LINAMAR

# Annual Report 2021

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# LETTER TO SHAREHOLDERS


## DEAR SHAREHOLDERS

As we entered 2022 and reflected on the challenges of our second pandemic year we were faced with one of Linamar's toughest moments, the loss of our founder Frank Hasenfratz.

We received nearly 1,000 messages of condolence from people from almost every continent, from our shop floor folks to many family, friends and associates, to ambassadors, business leaders, and political leaders. Their messages were remarkably consistent. Talking about a man who inspired them, who had a great sense of humour, who was humble, who was smart, caring and worked hard every day but never forgot about his family, friends or the well being of his employees. About a great Canadian, a great leader and above all a great family man and friend.

Our founder also had a recipe for success in business:

- Set bold goals and track your progress,
- Treat people with care and respect,
- Act quickly and follow up,
- Win new business every day,
- Save and improve every day, and
- Use innovation and technology and a passion for life long learning as the key to competitiveness and success.

He has reiterated these things over and over to every one of us at Linamar. It is why he was successful. It is why we are successful. It is how we will continue to be successful.

There is comfort in the knowledge that those lessons are so deeply imbedded in all of us that his voice will continue to guide our decisions going forward; we will know what he would advise us to do.

He was a giant among us; a family man, a mentor, a leader. He will be immeasurably missed by his family, the employees of Linamar, his community, his country and his industry.

## Highlights of 2021

Reflecting on the challenges of 2021 the first word that comes to mind is aftershock.

After a big earthquake, just as everyone's fears have leveled off and normal heart rates are restored, we often feel significant aftershocks. Sometimes those aftershocks can be as devastating or even more devastating than the original quake itself, hitting already badly damaged properties.

In many ways 2021 was exactly that.

After the initial shock of Covid-19 and the devastation of a two month complete global shutdown of our business and every economy around the world in early 2020, we all felt like things were due to come back to normal. Demand was strong, markets were surging and we were all feeling pretty good in late 2020.

Instead, we entered 2021 already seeing some supply chain shortages. We learned an awful lot, all of a sudden, about semiconductor chips and why something so tiny suddenly was having such a huge impact on us.

The next shock came on the logistics side, then commodity prices and finally in our inability to fill open positions thanks to a global shortage of people.

Aftershock after aftershock on our already bruised existence.

We are incredibly proud of how our global team has handled these challenges.

We have used our natural flexibility, risk mitigation, innovation, ingenuity and negotiating skills to try to mitigate these challenges as best we could. We have somehow managed, despite all those aftershocks, to get an enormous amount accomplished strategically, make positive changes for our people and to still deliver double digit top and bottom line growth for you our shareholders.
We are getting through that last mile inch by inch and we will get to that finish line.

In reflecting on 2021 we can identify many successes.

## Employees

For our people the focus in 2021 was all about talent to drive growth and continued community support.

### We Set the Benchmark with Our Highly Efficient and Well-run Vaccine Clinic

- Launched in a record 4 weeks
- Provided vaccinations for >57,000 people in our communities
- Relaunched late 2021 to help fight the Omicron wave with added vaccinations

Overall, this was an incredibly positive experience for our team and the community to come together in an important initiative. We are so proud of their efforts to keep our community safe.

### We Kept our Workforce Safe at Work during Wave after Wave of the Virus

- Safety protocols kept our people safe

- Testing in many plants offered another tool to keeping each other and our families safe

We continue to adhere to Covid-19 safety protocols and to administer thousands of rapid tests weekly on a volunteer basis. Keeping our people safe or safer at work than anywhere else has always been our goal and one we are proud of our achievements on.

### We Launched Our Diversity & Inclusion Council

- Established extensive metrics to track performance
- Established principles and goals and communicated such
- Prioritized first actions to take

Diversity, Equity and Inclusion ("DEI") are a key focus for us at Linamar. As we continue to grow, we need to maximize access to talent – that means finding ways to tap into 100% of the talent pool – DEI is a key part of that. Diverse teams statistically outperform every time. Diversity drives results and we are determined to continue to move the dial on this important area.

We have made good progress in some areas and need more focus in others. In gender diversity for instance, we have proportionate representation overall in terms of female employees and women in leadership which is our primary goal. Our overall population is not at gender equity which is the next step, work is underway in that regard.

In terms of ethnicity 34% of our global leadership team are people of colour which is good to see but not yet at a level representing the representation of people of colour in our overall workforce. This is an area we need to focus on.

### We Launched STEEL – our new talent management process

- Molding our talent for the future
- We all own talent development
- A deep bench is the key to achieving our growth goals

A deep talent pool is critical to meet our growth plans. We need every leader engaged in helping to deepen our bench and help our talent to grow.

### We Implemented a New HRIS system

- Excellent tool to manage our most important asset, our people

Data is increasingly important to managing almost everything. Having an effective system to manage our most important asset, our people, was a critical step for our team. Implementing a new system is never easy but the team did a fantastic job of meeting goals and creating successes out of the new system.

## Customers

For our customers the focus in 2021 was all about creativity to drive growth.

### We Saw an Excellent Uptick in Electrified New Business Wins

- Value of 2021 EV business wins 50% higher than seen in 2020
- 2021 % of wins in EV is consistent with 2020, both 60% higher than in 2019

Winning business in the evolving electrified vehicle sector is critical to the future of our Mobility business and is an area we are delivering on strongly.

### Our Technology Partnership Strategy is Gaining Meaningful Momentum

- Ballard will be a key partner for fuel cell electric vehicles
- Exro & E-Matrix bring exciting technologies for the Invertor and the Battery systems – key to an efficient EV

We have completed 6 technology partnerships in the last 18 months and continue to cultivate new relationships. These partnerships are an excellent way to extend the reach of our own R&D team. We can tap into exciting new technologies developed by small innovative companies who have the IP but need a manufacturing partner which creates win win partnerships.

### MacDon is Gaining Market Share Internationally

- Excellent market share growth globally in windrowers
    - Excellent resurgence in windrower sales with volumes nearly 4x prior year
- Solid market share growth in combine draper headers in key regions such as CIS

MacDon is doing an excellent job in driving growth by accessing a bigger slice of the market. The global market is 4 times the size of NA, where MacDon already dominates. Growing market share globally is a massive growth opportunity for the business.

### Skyjack Seeing Excellent Market Share Gains

- Market share growth in booms globally
    - Boom sales up nearly 40% globally
- Market share growth in scissors in key regional markets

Growing market share through product diversification is a key strategy at Skyjack which has been very successful.

## Financials

From a financial perspective the focus in 2021 was all about efficiency to drive growth.

### We Did an Outstanding Job Navigating Supply Chain Challenges

- Stayed flexible to maximize opportunity
- Found innovative ways of attracting and retaining talent
- Negotiated expertly to mitigate challenging supplier issues

The supply chain issues post pandemic have been significant for both our customers and ourselves. Our nimble approach and fast actions helped to mitigate the situation. This will be a continued challenge well into 2022.

### We Delivered Strong Double-Digit Performance Despite Challenges

- Top line and bottom-line double-digit growth

### We Delivered Excellent Free Cash Driving a Strong Balance Sheet

- Net positive cash position at the end of 2021
- Building a war chest to fund acquisition opportunities to accelerate growth

We are very proud of the results we have delivered – double digit growth on both the top and bottom line and well on our way back to restoring former highs and continuing to grow further. Coupled with a strong balance sheet we are in a great position to continue to grow both organically and through acquisition.

### We Established a Bold Goal and Commitment to Sustainability

- Net 0 by 2050
    - Facilities
    - Supply chain
    - Customers we supply
- Sustainability Council formed to guide strategy to meet goals

At Linamar we have long been committed to a sustainable strategy in running our business. Green technologies and markets have long been strategic imperatives for us – to develop and deliver products the market is looking for to reduce our carbon footprint. Growth isn't sustainable unless it is Sustainable Growth; these are the markets of the future.

We also aim to operate our facilities in a sustainable way. More than 1/3 of our facilities are 96.4% carbon free in their net energy position. We target getting all global facilities to 100% carbon free by 2050 or sooner. We further target our supply chains and our customers to similarly be net 0. This is a big commitment we take very seriously. We have created a Sustainability Council to lead these efforts at Linamar in an action focused way.

## Focus for 2022

As we turn to the upcoming year our focus continues to centre in many of the areas, we made such strong progress on in 2021.

### Employee

On the employee side, the focus is all about continuing our work on Diversity, on Talent Attraction & Retention and on driving strong Ownership at all levels of the company.

### Diversity

- Unconscious Bias training key priority

We plan for every employee in our company to take part in unconscious bias training in 2022. This is a big task and must be handled carefully to be relevant on a global basis. Our Diversity council is leading these efforts. They are also working on the next series of actions required to continue to move the dial in ensuring diversity, equity and inclusion at Linamar. We have good momentum and would like to build on that in coming months.

### Talent – Attraction & Retention

- Talent Management Process Refinement with HRIS system
- Attract Young Talent
- Compensation, Benefits, Pension

Attracting and retaining talent has long been a priority focus but takes centre stage in today's world of a shrinking workforce. We need talent at every level and in most regions of the world and we are competing for such in an ever-shrinking pool.

We need young talent that we can teach and develop into the leaders of tomorrow. We need to refine our talent management and development process to identify and get momentum around our top talent. We need to ensure that our compensation package is competitive and will attract and keep that talent with us. All of these areas are key to our focus in 2022.

### Ownership

- Streamline Global Operating System

Ownership is key to driving success. Our leaders need to act like owners and have the ability to independently manage their businesses while at the same time we are carefully managing risk to our shareholders, customers and employees. Creating this balance is critical to our long-term success. As we grow, this balance needs to be constantly revisited. Maximize accountability, ownerships, innovation and results while mitigating risk and ensuring our stakeholders are getting the performance they expect on a regular basis. Our Global Operating System (GOS) defines this for us and will be refined in the coming months to reflect our growing business.

## Financial

On the financial side our focus is in 2 key areas, Artificial Intelligence Adoption and System Implementations.

### AI Adoption

A major project for 2022 is ensuring every facility globally is implementing at least one improvement project utilizing AI. We have put in place all the tools our team needs to do this work.

Southern Ontario is the leading global hub for research and development in this field and Linamar's proximity to such is giving us a key advantage in terms of access to the latest thinking and technology in this field.

For us, AI is all about improving the accuracy of predictions, making analysis more efficient and automating repetitive tasks. All of that makes us more efficient and effective, driving better performance, better productivity and better employee engagement.

### Major System Implementations

In 2022, we will also lever off our successful HRIS system implementation into a new consolidation and forecasting system for our financial team.

Having the data we need, when we need it, is key to successfully managing our business and our focus on systems over the past few years is improving our access to data and ability to efficiently analyze such.

## Customer

On the customer side our focus is in 2 key areas – driving growth and continuing to build on the momentum of our sustainability work.

### Sustainability

- Roadmap to 2050
- Metrics

- Communicate progress to investors, employees, customers

We will continue to build our roadmap to 2050 in 2022. That means first getting the balance of our facilities to net 0, emulating the excellent work of our Canadian facilities, and then shifting our focus to our suppliers and customers. 2050 seems a long way away but it really isn't in this regard.

### Group Roadmaps for Double Digit Growth

Finally, it is key to set in place the roadmaps to drive continued double digit growth at Linamar.

In the last 12 years we have seen sales and earnings growth in the double digits at Linamar nearly every single year. 9 out of 12 years. Have no doubt we plan to resume our pattern and we have strong strategies in place to drive that.

## Key Business Strategies

### Mobility

**Our key strategy for our mobility business is to maximize growth opportunities in an electrified world. We are seeing exciting progress in that regard with traction building on our BEV wins, now nearly 15% of overall wins despite BEV's holding single digit market share globally. HEV wins bring our total electrified wins to nearly 20%.**

That means increasing content potential in electrified vehicles. Today we have potential for about $3,500 of revenue per vehicle in a BEV, FCEV or HEV. We would like to continue to grow that content potential and have 4 key areas we look to focus on for such:
- Power Generation
- Energy Storage
- Propulsion Systems
- Structural & Chassis

Our recently announced eLin Electrification Product Solutions Group is key to developing these product solutions and strategies and winning new EV business.

This strategy not only increases our content in electric propulsion systems but notably also grows our product lineup outside of propulsion. This is important as these products are agnostic of vehicle propulsion – they are needed in any type of vehicle. We like the idea of growing this area of our business to maximize flexibility in a world where the evolution of propulsion in terms of technology and timing is changing it seems daily.

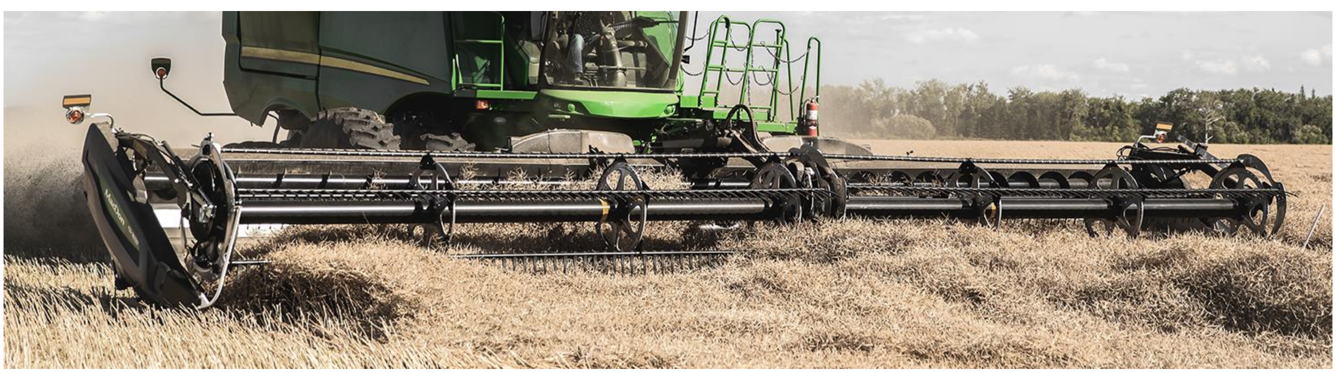
Finally, we will mine the opportunistic ICE market as volumes decline but addressable market increases with an eye to mitigate risk.  That means flexible equipment and step pricing to address the inevitable volume declines.  It will be some time before the world no longer needs ICE, we can be opportunistic about business in this area as long as we are mitigating risk.

## Skyjack

**In our access business the key focus is Diversification and Globalization.  The market is $10 billion globally but the number of players in this business is small meaning the potential for a much larger slice of the market is very real.**

For 2022 our strategy includes a laser focus on growth in China as part of that globalization push.  The market in China is growing rapidly and we have a great product for that.  Establishing manufacturing capacity on the ground to serve that market is key and planning for such is underway.  We will be production ready by the end of 2022 in China for the local market and are ramping up our sales efforts.  We are excited about the growth opportunity in this vibrant market.

Beyond such we will continue to globalize and expand the product lineup in all 3 regions as we have so successfully done in recent years.



## MacDon

**In our Agriculture business the key focus is also Diversification and Globalization.**

Great opportunities exist for us to build market share in both Eastern and Western Europe and South America as well with new product designs tailored to the heavier, denser crops in Europe for instance.  Each of these markets is similarly sized to the North America market where MacDon primarily sells today meaning we could, with the right products and distribution channels, quadruple the business with time.

**Product expansion will be a key area of strategic focus for MacDon in 2022 with a particular focus on crop protection and nutrition**

### MedTech

**We continue to explore the opportunistic MedTech market where we see significant potential for Linamar as a contract manufacturing for both medical implants & instruments.**

We have already started down this road on the latter with our ventilator initiative in 2020 (more than 1 million ventilators or parts of such produced the help fight the pandemic in 2020) as well as with the successful launch of the digital automated surgical microscope we started producing in 2021 for Synaptive Medical. We will continue with the launch of the MRI machine for Synaptive in 2022.

Exploring continued strategies for growth in implants and instruments is a key focus for us in 2022.

### Innovation

Of course, innovation remains the core strategy for success in every one of these markets.

**We have 3 key underpinning strategies throughout our businesses around innovation – to drive and develop green technologies, digitization and operational efficiency. These strategies support both product design and the function of our facilities.**

In our facilities, innovation takes the form of Industry 4.0 technology investments to improve efficiency and support digitization and operational efficiency. Today we have nearly 3,500 advanced robots, nearly 1,200 vision systems and more than 2,400 traceability Read/Write systems in our global facilities. Nearly 4,600 of our machines are connected into our global digital production tracking system, LMMS, and more are being added every day in a major global initiative around continued digitization. LMMS is an internally developed monitoring system from which we can remotely track performance on every machine in our global facilities from any mobile device.

Facilities are also making technology investments to reduce their carbon footprint to support green technologies. We are rapidly creating the Factory of the Future.

From a product perspective we achieve our green innovation goals through electrification for Mobility and Skyjack, precision agriculture for MacDon and compact and energy efficient products for MedTech. And we improve operational efficiency with lighter and quieter products for Mobility, with digitization and telematics for Skyjack, by optimizing harvest at MacDon and by creating digitized and autonomous solutions for MedTech.

## The Future

At Linamar we are very excited about our future growth plans. We have the business in hand to drive meaningful growth in the next several years, a market focus and strategy in massive growing markets to drive substantial opportunities for the longer term, the perfect combination for meeting both short and long-term shareholder growth goals. We have a 1-year plan, a 5-year plan and a 100-year plan all centered on success, growth and balance.

**We have the business, we have the markets, we have the innovation, we have a talented and growing group of people and we will continue to turn that into consistent sustainable growth for you our shareholders.**

Sincerely,

**(Signed) "Linda Hasenfratz"**

Linda Hasenfratz
Executive Chair and Chief Executive Officer

**(Signed) "Jim Jarrell"**

Jim Jarrell
President and Chief Operating Officer

**Linamar Corporation**

**December 31, 2021 and December 31, 2020**
**(in millions of dollars)**

# LINAMAR CORPORATION

## Management's Discussion and Analysis

For the Quarter Ended December 31, 2021

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the quarter and year ended December 31, 2021. This MD&A has been prepared as at March 9, 2022. 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 and MacDon. Skyjack manufactures scissor, boom and telehandler lifts for the aerial work platform industry. MacDon manufactures combine draper headers and self-propelled windrowers for the agricultural harvesting industry. The 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 has 25,500 employees in 60 manufacturing locations, 11 R&D centres and 25 sales offices in 17 countries in North and South America, Europe and Asia, which generated sales of $6.5 billion in 2021. 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 fourth quarter of 2021 ("Q4 2021") and 2020 ("Q4 2020"):[1]

| | Three Months Ended December 31 | | | | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars, except per share figures) | 2021 $ | 2020 $ | +/- $ | +/- % | 2021 $ | 2020 $ | +/- $ | +/- % |
| Sales | 1,534.4 | 1,704.8 | (170.4) | (10.0%) | 6,536.6 | 5,815.6 | 721.0 | 12.4% |
| Gross Margin | 160.9 | 273.5 | (112.6) | (41.2%) | 937.7 | 788.4 | 149.3 | 18.9% |
| Operating Earnings (Loss) | 70.1 | 155.4 | (85.3) | (54.9%) | 601.2 | 424.2 | 177.0 | 41.7% |
| Net Earnings (Loss) | 50.2 | 113.1 | (62.9) | (55.6%) | 420.6 | 279.1 | 141.5 | 50.7% |
| Net Earnings (Loss) per Share - Diluted | 0.77 | 1.73 | (0.96) | (55.5%) | 6.41 | 4.27 | 2.14 | 50.1% |
| Earnings before interest, taxes and amortization ("EBITDA")[1] | 178.0 | 279.1 | (101.1) | (36.2%) | 1,032.6 | 877.0 | 155.6 | 17.7% |
| Operating Earnings (Loss) - Normalized[1] | 81.1 | 176.4 | (95.3) | (54.0%) | 605.4 | 458.0 | 147.4 | 32.2% |
| Net Earnings (Loss) - Normalized[1] | 59.0 | 129.1 | (70.1) | (54.3%) | 428.4 | 314.6 | 113.8 | 36.2% |
| Net Earnings (Loss) per Share - Diluted - Normalized[1] | 0.90 | 1.97 | (1.07) | (54.3%) | 6.53 | 4.81 | 1.72 | 35.8% |
| EBITDA – Normalized[1] | 189.6 | 304.5 | (114.9) | (37.7%) | 1,045.4 | 919.8 | 125.6 | 13.7% |

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

## IMPACT ON LINAMAR'S RESULTS AND BUSINESS RELATED TO COVID-19

In mid-March of 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization. A number of the Company's key end markets witnessed a significant reduction in volume in and around April of 2020, mostly due to production

[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.

shutdowns, shelter-in-place orders, and general effects on economies impacting customer demand. There has been a strengthening return in volumes as automotive production in North America and Europe restarted in May of 2020 which has materially improved the results. Despite these positive signs the Company continues to be cautious around costs and capital spending given uncertainties. During 2021, the demand for the Company's products has been negatively impacted by semiconductor supply related issues as well as labour, material and freight costs associated with the pandemic. Therefore, the pandemic and resulting economic contraction have had, and is expected to continue to have, a negative impact on the demand for the Company's products.

