion	27,866	26,733
	1,338,284	1,281,641

As of March 31, 2023, \$424,953 was available under the revolving credit facility.

LINAMAR CORPORATION

Notes to Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and March 31, 2022 (Unaudited)
(in thousands of Canadian dollars, except where otherwise noted)

8 Other Income and (Expenses)

	Three Months Ended	
	2023	March 31 2022
	\$	\$
Foreign exchange gain (loss)	6,028	5,472
Gain on sale of unused land	-	22,157
Other income (expense)	(4,960)	25
	1,068	27,654

9 Finance Income and (Expenses)

	Three Months Ended	
	2023	March 31 2022
	\$	\$
Interest expense	(13,221)	(3,866)
Foreign exchange gain (loss) on debt and derivatives	(200)	342
Interest earned	6,170	5,056
Other	(5,975)	(2,069)
	(13,226)	(537)

10 Commitments

As at March 31, 2023, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$345,003 (March 31, 2022 - \$248,750). Of this amount \$306,030 (March 31, 2022 - \$233,159) relates to the purchase of manufacturing equipment and \$38,973 (March 31, 2022 - \$15,591) relates to general contracting and construction costs in respect of plant construction. Of the commitments for plant construction, \$788 (March 31, 2022 - \$13,922) 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.

11 Related Party Transactions

Related party transactions include long-term receivables due from an investee accounted for using the equity method at March 31, 2023 of \$Nil (March 31, 2022 - \$136,052). Interest earned on the receivable included in finance income was \$Nil for the three months ended March 31, 2023 (\$1,470 for the three months ended March 31, 2022). Included in the cost of sales are material purchases from the same related party of \$Nil for the three months ended March 31, 2023 (\$7,458 for the three months ended March 31, 2022), with amounts payable at March 31, 2023 of \$Nil (March 31, 2022 of \$9,165). Please see the business acquisition note regarding the acquisition of the remaining 50% interest in the joint venture, GF Linamar LLC, on April 1, 2022 (Note 13).

Building additions made by a related party, a company owned by the spouse of an officer and director, were \$3,239 for the three months ended March 31, 2023 (\$5,322 for the three months ended March 31, 2022).

12 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 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, 2023 and March 31, 2022 (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, 2023		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
Mobility	1,707,681	13,472	72,049
Industrial	584,981	2,840	104,890
Total	2,292,662	16,312	176,939

	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

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	
	2023	2022
	\$	\$
Canada	1,265,309	892,604
Rest of North America	315,579	223,776
Asia Pacific	121,678	148,947
Europe	590,096	512,762
Total	2,292,662	1,778,089

13 Business Acquisitions

(i) GF Linamar LLC

On April 1, 2022, the Company acquired the remaining 50% interest in the joint venture, GF Linamar LLC ("GFL"), from GF Casting Solutions, a division of Georg Fischer AG thereby assuming 100% ownership and operational control. GFL will continue operations as LLM Mills River ("Mills River"). As at March 31, 2023 the determination of the fair value of the purchase price, including the earn-out, assets acquired and liabilities assumed, has been completed and is unchanged from December 31, 2022.

(ii) Salford Group of Companies

On June 3, 2022, the Company acquired 100% of the issued and outstanding equity of the Salford Group of Companies ("Salford"). The preliminary purchase price is CAD \$245,174. Due to the timing of the close and complexities associated with this transaction, the determination of the fair value of the purchase price, assets acquired and liabilities assumed, is not yet complete and are subject to further adjustments. As at March 31, 2023, all details remain unchanged from December 31, 2022.