



INTERIM REPORT

Linamar Announces Second Quarter Results Stable Earnings in a Tough Industry Environment

August 8, 2006, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR) (“Linamar” or “the company”), a global supplier who designs, develops and manufactures precision machined components, modules and systems for engine, transmission/driveline and industrial applications primarily for the North American, European and Asia Pacific automotive marketplace, today announced its financial results for the second quarter ended June 30, 2006.

(CDN dollars in thousands except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	607,091	578,805	1,190,439	1,108,279
Gross Margin	79,438	77,661	155,391	141,023
Operating Earnings ¹	49,171	51,746	94,793	91,314
Earnings from Continuing Operations	32,268	29,757	58,306	52,162
Net Earnings	32,268	29,757	58,106	52,162
Diluted Earnings per Share				
from Continuing Operations	0.45	0.42	0.81	0.73
Diluted Earnings per Share	0.45	0.42	0.81	0.73

Second Quarter Operating Highlights

The second quarter of 2006 saw sales grow 4.9% to \$607.1 million, compared to \$578.8 million for the second quarter of 2005. Second quarter year to date sales have increased \$82.1 million or 7.4%, to \$1,190.4 million, compared to \$1,108.3 million for the same period in 2005. During the quarter, engine and transmission/driveline sales reported some moderate growth (1.7% over second quarter of 2005) reflecting some ongoing pre-buy in the medium and heavy duty truck market, strength in high performance vehicle and SUV sales, continued strong growth in the off-road market and an overall slight increase in North American light vehicle production, offset by general pricing pressure in the current tough industry environment and the foreign exchange impact of the strengthening Canadian dollar (\$25.7 million for the quarter; \$44.2 million year to date). Industrial sales, almost exclusively aerial work platforms, showed a strong improvement of \$19.7 million (22.9%) over the same period in 2005, although this was

¹ “Operating earnings”, as used by the chief operating decision makers and management, monitors the performance of the business specifically at the segmented level. Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Gross margin	79,438	77,661	155,391	141,023
Selling, general and administrative	30,267	25,915	60,598	49,709
Operating earnings	49,171	51,746	94,793	91,314

Under Canadian generally accepted accounting principles (“GAAP”), this financial measure does not have a standardized meaning and is unlikely to be comparable to similar measures presented by other issuers.

also offset by the foreign exchange impact of the strengthening Canadian dollar (\$9.5 million for the quarter; \$15.4 million year to date).

Operating earnings in the second quarter decreased 4.8% to \$49.2 million, compared to \$51.7 million for the same period last year. The company's operating earnings grew by \$3.5 million or 3.8% for the six months ended June 2006. The engine and transmission/driveline businesses experienced pressure on operating earnings during the quarter principally due to increased carrying costs arising from some delayed launches and reduced volumes, principally in the SUV/pick-up truck and light vehicle 6-speed transmission areas, material and other inputs price increases not recoverable and general pricing pressure in the environment. Industrial operating earnings compressed slightly over second quarter 2005 due to mix and development costs associated with the new boom product.

For the quarter, earnings from continuing operations were \$32.3 million (5.3% of sales) versus \$29.8 million (5.1% of sales) for 2005. For the first half of the year, earnings from continuing operations were \$58.3 million (4.9% of sales) versus \$52.2 million (4.7% of sales) for 2005. Excluding the effect of the one-time gain of \$3.5 million from a reduction in tax expense related to lower Canadian tax rates, earnings from continuing operations for the quarter would have been \$28.8 million (4.7% of sales) and \$54.8 million (4.6% of sales) for the year to date. This normalized decrease in earnings during the quarter is due to the decline in operating earnings described above, partially offset by a moderate reduction in interest costs and an improvement in the overall income tax rate due to increased non-Canadian based earnings.

Dividends

The Board of Directors today declared a dividend in respect to the quarter ended June 30, 2006 of CDN\$0.06 per share on the common shares of the company, payable on or after September 15, 2006 to shareholders of record on August 25, 2006.