Since resuming production in mid-May 2020, the Company's focus has been on Recovery, Restarting and Rejuvenation. Ensuring the safety of our workforce to return to work has been a top priority and we have seen excellent results with extremely low incidence of on-site transmission and employees surveyed feeling safe and supportive of protocols.

Despite these continued impacts, the Company has maintained sufficient liquidity[1] to satisfy its financial obligations during this period and liquidity, measured as cash and cash equivalents and available credit, at December 31, 2021 increased significantly to $1.9 billion compared with $1.6 billion at December 31, 2020. The Company's free cash flow[1] was $144.7 million for Q4 2021 and $672.6 million for the full year compared to $422.3 million and $1,185.0 million respectively for the comparable periods of 2020.

Throughout this crisis Linamar strongly supported our local and global communities by implementing regular testing regimes, establishing a vaccination clinic as well as donating, procuring, and managing PPE for local healthcare providers and manufacturing ventilators and parts thereof for a variety of customers. The ability of Linamar to pivot from manufacturing auto assemblies to different products such as ventilators is evidence of the company's agility, flexibility, technical depth and the ability to respond quickly. These traits are, and have always been, the core of Linamar's strength.

Demonstrating this commitment to the health of our communities, beginning in Q1 2021, Linamar began assisting our local community with vaccine rollout efforts. The Company partnered with local health authorities and transformed our Customer Access Centre at Skyjack in Guelph to a community vaccination site. Linamar loaned full-time staff to aid the local health professionals with planning, logistics and coordination. The Company has remained focused on helping everyone moving toward a post COVID-19 world as quickly as possible and reopened its vaccination site at the Frank Hasenfratz Centre for Excellence in Manufacturing in Q4 2021 to continue providing additional vaccines to the Guelph community. Linamar thanks all the volunteers and employees that have made the vaccination sites such a tremendous success in Guelph.

Continuing with the fourth quarter of 2021, the regional COVID-19 restrictions have not had a significant impact on Linamar's sales or expenses as Linamar has been subject to 'essential business' exemptions in the various jurisdictions in which we operate. Consequently, volumes have not been adversely affected by such restrictions. Given the currently available information, these restrictions are not expected to have a significant impact to the Company's performance. However, the length and extent of the COVID-19 pandemic and current and potential future governmental and other responses to it, such as regional business shut-downs, stay-at-home orders, business, border, travel and other restrictions and their impacts on the overall global economy are not known. Accordingly, there is material uncertainty as to the overall impact relating to the Company's future operations due to the ongoing pandemic. The Company is unable to quantify the overall impact of COVID-19 on Linamar's financial results including net of any mitigating factors.

In light of these events, the Company, if necessary, will continue to update its disclosures including: commentary in the "Financial Condition, Liquidity and Capital Resources" section, risk factors in the "Risk Management" section, commentary related to COVID-19 in the "Disclosure Controls and Procedures and Internal Controls Over Financial Reporting" section, and its discussion of critical accounting estimates in the "Critical Accounting Estimates and Judgements" section of this MD&A.

## 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 December 31, 2021.

| | | | Three Months Ended December 31 2021 | | | Twelve Months Ended December 31 2021 |
|---|---|---|---|---|---|---|
| (in millions of dollars) | Industrial $ | Mobility $ | Linamar $ | Industrial $ | Mobility $ | Linamar $ |
| Sales | 293.0 | 1,241.4 | 1,534.4 | 1,468.7 | 5,067.9 | 6,536.6 |
| Operating Earnings (Loss) | (11.5) | 81.6 | 70.1 | 167.9 | 433.3 | 601.2 |
| EBITDA | 1.2 | 176.8 | 178.0 | 222.3 | 810.3 | 1,032.6 |
| Operating Earnings (Loss) – Normalized | (4.2) | 85.3 | 81.1 | 180.9 | 424.5 | 605.4 |
| EBITDA – Normalized | 8.4 | 181.2 | 189.6 | 236.5 | 808.9 | 1,045.4 |

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

| (in millions of dollars) | Three Months Ended December 31 2020 Industrial $ | Mobility $ | Linamar $ | Twelve Months Ended December 31 2020 Industrial $ | Mobility $ | Linamar $ |
|---|---|---|---|---|---|---|
| Sales | 315.6 | 1,389.2 | 1,704.8 | 1,172.2 | 4,643.4 | 5,815.6 |
| Operating Earnings (Loss) | 32.6 | 122.8 | 155.4 | 141.2 | 283.0 | 424.2 |
| EBITDA | 49.4 | 229.7 | 279.1 | 206.6 | 670.4 | 877.0 |
| Operating Earnings (Loss) – Normalized | 39.9 | 136.5 | 176.4 | 156.5 | 301.5 | 458.0 |
| EBITDA – Normalized | 56.7 | 247.8 | 304.5 | 221.9 | 697.9 | 919.8 |

## Industrial Highlights

| | Three Months Ended December 31 | | | | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | 2021 $ | 2020 $ | +/- $ | +/- % | 2021 $ | 2020 $ | +/- $ | +/- % |
| Sales | 293.0 | 315.6 | (22.6) | (7.2%) | 1,468.7 | 1,172.2 | 296.5 | 25.3% |
| Operating Earnings (Loss) | (11.5) | 32.6 | (44.1) | (135.3%) | 167.9 | 141.2 | 26.7 | 18.9% |
| EBITDA | 1.2 | 49.4 | (48.2) | (97.6%) | 222.3 | 206.6 | 15.7 | 7.6% |
| Operating Earnings (Loss) – Normalized | (4.2) | 39.9 | (44.1) | (110.5%) | 180.9 | 156.5 | 24.4 | 15.6% |
| EBITDA – Normalized | 8.4 | 56.7 | (48.3) | (85.2%) | 236.5 | 221.9 | 14.6 | 6.6% |

The Industrial segment ("Industrial") product sales decreased 7.2%, or $22.6 million, to $293.0 million in Q4 2021 from Q4 2020. The sales decrease was due to:

- agricultural sales declines due to supply chain and labour constraints which are significantly impacting our ability to deliver equipment; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q4 2020; partially offset by
- additional access equipment sales primarily due to increased market share in North America for scissors, booms and telehandlers.

The 2021 sales for Industrial increased by $296.5 million, or 25.3% compared with 2020. This sales increase was due to:

- additional access equipment and agricultural sales primarily due to market recovery from 2020 which was significantly impacted by the COVID-19 pandemic; partially offset by
- an unfavourable impact on sales from the changes in foreign exchange rates from 2020; and
- agricultural sales declines in Q4 2021 due to supply chain and labour constraints which are significantly impacting our ability to deliver equipment.

Industrial segment normalized operating earnings in Q4 2021 decreased $44.1 million, or 110.5% from Q4 2020. The Industrial normalized operating earnings results were predominantly driven by:

- an increase in material, freight and labour costs associated with ongoing supply issues and post pandemic pressures;
- a decrease in agricultural sales;
- a reduction in the utilization of Government support programs related to the global COVID-19 pandemic; and
- an unfavourable impact from the changes in foreign exchange rates from Q4 2020; partially offset by
- an increase in access equipment sales; and
- a reduction in provisions for receivables that were incurred in Q4 2020 in the industrial markets primarily related to COVID-19.

The 2021 normalized operating earnings for Industrial increased by $24.4 million, or 15.6% compared with 2020. The factors that impacted Q4 2021 similarly impacted the 2021 results with the exception of net 2021 agricultural revenues that has increased primarily due to market recovery from 2020 which was significantly impacted by the COVID-19 pandemic.

## Mobility Highlights

| | Three Months Ended December 31 | | | | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | 2021 $ | 2020 $ | +/- $ | +/- % | 2021 $ | 2020 $ | +/- $ | +/- % |
| Sales | 1,241.4 | 1,389.2 | (147.8) | (10.6%) | 5,067.9 | 4,643.4 | 424.5 | 9.1% |
| Operating Earnings (Loss) | 81.6 | 122.8 | (41.2) | (33.6%) | 433.3 | 283.0 | 150.3 | 53.1% |
| EBITDA | 176.8 | 229.7 | (52.9) | (23.0%) | 810.3 | 670.4 | 139.9 | 20.9% |
| Operating Earnings (Loss) – Normalized | 85.3 | 136.5 | (51.2) | (37.5%) | 424.5 | 301.5 | 123.0 | 40.8% |
| EBITDA – Normalized | 181.2 | 247.8 | (66.6) | (26.9%) | 808.9 | 697.9 | 111.0 | 15.9% |

Sales for the Mobility segment ("Mobility") decreased by $147.8 million, or 10.6% in Q4 2021 compared with Q4 2020. The sales in Q4 2021 were impacted by:

- a sales decline primarily attributed to adverse conditions associated with semiconductor supply related issues experienced by our customers; and
- an unfavourable impact on sales from the changes in foreign exchange rates from Q4 2020; partially offset by
- additional sales for launching programs and increased volumes for certain programs that the Company has significant business with; and
- increased sales related to material metal market pass through pricing partially offsetting the associated raw material increases.

The 2021 sales for Mobility increased by $424.5 million, or 9.1% compared to 2020. The factors that impacted Q4 2021 similarly impacted the 2021 results with the exception of net 2021 Mobility revenues that has increased primarily due to market recovery from 2020 which was significantly impacted by the COVID-19 pandemic.

Q4 2021 normalized operating earnings for Mobility were lower by $51.2 million, or 37.5% compared to Q4 2020. The Mobility segment's earnings were impacted by the following:

- a sales decline primarily attributed to adverse conditions associated with semiconductor supply related issues experienced by our customers;
- an increase in energy, material, freight and labour costs associated with ongoing supply issues and post pandemic pressures;
- an unfavourable impact from the changes in foreign exchange rates from Q4 2020; and
- a reduction in the utilization of Government support programs related to the global COVID-19 pandemic; partially offset by
- additional sales for launching programs and increased volumes for certain programs that the Company has significant business with; and
- a reduction in management compensation as a result of lower sales and earnings.

The 2021 normalized operating earnings increased by $123.0 million, or 40.8% compared with 2020. The factors that impacted Q4 2021 similarly impacted the 2021 results with the exception of net 2021 Mobility revenues that has increased primarily due to market recovery from 2020 which was significantly impacted by the COVID-19 pandemic.

## 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.

| | Three Months Ended December 31 | | | | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| *North America* | 2021 | 2020 | +/- | % | 2021 | 2020 | +/- | % |
| Vehicle Production Units | 3.43 | 3.97 | (0.54) | (13.6%) | 13.55 | 13.43 | 0.12 | 0.9% |
| Automotive Sales | $ 651.5 | $ 680.3 | $ (28.8) | (4.2%) | $ 2,602.3 | $ 2,364.3 | $ 238.0 | 10.1% |
| **Content Per Vehicle** | $ 189.90 | $ 171.57 | $ 18.33 | 10.7% | $ 192.09 | $ 176.00 | $ 16.09 | 9.1% |
| *Europe* | | | | | | | | |
| Vehicle Production Units | 3.98 | 5.25 | (1.27) | (24.2%) | 15.85 | 16.58 | (0.73) | (4.4%) |
| Automotive Sales | $ 313.6 | $ 371.1 | $ (57.5) | (15.5%) | $ 1,332.0 | $ 1,288.9 | $ 43.1 | 3.3% |
| **Content Per Vehicle** | $ 78.83 | $ 70.65 | $ 8.18 | 11.6% | $ 84.06 | $ 77.73 | $ 6.33 | 8.1% |
| *Asia Pacific* | | | | | | | | |
| Vehicle Production Units | 12.60 | 13.18 | (0.58) | (4.4%) | 43.58 | 40.98 | 2.60 | 6.3% |
| Automotive Sales | $ 141.5 | $ 178.7 | $ (37.2) | (20.8%) | $ 559.7 | $ 524.7 | $ 35.0 | 6.7% |
| **Content Per Vehicle** | $ 11.23 | $ 13.55 | $ (2.32) | (17.1%) | $ 12.84 | $ 12.81 | $ 0.03 | 0.2% |

North American automotive sales for Q4 2021 decreased 4.2% from Q4 2020 in a market that saw a decrease of 13.6% in production volumes for the same period. As a result, content per vehicle in Q4 2021 increased 10.7% from $171.57 to $189.90. The increase in North American content per vehicle was mainly driven by programs we have significant business with that have enjoyed disproportionately higher volumes and increased sales for launching programs. These increases were partially driven by impacts related to semiconductor chip supply issues as powertrain production requirements did not decrease as significantly in the quarter relative to the decline in OEM vehicle production volumes.

European automotive sales for Q4 2021 decreased 15.5% from Q4 2020 in a market that saw a decrease of 24.2% in production volumes for the same period. As a result, content per vehicle in Q4 2021 increased 11.6% from $70.65 to $78.83. The increase in European content per vehicle was mainly driven by programs we have significant business with that have enjoyed disproportionately higher volumes and increased sales for launching programs. These increases were partially driven by impacts related to semiconductor chip supply issues as powertrain production requirements did not decrease as significantly in the quarter relative to the decline in OEM vehicle production volumes.

Asia Pacific automotive sales for Q4 2021 decreased 20.8% from Q4 2020 in a market that saw a decrease of 4.4% in production volumes for the same period. As a result, content per vehicle in Q4 2021 decreased 17.1% from $13.55 to $11.23. The decrease in Asian content per vehicle was mainly driven by production disruptions related to semiconductor supply issues disproportionately impacting OEMs that the Company has significant business with. These sales declines were partially offset by increases in sales for launching programs.

[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.

## RESULTS OF OPERATIONS

### Gross Margin

| (in millions of dollars) | Three Months Ended December 31 2021 | Three Months Ended December 31 2020 | Twelve Months Ended December 31 2021 | Twelve Months Ended December 31 2020 |
|---|---|---|---|---|
| Sales | $ 1,534.4 | $ 1,704.8 | $ 6,536.6 | $ 5,815.6 |
| Cost of Sales before amortization | 1,263.4 | 1,308.2 | 5,153.3 | 4,577.0 |
| Amortization | 110.1 | 123.1 | 445.6 | 450.2 |
| Cost of Sales | 1,373.5 | 1,431.3 | 5,598.9 | 5,027.2 |
| Gross Margin | $ 160.9 | $ 273.5 | $ 937.7 | $ 788.4 |
| Gross Margin percentage | 10.5% | 16.0% | 14.3% | 13.6% |

Gross margin percentage decreased in Q4 2021 to 10.5% compared to 16.0% in Q4 2020. Cost of sales before amortization as a percentage of sales increased in Q4 2021 to 82.3% compared to 76.7% for the same quarter of last year. In dollar terms, gross margin decreased $112.6 million in Q4 2021 compared with Q4 2020 as a result of the items discussed earlier in this analysis such as:

- an increase in material, energy, freight and labour costs associated with ongoing supply issues and post pandemic pressures;
- a decrease in agricultural sales;
- a net sales decline in the Mobility segment primarily attributed to adverse conditions associated with semiconductor supply related issues experienced by our customers;
- a reduction in the utilization of Government support programs related to the global COVID-19 pandemic; and
- an unfavourable impact from the changes in foreign exchange rates from Q4 2020; partially offset by
- an increase in access equipment volumes.

Amortization remained flat as a percentage of sales when compared to Q4 2020. On a dollar basis amortization is lower as a result of lower capital investment during the pandemic. The factors that impacted the 2021 results were similar to the factors that impacted the Q4 2021 results.

2021 gross margin increased to 14.3% from 13.6% in 2020. The factors that impacted Q4 2021 similarly impacted the 2021 results with the exception of net 2021 Mobility and agricultural revenues that has increased primarily due to market recovery from 2020 which was significantly impacted by the COVID-19 pandemic.

### Selling, General and Administration

| (in millions of dollars) | Three Months Ended December 31 2021 | Three Months Ended December 31 2020 | Twelve Months Ended December 31 2021 | Twelve Months Ended December 31 2020 |
|---|---|---|---|---|
| Selling, general and administrative | $ 96.1 | $ 106.0 | $ 349.6 | $ 353.6 |
| SG&A percentage | 6.3% | 6.2% | 5.3% | 6.1% |

Selling, general and administrative ("SG&A") costs decreased in Q4 2021 to $96.1 million from $106.0 million and increased as a percentage of sales to 6.3% from 6.2% when compared to Q4 2020. This decrease, in dollar terms, is primarily due to:

- a reduction in provisions for receivables that were incurred in Q4 2020 in the industrial markets primarily related to COVID-19; and
- a reduction in management compensation as a result of lower sales and earnings; partially offset by
- increased sales and marketing expenses to support growth; and
- a reduction in the utilization of Government support programs related to the global COVID-19 pandemic.

On a full year basis, SG&A costs decreased to $349.6 million from $353.6 million and decreased as a percentage of sales to 5.3% from 6.1% when compared to 2020. The factors that impacted the 2021 results were similar to the factors that impacted the Q4 2021 results.

### Finance Expense and Income Taxes

| (in millions of dollars) | Three Months Ended December 31 2021 $ | 2020 $ | Twelve Months Ended December 31 2021 $ | 2020 $ |
|---|---|---|---|---|
| Operating Earnings (Loss) | 70.1 | 155.4 | 601.2 | 424.2 |
| Share of Net Earnings (Loss) of Investments Accounted for Using the Equity Method | (7.1) | (6.9) | (28.3) | (22.9) |
| Finance Income and (Expenses) | (0.5) | (0.2) | (10.7) | (26.9) |
| Provision for (Recovery of) Income Taxes | 12.3 | 35.2 | 141.6 | 95.3 |
| Net Earnings (Loss) | 50.2 | 113.1 | 420.6 | 279.1 |

#### Finance Expenses

Finance expenses increased $0.3 million in Q4 2021 from $0.2 million in Q4 2020 to $0.5 million due to:

- lower interest earned due to the decreasing long-term AR balances; which was partially offset by
- lower interest expense due to decreasing debt balances.

The 2021 finance expenses decreased $16.2 million compared to $26.9 million in 2020. The full year finance expenses were impacted by the same factors as described for Q4 2021 and further impacted by the Q2 2020 one-time make-whole expense related to the prepayment of the Company's United States Dollar ("USD") $130 million Private Placement Notes that did not recur.

The consolidated effective interest rate for Q4 2021 increased to 1.9% compared to 1.7% in Q4 2020. The effective interest rate decreased to 1.9% for 2021 versus 2.0% in 2020. The changes in the effective interest rate for Q4 2021 were driven by the same factors that impacted the financing expenses and as a result of the debt repayments, the weighting of each debt agreement on the effective interest rate has changed. The 2021 effective interest rate was driven by the same factors that impacted the effective interest rate for Q4 2021 with the exception of the Q2 2020 make-whole payment which is excluded from the effective interest rate calculations.

#### Income Taxes

The effective tax rate for Q4 2021 was 19.6%, a decrease from the 23.7% rate in the same quarter of 2020. The effective tax rate in Q4 2021:

- decreased due to one-time adjustments recognized in Q4 2021 regarding tax recoveries from prior years;
- decreased due to a reduction in non-deductible expenses incurred in Q4 2021 compared to Q4 2020; partially offset by
- an increase in the unrecognized benefits on losses.

The effective tax rate for 2021 was 25.2%, a slight decrease from the 25.4% rate in 2020 and was in line with the expected annual tax rate. The 2021 effective tax rate decreased due to a reduction in non-deductible expenses in the year.

## TOTAL EQUITY

During the quarter no options expired unexercised, no options were forfeited, no options were exercised, and 150,000 options were issued.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,450,697 common shares were outstanding as of March 9, 2022. The Company's common shares constitute its only class of voting securities. As of March 9, 2022, there were 1,050,000 options to acquire common shares outstanding and 3,600,000 options still available to be granted under the Company's share option plan.

In March 2020, the Company announced Toronto Stock Exchange ("TSX") approval to renew its normal course issuer bid ("NCIB" or "Bid"). The bid permitted the Company to acquire for cancellation up to 4,396,427 common shares between March 20, 2020 and March 19, 2021. No shares were purchased and cancelled from March 20, 2020 to March 10, 2021 due to the COVID-19 pandemic. In November 2021, the Company announced TSX approval to commence a new normal course issuer bid. This bid permits the Company to acquire for cancellation up to 4,421,507 common shares between November 30, 2021 and November 29, 2022. These bids are subject to daily limits and blackout periods.

## SELECTED FINANCIAL INFORMATION

### Annual Results

The following table sets out selected financial data relating to the Company's years ended December 31, 2021, 2020 and 2019. This financial data should be read in conjunction with the Company's consolidated financial statements for these years:

| (in millions of dollars, except per share figures) | 2021<br>$ | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| Sales | 6,536.6 | 5,815.6 | 7,416.6 |
| Net Earnings (Loss) | 420.6 | 279.1 | 430.4 |
| Normalizing Items | 7.8 | 35.5 | 34.0 |
| Net Earnings (Loss) - Normalized | 428.4 | 314.6 | 464.4 |
| Total Assets | 7,390.4 | 7,556.7 | 7,578.8 |
| Total Long-term Liabilities | 1,046.5 | 1,006.0 | 2,181.9 |
| Cash Dividends declared per share | 0.68 | 0.36 | 0.48 |
| Net Earnings (Loss) per Share | | | |
| Basic | 6.43 | 4.27 | 6.59 |
| Diluted | 6.41 | 4.27 | 6.56 |
| Diluted - Normalized | 6.53 | 4.81 | 7.08 |

For 2021 and 2020 normalizing items please see the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

The most significant impact on 2020 sales and earnings was a result of COVID-19 on the Company as discussed throughout this MD&A. In addition, the Company repaid a portion of its long-term debt primarily on its credit facilities as well as its 2021 Notes.

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

## Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2020 through December 31, 2021. 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) | Dec 31<br>2021<br>$ | Sep 30<br>2021<br>$ | Jun 30<br>2021<br>$ | Mar 31<br>2021<br>$ | Dec 31<br>2020<br>$ | Sep 30<br>2020<br>$ | Jun 30<br>2020<br>$ | Mar 31<br>2020<br>$ |
|---|---|---|---|---|---|---|---|---|
| Sales | 1,534.4 | 1,645.0 | 1,575.3 | 1,781.9 | 1,704.8 | 1,637.4 | 923.6 | 1,549.8 |
| Net Earnings (Loss) | 50.2 | 108.8 | 108.0 | 153.5 | 113.1 | 125.5 | (37.9) | 78.5 |
| Net Earnings (Loss) per Share | | | | | | | | |
| Basic | 0.77 | 1.66 | 1.65 | 2.35 | 1.73 | 1.92 | (0.58) | 1.21 |
| Diluted | 0.77 | 1.66 | 1.65 | 2.34 | 1.73 | 1.92 | (0.58) | 1.20 |

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 each quarter of 2020 and 2021. Plant shutdowns began mainly in March 2020 and April 2020 with the automotive OEM's restarting production in May 2020 resulting in volumes growing over the remainder of the year.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions of dollars) | $ | $ | $ | $ |
| Cash generated from (used in): | | | | |
| Operating Activities | 217.6 | 489.6 | 908.8 | 1,434.1 |
| Financing Activities | (17.1) | (114.1) | (572.1) | (616.4) |
| Investing Activities | (82.3) | (81.1) | (267.3) | (290.3) |
| Effect of translation adjustment on cash | 4.2 | (3.4) | (2.1) | (4.5) |
| Increase (decrease) in cash and cash equivalents | 122.4 | 291.0 | 67.3 | 522.9 |
| Cash and cash equivalents – Beginning of Period | 806.0 | 570.1 | 861.1 | 338.2 |
| Cash and cash equivalents – End of Period | 928.4 | 861.1 | 928.4 | 861.1 |
| Comprised of: | | | | |
| Cash in bank | 511.9 | 628.5 | 511.9 | 628.5 |
| Short-term deposits | 429.1 | 236.3 | 429.1 | 236.3 |
| Unpresented cheques | (12.6) | (3.7) | (12.6) | (3.7) |
| | 928.4 | 861.1 | 928.4 | 861.1 |

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2021 were $928.4 million, an increase of $67.3 million compared to December 31, 2020.

Cash generated from operating activities was $217.6 million, a decrease of $272.0 million from Q4 2020, due to a decreased generation of cash in operating assets and liabilities and decreased earnings for the period. Cash generated from operating activities in 2021 was $908.8 million, $525.3 million less than was provided in 2020, due to an increased use of cash in operating assets and liabilities partially offset by increased earnings for the period.

Financing activities used $17.1 million of cash compared to $114.1 million used in Q4 2020 and for 2021 financing activities used $572.1 million compared to $616.4 million primarily due to the repayment of the Company's long-term debt. In Q1 2021, the repayment of the Company's USD denominated bank borrowings a portion which came due in January 2021 was partially offset by funding received through the Company's new 2031 Notes.

Investing activities used $82.3 million in Q4 2021 compared to $81.1 million used in Q4 2020 and for 2021 investing activities used $267.3 million compared to $290.3 million in 2020. This use of cash was primarily due to the purchases of property, plant and equipment which continues to be an area of focus in conserving cash by the Company.

### Operating Activities

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions of dollars) | $ | $ | $ | $ |
| Net Earnings (Loss) for the period | 50.2 | 113.1 | 420.6 | 279.1 |
| Adjustments to earnings | 113.6 | 125.6 | 441.8 | 492.5 |
| | 163.8 | 238.7 | 862.4 | 771.6 |
| Changes in operating assets and liabilities | 53.8 | 250.9 | 46.4 | 662.5 |
| Cash generated from (used in) operating activities | 217.6 | 489.6 | 908.8 | 1,434.1 |

Cash generated by operations before the effect of changes in operating assets and liabilities decreased $74.9 million in Q4 2021 to $163.8 million, compared to $238.7 million in Q4 2020. Cash generated from operations before the effect of changes in operating assets and liabilities increased $90.8 million in 2021 to $862.4 million, compared to $771.6 million in 2020.

Changes in operating assets and liabilities for Q4 2021 provided cash of $53.8 million primarily due to a decrease in accounts receivables partially offset by an increase in inventories. For the full year changes in operating assets and liabilities provided cash of $46.4 million primarily due to increased accounts payable, decreased long-term receivables, and decreased accounts receivables, partially offset by an increase in inventories.

In response to COVID-19, many governments around the world have provided various subsidy programs to assist companies during the crisis. The Company received government assistance in certain regions where such assistance was available and where the Company was eligible for the subsidy programs. The Company has recognized these subsidy programs as a reduction to the related expenses. A significant benefit to Linamar was from a subsidy program in Canada. The CEWS program was announced in March 2020 and the program came to an end in October 2021. CEWS provided a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including a demonstration of revenue declines. The direct benefit of CEWS and other COVID-19 related programs recorded in the consolidated statement of earnings was $46.2 million for the full year. However, the Company is unable to quantify the overall impact of COVID-19 on Linamar's financial results net of any mitigating factors such as government assistance programs.

Although Linamar has received COVID-19-related assistance from various governments, as of the date of this MD&A it remains unknown if any COVID-19-related government assistance will be available in the future.

## Financing Activities

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions of dollars) | $ | $ | $ | $ |
| Proceeds from (repayments of) short-term borrowings | - | - | - | (6.4) |
| Proceeds from (repayments of) long-term debt | (5.1) | (106.0) | (981.7) | (601.2) |
| Proceeds from senior unsecured notes | - | - | 494.0 | - |
| Proceeds from exercise of stock options | - | - | - | 9.5 |
| Repurchase of shares | - | - | - | (13.3) |
| Dividends | (13.1) | (7.8) | (44.5) | (23.4) |
| Finance income received (expenses paid) | 1.1 | (0.3) | 0.6 | (23.0) |
| Settlement of forward contracts | - | - | (40.5) | 41.4 |
| Cash generated from (used in) financing activities | (17.1) | (114.1) | (572.1) | (616.4) |

Financing activities for Q4 2021 used $17.1 million of cash compared to $114.1 million used in Q4 2020 primarily driven by the Company's repayment of long-term debt. Financing activities used $572.1 million compared to $616.4 million used in 2020 primarily driven by the Company's repayment of long-term debt and prepayment of the Company's USD $130 million Private Placement Notes in Q2 2020. In January 2021, the Company received EUR 320 million of its 2031 Notes, issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. In January, the Company also repaid USD denominated bank borrowings a portion which came due in January 2021 that was maturing under its bank credit facility.

## Investing Activities

| | Three Months Ended December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions of dollars) | $ | $ | $ | $ |
| Payments for purchase of property, plant and equipment | (74.1) | (75.8) | (243.1) | (264.3) |
| Proceeds on disposal of property, plant and equipment | 1.2 | 8.5 | 6.9 | 15.2 |
| Payments for purchase of intangible assets | (3.2) | (7.3) | (11.5) | (27.3) |
| Other | (6.2) | (6.5) | (19.6) | (13.9) |
| Cash generated from (used in) investing activities | (82.3) | (81.1) | (267.3) | (290.3) |

Cash used for investing activities for Q4 2021 was $82.3 million compared to Q4 2020 at $81.1 million. Cash used on investing activities for the full year was $267.3 million compared to 2020 at $290.3 million. The Company continues to focus on the conservation of cash resulting in lower payments for the purchase of property, plant and equipment when compared to periods prior to the COVID-19 pandemic.

## 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 December 31, 2021, cash and cash equivalents, including short-term deposits was $928.4 million and the Company's credit facilities had available credit of $957.5 million. Combined, the Company believes this liquidity of $1.9 billion at December 31, 2021 is sufficient to meet cash flow needs. In addition, free cash flow was $144.7 million for Q4 2021 compared to $422.3 million for the same period last year.

## Commitments and Contingencies

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

| (in millions of dollars) | Total<br>$ | 1 year<br>$ | Later than 1 year and not later than 5 years<br>$ | Later than 5 years<br>$ |
|---|---|---|---|---|
| Long-Term Debt Principal, excluding Lease Liabilities | 735.7 | 5.0 | 222.6 | 508.1 |
| Lease Liabilities[1] | 67.7 | 17.9 | 37.2 | 12.6 |
| Purchase Commitments | 209.1 | 209.1 | - | - |
| Total Contractual Obligations | 1,012.5 | 232.0 | 259.8 | 520.7 |

The Company occasionally provides guarantees to third parties who, in turn, provide financing to certain Linamar customers for industrial products. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in the notes to the Company's consolidated financial statements for the year ended December 31, 2021.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims, and other details surrounding its financial liabilities, off-balance sheet obligations, or other contractual obligations as applicable, are described in the notes to Company's consolidated financial statements for the year ended December 31, 2021.

## Financial Instruments

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

The Company pursues a strategy of optimizing its operating and financing foreign currency cash flows in each region in which it operates. In key foreign exchange markets, the Company's foreign currency outflows for the purchases of materials and capital equipment are offset through the sale of products denominated in the same foreign currencies, creating a natural hedge. In markets where a natural currency hedge cannot be achieved, and a material foreign exchange exposure arises, the Company actively manages the risk through the execution of foreign exchange forward contracts and other derivatives. Despite actively managing the residual foreign exchange exposure, significant long-term movements in relative currency values may affect the Company's operational results. The Company does not actively hedge all the cash flow activities of its foreign subsidiaries and, accordingly operational results may be further affected by a significant change in the relative value of domestic currencies.

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

In January 2021, the Company received EUR 320 million in funding through its 2031 Notes. These EUR denominated notes have been designated as a net investment hedge for the net investments in EUR foreign operations. The Company applied the proceeds of these notes, as well as a portion of available surplus cash, and proceeds drawn from the revolving credit facility towards the repayment of the USD denominated debt, a portion of which came due in January 2021. The USD cross currency interest rate swap contract associated with the USD denominated debt matured and settled at the same time. The EUR cross currency interest rate swap contract matured and also settled in January 2021, ending the associated net investment hedge. For more information, please see the Company's consolidated financial statements for the year ended December 31, 2021.

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

For more information, please see the notes to the Company's consolidated financial statements for the year ended December 31, 2021.

A portion of the Company's financial instruments are held as long-term receivables totalling $230.1 million at December 31, 2021 compared to $376.4 million at December 31, 2020. Long-term receivables are primarily made up of financing loans for the sale of industrial access equipment which decreased by $171.6 million to $62.9 million, financing loans for equity method investments which increased by $22.0 million to $133.2 million, and receivables for government assistance which increased by $3.3 million to $31.3 million. During Q2 2021, the Company received payment of $132.6 million of long-term receivables from a customer.

In 2020, due to COVID-19 there was uncertainty in the future repayment of certain of Linamar's long-term accounts receivable and a reduction in the value of related collateral securing certain long-term receivables. During 2020, a similar review and adjustment for an increase in economic credit risk due to COVID-19 was also completed on the Company's accounts and other receivables. During 2021, the credit risk on long-term receivables has improved and is still being monitored by the Company.

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

## CURRENT AND PROPOSED TRANSACTIONS

There are no current and proposed transactions for the quarter ended December 31, 2021.

## RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, and the Company's Annual Information Form for year ended December 31, 2021 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

### *Public Health Threats*

In early 2020, COVID-19 quickly spread in multiple countries and was declared a pandemic by the World Health Organization in mid-March. As the COVID-19 pandemic and resulting economic contraction has significantly impacted the health and economic wellbeing of our employees, customers, suppliers, global and local communities, the Company took quick action with our COVID-19 Global Task Force and Action Response Plan.

Public and private sector regulations, policies, and other measures aimed at reducing the transmission of COVID-19 included the imposition of business closures, travel restrictions, the promotion of social distancing and the adoption of work-from-home and online continuity plans by companies and various institutions. Globally, various governments have provided assistance to those affected including individuals and businesses through a number of taxation deferral, subsidy, and other relief programs. The Company has reopened its manufacturing facilities, while ensuring back-to-work health and safety protocols that were implemented across all of our facilities, is maintained.

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

- governmental and other responses to the COVID-19 pandemic, such as regional business shut-downs, stay-at-home orders, business, border, travel and other restrictions;
- the health, availability for work and productivity of our workforce;
- material reduction in demand for our products due to significant reduction in volume from our automotive and industrial products customers;
- a delay in collection of accounts and long-term receivables which may lead to increased allowance provisions;
- suppliers and/or customers having financial difficulties up to and including entering restructuring proceedings, insolvency proceedings and/or ceasing operations;
- difficulties in delivering products to customers due to supply chain disruptions;
- resultant higher operating costs; and
- higher capital costs for servicing or paying debt as it comes due.

As at December 31, 2021, the Company is well within covenant compliance. Should the economic uncertainty extend out for significantly longer periods than is currently generally believed, the Company may have to re-negotiate terms with its existing lenders and/or seek additional financing. The availability and terms of any such amended or new financing would depend on, among other things, the economic conditions and outlook for the Company and the economy as a whole in existence at that time.

Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to the Company.

### Competition, Outsourcing and Insourcing

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

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

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

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

### Sources and Availability of Raw Materials

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

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

### Labour Markets and Dependence on Key Personnel

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

### Dependence on Certain Customers

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

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

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

### Technological Change and Product Launches

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

### Foreign Currency Risk

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

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

### Long-term Contracts

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

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

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

### Acquisition and Expansion Risk

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

### Foreign Business Risk

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

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

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

### Cyclicality and Seasonality

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

The quarterly results of the Company are impacted by the seasonality of certain operational units. Historically, earnings in the second quarter, for the Industrial segment, are positively impacted by the high selling season for both the access equipment and agricultural businesses. For the 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.

### Legal Proceedings and Insurance Coverage

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

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

### Credit Risk

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

### Weather

Generally, adverse weather may impact Linamar's operations and its ability to produce product. For example, weather such as drought and flooding can have an adverse effect on crop quality and yields and therefore net farm income and new equipment orders.

### Emission Standards

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

### Capital and Liquidity Risk

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

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

### Tax Laws

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

### Securities Laws Compliance and Corporate Governance Standards

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

### Environmental Matters

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

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

As of December 31, 2021, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

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

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

### Internal Control over Financial Reporting

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

As of December 31, 2021, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

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

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

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

### Changes in Internal Controls over Financial Reporting

In response to the COVID-19 pandemic, certain physical distancing measures taken by the Company, customers, suppliers and governments had the potential to impact the design and performance of internal controls over financial reporting for the Company. Although our pre-existing controls were not specifically designed to operate in this current pandemic environment, we continue to believe that our established internal control over financial reporting addresses all identified risk areas. There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2021, which have materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company will continue to monitor any risk associated with a change to its control environment in response to the pandemic.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

### Impact of COVID-19 on Results and Risk Management Practices

During 2020, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, spread across the globe impacting worldwide economic activity. The extent to which the financial results and condition of the Company in future periods may be affected by COVID-19 depends on future developments and cannot be reliably determined at the date of these financial statements. The Company has not changed its fundamental risk management practices. The Company will continue to evaluate the situation and monitor any impacts or potential impacts to its business.

### Impact of COVID-19 on Receivables

With regard to the Company's receivables, the recognition and measurement of the expected credit loss rate involves a provision matrix incorporating historical experiences adjusted for current and future conditions expected for the life of the balance. No significant changes were made to the methodology except for enhancements made to assess the economic impacts of COVID-19. The level of estimation uncertainty and judgement has increased as a result of the economic effects of the COVID-19 pandemic, particularly as the length and extent of the pandemic and its impact on the overall global economy are not known. Modelled assumptions and linkages between economic factors and credit losses may underestimate or overestimate expected credit losses.

### Impairment of Non-Financial Assets

The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to make significant forward-looking assumptions. In assessing whether there is an indication that an asset may be impaired, there are a number of external and internal sources of information which require a high degree of judgement. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward-looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of the length and extent of the COVID-19 pandemic and its impact on the overall global economy which is not known.

### Current Income Taxes

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

### Deferred Income Tax Assets and Liabilities

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

### Useful Lives of Depreciable Assets

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

## RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

For information pertaining to accounting changes effective in 2021 and for future fiscal years please see the Company's consolidated financial statements for the year ended December 31, 2021.

## 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, finance costs, 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 December 31 | | Twelve Months Ended December 31 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| (in millions of dollars) | $ | $ | $ | $ |
| Restructuring | - | 8.6 | - | 8.6 |
| Facility closure | - | - | - | 13.8 |
| Adjustment for CEWS | 16.6 | - | 16.6 | - |
| Other items impacting Operating Earnings (loss) – Normalized | 16.6 | 8.6 | 16.6 | 22.4 |
| Make-whole interest | - | - | - | 9.1 |
| Other items impacting Net Earnings (Loss) – Normalized | 16.6 | 8.6 | 16.6 | 31.5 |
| | | | | |
| Restructuring | - | 8.6 | - | 8.6 |
| Facility closure | - | - | - | 2.1 |
| Adjustment for CEWS | 16.6 | - | 16.6 | - |
| Other items | 16.6 | 8.6 | 16.6 | 10.7 |
| Asset impairment provision, net of reversals | 0.7 | 4.4 | 2.4 | 16.1 |
| Other items and asset impairments impacting EBITDA – Normalized | 17.3 | 13.0 | 19.0 | 26.8 |

During Q4 2021, a normalizing item related to an adjustment for CEWS impacted the Mobility segment by $13.7 million and the Industrial segment by $2.9 million. The adjustment for CEWS is a provision recorded as a result of the subsidy program coming to an end. The Company is reviewing its claim filings to ensure the accuracy of the claims. CEWS was a subsidy program in Canada to assist companies in response to COVID-19 which came to an end in October 2021.

Normalizing items for asset impairment provisions adjusted EBITDA and impacted the Mobility segment by $0.7 million for the quarter and $2.4 million for the full year of 2021 (Q4 2020 – $4.4 million and $16.1 million for the full year of 2020).

During Q4 2020, a normalizing item related to "restructuring" adjusted the Mobility segment by $8.6 million. The restructuring was to improve operational efficiencies, primarily in Europe, and not in response to COVID-19.

During Q3 2020, a normalizing item of $13.8 million related to the closing of a facility impacted the Mobility segment's earnings. The closure of this North American facility was due to operational issues and was not in response to COVID-19. For EBITDA - Normalized the impairment of assets is included in its definition and therefore $11.7 million of the $13.8 million is the impairment portion for the closure of the facility.

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

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

| | Three Months Ended December 31 | | | | Twelve Months Ended December 31 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | +/- | +/- | 2021 | 2020 | +/- | +/- |
| (in millions of dollars) | $ | $ | $ | % | $ | $ | $ | % |
| **Operating Earnings (Loss) – Normalized** | | | | | | | | |
| Operating Earnings (Loss) | 70.1 | 155.4 | (85.3) | (54.9%) | 601.2 | 424.2 | 177.0 | 41.7% |
| Foreign exchange (gain) loss | (5.6) | 12.4 | (18.0) | | (12.4) | 11.4 | (23.8) | |
| Other items | 16.6 | 8.6 | 8.0 | | 16.6 | 22.4 | (5.8) | |
| Operating Earnings (Loss) – Normalized | 81.1 | 176.4 | (95.3) | (54.0%) | 605.4 | 458.0 | 147.4 | 32.2% |
| **Net Earnings (Loss) – Normalized** | | | | | | | | |
| Net Earnings (Loss) | 50.2 | 113.1 | (62.9) | (55.6%) | 420.6 | 279.1 | 141.5 | 50.7% |
| Foreign exchange (gain) loss | (5.6) | 12.4 | (18.0) | | (12.4) | 11.4 | (23.8) | |
| Foreign exchange (gain) loss on debt and derivatives | (0.1) | - | (0.1) | | 6.2 | 4.6 | 1.6 | |
| Other items | 16.6 | 8.6 | 8.0 | | 16.6 | 31.5 | (14.9) | |
| Tax impact | (2.1) | (5.0) | 2.9 | | (2.6) | (12.0) | 9.4 | |
| Net Earnings (Loss) – Normalized | 59.0 | 129.1 | (70.1) | (54.3%) | 428.4 | 314.6 | 113.8 | 36.2% |
| **Net Earnings (Loss) per Share – Diluted – Normalized** | | | | | | | | |
| Net Earnings (Loss) per Share – Diluted | 0.77 | 1.73 | (0.96) | (55.5%) | 6.41 | 4.27 | 2.14 | 50.1% |
| Foreign exchange (gain) loss | (0.09) | 0.19 | (0.28) | | (0.19) | 0.17 | (0.36) | |
| Foreign exchange (gain) loss on debt and derivatives | - | - | - | | 0.10 | 0.07 | 0.03 | |
| Other items | 0.25 | 0.13 | 0.12 | | 0.25 | 0.48 | (0.23) | |
| Tax impact | (0.03) | (0.08) | 0.05 | | (0.04) | (0.18) | 0.14 | |
| Net Earnings (Loss) per Share – Diluted – Normalized | 0.90 | 1.97 | (1.07) | (54.3%) | 6.53 | 4.81 | 1.72 | 35.8% |
| **EBITDA and EBITDA – Normalized** | | | | | | | | |
| Net Earnings (Loss) before income taxes | 62.5 | 148.3 | (85.8) | (57.9%) | 562.2 | 374.4 | 187.8 | 50.2% |
| Amortization of property, plant and equipment | 96.0 | 108.1 | (12.1) | | 397.1 | 406.2 | (9.1) | |
| Amortization of other intangible assets | 14.8 | 15.8 | (1.0) | | 51.6 | 48.4 | 3.2 | |
| Finance costs | 3.9 | 6.0 | (2.1) | | 18.4 | 44.1 | (25.7) | |
| Other interest | 0.8 | 0.9 | (0.1) | | 3.3 | 3.9 | (0.6) | |
| EBITDA | 178.0 | 279.1 | (101.1) | (36.2%) | 1,032.6 | 877.0 | 155.6 | 17.7% |
| Foreign exchange (gain) loss | (5.6) | 12.4 | (18.0) | | (12.4) | 11.4 | (23.8) | |
| Foreign exchange (gain) loss on debt and derivatives | (0.1) | - | (0.1) | | 6.2 | 4.6 | 1.6 | |
| Asset impairment provision, net of reversals | 0.7 | 4.4 | (3.7) | | 2.4 | 16.1 | (13.7) | |
| Other items | 16.6 | 8.6 | 8.0 | | 16.6 | 10.7 | 5.9 | |
| EBITDA – Normalized | 189.6 | 304.5 | (114.9) | (37.7%) | 1,045.4 | 919.8 | 125.6 | 13.7% |

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

| (in millions of dollars) | Three Months Ended December 31 2021 Industrial $ | Mobility $ | Linamar $ | Twelve Months Ended December 31 2021 Industrial $ | Mobility $ | Linamar $ |
|---|---|---|---|---|---|---|
| **Operating Earnings (Loss) – Normalized** | | | | | | |
| Operating Earnings (Loss) | (11.5) | 81.6 | 70.1 | 167.9 | 433.3 | 601.2 |
| Foreign exchange (gain) loss | 4.4 | (10.0) | (5.6) | 10.1 | (22.5) | (12.4) |
| Other items | 2.9 | 13.7 | 16.6 | 2.9 | 13.7 | 16.6 |
| Operating Earnings (Loss) – Normalized | (4.2) | 85.3 | 81.1 | 180.9 | 424.5 | 605.4 |
| **EBITDA – Normalized** | | | | | | |
| EBITDA | 1.2 | 176.8 | 178.0 | 222.3 | 810.3 | 1,032.6 |
| Foreign exchange (gain) loss | 4.4 | (10.0) | (5.6) | 10.1 | (22.5) | (12.4) |
| Foreign exchange (gain) loss on debt and derivatives | (0.1) | - | (0.1) | 1.2 | 5.0 | 6.2 |
| Asset impairment provision, net of reversals | - | 0.7 | 0.7 | - | 2.4 | 2.4 |
| Other items | 2.9 | 13.7 | 16.6 | 2.9 | 13.7 | 16.6 |
| EBITDA – Normalized | 8.4 | 181.2 | 189.6 | 236.5 | 808.9 | 1,045.4 |

| (in millions of dollars) | Three Months Ended December 31 2020 Industrial $ | Mobility $ | Linamar $ | Twelve Months Ended December 31 2020 Industrial $ | Mobility $ | Linamar $ |
|---|---|---|---|---|---|---|
| **Operating Earnings (Loss) – Normalized** | | | | | | |
| Operating Earnings (Loss) | 32.6 | 122.8 | 155.4 | 141.2 | 283.0 | 424.2 |
| Foreign exchange (gain) loss | 7.3 | 5.1 | 12.4 | 15.3 | (3.9) | 11.4 |
| Other items | - | 8.6 | 8.6 | - | 22.4 | 22.4 |
| Operating Earnings (Loss) – Normalized | 39.9 | 136.5 | 176.4 | 156.5 | 301.5 | 458.0 |
| **EBITDA – Normalized** | | | | | | |
| EBITDA | 49.4 | 229.7 | 279.1 | 206.6 | 670.4 | 877.0 |
| Foreign exchange (gain) loss | 7.3 | 5.1 | 12.4 | 15.3 | (3.9) | 11.4 |
| Foreign exchange (gain) loss on debt and derivatives | - | - | - | - | 4.6 | 4.6 |
| Asset impairment provision, net of reversals | - | 4.4 | 4.4 | - | 16.1 | 16.1 |
| Other items | - | 8.6 | 8.6 | - | 10.7 | 10.7 |
| EBITDA – Normalized | 56.7 | 247.8 | 304.5 | 221.9 | 697.9 | 919.8 |

## 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 December 31 2021 $ | 2020 $ | Twelve Months Ended December 31 2021 $ | 2020 $ |
|---|---|---|---|---|
| **Free Cash Flow** | | | | |
| Cash generated from (used in) operating activities | 217.6 | 489.6 | 908.8 | 1,434.1 |
| Payments for purchase of property, plant and equipment | (74.1) | (75.8) | (243.1) | (264.3) |
| Proceeds on disposal of property, plant and equipment | 1.2 | 8.5 | 6.9 | 15.2 |
| Free Cash Flow | 144.7 | 422.3 | 672.6 | 1,185.0 |
| **Liquidity** | | | | |
| Cash | 928.4 | 861.1 | 928.4 | 861.1 |
| Available credit | 957.5 | 773.4 | 957.5 | 773.4 |
| Liquidity | 1,885.9 | 1,634.5 | 1,885.9 | 1,634.5 |

## 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 December 31, 2021 | Three Months Ended Mar 31 2021 | Jun 30 2021 | Sep 30 2021 | Dec 31 2021 | Year to Date Mar 31 2021 | Jun 30 2021 | Sep 30 2021 | Dec 31 2021 |
|---|---|---|---|---|---|---|---|---|
| *North America* | | | | | | | | |
| Vehicle Production Units | 3.74 | 3.30 | 3.07 | 3.43 | 3.74 | 7.04 | 10.12 | 13.55 |
| Automotive Sales | $ 723.4 | $ 591.0 | $ 636.4 | $ 651.5 | $ 723.4 | $ 1,314.5 | $ 1,950.8 | $ 2,602.3 |
| **Content Per Vehicle** | $ 193.56 | $ 178.85 | $ 207.00 | $ 189.90 | $ 193.56 | $ 186.66 | $ 192.84 | $ 192.09 |
| *Europe* | | | | | | | | |
| Vehicle Production Units | 4.74 | 4.14 | 2.98 | 3.98 | 4.74 | 8.89 | 11.87 | 15.85 |
| Automotive Sales | $ 388.3 | $ 332.3 | $ 297.7 | $ 313.6 | $ 388.3 | $ 720.6 | $ 1,018.4 | $ 1,332.0 |
| **Content Per Vehicle** | $ 81.88 | $ 80.18 | $ 99.90 | $ 78.83 | $ 81.88 | $ 81.09 | $ 85.81 | $ 84.06 |
| *Asia Pacific* | | | | | | | | |
| Vehicle Production Units | 11.09 | 10.29 | 9.60 | 12.60 | 11.09 | 21.38 | 30.98 | 43.58 |
| Automotive Sales | $ 148.7 | $ 126.4 | $ 143.1 | $ 141.5 | $ 148.7 | $ 275.1 | $ 418.2 | $ 559.7 |
| **Content Per Vehicle** | $ 13.41 | $ 12.28 | $ 14.91 | $ 11.23 | $ 13.41 | $ 12.86 | $ 13.50 | $ 12.84 |

| Estimates as of September 30, 2021 | Three Months Ended Mar 31 2021 | Jun 30 2021 | Sep 30 2021 | Year to Date Mar 31 2021 | June 30 2021 | Sep 30 2021 |
|---|---|---|---|---|---|---|
| *North America* | | | | | | |
| Vehicle Production Units | 3.73 | 3.31 | 3.15 | 3.73 | 7.05 | 10.20 |
| Automotive Sales | $ 723.4 | $ 591.0 | $ 636.3 | $ 723.4 | $ 1,314.4 | $ 1,950.7 |
| **Content Per Vehicle** | $ 193.72 | $ 178.44 | $ 201.78 | $ 193.72 | $ 186.54 | $ 191.25 |
| *Europe* | | | | | | |
| Vehicle Production Units | 4.74 | 4.16 | 3.07 | 4.74 | 8.90 | 11.98 |
| Automotive Sales | $ 388.3 | $ 332.3 | $ 297.7 | $ 388.3 | $ 720.6 | $ 1,018.4 |
| **Content Per Vehicle** | $ 81.87 | $ 79.90 | $ 96.83 | $ 81.87 | $ 80.95 | $ 85.03 |
| *Asia Pacific* | | | | | | |
| Vehicle Production Units | 11.10 | 10.29 | 9.35 | 11.10 | 21.39 | 30.74 |
| Automotive Sales | $ 148.7 | $ 126.4 | $ 143.1 | $ 148.7 | $ 275.1 | $ 418.2 |
| **Content Per Vehicle** | $ 13.40 | $ 12.28 | $ 15.30 | $ 13.40 | $ 12.86 | $ 13.61 |

| Change in Estimates from Prior Quarter | Three Months Ended | | | Year to Date | | |
|---|---|---|---|---|---|---|
| | Mar 31 2021 | Jun 30 2021 | Sep 30 2021 | Mar 31 2021 | June 30 2021 | Sep 30 2021 |
| *North America* | +/- | +/- | +/- | +/- | +/- | +/- |
| Vehicle Production Units | 0.01 | (0.01) | (0.08) | 0.01 | (0.01) | (0.08) |
| Automotive Sales | $ - | $ - | $ 0.1 | $ - | $ 0.1 | $ 0.1 |
| **Content Per Vehicle** | $ (0.16) | $ 0.41 | $ 5.22 | $ (0.16) | $ 0.12 | $ 1.59 |
| *Europe* | | | | | | |
| Vehicle Production Units | - | (0.02) | (0.09) | - | (0.01) | (0.11) |
| Automotive Sales | $ - | $ - | $ - | $ - | $ - | $ - |
| **Content Per Vehicle** | $ 0.01 | $ 0.28 | $ 3.07 | $ 0.01 | $ 0.14 | $ 0.78 |
| *Asia Pacific* | | | | | | |
| Vehicle Production Units | (0.01) | - | 0.25 | (0.01) | (0.01) | 0.24 |
| Automotive Sales | $ - | $ - | $ - | $ - | $ - | $ - |
| **Content Per Vehicle** | $ 0.01 | $ - | $ (0.39) | $ 0.01 | $ - | $ (0.11) |

## FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this MD&A, the Annual Report and other documents published throughout the year which are not recitation of historical facts may constitute forward-looking statements. The words “may”, “would”, “could”, “will”, “likely”, “estimate”, “believe”, “expect”, “plan”, “forecast” and similar expressions are intended to identify forward-looking statements. Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations include, but are not limited to, changes in the competitive environment in which Linamar operates, OEM outsourcing and insourcing; sources and availability of raw materials; labour markets and dependence on key personnel; dependence on certain customers and product programs; technological change in the sectors in which the Company operates and by Linamar’s competitors; delays in or operational issues with product launches; foreign currency risk; long-term contracts that are not guaranteed; acquisition and expansion risk; foreign business risk; public health threats; 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.

# CONSOLIDATED FINANCIAL STATEMENTS

**Linamar Corporation**

**December 31, 2021 and December 31, 2020**
**(in thousands of dollars)**

# MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of Linamar Corporation (the "Company") is responsible for the preparation of all information included in this annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and necessarily include some amounts that are based on management's best estimates and judgements. Financial information included elsewhere in this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's independent auditor, appointed by the shareholders, has prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company.

The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statement for issuance to the shareholders.

**(Signed) "Linda Hasenfratz"**

Linda Hasenfratz
Chief Executive Officer

**(Signed) "Dale Schneider"**

Dale Schneider
Chief Financial Officer

March 9, 2022

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Linamar Corporation

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Linamar Corporation and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill impairment assessment for MacDon Group of Companies and Montupet Group of Companies cash generating units (CGUs)**<br><br>*Refer to Note 3 - Significant accounting policies and Note 11 - Goodwill to the consolidated financial statements.*<br><br>Management performs an impairment assessment annually for goodwill, or more frequently when there is an indication of impairment. An impairment loss is recognized if the carrying value of a CGU or grouped CGUs to which the goodwill relates exceeds its recoverable amount. The carrying values of goodwill for the MacDon Group of Companies and Montupet Group of Companies CGUs are \$388.8 million and \$435.4 million respectively. The recoverable amounts of those CGUs were determined on a value in use calculation (the method) using discounted future operating cash flows (the models) covering a five-year period. The key assumptions used in the models included forecast growth rates, discount rates, forecasted operating costs and capital expenditures. No impairment loss was recognized as a result of the current year impairment assessment.<br><br>We considered this a key audit matter due to the judgement made by management in determining the recoverable amounts of the CGUs, | Our approach to addressing the matter involved the following procedures, amongst others:<br><br>- Evaluated how management determined the recoverable amounts of the MacDon Group of Companies and Montupet Group of Companies CGUs, which included the following:<br>  - Evaluated the appropriateness of the method used and the mathematical accuracy of the models for the five year period.<br>  - Evaluated the reasonableness of the forecast growth rates, and forecasted operating costs and capital expenditures applied by management in the models by (i) comparing to the approved budget, (ii) comparing to current and past performance of the CGUs, (iii) assessing consistency with available third party published industry data, (iv) evaluating whether these assumptions were consistent with management's strategic plans. |

| | |
|---|---|
| including the use of key assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures. | ◆ Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies.<br>◆ Tested the underlying data used in the models.<br>◆ Tested the disclosures made in the consolidated financial statements related to goodwill. |

### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Aneil Manji.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Professional Accountants, Licensed Public Accountants**
Toronto, Ontario
March 9, 2022

# LINAMAR CORPORATION

## Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 928,428 | 861,100 |
| Accounts and other receivables (Note 26) | 870,551 | 888,206 |
| Inventories (Note 7) | 1,066,456 | 864,155 |
| Income taxes recoverable (Note 8) | 23,188 | 8,961 |
| Current portion of long-term receivables (Note 26) | 43,883 | 66,135 |
| Current portion of derivative financial instruments (Note 26) | 9,099 | 26,398 |
| Prepaid expenses and other current assets | 40,588 | 34,847 |
| **Current Assets** | 2,982,193 | 2,749,802 |
| | | |
| Long-term receivables (Notes 23 and 26) | 186,186 | 310,315 |
| Derivative financial instruments (Note 26) | 1,031 | 5,073 |
| Property, plant and equipment (Note 9) | 2,415,916 | 2,624,004 |
| Investments | 14,375 | 6,579 |
| Deferred tax assets (Note 8) | 130,925 | 106,358 |
| Intangible assets (Note 10) | 806,476 | 864,478 |
| Goodwill (Note 11) | 853,288 | 890,081 |
| **Assets** | 7,390,390 | 7,556,690 |
| | | |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities (Note 26) | 1,603,466 | 1,452,323 |
| Provisions (Note 12) | 35,910 | 38,441 |
| Income taxes payable (Note 8) | 77,390 | 83,882 |
| Current portion of long-term debt (Note 13) | 21,055 | 577,335 |
| Current portion of derivative financial instruments (Note 26) | 7,299 | 45,236 |
| **Current Liabilities** | 1,745,120 | 2,197,217 |
| | | |
| Long-term debt (Note 13) | 770,490 | 725,879 |
| Derivative financial instruments (Note 26) | 1,044 | 363 |
| Deferred tax liabilities (Note 8) | 274,940 | 279,733 |
| **Liabilities** | 2,791,594 | 3,203,192 |
| | | |
| **EQUITY** | | |
| Capital stock (Note 14) | 146,204 | 146,204 |
| Retained earnings | 4,449,643 | 4,073,591 |
| Contributed surplus | 28,816 | 25,546 |
| Accumulated other comprehensive earnings (loss) | (25,867) | 108,157 |
| **Equity** | 4,598,796 | 4,353,498 |
| **Liabilities and Equity** | 7,390,390 | 7,556,690 |

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

**On behalf of the Board of Directors:**

**(Signed) "Linda Hasenfratz"**

**Linda Hasenfratz**

**Director**

**(Signed) "Jim Jarrell"**

**Jim Jarrell**

**Director**

# LINAMAR CORPORATION

## Consolidated Statements of Earnings

For the years ended December 31, 2021 and December 31, 2020
(in thousands of Canadian dollars, except per share figures)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Sales (Note 15) | 6,536,574 | 5,815,573 |
| Cost of sales (Note 16) | 5,598,922 | 5,027,150 |
| **Gross Margin** | 937,652 | 788,423 |
| | | |
| Selling, general and administrative (Note 16) | 349,649 | 353,628 |
| Other income and (expenses) (Note 19) | 13,230 | (10,603) |
| **Operating Earnings (Loss)** | 601,233 | 424,192 |
| | | |
| Share of net earnings (loss) of investments accounted for using the equity method (Note 23) | (28,345) | (22,899) |
| Finance income and (expenses) (Note 20) | (10,722) | (26,909) |
| **Net Earnings (Loss) before Income Taxes** | 562,166 | 374,384 |
| | | |
| Provision for (recovery of) income taxes (Note 8) | 141,608 | 95,251 |
| **Net Earnings (Loss) for the Year** | 420,558 | 279,133 |
| | | |
| **Net Earnings (Loss) per Share:** (Note 21) | | |
| Basic | 6.43 | 4.27 |
| Diluted | 6.41 | 4.27 |

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

# LINAMAR CORPORATION

## Consolidated Statements of Comprehensive Earnings

For the years ended December 31, 2021 and December 31, 2020
(in thousands of Canadian dollars)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Net Earnings (Loss) for the Year** | 420,558 | 279,133 |
| | | |
| **Items that may be reclassified subsequently to net income** | | |
| Unrealized gains (losses) on translating financial statements of foreign operations | (155,212) | 100,700 |
| Change in unrealized gains (losses) on net investment hedges (Note 26) | 45,558 | (59,811) |
| Change in unrealized gains (losses) on cash flow hedges (Note 26) | (9,336) | (12,368) |
| Change in cost of hedging (Note 26) | (2,962) | 2,177 |
| Reclassification to earnings of gains (losses) on cash flow hedges (Note 26) | (15,641) | 27,738 |
| Tax impact of above (Note 8) | 3,841 | 10,566 |
| **Other Comprehensive Earnings (Loss)** | (133,752) | 69,002 |
| **Comprehensive Earnings (Loss) for the Year** | 286,806 | 348,135 |

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

# LINAMAR CORPORATION

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2021 and December 31, 2020
(in thousands of Canadian dollars)

| | Capital stock $ | Retained earnings $ | Contributed surplus $ | Cumulative translation adjustment $ | Hedging reserves $ | Total Equity $ |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2020** | 132,356 | 3,830,666 | 27,578 | 36,469 | 2,686 | 4,029,755 |
| Net Earnings (Loss) | - | 279,133 | - | - | - | 279,133 |
| Other comprehensive earnings (loss) | - | - | - | 55,129 | 13,873 | 69,002 |
| **Comprehensive Earnings (Loss)** | - | 279,133 | - | 55,129 | 13,873 | 348,135 |
| Share-based compensation | - | - | 2,882 | - | - | 2,882 |
| Shares issued on exercise of options | 14,417 | - | (4,914) | - | - | 9,503 |
| Common shares repurchased and cancelled (Note 14) | (569) | (12,711) | - | - | - | (13,280) |
| Dividends | - | (23,497) | - | - | - | (23,497) |
| **Balance at December 31, 2020** | 146,204 | 4,073,591 | 25,546 | 91,598 | 16,559 | 4,353,498 |
| Net Earnings (Loss) | - | 420,558 | - | - | - | 420,558 |
| Other comprehensive earnings (loss) | - | - | - | (112,882) | (20,870) | (133,752) |
| **Comprehensive Earnings (Loss)** | - | 420,558 | - | (112,882) | (20,870) | 286,806 |
| Hedging transferred to the carrying value of inventory | - | - | - | - | (272) | (272) |
| Share-based compensation | - | - | 3,270 | - | - | 3,270 |
| Dividends | - | (44,506) | - | - | - | (44,506) |
| **Balance at December 31, 2021** | 146,204 | 4,449,643 | 28,816 | (21,284) | (4,583) | 4,598,796 |

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

## LINAMAR CORPORATION

### Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and December 31, 2020
(in thousands of Canadian dollars, except where otherwise noted)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Cash generated from (used in)** | | |
| **Operating Activities** | | |
| Net earnings (loss) | 420,558 | 279,133 |
| Adjustments for: | | |
| Amortization of property, plant and equipment | 397,142 | 406,222 |
| Amortization of other intangible assets | 51,612 | 48,403 |
| Deferred income taxes | (26,244) | (44,737) |
| Asset impairment provision, net of reversals | 2,434 | 16,143 |
| Share-based compensation | 3,270 | 2,882 |
| Equity investment (earnings) loss | 28,345 | 22,899 |
| Finance (income) and expenses | 10,722 | 26,910 |
| Other | (25,460) | 13,745 |
| | 862,379 | 771,600 |
| **Changes in operating assets and liabilities** | | |
| (Increase) decrease in accounts and other receivables | 24,815 | 95,427 |
| (Increase) decrease in inventories | (227,446) | 139,514 |
| (Increase) decrease in prepaid expenses and other current assets | (6,853) | 6,490 |
| (Increase) decrease in long-term receivables | 110,758 | 130,237 |
| Increase (decrease) in income taxes | (19,360) | 89,050 |
| Increase (decrease) in accounts payable and accrued liabilities | 166,240 | 203,964 |
| Increase (decrease) in provisions | (1,769) | (2,196) |
| | 46,385 | 662,486 |
| **Cash generated from (used in) operating activities** | 908,764 | 1,434,086 |
| **Financing Activities** | | |
| Proceeds from (repayments of) short-term borrowings | - | (6,370) |
| Proceeds from (repayments of) long-term debt | (981,747) | (601,192) |
| Proceeds from senior unsecured notes | 493,952 | - |
| Proceeds from exercise of stock options | - | 9,503 |
| Repurchase of shares | - | (13,280) |
| Dividends | (44,506) | (23,497) |
| Finance income received (expenses paid) | 692 | (23,004) |
| Settlement of derivative contracts | (40,470) | 41,428 |
| **Cash generated from (used in) financing activities** | (572,079) | (616,412) |
| **Investing Activities** | | |
| Payments for purchase of property, plant and equipment | (243,058) | (264,312) |
| Proceeds on disposal of property, plant and equipment | 6,883 | 15,188 |
| Payments for purchase of intangible assets | (11,483) | (27,335) |
| Other | (19,661) | (13,854) |
| **Cash generated from (used in) investing activities** | (267,319) | (290,313) |
| | 69,366 | 527,361 |
| Effect of translation adjustment on cash | (2,038) | (4,487) |
| **Increase (decrease) in cash and cash equivalents** | 67,328 | 522,874 |
| **Cash and cash equivalents - Beginning of Year** | 861,100 | 338,226 |
| **Cash and cash equivalents - End of Year** | 928,428 | 861,100 |
| **Comprised of:** | | |
| Cash in bank | 511,904 | 628,537 |
| Short-term deposits | 429,145 | 236,340 |
| Unpresented cheques | (12,621) | (3,777) |
| | 928,428 | 861,100 |

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

## 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 annual financial statements of the Company for the year ended December 31, 2021 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 9, 2022.

## 2 Basis of Preparation

The Company has prepared its consolidated annual 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.

Certain comparative figures have been reclassified to conform to the current period's financial presentation adopted.

## 3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### Basis of Measurement

These consolidated 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.

### Basis of Consolidation

Subsidiaries are all entities over which the Company has control and all subsidiaries are wholly owned. These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. All significant inter-company transactions are eliminated on consolidation.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value (at the date of exchange) of the assets acquired, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the acquisition cost over the fair value of the net assets acquired and liabilities and contingent liabilities recognized, is recorded in assets as goodwill. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized and estimated at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with the applicable standard either in net earnings or as a change to other comprehensive earnings. If the contingent consideration is classified as equity, it shall not be re-measured and shall be accounted for within equity.

The Company has partial ownership in joint ventures over whose activities the Company has joint control, established by contractual agreements and requiring unanimous consent for strategic, financial and operating decisions. The Company accounts for the jointly controlled entities using the equity method after initially being recognized at cost.

The Company has partial ownership in associates over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method after initially being recognized at cost.

Under the equity method of accounting, the consolidated financial statements include the Company's share of the income and expenses and equity movements of the investments, after adjustments to align the accounting policies with those of the Company, from the date that the significant influence or joint control commences until the date that significant influence or joint control ceases. Dividends are recognized as a reduction in the carrying amount of the investment. Where the Company's share of losses in an equity accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are eliminated unless the transaction provides evidence of impairment.

## Foreign Currency Translation

### Functional and presentation currency

The Company's consolidated financial statements are presented in Canadian dollars ("dollars"), which is also the Company's functional currency. Each entity in the Company maintains its accounting records in its functional currency. An entity's functional currency is the currency of the principal economic environment in which it operates.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rate of the reporting period. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at period end exchange rates. Non-monetary assets and liabilities, which are measured in terms of historical cost in a foreign currency, are not re-translated. Foreign exchange gains and losses arising from borrowings are presented in the statement of earnings within finance expenses and all other foreign exchange gains and losses are presented within operating earnings except for those which relate to qualifying cash flow hedges and qualifying net investment hedges are presented in other comprehensive earnings within accumulated other comprehensive earnings until realized. Foreign exchange gains and losses arising from long-term intercompany loans, where repayment is neither planned or likely to occur in the foreseeable future, are considered as part of the net investment in a foreign operation. These are also presented in other comprehensive earnings within accumulated other comprehensive earnings until realized.

### Foreign Operations

For the purposes of presenting consolidated financial statements, the results and financial position of all entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities are translated at the closing rate at the reporting period end date;

(b) Income and expenses are translated at average exchange rates for the reporting period; and

(c) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold, or there is a disposal involving a loss of control, exchange differences that were recorded in equity are recognized in the statement of earnings as part of the gain or loss on sale or disposal.

## Cash and Cash Equivalents

Cash and cash equivalents include cash in bank and short-term deposits. Cash equivalents are short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally qualify as cash equivalents if they have a term to maturity at the date of purchase of three months or less.

## Receivables

### Current

Receivables are amounts due from customers for products sold or services performed in the ordinary course of business.

The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses, which requires the use of the lifetime expected credit loss provision for all trade receivables. To measure lifetime expected credit losses, trade receivables are first categorized by groups with shared credit characteristics and the age of past due receivables followed by an assessment of the Company's historical experience of bad debts including customers' ability to pay and the current and future economic conditions which are expected during the life of the balance. The loss allowance is determined according to a provision matrix incorporating historical experiences adjusted for current and future conditions expected for the life of the balance.

### Long-term

The Company provides financing to certain customers through direct financing loans for the sale of industrial access equipment.

The Company applies the simplified approach, as defined in IFRS, to measure expected credit losses for receivables that contain a significant financing component (long-term receivables) and applies this approach consistently for all such receivables. To measure lifetime expected credit losses, long-term receivables are first categorized by groups with shared credit characteristics and the age of past due receivables followed by an assessment of the Company's historical experience of bad debts including customers' ability to pay and the current and future economic conditions which are expected during the life of the balance. The loss allowance is determined according to the provision matrix incorporating historical experience by credit risk rating as well as current conditions and forward-looking information. These may include internal credit ratings, external credit ratings (as available), actual or expected significant adverse changes in business, financial or economic conditions, changes in the value of collateral and macroeconomic information such as market interest rates.

#### Impairment

The Company defines default of a financial asset when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. The Company writes off its receivables when there is no realistic prospect of recovery. This is generally when a debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off or fails to engage in a repayment plan with the Company. Where receivables have been written off, the Company continues to engage in enforcement activities to attempt to recover the receivable due. Losses are reversed when recoveries are made or the future economic conditions have improved.

### Leases

An agreement is a lease if the agreement conveys the right to obtain substantially all of the economic benefit from the use of the identified asset and the right to direct the use of the identified asset.

#### Company as a lessee

The Company leases certain property, plant and equipment as right-of-use assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Assets and liabilities arising from a lease are initially measured on a present value basis, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease liabilities include the present value of fixed and variable payments, residual value guarantees, exercise of purchase options if reasonably certain to be exercised and any penalties for terminating the lease if reasonably certain to terminate. Right-of-use assets are measured at cost comprised of the amount of the initial measurement of the lease liability plus any lease payments made before the lease commencement date, any initial direct costs and restoration costs. Lease payments are allocated between finance charges and a reduction of the outstanding lease obligation. Finance charges are recognized in net earnings, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. If the underlying right-of-use asset transfers to the lessee at the end of the lease term or the lessee is reasonably certain to exercise a purchase option, the depreciation shall be the useful life of the right-of-use asset in accordance with the Company's depreciation methods and rates based on the class of the right-of-use asset. Otherwise, the right-of-use assets are depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis. The Company is exposed to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect. When the adjustments for variable payments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

For any contracts with a short-term or if the present value of the right-of-use asset has a low-value, the Company will expense the lease payments as incurred and no right-of-use asset will be recorded.

#### Company as a lessor

The Company leases certain industrial access products to customers. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases. Amounts due from lessees under operating lease arrangements are recognized as revenue over the course of the lease arrangement. Contingent rents are recognized as revenue in the period in which they are earned. Amounts due from lessees under finance lease arrangements are recognized as receivables at the amount of the Company's net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Company's net investment outstanding.

### Sale of Receivables

The sale of receivables is recognized when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a borrowing for the proceeds received. For some transfers, the Company may provide security in the form of a limited guarantee in regards to the risk of default.

### Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of finished goods and work-in-process is comprised of material costs, direct labour costs and other direct costs and related production overheads (based on normal operating capacity). Costs are allocated to inventory on the basis of weighted average costs. Net realizable value for finished goods and work-in-process is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses. For raw materials and general stores inventories the replacement cost is considered to be the best available measure of net realizable value.

The amount of inventories recognized as an expense during the period is shown in cost of sales. Write-downs for inventories are recorded when the net realizable value is lower than cost. The write-downs may be reversed if the circumstances which caused them no longer exist.

## Taxation

### Income taxes recoverable and payable

The taxes currently payable are based on taxable earnings for the reporting period. Taxable earnings differs from earnings as reported in the consolidated statement of earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in each jurisdiction that the Company operates in.

### Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are generally recognized for all taxable temporary differences. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill.

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable earnings against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The ability to realize the tax benefits for tax loss carry-forwards is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### Provision for current and deferred income taxes

Income tax expense represents the sum of the current and deferred income taxes for the period.

Current and deferred tax are recognized as an expense or income in net earnings, except when they relate to items that are recognized outside net earnings (whether in other comprehensive earnings or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business acquisition. In the case of a business acquisition, the tax effect is included in the accounting for the business acquisition.

## Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization and impairment. Amortization of property, plant and equipment commences when they are ready for their intended use. Amortization is charged to earnings in amounts sufficient to depreciate the cost of property, plant and equipment over their estimated useful lives using the diminishing balance and straight-line methods as follows:

(in thousands of Canadian dollars, except where otherwise noted)

| | |
|---|---|
| Land-use rights | Straight-line over the life of the contract |
| Buildings | 5% diminishing balance |
| Machinery | Straight-line over 5 - 20 years or 15% - 20% diminishing balance |
| Office equipment | Straight-line over 2 - 3 years or 20% diminishing balance |
| Transportation equipment | 10% - 30% diminishing balance |
| Tooling | Straight-line over 1 – 5 years |

Where components of more substantial assets have differing useful lives, these are depreciated separately. Subsequent costs are capitalized in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Repair and maintenance costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets are capitalized as part of the acquisition costs of the qualified asset. All other borrowing costs are recognized in net earnings.

### Intangibles

Intangible assets acquired through purchase are initially measured at cost. Intangible assets acquired through business combinations are initially measured at fair value at the date of acquisition. Amortization is charged to earnings in amounts sufficient to depreciate the cost of intangible assets over their estimated useful lives using the straight-line method or a unit of production basis as follows:

| | |
|---|---|
| Trade names | Straight-line over 20 years or indefinite life |
| Customer relationships | Straight-line over 12 - 25 years |
| Technology | Straight-line over 10 - 15 years |
| Product development costs | Unit of production basis or straight-line over 5 – 15 years |
| Software | Straight-line over 3 – 5 years |

The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Intangible assets with indefinite useful lives are not amortized but are reviewed for impairment annually, or more frequently when there is an indication of impairment.

### Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortized but is reviewed for impairment annually, or more frequently when there is an indication of impairment.

### Impairment of Non-Financial Assets

At the end of each reporting period, or more frequently based on specific events or changes in circumstances, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the assets are grouped at the lowest level for which there are separately identifiable cash inflows and the Company estimates the recoverable amount at the cash-generating or grouped cash-generating units ("CGU") level. The Company has determined a CGU to be an individual entity or group of entities with separately identifiable cash inflows. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs expected to benefit from the synergies of the combination.

The recoverable amount is the higher of the fair value less costs of disposal or value in use. Value in use calculations utilize discounted future operating cash flows. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the full impairment loss is charged against earnings and the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro-rata basis to the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in net earnings. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

## Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows. The increase in the provision due to passage of time is recognized as interest expense.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

## Financial Instruments

A financial instrument is any contract that at the same time gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as the Company becomes a contracting party to the financial instrument.

The classification for some financial assets depends on the entity's business model for managing its financial assets and the contractual terms of the cash flows. Debt instruments are assets that are held for collection of contractual cash flows where those cash flows represent payments of principal and interest or are assets that are held for sale. These are classified as either amortized cost, fair value through other comprehensive income or at fair value through profit or loss. Investments in equity instruments are classified at fair value through profit or loss unless an election is applied to classify the investments through other comprehensive income. Financial liabilities are classified as amortized cost. Derivatives are classified as fair value through profit or loss.

### Classification and measurement of financial instruments

At initial recognition for financial assets or liabilities, the Company measures a financial instrument at its fair value including debt issue and other transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. Where a portion of a financial instrument is expected to be realized within 12 months of the end of the reporting period, that portion is included in current assets or liabilities, the remainder is classified as non-current.

(a) Amortized cost: Assets that are held for the collection of contractual cash flows are measured at amortized cost using the effective interest method. Cash and cash equivalents, accounts and other receivables and the portfolios of long-term receivables are included in this classification. Short-term bank borrowings, accounts payable and accrued liabilities and long-term debt are financial liabilities included in this classification.

(b) Fair value through other comprehensive income: Occasionally, a portion of the Company's portfolio of long-term receivables may be determined to be held for collection of contractual cash flows and for selling the financial assets. The recognition of impairment losses or impairment reversals, interest revenue and foreign exchange gains and losses are recognized in profit or loss similar to assets classified at amortized cost; however movements in the carrying value are taken through other comprehensive income until the asset is de-recognized. At that time the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. Investments in equity instruments that are strategic in nature and therefore are not held for trading may be classified at fair value through other comprehensive income after an irrevocable election at recognition is completed. The fair value gains and losses on the investments remain in other comprehensive income with no subsequent reclassification of those fair value gains and losses to profit or loss on derecognition of the investment. Dividends from such investments are recognized in profit or loss as finance income when the Company's right to receive payments is established.

(c) Fair value through profit or loss: Derivatives outside of a hedging relationship and investments in equity instruments held for trading have movements in carrying value taken through profit or loss.

### Fair value hierarchy

The Company estimates fair values related to financial instruments and classifies these measurements using a fair value hierarchy that reflects the significance of their respective inputs. The Level 1, 2 and 3 classifications utilized by the Company are defined as follows:

Level 1 - Fair values are determined using inputs from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair values are determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instruments are valued based on observable market data.

Level 3 - Fair values are determined based on inputs which are not based on observable market data.

The fair value hierarchy is used for all fair value measurement requirements. The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

### Derivative financial instruments including hedge accounting

Risk management is predominantly controlled by the corporate treasury department. The corporate treasury department identifies, evaluates and hedges financial risks in close co-operation with the Company's operating entities.

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values related to the hedged item. Some of the derivatives used meet hedge effectiveness criteria and are designated in a hedge accounting relationship. There are controls in place to detect the holding or issuance of derivative financial instruments for trading or speculative purposes.

The Company applies hedge accounting for certain foreign exchange forward contracts and cross currency interest rate swap contracts as cash flow hedges. The Company uses cash flow hedges for certain risks associated with the cash flows of recognized liabilities and highly probable forecasted transactions. Amounts accumulated in the hedge reserve within other comprehensive earnings are reclassified to net earnings in the period in which the hedged transaction occurs. If the hedged transaction subsequently results in the recognition of a non-financial item, the amounts accumulated in the hedge reserve within other comprehensive earnings are included in the initial cost or other carrying amount of the non-financial item. The deferred amounts are ultimately recognized in net earnings as the non-financial item impacts net earnings. In some hedge relationships the Company excludes from the designation the forward element of hedging instruments. The changes in the forward element of the contract that relate to the hedged item are recognized within other comprehensive earnings in the cost of hedging reserve within equity and if the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the cost of hedging reserve and included in the initial cost or other carrying amount of the non-financial item. The deferred amounts are ultimately recognized in net earnings as the non-financial item impacts net earnings. For any other cash flow hedges, the amount accumulated in the cost of hedging reserve is reclassified to net earnings as a reclassification adjustment in the same period or periods during which the hedged cash flows affect net earnings.

The Company may designate certain portions of its foreign denominated long-term debt or the spot component of a cross currency interest rate swaps as a net investment hedge. Hedges of net investments are accounted for similarly to cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of or sold. When only the spot component of a financial instrument is designated in the net investment hedge, the change in the forward element of the hedging instrument that relates to the hedged item is recognized within other comprehensive earnings in the cost of hedging reserve within equity. Because the net investment is considered a time period related item, the deferred amounts are recognized in net earnings on a rational basis over the time period during which the hedge adjustment for the included spot component would affect net earnings.

The fair values are determined based on observable market data.

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Effectiveness is achieved when the hedging relationships meet all of the following hedge effectiveness requirements:

(a) There is an economic relationship that exists between the hedged item and hedging instrument;

(b) The effect of credit risk does not dominate the value changes that result from that economic relationship; and

(c) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive earnings at that time remains in accumulated other comprehensive earnings until the forecasted transaction is eventually recognized in net earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive earnings is immediately transferred to net earnings.

## Share-based Compensation

Under the Company's share-based compensation plan, the Company with the approval of the Board of Directors may grant equity-settled stock options to its key employees and directors.

The Company recognizes a compensation expense for stock options granted and measures the compensation expense at fair value calculated on the grant date using the Black-Scholes option pricing model. The expense is recognized on a graded-vesting basis in which the fair value of each tranche is recognized over its respective vesting period when all of the specified vesting conditions are satisfied. Contributed surplus consists of accumulated share-based compensation expense less the fair value of options at the grant date that have been exercised and credited to common shares.

## Accumulated Other Comprehensive Earnings Reserves

### Hedging reserves

The cash flow hedge reserve contains both the effective portion of the cash flow hedge relationships incurred as at the reporting date and the excluded component in the hedging designation which is considered a cost of hedging.

### Cumulative translation adjustment

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries along with the effective portion of the net investment hedge relationship incurred as at the reporting date.

## Revenue Recognition

### Sale of products

The Company enters into contracts with customers to manufacture and sell a range of products focused on 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 for the Mobility segment. These contracts are entered into with a customer when the Company can identify each party's rights and the contract has commercial substance, which generally is when the customer has made a firm volume commitment. In addition, the Company manufactures and sells a range of industrial equipment such as aerial work platforms, telehandlers and agricultural equipment. Revenue is recognized when control of the products and equipment has transferred to the customer, generally being when the products and equipment are shipped. This represents the point in time the customer obtains significant risk and rewards of ownership and the Company has the right to payment for the products or equipment.

A receivable is recognized when control of goods transfers to the customer, as indicated above, and consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Certain industrial equipment and parts sales have significant financing components and have an average term of 3 to 5 years.

Revenue from these sales is recognized based on the transaction price specified in the purchase order and corresponds to the invoice amount. Sales that include significant financing components are measured and recognized at the purchase order price adjusted for the time value of money. Mobility product sales are recognized net of expected productivity charges. Consideration paid to the customer, if not in exchange for distinct goods or services at their fair values, are recorded within prepaid expenses and other current assets. The asset is amortized as a reduction in sales on a straight-line basis over the term of the specific contract to which the amount paid relates to. Industrial equipment and part sales are recognized net of the expected discounts, rebates and similar obligations. A refund liability is recognized for the expected amount payable to customers due to productivity charges, discounts, rebates and similar obligations that are recorded along with the recognition of the related sales. Productivity charges, rebates, and other similar obligations are classified as a variable consideration and measured using historical experience and forecasts of expected sales. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The Company's obligation to provide a refund or replacement for products built-to-print and equipment not in accordance with design specification is considered a standard warranty and recognized as a provision. Occasionally for Mobility product sales, the Company recognizes retrospective price amendments as a cumulative catch-up adjustment to sales when the contract modification is approved. When applicable, the revenue from services related to the sale of products is recognized when the services are rendered. Any incremental costs to obtain or fulfil a contract with a customer are capitalized when those costs are expected to be recoverable, unless accounted for within another policy.

### Sale of customer owned assets

The Company enters into contracts with customers to develop, manufacture, and fabricate customer owned assets used for the purposes of parts production. Revenue is recognized when control of the asset has transferred to the customer, which occurs when the asset is substantially complete and the customer approves the initial production sample. This represents the point in time the customer has accepted the asset, significant risk and rewards of ownership have transferred and the Company has the present right to payment.

A receivable is recognized when control of the asset transfers to the customer, as indicated above, and consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Payment is typically made through a lump-sum payment, however, milestone payments throughout the asset fabrication process or amortization over parts production are sometimes agreed to. Payments made in advance of transfer of control are recorded as a contract liability and recognized as revenue once control has transferred.

Receivables collected through production parts are adjusted for the time value of money when a significant financing component is present. If revenue is recognized before the contractual right to payment exists, a contract asset is recorded.

Revenue from these sales is recognized based on the lower of transaction price specified in the purchase order or actual price invoiced by the Company to fabricate the asset. This amount corresponds to the amount invoiced to the customer by the Company. The invoice amount represents the standalone selling price of the asset, which is consistent with industry practice.

### Engineering services

The Company enters into contracts with customers to design and develop a product or process using advanced engineering. Revenue is recognized, for contracts that qualify as a sale of service, as the service is being rendered or on completion of the service. Revenue recognized over time is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures as this depicts the progress towards completion of the service. Revenue is recognized over time for contracts where the Company creates an asset without an alternative use and the customer controls the asset as it is created. For some contracts revenue is recognized at a point in time when the customer approves the product or process.

A receivable is recognized as or when the service is rendered based on stages of completion or at completion as indicated above, and at the time the consideration is unconditional. Payment terms are generally based on the customers' payment schedules, which typically range from 30 to 90 days from the invoice date. Certain contracts have significant financing components as payment is amortized over parts production which is collected over the life of the program and are adjusted for the time value of money. Certain other contracts include milestone payments throughout the development process. Payments made in advance of the service being rendered are recorded as a contract liability and recognized as revenue as the service is performed. If revenue is recognized before the contractual right to payment exists, a contract asset is recorded.

Revenue from these sales is recognized based on the transaction price specified in the purchase order and corresponds to the invoice amount. The invoice amount represents the standalone selling price of engineering services, which is consistent with industry practice.

### Practical expedients

The Company has elected to use the practical expedient for significant financing components expected to be collected in one year or less and for incremental costs to obtain a contract that the Company would have recognized in one year or less. Therefore, the Company does not adjust the transaction price for the time value of money and expenses incremental costs when incurred, respectively. No information is provided regarding any remaining performance obligations at the end of the period for a contract that has an original expected duration of one year or less or for which revenue is recognized based on the right to invoice, as allowed by IFRS 15.

### Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers for the Company who are responsible for allocating resources and assessing performance of the operating segments have been identified as the Senior Executive Group that makes strategic decisions.

### Research and Development

Research costs are expensed as incurred. When certain criteria are met, development costs are accounted for as intangible assets and capitalized and amortized. Tax credits related to research and development are credited against the related qualifying expense or against the carrying amount of the related asset.

### Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all required conditions.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to costs are deferred and recognized in net earnings over the period necessary to match them with the costs that they are intended to compensate and these are presented as a reduction of the related expense. Government grants relating to property, plant and equipment are recognized as a reduction in the carrying amount of the related asset.

### Pension Costs

The Company has various contributory and non-contributory defined contribution pension plans which cover most employees. The Company pays these contributions to a privately administered pension insurance plan after which the Company incurs no further payment obligations. The contributions are accrued and recognized as employee benefit expense when they are due.

## 4 Changes in Accounting Policies

### New Standards and Amendments Adopted

Certain new standards and amendments became effective during the current fiscal year. The impact from the adoption of these new standards and amendments are reflected below.

**IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases**

The Company has adopted the Phase 2 amendments to IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases as issued in August 2020.

The Phase 2 amendments address issues affecting financial reporting when changes are made to contractual cash flows of financial instruments or hedging relationships as a result of interest rate benchmark reform. In addition, the amendments to IFRS 7 require additional disclosures related to the interest rate benchmark reform. There have been no significant impacts to the Company for the year for any financial instruments or other contracts linked to an underlying interest rate impacted by the reforms. The Company continues to assess the impacts of the benchmark reforms on our operations and continues to engage with industry associations on recent developments on the transition to risk-free rates.

### 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 financial statements, there were no new standards, amendments and interpretations to existing standards that were relevant to the Company.

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

### Impact of COVID-19 on Results and Risk Management Practices

During 2020, the outbreak of the novel strain of coronavirus, specifically identified as COVID-19, spread across the globe impacting worldwide economic activity. The extent to which the financial results and condition of the Company in future periods may be affected by COVID-19 depends on future developments and cannot be reliably determined at the date of these financial statements. The Company has not changed its fundamental risk management practices. The Company will continue to evaluate the situation and monitor any impacts or potential impacts to its business.

### Impact of COVID-19 on Receivables

With regard to the Company's receivables, the recognition and measurement of the expected credit loss rate involves a provision matrix incorporating historical experiences adjusted for current and future conditions expected for the life of the balance. No significant changes were made to the methodology except for enhancements made to assess the economic impacts of COVID-19. The level of estimation uncertainty and judgement has increased as a result of the economic effects of the COVID-19 pandemic, particularly as the length and extent of the pandemic and its impact on the overall global economy are not known. Modelled assumptions and linkages between economic factors and credit losses may underestimate or overestimate expected credit losses.

### Impairment of Non-Financial Assets

The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to make significant forward-looking assumptions. In assessing whether there is an indication that an asset may be impaired, there are a number of external and internal sources of information which require a high degree of judgement. The recoverable amounts of CGUs have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward-looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of the length and extent of the COVID-19 pandemic and its impact on the overall global economy which is not known.

### Current Income Taxes

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

### Deferred Income Tax Assets and Liabilities

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

(in thousands of Canadian dollars, except where otherwise noted)

### Useful Lives of Depreciable Assets

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

## 6 Sale of Receivables

The Company sells a portion of its receivables through various purchase agreements. Under the agreements, the receivables are mostly sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company receives no fee for administration of the collection of such receivables. The Company has derecognized the receivables as substantially all of the risks and rewards of ownership of the assets have been transferred. Although the receivables have been derecognized, the Company has provided limited guarantees within the purchase agreements in regards to the risk of default. At December 31, 2021, the maximum exposure to loss is $23,610 (2020 – $26,427).

## 7 Inventories

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| General stores | 141,851 | 142,011 |
| Raw materials | 421,887 | 291,705 |
| Work-in-process | 216,979 | 183,767 |
| Finished goods | 285,739 | 246,672 |
| | 1,066,456 | 864,155 |

The cost of inventories recognized as an expense during the year ended December 31, 2021 was $4,893,651 (2020 – $4,317,877).

A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of sales. In the year ended December 31, 2021 the Company recognized a charge to cost of sales for the write-down of slow moving and obsolete inventory, and adjustments to net realizable value aggregating $30,973 (2020 – $41,129). In the year ended December 31, 2021 the Company recognized a gain to cost of sales for reversal of inventory provisions with a value of $855 (2020 – $1,671).

(in thousands of Canadian dollars, except where otherwise noted)

## 8 Income Taxes

### (i) Income Tax Recognized in Net Earnings

| | December 31 2021 $ | December 31 2021 % | December 31 2020 $ | December 31 2020 % |
|---|---|---|---|---|
| Earnings before taxes | 562,166 | | 374,384 | |
| Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction | 140,541 | 25.00% | 93,596 | 25.00% |
| Increase (decrease) in income taxes resulting from: | | | | |
| Effect of expenses that are not deductible in determining taxable earnings | 3,196 | 0.57% | 8,306 | 2.22% |
| Effect of unused tax losses not recognized as deferred tax assets | 5,379 | 0.96% | 2,437 | 0.65% |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | (7,298) | -1.30% | (7,993) | -2.13% |
| Adjustments recognized in the current year in relation to the current tax of prior years | (7,549) | -1.34% | (5,988) | -1.60% |
| Other | 7,339 | 1.31% | 4,893 | 1.31% |
| **Income tax expense and effective income tax rate** | 141,608 | 25.19% | 95,251 | 25.44% |
| **Current tax** | 167,852 | | 139,988 | |
| **Deferred tax** | (26,244) | | (44,737) | |
| **Income tax expense** | 141,608 | | 95,251 | |

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2020 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $(3,841) (2020 – recovery of $10,566).

### (ii) Deferred Tax Balances

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| Tax benefit of tax credits and loss carry forwards | 112,812 | 103,860 |
| Tax benefit (liability) of derivative financial instruments | 1,528 | (2,314) |
| Other assets - tax value in excess of book value | 80,369 | 85,596 |
| Cumulative tax amortization in excess of book amortization | (207,087) | (212,679) |
| Other liabilities - book value in excess of tax value | (131,637) | (147,838) |
| **Deferred tax net position** | (144,015) | (173,375) |

Reconciliation of deferred tax net balance:

| | 2021 $ | 2020 $ |
|---|---|---|
| **At January 1** | (173,375) | (233,968) |
| Tax recovery (expense) during the period recognized in earnings | 26,244 | 44,737 |
| Tax recovery (expense) during the period recognized in other comprehensive earnings | 3,841 | 10,566 |
| Impact of foreign currency translation adjustment | 992 | 4,374 |
| Other | (1,717) | 916 |
| **At December 31** | (144,015) | (173,375) |

(in thousands of Canadian dollars, except where otherwise noted)

Net deferred tax balances in the statement of financial position are comprised of the following:

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| Deferred tax assets to be recovered after more than 12 months | 189,018 | 191,708 |
| Deferred tax assets to be recovered within 12 months | 7,568 | 6,876 |
| **Total deferred tax assets** | 196,586 | 198,584 |
| | | |
| Deferred tax liabilities to be utilized after more than 12 months | (332,332) | (362,826) |
| Deferred tax liabilities to be utilized within 12 months | (8,269) | (9,133) |
| **Total deferred tax liabilities** | (340,601) | (371,959) |
| **Deferred tax balances (net)** | (144,015) | (173,375) |

Unrecognized deferred tax assets were as follows:

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| Tax losses | 35,764 | 30,159 |
| Tax credits | 16,020 | 17,515 |
| **Total deferred tax assets not recognized** | 51,784 | 47,674 |

The unrecognized tax losses expire as follows: $4,561 during 2022-2026, $4,024 during 2027-2041 and $27,179 have no expiry date (2020 - $4,445 during 2021-2025, $2,829 during 2026-2040 and $22,885 had no expiry date). The unrecognized tax credits expire as follows: $305 during 2022-2026 and $15,715 during 2027-2041 (2020 - $17,515 during 2026-2040).

The temporary difference, for which no deferred tax amounts have been recognized, in respect of the amount of undistributed earnings of foreign operations for December 31, 2021 was $1,988,364 (2020 – $1,918,075).

(in thousands of Canadian dollars, except where otherwise noted)

## 9 Property, Plant and Equipment

| | Land $ | Land use rights $ | Buildings $ | Machinery $ | Office equipment $ | Transportation equipment $ | Tooling $ | Total $ |
|---|---|---|---|---|---|---|---|---|
| Cost | 110,170 | 8,246 | 748,964 | 4,065,562 | 29,765 | 58,360 | 17,963 | 5,039,030 |
| Accumulated amortization | - | (808) | (236,800) | (1,996,213) | (16,149) | (21,899) | (8,397) | (2,280,266) |
| **Book value at January 1, 2020** | 110,170 | 7,438 | 512,164 | 2,069,349 | 13,616 | 36,461 | 9,566 | 2,758,764 |
| Effect of cumulative translation adjustment | 695 | 334 | 8,232 | 31,921 | 134 | 239 | (30) | 41,525 |
| Additions, net of government grants | 1,660 | (1,059) | 25,904 | 221,885 | 2,031 | 6,568 | 8,670 | 265,659 |
| Impairment provision, net of reversals | - | - | (619) | (14,136) | - | - | - | (14,755) |
| Disposals | (515) | - | (3,829) | (15,212) | (94) | (1,011) | (306) | (20,967) |
| Amortization | - | (164) | (37,745) | (343,571) | (5,044) | (11,461) | (8,237) | (406,222) |
| **Book value at December 31, 2020** | 112,010 | 6,549 | 504,107 | 1,950,236 | 10,643 | 30,796 | 9,663 | 2,624,004 |
| | | | | | | | | |
| Cost | 112,010 | 7,560 | 772,256 | 4,100,327 | 28,716 | 61,241 | 23,235 | 5,105,345 |
| Accumulated amortization | - | (1,011) | (268,149) | (2,150,091) | (18,073) | (30,445) | (13,572) | (2,481,341) |
| **Book value at December 31, 2020** | 112,010 | 6,549 | 504,107 | 1,950,236 | 10,643 | 30,796 | 9,663 | 2,624,004 |
| Effect of cumulative translation adjustment | (2,752) | 111 | (15,934) | (54,122) | (232) | (552) | (143) | (73,624) |
| Additions, net of government grants | - | - | 19,422 | 237,128 | 2,633 | 10,428 | 7,003 | 276,614 |
| Impairment provision, net of reversals | - | - | (1,214) | 1,044 | - | - | - | (170) |
| Disposals | - | - | (742) | (10,929) | (129) | (1,809) | (157) | (13,766) |
| Amortization | - | (176) | (36,791) | (339,442) | (3,701) | (10,136) | (6,896) | (397,142) |
| **Book value at December 31, 2021** | 109,258 | 6,484 | 468,848 | 1,783,915 | 9,214 | 28,727 | 9,470 | 2,415,916 |
| | | | | | | | | |
| Cost | 109,258 | 7,694 | 760,426 | 3,947,169 | 26,136 | 61,142 | 22,543 | 4,934,368 |
| Accumulated amortization | - | (1,210) | (291,578) | (2,163,254) | (16,922) | (32,415) | (13,073) | (2,518,452) |
| **Book value at December 31, 2021** | 109,258 | 6,484 | 468,848 | 1,783,915 | 9,214 | 28,727 | 9,470 | 2,415,916 |

Amortization expense of $393,971 (2020 – $401,749) has been charged in cost of sales and $3,171 (2020 – $4,473) in selling, general and administration.

Building additions made by a related party, a company owned by the spouse of an officer and director, for 2021 were $6,546 (2020 - $3,475).

During 2020, a net impairment loss of $14,136 was recorded in cost of sales for machinery in the Mobility segment primarily related to the closing of a North American facility due to operational issues.

Government grants recognized as a reduction in the carrying amount of the assets during the year was $10,080 (2020 – $16,508). See Note 16 for more details regarding government grants.

As of December 31, 2021, property, plant and equipment includes $323,220 (2020 – $326,201) of assets in the course of construction for production purposes.

(in thousands of Canadian dollars, except where otherwise noted)

The following amounts are included in property, plant and equipment where the Company is a lessee under lease contracts:

| | | December 31 2021 | | December 31 2020 |
|---|---|---|---|---|
| | Amortization Year Ended | Book value | Amortization Year Ended | Book value |
| | $ | $ | $ | $ |
| Buildings | 10,311 | 39,114 | 10,328 | 44,703 |
| Machinery | 2,335 | 2,486 | 2,428 | 4,934 |
| Office equipment | 529 | 2,286 | 571 | 2,475 |
| Transportation equipment | 8,111 | 16,860 | 9,077 | 17,228 |
| Tooling | 70 | 157 | 74 | 231 |
| | 21,356 | 60,903 | 22,478 | 69,571 |

| | December 31 2021 | December 31 2020 |
|---|---|---|
| | $ | $ |
| Additions to right-of-use assets | 18,505 | 18,827 |
| Lease interest expense | 2,231 | 2,482 |
| Expenses relating to short-term leases | 5,943 | 4,636 |
| Expenses relating to low-value leases | 747 | 741 |
| Total cash outflow for leases | 20,855 | 23,384 |

The lease agreements do not impose any significant covenants other than the security interests in the leased assets that are held by the lessor. Some leases contain variable payment terms and future changes under the variable payments terms will not have a significant impact on future cash flows. There are no significant extension, termination or residual value guarantees that have not already been accounted for within the value of the right-of-use asset or lease liability.

(in thousands of Canadian dollars, except where otherwise noted)

## 10 Intangible Assets

| | Trade names $ | Customer relationships $ | Technology $ | Product development costs $ | Software $ | Total $ |
|---|---|---|---|---|---|---|
| Cost | 228,800 | 418,301 | 211,855 | 138,200 | 10,219 | 1,007,375 |
| Accumulated amortization | (857) | (70,589) | (41,162) | (20,517) | (634) | (133,759) |
| **Book value at January 1, 2020** | 227,943 | 347,712 | 170,693 | 117,683 | 9,585 | 873,616 |
| Effect of cumulative translation adjustment | - | 8,820 | 4,661 | (163) | - | 13,318 |
| Additions | - | - | - | 22,772 | 4,563 | 27,335 |
| Impairment provision | - | - | - | (1,388) | - | (1,388) |
| Amortization | (70) | (22,940) | (15,116) | (9,562) | (715) | (48,403) |
| **Book value at December 31, 2020** | 227,873 | 333,592 | 160,238 | 129,342 | 13,433 | 864,478 |
| Cost | 228,800 | 430,451 | 218,445 | 157,092 | 15,204 | 1,049,992 |
| Accumulated amortization | (927) | (96,859) | (58,207) | (27,750) | (1,771) | (185,514) |
| **Book value at December 31, 2020** | 227,873 | 333,592 | 160,238 | 129,342 | 13,433 | 864,478 |
| Effect of cumulative translation adjustment | - | (9,315) | (4,886) | (1,405) | (3) | (15,609) |
| Additions | - | - | - | 8,678 | 2,805 | 11,483 |
| Impairment provision | - | - | - | (2,264) | - | (2,264) |
| Amortization | (70) | (21,597) | (14,415) | (13,472) | (2,058) | (51,612) |
| **Book value at December 31, 2021** | 227,803 | 302,680 | 140,937 | 120,879 | 14,177 | 806,476 |
| Cost | 228,800 | 415,987 | 210,628 | 173,488 | 18,184 | 1,047,087 |
| Accumulated amortization | (997) | (113,307) | (69,691) | (52,609) | (4,007) | (240,611) |
| **Book value at December 31, 2021** | 227,803 | 302,680 | 140,937 | 120,879 | 14,177 | 806,476 |

Amortization of intangible assets is included in cost of sales. Product development costs and software are internally generated intangible assets except for those acquired through a business acquisition or separately acquired. During 2021, $Nil product development costs were separately acquired (2020 - $6,720).

Trade names include the MacDon trade name of $227,400. The useful life has been deemed to be indefinite because there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of this asset.

Customer relationships includes assets from the MacDon and Montupet business acquisitions with current carrying amounts of $194,641 (2020 – $203,873) and $107,383 (2020 - $128,919) respectively and remaining amortization periods of 21 and 9 years respectively.

Technology includes proprietary MacDon and Montupet technology assets acquired through business acquisitions with current carrying amounts of $84,767 (2020 - $92,414) and $55,390 (2020 - $66,499) respectively and remaining amortization periods of 11 and 9 years respectively.

## 11 Goodwill

| | 2021 $ | 2020 $ |
|---|---|---|
| **Cost, being book value at January 1** | 890,081 | 858,541 |
| Effect of cumulative translation adjustment | (36,793) | 31,540 |
| **Cost, being book value at December 31** | 853,288 | 890,081 |

(in thousands of Canadian dollars, except where otherwise noted)

Goodwill has been allocated for impairment testing purposes to the following CGUs:

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| MacDon Group of Companies | 388,806 | 388,806 |
| Montupet Group of Companies | 435,400 | 470,881 |
| Skyjack Group of Companies | 12,983 | 12,983 |
| Linamar Antriebstechnik GmbH | 11,365 | 12,292 |
| Seissenschmidt Group of Companies | 4,734 | 5,119 |
| | 853,288 | 890,081 |

### Impairment of assets

Management performed the annual goodwill and indefinite intangible asset impairment analysis during the fourth quarters of 2021 and 2020 and found that there were no impairments. The recoverable amounts of the CGUs were determined on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the Board of Directors, covering a five-year period.

Key assumptions used in the determination of the recoverable amount include:

(a) Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate the Company's experience and expertise, current operating costs, the nature and location of each CGU and the risk associated with each CGU. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.

(b) Forecast growth rates are principally based on the Company's expectations for future performance. For the purpose of the impairment test, the Company set the terminal value to reflect a 2.0% growth rate for the present value calculation.

(c) Discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 6.4% to 9.5% (2020 – 6.4% to 9.5%).

Sensitivity of impairment tests were performed. A 1% increase in the discount rate would have no impact on the results of impairment tests. A 0.25% decrease in the growth rate would have no impact on the results of impairment tests.

(in thousands of Canadian dollars, except where otherwise noted)

## 12 Provisions

| | Claims and litigation (a) $ | Product warranties and product defects (b) $ | Other (c) $ | Total $ |
|---|---|---|---|---|
| **At January 1, 2020** | 14,810 | 24,756 | 792 | 40,358 |
| **Charged (credited) to earnings:** | | | | |
| Additional provisions | 4,715 | 15,225 | 684 | 20,624 |
| Unused amounts reversed | (2,554) | (2,411) | (5) | (4,970) |
| Used during year | (1,566) | (16,211) | - | (17,777) |
| Effect of cumulative translation adjustment | 209 | 30 | (33) | 206 |
| **At December 31, 2020** | 15,614 | 21,389 | 1,438 | 38,441 |
| **Charged (credited) to earnings:** | | | | |
| Additional provisions | 4,452 | 8,014 | 48 | 12,514 |
| Unused amounts reversed | (4,328) | (4,414) | - | (8,742) |
| Used during year | (1,621) | (3,688) | (232) | (5,541) |
| Effect of cumulative translation adjustment | (497) | (253) | (12) | (762) |
| **At December 31, 2021** | 13,620 | 21,048 | 1,242 | 35,910 |

(a) **Claims and litigation:** Claims and litigation provision relate to certain legal and commercial claims brought against the Company by stakeholders and potential repayment of government assistance in various jurisdictions. See Note 16 for more details regarding government assistance. In management's opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at December 31, 2021.

(b) **Product warranties and product defects:** Product warranties and product defects represent the legal or constructive responsibility of the Company for the proper function of products sold and the obligation arising from the use of products sold.

(c) **Other:** Includes onerous contracts and decommissioning provision which relates to the legal or constructive obligations for removing leased equipment at the completion of the lease arrangement. The provision charge is recognized in earnings within cost of sales.

## 13 Long-Term Debt

The following amounts represent the Company's long-term debt obligations:

| | Note | December 31 2021 $ | December 31 2020 $ |
|---|---|---|---|
| Senior unsecured notes | (i) | 458,521 | - |
| Bank borrowings | (ii) | 198,007 | 1,158,184 |
| Lease liabilities | (iii) | 59,296 | 65,799 |
| Government borrowings | (iv) | 75,721 | 79,231 |
| | | 791,545 | 1,303,214 |
| Less: current portion | | 21,055 | 577,335 |
| | | 770,490 | 725,879 |

(in thousands of Canadian dollars, except where otherwise noted)

Principal payments required to meet the long-term obligations were as follows:

| | December 31 2021 $ | December 31 2020 $ |
|---|---|---|
| Not later than 1 year | 21,055 | 577,335 |
| Later than 1 year and not later than 5 years | 255,595 | 659,919 |
| Later than 5 years | 518,403 | 69,627 |
| Total principal payments | 795,053 | 1,306,881 |
| Less: debt issue costs | 3,508 | 3,667 |
| | 791,545 | 1,303,214 |

### (i) Senior unsecured notes

The Senior unsecured notes consisted of:

(a) Euro $320 million effective January 2021, coming due January 2031 and paying interest at 1.37%.

In January 2021, the Company received funding through a note purchase agreement with certain institutional investors for a private placement of Euro ("EUR") 320 million aggregate principal amount issued at an annual rate of 1.37%, coming due January 2031 and paying interest semi-annually. The senior unsecured notes are guaranteed by material subsidiaries of the Company as defined in the agreement. The senior unsecured notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The EUR denominated notes have been designated as a net investment hedge for the net investments in EUR foreign operations. The Company applied the proceeds of the notes towards the repayment of a non-revolving term credit facility maturing in January 2021 under the bank credit facility (see (ii) below).

(b) U.S. $130 million (the "2021 Notes") effective September 2011, coming due September 2021 and paying interest at 4.84%.

In June 2020, the 2021 Notes were fully repaid. The long-dated forward exchange contracts to lock in the exchange rate on the principal repayment component and the series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments were terminated at the same time that the 2021 Notes were fully repaid (Note 26(iii)).

### (ii) Bank borrowings

The Company's credit facility was last amended and restated in February 2018. Borrowings are subject to short-term market rates, plus applicable margin. The facilities are unsecured and are guaranteed by material subsidiaries of the Company as defined in the credit agreement. The bank borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities. The Company is in compliance with all financial covenants.

The facilities include a non-revolving term credit facility in the original aggregate principal amount of up to $572 million which expired in January 2021, a revolving credit facility to the aggregate principal amount of up to $1.15 billion and a second non-revolving term credit facility to the original aggregate principal amount of up to $1.2 billion, both of which expire in 2023.

The first non-revolving term credit facility that expired in January 2021 was repaid with the proceeds of the note purchase agreement described above along with available cash and proceeds drawn from the revolving credit facility. During 2021, repayments of $225 million (2020 - $400 million) were made on the second non-revolving term credit facility of $1.2 billion reducing it to $25 million (2020 - $250 million).

As of December 31, 2021, $957,504 was available under the revolving credit facility.

### (iii) Lease liabilities

The Company has various leases which are included in property, plant and equipment. The Company's obligations under the leases are secured by the Lessors' title to the assets.

(in thousands of Canadian dollars, except where otherwise noted)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | December 31 2021 $ | December 31 2020 $ | December 31 2021 $ | December 31 2020 $ |
| Not later than 1 year | 17,942 | 20,762 | 16,069 | 18,602 |
| Later than 1 year and not later than 5 years | 37,201 | 37,204 | 32,955 | 32,262 |
| Later than 5 years | 12,634 | 17,538 | 10,272 | 14,935 |
| | 67,777 | 75,504 | 59,296 | 65,799 |
| Less: future finance charges | 8,481 | 9,705 | - | - |
| Present value of minimum lease payments | 59,296 | 65,799 | 59,296 | 65,799 |

### (iv) Government borrowings

Government borrowings are comprised of three non-revolving interest free term loans:

(a) The Technology Partnerships Canada is a program provided by the Ministry of Industry by the Federal Canadian Government. The cumulative net amount received at the end of fiscal 2021 was $1,794 (2020 – $2,691). The discounted value of the debt recognized amounted to $1,721 at the end of fiscal 2021 (2020 – $2,530). The loan is due in ten equal annual payments ending in 2023.

(b) The Automotive Innovation Fund is a program provided by the Ministry of Industry by the Federal Canadian Government. There are two non-revolving interest free loans under this program. The cumulative net amount of both loans received at the end of fiscal 2021 was $84,135 (2020 – $88,245). The discounted value of the total debt recognized at the end of fiscal 2021 was $74,000 (2020 – $76,701). The loans are both due in ten annual payments, starting in 2019 for the first loan and 2025 for the second loan with final amounts due in 2028 and 2034 respectively.

## 14 Capital Stock

The Company is incorporated under the Ontario Business Corporations Act in Canada and is authorized to issue an unlimited number of common and special shares.

| | Common Shares Issued/(Cancelled) # | Stated capital $ |
|---|---|---|
| **At January 1, 2020** | 65,239,495 | 132,356 |
| Stock options exercised | 491,876 | 14,417 |
| Repurchase of shares under normal course issuer bid | (280,674) | (569) |
| **At December 31, 2020** | 65,450,697 | 146,204 |
| | | |
| Stock options exercised | - | - |
| Repurchase of shares under normal course issuer bid | - | - |
| **At December 31, 2021** | 65,450,697 | 146,204 |

In January 2019, the Company announced the TSX approval to commence a normal course issuer bid. The bid permitted the Company to acquire up to 4,506,324 of its common shares between January 29, 2019 and January 28, 2020 and any common shares repurchased by the Company under the bid were cancelled. In March 2020, the Company announced TSX approval to renew its normal course issuer bid. This bid permits the Company to acquire for cancellation up to 4,396,427 common shares between March 20, 2020 and March 19, 2021. No shares were purchased and cancelled from March 20, 2020 to March 10, 2021 due to the COVID-19 pandemic. In November 2021, the Company announced TSX approval to commence a new normal course issuer bid. This bid permits the Company to acquire for cancellation up to 4,421,507 common shares between November 30, 2021 and November 29, 2022. These bids are subject to daily limits and blackout periods.

## 15 Revenue from Contracts with Customers

The disaggregated revenue from contracts with customers aligns with the revenue information as disclosed for each reportable segment in Note 24.

(in thousands of Canadian dollars, except where otherwise noted)

### Revenue-related receivables, contract assets and contract liabilities

The Company has recognized revenue-related receivables, contract assets and contract liabilities in its consolidated statement of financial position. Accounts and other receivables and long-term receivables include $783,179 and $62,876, respectively, of receivables from contracts with customers (2020 - $800,104 and $234,481, respectively). Accounts payable and accrued liabilities include $157,103 of liabilities from contracts with customers (2020 - $164,086).

#### (i) Significant changes in contract liabilities

There have been no significant changes in the contract liabilities during the year.

#### (ii) Revenue recognized in relation to contract liabilities

Revenue recognized during the year that was included in the contract liability balance at the beginning of the period was $138,990 (2020 - $51,691).

#### (iii) Remaining performance obligations

The aggregate amount of the transaction price allocated to remaining performance obligations as of the end of the year amounted to $135,521, of which $103,814 was attributable to customer owned asset contracts, $30,058 to engineering services contracts and $1,649 to other (2020 - $122,111, of which $89,736 was attributable to customer owned asset contracts, $30,273 to engineering services contracts and $2,102 to other).

Management expects that $74,930 of the transaction price allocated to remaining performance obligations will be recognized during the next year, $36,000 in 2023, $11,476 in 2024 and the remaining balance in 2025 and beyond. Remaining performance obligations do not include variable consideration which is constrained.

## 16 Expenses by Nature

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Cost of materials | 3,379,949 | 2,964,744 |
| Employee benefits (Note 17) | 1,500,076 | 1,312,366 |
| Amortization (Notes 9, 10) | 448,754 | 454,625 |
| Other | 619,792 | 649,043 |
| | 5,948,571 | 5,380,778 |

In response to COVID-19, many governments around the world have provided various subsidy programs to assist companies during the crisis. The Company received government assistance in certain regions where such assistance was available and where the Company was eligible for the subsidy programs. The Company has recognized these subsidy programs as a reduction to the related expenses. A significant benefit to Linamar was from a subsidy program in Canada. The Canada Emergency Wage Subsidy ("CEWS") program was announced in March 2020 and the program came to an end in October 2021. CEWS provided a wage subsidy on eligible remuneration, subject to limits per employee, to eligible employers based on certain criteria, including a demonstration of revenue declines. The direct benefit of CEWS and other COVID-19 related programs recorded in the consolidated statement of earnings was $46,242 (2020 - $130,002). There are no significant repayment requirements of this assistance contingent on employment related measures, investment related measures or both.

During 2021, the balance of the benefits of government grants recorded in the statements of earnings was $12,316 (2020 - $13,229). In all cases, repayment of government grants is contingent on employment related measures, investment related measures or both.

## 17 Employee Benefits

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Wages, salaries and commissions | 1,151,558 | 977,380 |
| Social charges and other personnel expenses | 304,131 | 281,688 |
| Termination benefits | 11,011 | 21,958 |
| Share-based compensation (Note 18) | 3,270 | 2,882 |
| Pension expenses under defined contribution plans | 30,106 | 28,458 |
| | 1,500,076 | 1,312,366 |

(in thousands of Canadian dollars, except where otherwise noted)

## 18 Share-Based Compensation

The Company is authorized to grant options for common stock to its key employees and directors. The exercise price of each option equals the average of the high and low market price of the Company's stock for the five trading days prior to the date of grant. An option's maximum term is 10 years and vesting is determined by the Board of Directors. The Company issues new common shares to satisfy stock options exercised. Options are forfeited when the option holder ceases to be an employee or director of the Company.

| | Number of options | 2021 Weighted average exercise price $ | Number of options | 2020 Weighted average exercise price $ |
|---|---|---|---|---|
| **At January 1** | 900,000 | 56.18 | 1,241,876 | 40.46 |
| Granted | 150,000 | 74.57 | 150,000 | 65.42 |
| Exercised | - | - | (491,876) | 19.32 |
| **At December 31** | 1,050,000 | 58.80 | 900,000 | 56.18 |
| | | | | |
| **Vested at December 31** | 475,000 | 55.29 | 370,000 | 54.30 |

In 2021, the average share price, during the period the share options were exercised, was $Nil (2020 – $34.88).

The following table is a summary of information about the stock options outstanding at December 31, 2021:

| Year of Grant | Exercise Price | Number of options outstanding | Weighted average remaining life in years |
|---|---|---|---|
| 2012 | $21.59 | 50,000 | 1.0 |
| 2013 | $41.11 | 50,000 | 2.0 |
| 2014 | $66.63 | 100,000 | 2.9 |
| 2015 | $73.52 | 100,000 | 3.9 |
| 2016 | $50.14 | 100,000 | 4.9 |
| 2018 | $73.96 | 100,000 | 6.0 |
| 2018 | $45.40 | 100,000 | 7.0 |
| 2019 | $44.30 | 150,000 | 7.9 |
| 2020 | $65.42 | 150,000 | 8.9 |
| 2021 | $74.57 | 150,000 | 9.9 |
| | | 1,050,000 | 6.3 |

For all grants, the weighted average fair value of share options granted, and weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model, are as follows:

| | Granted in 2021 | Granted in 2020 |
|---|---|---|
| Share option fair value (per share) | $26.58 | $26.29 |
| Risk free interest rate | 1.47% | 0.75% |
| Expected life (years) | 10 | 10 |
| Expected volatility | 31.53% | 33.42% |
| Dividend yield | 0.93% | 0.86% |

The expected life used in the Black-Scholes model is the same as the contractual term of the options. The risk free interest rate used in determining the fair value of the options granted is based on a Government of Canada zero coupon yield that was current at the time of grant and has a term corresponding to the contractual term of the options. The expected volatility considers the historical volatility of the Company's shares for the 10 year period preceding the share option grant date. The dividend yield is the annualized dividend at the date of grant divided by the average exercise price.

(in thousands of Canadian dollars, except where otherwise noted)

## 19 Other Income and (Expenses)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Foreign exchange gain (loss) | 12,426 | (11,421) |
| Other income (expense) | 804 | 818 |
| | 13,230 | (10,603) |

## 20 Finance Income and (Expenses)

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Finance costs | (18,436) | (44,143) |
| Foreign exchange gain (loss) on debt and derivatives | (6,237) | (4,652) |
| Interest earned | 21,505 | 29,369 |
| Other | (7,554) | (7,483) |
| | (10,722) | (26,909) |

## 21 Earnings per Share

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding throughout the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding during the year to assume conversion of all dilutive potential shares.

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Net earnings (loss)** | 420,558 | 279,133 |
| Weighted average common shares | 65,450,697 | 65,307,617 |
| Incremental shares from assumed conversion of stock options | 117,635 | 23,834 |
| Adjusted weighted average common shares for diluted earnings per share | 65,568,332 | 65,331,451 |
| **Net earnings (loss) per share:** | | |
| Basic | 6.43 | 4.27 |
| Diluted | 6.41 | 4.27 |

## 22 Commitments

As at December 31, 2021, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $209,096 (December 31, 2020 - $113,262). Of this amount $193,034 (December 31, 2020 - $109,568) relates to the purchase of manufacturing equipment and $16,062 (December 31, 2020 - $3,694) relates to general contracting and construction costs in respect of plant construction. Of the commitments for plant construction, $13,699 (December 31, 2020 - $69) 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.

## 23 Related Party Transactions

Details of the transactions between the Company and related parties are disclosed below:

### i) Key Management Personnel

The Company's key management includes members of the Senior Executive Group and Board of Directors. The compensation paid, or payable, to key management for employee services during the year was as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Compensation and short-term benefits | 35,515 | 29,233 |
| Share-based compensation (Notes 17, 18) | 3,270 | 2,882 |
| Total compensation | 38,785 | 32,115 |

### ii) Other Related Party Transactions

Related party transactions include long-term receivables due from an investee accounted for using the equity method at December 31, 2021 of $133,184 (December 31, 2020 - $111,242). Interest earned on the receivable included in finance income was $5,049 for the year ended December 31, 2021 (December 31, 2020 - $5,783). Included in the cost of sales are material purchases from the same related party of $27,474 for the year ended December 31, 2021 (December 31, 2020 - $24,549), with amounts payable at December 31, 2021 of $10,110 (December 31, 2020 - $5,526).

(in thousands of Canadian dollars, except where otherwise noted)

## 24 Segmented Information

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

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

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

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

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

The Company's three largest customers are in the Mobility segment and account for 21.1%, 17.4% and 5.2% of total revenue (2020 – 23.6%, 17.5% and 5.8%).

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.

| **Operational Segments** | Mobility<br>$ | Industrial<br>$ | 2021<br>$ |
|---|---|---|---|
| Total revenue | 5,097,413 | 1,478,044 | |
| Inter-segment sales | (29,564) | (9,319) | |
| Sales to external customers | 5,067,849 | 1,468,725 | 6,536,574 |
| | | | |
| Cost of sales before amortization | 4,023,853 | 1,129,486 | 5,153,339 |
| Amortization | 398,220 | 47,363 | 445,583 |
| Selling, general and administration | 235,744 | 113,905 | 349,649 |
| Other income (expense) | 23,270 | (10,040) | 13,230 |
| Operating earnings (loss) | 433,302 | 167,931 | 601,233 |
| | | | |
| Share of net earnings (loss) of investments accounted for using the equity method | | | (28,345) |
| Finance income and (expenses) | | | (10,722) |
| Income taxes | | | 141,608 |
| Net earnings (loss) | | | 420,558 |
| | | | |
| Payments for property, plant and equipment | 238,977 | 4,081 | 243,058 |

(in thousands of Canadian dollars, except where otherwise noted)

| Operational Segments | Mobility $ | Industrial $ | 2020 $ |
|---|---|---|---|
| Total revenue | 4,665,405 | 1,183,579 | |
| Inter-segment sales | (22,017) | (11,394) | |
| Sales to external customers | 4,643,388 | 1,172,185 | 5,815,573 |
| | | | |
| Cost of sales before amortization | 3,737,370 | 839,628 | 4,576,998 |
| Amortization | 403,224 | 46,928 | 450,152 |
| Selling, general and administration | 224,458 | 129,170 | 353,628 |
| Other income (expense) | 4,645 | (15,248) | (10,603) |
| Operating earnings (loss) | 282,981 | 141,211 | 424,192 |
| | | | |
| Share of net earnings (loss) of investments accounted for using the equity method | | | (22,899) |
| Finance income and (expenses) | | | (26,909) |
| Income taxes | | | 95,251 |
| Net earnings (loss) | | | 279,133 |
| | | | |
| Payments for property, plant and equipment | 251,061 | 13,251 | 264,312 |

The Company operates in four geographic segments – Canada, Rest of North America, Asia Pacific and Europe.

| Geographic Segments | Canada $ | Rest of North America $ | Asia Pacific $ | Europe $ | 2021 $ |
|---|---|---|---|---|---|
| Total sales | 3,540,769 | 994,096 | 651,979 | 1,953,307 | |
| Inter-segment sales | (256,190) | (217,734) | (5,655) | (123,998) | |
| Sales to external customers | 3,284,579 | 776,362 | 646,324 | 1,829,309 | 6,536,574 |
| | | | | | |
| Goodwill | 401,789 | - | - | 451,499 | 853,288 |
| Intangible assets | 572,615 | 54,424 | - | 179,437 | 806,476 |
| Property, plant and equipment | 880,829 | 444,894 | 253,201 | 836,992 | 2,415,916 |

| Geographic Segments | Canada $ | Rest of North America $ | Asia Pacific $ | Europe $ | 2020 $ |
|---|---|---|---|---|---|
| Total sales | 3,047,420 | 936,206 | 565,252 | 1,801,863 | |
| Inter-segment sales | (235,087) | (180,417) | (7,131) | (112,533) | |
| Sales to external customers | 2,812,333 | 755,789 | 558,121 | 1,689,330 | 5,815,573 |
| | | | | | |
| Goodwill | 401,789 | - | - | 488,292 | 890,081 |
| Intangible assets | 589,777 | 52,856 | - | 221,845 | 864,478 |
| Property, plant and equipment | 933,842 | 449,216 | 278,972 | 961,974 | 2,624,004 |

## 25 Supplemental Cash Flow Information

| | 2021 $ | 2020 $ |
|---|---|---|
| Interest paid | 20,534 | 75,983 |
| Interest received | 20,658 | 29,243 |
| Finance income received | 568 | 23,736 |
| Taxes paid | 186,944 | 41,274 |

(in thousands of Canadian dollars, except where otherwise noted)

**Net Debt Reconciliation of Liabilities Arising from Financing Activities**

| | Cash and cash equivalents | Short-term borrowings and Long-term debt | Net debt | Derivative financial instruments Asset (Liability) | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At January 1, 2020** | 338,226 | (1,897,689) | (1,559,463) | 65,133 | (1,494,330) |
| Cash flow activity | 527,361 | 607,562 | 1,134,923 | (41,428) | 1,093,495 |
| Additions, net of disposals - leases | - | (15,936) | (15,936) | - | (15,936) |
| Effect of cumulative translation adjustment | (4,487) | (1,661) | (6,148) | - | (6,148) |
| Effect of foreign exchange adjustments | - | 7,423 | 7,423 | (7,459) | (36) |
| Amount recognized in other comprehensive earnings | - | - | - | (58,708) | (58,708) |
| Other changes | - | (2,913) | (2,913) | (2,142) | (5,055) |
| **At December 31, 2020** | 861,100 | (1,303,214) | (442,114) | (44,604) | (486,718) |
| Cash flow activity | 69,366 | 487,795 | 557,161 | 40,470 | 597,631 |
| Additions, net of disposals - leases | - | (16,381) | (16,381) | - | (16,381) |
| Effect of cumulative translation adjustment | (2,038) | 2,105 | 67 | - | 67 |
| Effect of foreign exchange adjustments | - | 7,774 | 7,774 | (7,769) | 5 |
| Amount recognized in other comprehensive earnings | - | 33,728 | 33,728 | 12,060 | 45,788 |
| Other changes | - | (3,352) | (3,352) | (157) | (3,509) |
| **At December 31, 2021** | 928,428 | (791,545) | 136,883 | - | 136,883 |

The table above details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's consolidated statement of cash flows as cash flows from financing activities. This also applies to derivative financial instruments held to hedge liabilities arising from financing activities. The Company is also presenting cash and cash equivalents to reflect net debt.

## 26 Financial Instruments

### (i) Accounts Payable and Accrued Liabilities

| | December 31 2021 | December 31 2020 |
|---|---|---|
| | $ | $ |
| Accounts payable | 984,488 | 865,502 |
| Accrued liabilities | 618,978 | 586,821 |
| | 1,603,466 | 1,452,323 |

(in thousands of Canadian dollars, except where otherwise noted)

## (ii) Composition of Financial Instruments

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

| | Subsequent Measurement | December 31, 2021 Carrying Value Asset (Liability) $ | December 31, 2021 Fair Value $ | December 31, 2020 Carrying Value Asset (Liability) $ | December 31, 2020 Fair Value $ |
|---|---|---|---|---|---|
| Long-term receivables | Amortized cost (Level 2) | 230,069 | 240,456 | 376,450 | 413,177 |
| Derivative financial instruments (iii): | | | | | |
| USD cross currency interest rate swaps | Fair value (Level 2) | - | - | (33,772) | (33,772) |
| EUR cross currency interest rate swaps | Fair value (Level 2) | - | - | (10,832) | (10,832) |
| USD sales forwards – CAD functional entities | Fair value (Level 2) | (3,880) | (3,880) | 13,664 | 13,664 |
| USD sales forwards – MXN functional entities | Fair value (Level 2) | 3,323 | 3,323 | 15,467 | 15,467 |
| USD sales forwards – CNY functional entities | Fair value (Level 2) | 1,045 | 1,045 | 2,340 | 2,340 |
| CAD purchase forwards – GBP functional entities | Fair value (Level 2) | 1,299 | 1,299 | (995) | (995) |
| Investments designated at fair value through other comprehensive income | Fair value (Level 3) | 6,794 | 6,794 | 6,579 | 6,579 |
| Long-term debt, excluding lease liabilities (Note 13) | Amortized cost (Level 2) | (732,249) | (700,197) | (1,237,415) | (1,211,770) |

The fair value of the long-term receivables, derivative financial instruments, and long-term debt are determined by using valuation techniques based on observable market data other than quoted prices. The Company determined that the fair value of its investment, based on the most recent financing at the same price, is equal to its carrying value. The fair value of other financial instruments such as cash and cash equivalents, accounts and other receivables, short-term bank borrowings and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments. There were no transfers in the fair value hierarchy between Levels 1, 2 and 3 during the year.

Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices for similar instruments;

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date; or

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## (iii) Derivative Financial Instruments Including Hedge Accounting

The summary of the Company's derivative financial instruments and hedge accounting is as follows:

| | Hedging reserves | | | Other comprehensive earnings | | | |
|---|---|---|---|---|---|---|---|
| | Carrying value $ | Cost of hedging reserve $ | Total $ | Unrealized gain/(loss) recognized $ | Amount reclassified to inventory $ | Gain/(loss) reclassified to sales and finance expense $ | Change in cost of hedging $ |
| a) USD cross currency interest rate swap contract | - | - | - | (6,687) | - | 7,769 | 4 |
| b) EUR cross currency interest rate swap contract | - | - | - | 11,830 | - | - | (855) |
| c) USD sales forward contracts | (6,787) | 1,303 | (5,484) | (4,956) | - | (23,410) | (2,262) |
| d) CAD purchase forward contracts | 805 | 96 | 901 | 2,307 | (272) | - | 151 |
| e) Long-term debt designated as net investment hedge | - | - | - | 33,728 | - | - | - |
| December 31, 2021, gross | (5,982) | 1,399 | (4,583) | 36,222 | (272) | (15,641) | (2,962) |
| Deferred tax | | | | (623) | - | 3,724 | 740 |
| December 31, 2021, net | | | | 35,599 | (272) | (11,917) | (2,222) |

(in thousands of Canadian dollars, except where otherwise noted)

| | Hedging reserve | | | Other comprehensive earnings | | | |
|---|---|---|---|---|---|---|---|
| | Carrying value $ | Cost of hedging reserve $ | Total $ | Unrealized gain/(loss) recognized $ | Amount reclassified to inventory $ | Gain/(loss) reclassified to sales and finance expense $ | Change in cost of hedging $ |
| a) USD cross currency interest rate swap contract | (811) | (3) | (814) | (13,959) | - | 17,794 | 1,080 |
| b) EUR cross currency interest rate swap contract | (17) | 642 | 625 | (59,811) | - | - | (3,136) |
| c) USD sales forward contracts | 14,488 | 3,000 | 17,488 | (8,665) | - | 21,821 | 4,274 |
| d) CAD purchase forward contracts | (722) | (18) | (740) | (963) | - | - | (24) |
| f) USD interest payment forward contracts | - | - | - | 3 | - | (2,750) | - |
| g) USD debt principal forward contracts | - | - | - | 11,216 | - | (9,127) | (17) |
| December 31, 2020, gross | 12,938 | 3,621 | 16,559 | (72,179) | - | 27,738 | 2,177 |
| Deferred tax | | | | 18,430 | - | (7,320) | (544) |
| December 31, 2020, net | | | | (53,749) | - | 20,418 | 1,633 |

There was no ineffectiveness in any of the hedge relationships in 2021. Early in the COVID-19 pandemic in 2020, forecasted consolidated USD sales did not occur. Therefore, the forward exchange contracts in place to hedge a portion of the ultimate cash flows arising from the expected highly probable forecasted USD sales were ineffective. In 2020, of the total $21,821 gain reclassified from other comprehensive earnings to finance expenses for the USD sales forward contracts, included a gain of $4,582 of recognized ineffectiveness.

### a) USD Cross Currency Interest Rate Swap Contracts

In 2018, the Company converted EUR 615 million of borrowings to USD $716 million borrowings under the credit facility. The USD borrowings were under a non-revolving facility due in 2021 and a revolving facility due in 2023 (Note 13(ii)). Simultaneously, the Company entered into cross currency interest rate swap contracts to buy Canadian dollar ("CAD") interest and principal amounts in exchange for USD interest and principal amounts. The contracts effectively locked in the exchange rate on the interest and principal repayments of the USD borrowings and hedged the effective changes in exchange rates. The contracts also locked in the interest payments on the USD borrowings from monthly LIBOR floating interest rates to a CAD fixed interest rate. The maturity of the swap contracts corresponded to the due date of the non-revolving portion of the USD borrowings; however, both the revolving and non-revolving portions of the USD $716 million borrowings were part of the hedging strategy. The swap contracts were designated as cash flow hedges for accounting purposes. The derivatives were denominated in the same currency as the principal repayment of the USD $716 million borrowings; therefore, the hedge ratio was on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective. The USD $716 million borrowings under the non-revolving term facility and the revolving facility were repaid in January 2021 (Note 13). The USD cross currency interest rate swaps contracts matured and were settled at the same time.

### b) EUR Cross Currency Interest Rate Swap Contracts

In 2018, the Company entered into cross currency interest rate swap contracts to buy EUR interest and principal amounts in exchange for CAD interest and principal amounts. The contracts hedged the effective change in exchange rates on net investments in EUR foreign operations. The changes in the forward element (the excluded component) of the swap contracts were recognized within other comprehensive earnings in the cost of hedging reserve within equity and were amortized to net earnings in finance costs as an additional cost on a systematic basis. The EUR 615 million notional swap contracts were designated as a net investment hedge for accounting purposes for the spot component only. The Company entered into these swap contracts having similar critical terms as the EUR net investment hedged item, such as currency and notional amount; therefore, the hedge ratio was on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective. The EUR cross currency interest rate swaps contracts matured and were settled in January 2021, ending that net investment hedge.

(in thousands of Canadian dollars, except where otherwise noted)

### c) USD Sales Forward Contracts

The Company enters into a series of forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated USD sales. The Company's program hedges a portion of USD sales contracts entered into by entities with various functional currencies. Every quarter, additional contracts will be initiated in order to maintain a proportional coverage for up to 18 months of forecasted USD sales.

All the contracts are designated as cash flow hedges for accounting purposes for the spot component only, up until the month of the sales activity. The change in the forward element (the excluded component) of the contracts are recognized within other comprehensive earnings in the cost of hedging reserve within equity and is reclassified to net earnings in sales when the hedging relationship ends. The derivatives are in the same currency and notional amounts as a portion of the anticipated USD sales; therefore the hedge ratio is on a one to one basis. It is anticipated that all critical terms will match during the period they are outstanding, therefore the economic relationship will remain 100% effective. After the month the sales activity occurs, the net fair value on the derivatives outstanding until maturity is recognized in other income and (expenses). For the current year, this was a gain of $2,084 (2020 – $2,580).

The summary of contracts in place with USD notional hedge values and average forward rates back to the respective functional currencies is as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Notional Hedge Value USD $ | Average Forward Rate | Notional Hedge Value USD $ | Average Forward Rate |
| USD sales forwards – CAD functional entities | 542,250 | 1.2593 | 264,950 | 1.3307 |
| USD sales forwards – MXN functional entities | 127,050 | 21.7832 | 138,100 | 22.1420 |
| USD sales forwards – CNY functional entities | 20,675 | 6.7006 | 28,325 | 7.0025 |
| | 689,975 | | 431,375 | |

### d) CAD Purchase Forward Contracts

Beginning in the fourth quarter of 2020, the Company entered into a series of forward exchange contracts to hedge a portion of the ultimate cash flows arising from highly probable forecasted consolidated CAD purchases. The Company's program hedges a portion of CAD purchase contracts entered into by entities with various functional currencies. Every quarter, additional contracts will be initiated in order to maintain a proportional coverage for up to 18 months of forecasted CAD purchases.

All the contracts are designated as cash flow hedges for accounting purposes for the spot component only, up until the month of the purchase activity when the change in the spot component of the contracts in the hedges reserve within equity is reclassified to inventory recognized with the hedging transaction. The change in the forward element (the excluded component) of the contracts are recognized within other comprehensive earnings in the cost of hedging reserve within equity and is reclassified to inventory recognized with the hedging transaction, when the hedging relationship ends. The deferred amounts carried in inventory are recognized in net earnings as the inventory impacts net earnings approximately 90 days later. The derivatives are in the same currency and notional amounts as a portion of the anticipated CAD purchases; therefore, the hedge ratio is on a one to one basis. It is anticipated that all critical terms will match during the period they are outstanding, therefore the economic relationship will remain 100% effective. After the month the purchase activity occurs, the net fair value on the derivatives outstanding until maturity is recognized in other income and (expenses). For the current year, this was a gain of $182 (2020 – $Nil).

The contracts in place have notional hedge values of CAD $150,946 (2020 – $CAD 76,225) at an average forward rate of 1.7238 (2020 – 1.7236) back to the GBP functional currency.

### e) Long-term Debt Designated as Net Investment Hedge

In 2021, EUR denominated notes used towards the repayment of a non-revolving term credit facility were designated as a net investment hedge for the net investments in EUR foreign operations. As all critical terms matched during the period, the economic relationship was 100% effective.

Further terms of the EUR denominated notes are disclosed in Note 13(i).

(in thousands of Canadian dollars, except where otherwise noted)

#### f) USD Interest Payment Forward Contracts

In 2012, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2021. The forward exchange contracts were designated as cash flow hedges for accounting purposes. The derivatives were denominated in the same currency and notional amount as the coupon components of the Notes; therefore, the hedge ratio was on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective. In June 2020, the USD $130,000 senior unsecured notes, due in September 2021, were fully repaid (Note 13). As the hedged item ceased to exist, the USD interest payment forward contracts were terminated at the same time. In 2020, of the total $2,750 loss reclassified from other comprehensive earnings to finance expenses, included a deferred loss of $2,527 related to the end of the hedge relationship.

#### g) USD Debt Principal Forward Contracts

In 2011, the Company completed the placement of USD $130 million of senior unsecured Notes due 2021. In 2012, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts were designated as cash flow hedges for accounting purposes. As the contract was designated as a cash flow hedge for accounting purposes for the spot component only, the change in the forward element (the excluded component) of the contract was recognized within other comprehensive earnings in the cost of hedging reserve within equity and was amortized to net earnings in finance costs as an additional cost on a systematic basis.

The derivatives were denominated in the same currency and notional amount as the principal repayment of the Notes; therefore, the hedge ratio was on a one to one basis. As all critical terms matched during the period, the economic relationship was 100% effective. In June 2020, the USD $130,000 senior unsecured notes, due in September 2021, were fully repaid (Note 13). As the hedged item ceased to exist, the USD debt principal forward contracts were terminated at the same time. In 2020, of the total $9,127 loss reclassified from other comprehensive earnings to finance expenses, included a deferred gain of $3,465 related to the end of the hedge relationship.

### (iv) Financial Risk Management

The Company is primarily exposed to market risk, liquidity risk, credit risk and capital risk as a result of holding financial instruments.

#### Market Risk – Foreign Exchange Risk

The Company operates in several different geographical regions in the world and has many business arrangements with customers and suppliers also based in different geographical regions. The Company therefore is impacted by changes in foreign exchange rates. These foreign exchange rate changes affect net sales and expenses based in foreign currencies and the translation of monetary balances in relation to functional currencies. In order to minimize the adverse effects on the financial performance of the Company, foreign exchange forward contracts and certain portions of its foreign denominated long-term debt may be used to hedge certain foreign currency risk exposures to reduce the uncertainty from foreign currency transactions and functional currency translations.

Approximate Foreign Exchange Exposure as related to the following currencies:

| | December 31 2021 % | December 31 2020 % |
|---|---|---|
| USD activity | 79.7 | 77.8 |
| EUR activity | 0.4 | 18.0 |
| British pound activity | 14.4 | 2.6 |
| Mexican peso activity | 2.3 | 0.8 |

The Company has foreign operations with the following functional currencies that differ from the parent: Hungarian forint, Mexican peso, USD, Euro, British pound, Korean won, Chinese renminbi, Japanese yen, Australian dollar, Swedish krona, Brazilian real, Indian rupee and Bulgarian lev.

(in thousands of Canadian dollars, except where otherwise noted)

Assuming all other variables are constant a 5% strengthening of the following currencies against the functional currency of the Company and its foreign subsidiaries would result in gains/(losses) by the amounts shown below:

| | Impact on net earnings gain/(loss) | | Impact on hedging reserve gain/(loss) | |
|---|---|---|---|---|
| | December 31 2021 $ | December 31 2020 $ | December 31 2021 $ | December 31 2020 $ |
| USD | 775 | 9,037 | (22,421) | (11,366) |
| EUR | 119 | 2,387 | - | (45) |
| British pound | 1,940 | 301 | 4,724 | 2,722 |
| Mexican peso | (828) | (272) | (4,687) | (5,445) |

A weakening of the same above currencies at December 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

### Market Risk – Interest Rate Risk

Due to the Company's capital structure, there is some degree of exposure to changes in the Canadian, US, European and Asian money market rates of interest. The Company does invest excess funds at times to maximize interest income earned. The investment quality must meet internal standards for ratings and liquidity to safeguard the Company's cash and cash equivalents. Interest rate or cross currency interest rate swap agreements are used by the Company from time to time to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing.

The interest rate swap agreements involved the periodic exchange of interest payments with or without the exchange of the notional principal amount upon which the payments were based. Interest expense on the debt was then adjusted to include the payments made or received under the interest rate swaps.

As at December 31, 2021, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $1,256 (2020 - $1,480).

### Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company manages the liquidity risk of forecasted cash flows from operations, by ensuring that there are cash resources available to meet these needs. As at December 31, 2021, the Company's revolving bank facility had available credit of $957,504. The revolving facility matures in 2023.

The amount of financial resources available to invest in a Company's growth is dependent upon its size and willingness to utilize debt and issue equity. If the Company deviates from its growth expectations, it may require additional debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development.

The undiscounted contractual maturities of the Company's financial liabilities are as follows:

| December 31, 2021 | Current year $ | Maturing in 1 to 2 years $ | Maturing after 2 years $ | Total $ |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 1,603,466 | - | - | 1,603,466 |
| Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees | 113,974 | 225,524 | 622,971 | 962,469 |
| | 1,717,440 | 225,524 | 622,971 | 2,565,935 |

| December 31, 2020 | Current year $ | Maturing in 1 to 2 years $ | Maturing after 2 years $ | Total $ |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | 1,452,323 | - | - | 1,452,323 |
| Long-term debt and contractual interest payments, derivative financial instruments, and financial guarantees | 1,059,532 | 19,463 | 371,751 | 1,450,746 |
| | 2,511,855 | 19,463 | 371,751 | 2,903,069 |

(in thousands of Canadian dollars, except where otherwise noted)

### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meets its contractual obligations. The maximum exposure to credit risk at the reporting date is represented by the net carrying amount of the Company's cash and cash equivalents, accounts and other receivables, long-term receivables, derivative financial instruments and financial guarantees. The Company is exposed to credit risk from potential default by counterparties that carry the Company's cash and cash equivalents and derivative financial instruments. The Company attempts to mitigate this risk by dealing only with large financial institutions with investment grade credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

A substantial portion of the Company's receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. At December 31, 2021, the receivables from the Company's three largest customers amounted to 15.0%, 9.7% and 4.0% (December 31, 2020 – 11.9%, 11.8%, and 9.4%) of customer receivables.

The following represents the weighted-average expected credit loss rate of the Company's accounts and other receivables and long-term receivables. For credit risk management, the Company assesses the age of past due receivables to determine if credit risk has increased significantly. In 2020, due to COVID-19 and underlying business operation issues at certain customers, there was uncertainty in the future repayment of certain of the Company's long-term accounts receivable, as indicated by credit rating downgrades of certain customers, and a reduction in the value of related collateral securing certain long-term receivables. During 2020, a similar review and adjustment for an increase in economic credit risk due to COVID-19 was also completed on the Company's accounts and other receivables. During 2021, the credit risk on long-term receivables has improved and is still being monitored by the Company. The aging of receivables is as follows:

| | | December 31 2021 | | December 31 2020 |
|---|---|---|---|---|
| | Accounts and other receivables $ | Long-term receivables $ | Accounts and other receivables $ | Long-term receivables $ |
| Current | 733,064 | 229,418 | 752,844 | 386,374 |
| Past due 1-30 days | 87,393 | 187 | 74,826 | 670 |
| Past due 31-60 days | 15,690 | 9 | 10,049 | 221 |
| Past due 61-90 days | 7,983 | 4 | 10,987 | 192 |
| Past due >91 days | 32,574 | 1,469 | 48,144 | 2,132 |
| Gross carrying amount | 876,704 | 231,087 | 896,850 | 389,589 |
| Loss allowance provision | 6,153 | 1,018 | 8,644 | 13,139 |
| | 870,551 | 230,069 | 888,206 | 376,450 |
| Expected loss rate | 0.7% | 0.4% | 1.0% | 3.4% |

The above gross carrying amounts represent the maximum exposure to credit risk without taking into consideration any collateral held or other credit enhancements. This is mitigated as the Company may hold a security interest in the underlying asset until the balance is fully settled by the customer resulting in a reduced actual exposure. In 2020, due to current conditions in industrial markets, the value of certain collateral held had deteriorated as evidenced by changes in selling prices of used equipment. During 2021, this continued to be monitored by the Company.

### Capital Risk Management

The Company's capital management objectives are to ensure the stability of its capital so as to support continued operations, provide an adequate return to shareholders and generate benefits for other stakeholders. The Company's capital is composed of shareholders' equity, and is not subject to any capital requirements imposed by a regulator.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents. There were no changes in the Company's capital risk management strategy during the year.

# ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will take place in May 2022:

| | |
|---|---|
| Date: | May 26, 2022 |
| Time: | 10:00 a.m. (EST) |
| Location: | The Frank Hasenfratz Centre of Excellence in Manufacturing<br>700 Woodlawn Road West, Guelph, ON N1K 1G4 |

## Officers:

Linda Hasenfratz
*Executive Chairman of the Board & Chief Executive Officer*

Jim Jarrell
*President & Chief Operating Officer*

Dale Schneider
*Chief Financial Officer*

Roger Fulton
*Executive Vice President – Human Resources, General Counsel & Corporate Secretary*

Mark Stoddart
*Chief Technology Officer & Executive Vice President - Marketing*

*Ken McDougall*
*President, Skyjack Inc.*

Henry Huang
*Group President, Linamar Manufacturing Asia Pacific*

Sam Cocca
*Group President, Linamar Manufacturing Europe*

## Directors:

Linda Hasenfratz
*Executive Chairman of the Board*

Jim Jarrell
*Director*

Mark Stoddart
*Director*

Dennis Grimm
*Director*
*Chair, Audit Committee*
*Member of the Human Resources & Corporate Governance Committee*

Lisa Forwell
*Director*
*Member of the Human Resources & Corporate Governance Committee and Audit Committee*

Terry Reidel
*Director*
*Chair, Human Resources & Corporate Governance Committee*
*Member of Audit Committee*

## Auditors, Transfer Agent & Registrar

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Toronto, Ontario are the auditors of Linamar Corporation.

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto.

Linamar Shares are listed on the Toronto Stock Exchange, trading under LNR.