Outlook

While we are pleased with our earnings stability in the second quarter of 2006 and year to date, there exists significant volatility and uncertainty in the automotive industry as articulated in the forward looking statements section of this Press Release. As a result, we are not providing an outlook for the balance of 2006.

Risk and Uncertainties (forward looking statements)

Certain information provided by Linamar in these unaudited interim financial statements, MD&A and other documents published throughout the year that are not recitation of historical facts may constitute forward looking statements. The words "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Persons reading this report 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 risks and uncertainties may cause results to differ from current expectations. The factors which are expected to have the greatest impact on Linamar include but are not limited to: the extent of OEM outsourcing, industry cyclicity, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission/driveline programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors, changes in the various economies in which Linamar operates, fluctuations in interest rates, and environmental emission and safety regulations.



A large proportion of the company's sales are denominated in U.S. dollars and the company also purchases a significant amount of raw materials, supplies and equipment in U.S. dollars. The strengthening of the Canadian dollar has the potential to have a negative impact on financial results. The company has employed a foreign exchange risk management strategy to attempt to mitigate the impact but cannot be completely assured that the entire exchange effect has been offset.

Other factors and risks and uncertainties that could cause results to differ from current expectations are discussed in the MD&A and include, but are not limited to: fluctuations in interest rates, environmental emission and safety regulations, governmental, environmental and regulatory policies, and changes in the competitive environment in which Linamar operates. 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.

For further information regarding this release please contact Linda Hasenfratz or Peggy Mulligan at (519) 836-7550.

A handwritten signature in black ink, appearing to read "F. Hasenfratz", with a long horizontal stroke extending to the right.

Frank Hasenfratz
Chairman of the Board

A handwritten signature in black ink, appearing to read "L. Hasenfratz", with a large, stylized initial "L" and a long horizontal stroke extending to the right.

Linda Hasenfratz
Chief Executive Officer

Guelph, Ontario
August 8, 2006



LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

As at June 30, 2006 with comparatives as at December 31, 2005 (Unaudited)
(in thousands of dollars)

	June 30 2006	December 31 2005
	\$	\$
ASSETS		
Current Assets		
Cash	21,106	44,055
Accounts receivable	475,260	376,371
Inventories	184,917	196,455
Prepaid expenses	7,241	6,783
Current portion of long-term receivables	620	3,923
Current assets – discontinued operations (note 5)	2,999	3,927
	692,143	631,514
Deferred Charges	10,224	12,318
Long-Term Receivables	2,353	2,793
Goodwill and Other Intangibles	37,362	38,536
Property, Plant and Equipment	840,440	831,366
Future Income Taxes	19,993	22,712
Property, Plant and Equipment – Discontinued Operations (note 5)	1,633	1,705
Future Income Taxes – Discontinued Operations (note 5)	339	515
	1,604,487	1,541,459
LIABILITIES		
Current Liabilities		
Unpresented cheques	37,292	16,050
Short-term bank borrowings	8,339	9,999
Accounts payable and accrued liabilities	351,377	326,473
Income taxes payable	15,700	18,529
Current portion of long-term debt	127,346	131,316
Current liabilities – discontinued operations (note 5)	1,933	2,623
	541,987	504,990
Long-Term Debt	175,331	174,864
Future Income Taxes	50,438	54,924
Non-Controlling Interests	28,673	28,087
	796,429	762,865
SHAREHOLDERS' EQUITY		
Capital Stock	120,295	119,242
Retained Earnings	755,114	708,783
Cumulative Translation Adjustment	(67,351)	(49,431)
	808,058	778,594
	1,604,487	1,541,459

On behalf of the Board of Directors:

Frank Hasenfratz
Director

Linda Hasenfratz
Director

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the six months ended June 30, 2006 and June 30, 2005 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	607,091	578,805	1,190,439	1,108,279
Cost of Sales	492,265	467,941	964,025	900,992
Amortization	35,388	33,203	71,023	66,264
Gross Margin	79,438	77,661	155,391	141,023
Selling, general and administrative	30,267	25,915	60,598	49,709
Earnings Before the Following:	49,171	51,746	94,793	91,314
Other Income (Expense)				
Interest on long-term debt	(4,322)	(4,240)	(8,534)	(8,221)
Other interest expense	(109)	(808)	(291)	(1,295)
Interest earned	539	98	932	514
Other income	220	305	290	396
	45,499	47,101	87,190	82,708
Provision for Income Taxes				
Current	14,826	15,457	29,089	27,920
Future	(3,532)	470	(3,134)	742
	11,294	15,927	25,955	28,662
	34,205	31,174	61,235	54,046
Non-Controlling Interests	1,937	1,417	2,929	1,884
Earnings from Continuing Operations	32,268	29,757	58,306	52,162
Discontinued Operations (note 5)	-	-	(200)	-
Net Earnings for the Period	32,268	29,757	58,106	52,162
Basic Earnings per Share				
from Continuing Operations (note 6)	0.45	0.42	0.81	0.74
Diluted Earnings per Share				
from Continuing Operations (note 6)	0.45	0.42	0.81	0.73
Basic Earnings per Share (note 6)	0.45	0.42	0.81	0.74
Diluted Earnings per Share (note 6)	0.45	0.42	0.81	0.73

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the six months ended June 30, 2006 and June 30, 2005 (Unaudited)
(in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance – Beginning of Period	729,928	643,931	708,783	625,764
Net Earnings for the Period	32,268	29,757	58,106	52,162
Excess over assigned value of common shares purchased and cancelled (note 2)	(2,760)	-	(3,128)	-
Dividends	(4,322)	(4,238)	(8,647)	(8,476)
Balance – End of Period	755,114	669,450	755,114	669,450

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2006 and June 30, 2005 (Unaudited)
(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
Cash Provided By (Used In)	\$	\$	\$	\$
Operating Activities				
Earnings from continuing operations	32,268	29,757	58,306	52,162
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	34,811	33,044	69,873	66,105
Amortization of other intangible assets	577	159	1,150	159
Future income taxes net of unrealized exchange loss	(3,532)	470	(3,134)	742
Non-controlling interests	1,937	1,417	2,929	1,884
Unrealized exchange loss on debt	649	105	1,464	280
Amortization of deferred exchange gain	-	(2,312)	-	(4,645)
Loss on disposal of property, plant and equipment	794	100	924	205
Other	1,243	218	2,423	116
	68,747	62,958	133,935	117,008
Changes in non-cash working capital:				
Increase in accounts receivable	(9,998)	(19,944)	(107,694)	(92,571)
Decrease in inventories	6,462	3,414	7,880	16,361
Decrease (increase) in prepaid expenses	1,423	(616)	(511)	(1,199)
(Decrease) increase in income taxes payable	(6,862)	8,053	(2,600)	6,744
(Decrease) increase in accounts payable and accrued liabilities	(15,042)	10,874	19,333	18,129
Cash flow – continuing operations	44,730	64,739	50,343	64,472
Cash flow – discontinued operations (note 5)	939	417	286	703
	45,669	65,156	50,629	65,175
Financing Activities				
(Repayment of) proceeds from short-term bank borrowings	(9,774)	(24,373)	(1,457)	5,692
Proceeds from long-term debt	4,282	276	4,282	334
Repayment of long-term debt	(6,277)	(2,170)	(7,958)	(3,610)
Proceeds from common share issuance	1,444	240	1,444	273
Repurchase of shares (note 2)	(3,100)	-	(3,519)	-
Decrease in long-term receivables	301	5,938	3,753	4,809
Dividends to shareholders	(4,322)	(4,238)	(8,647)	(8,476)
	(17,446)	(24,327)	(12,102)	(978)
Investing Activities				
Payments for purchase of property, plant and equipment	(35,391)	(50,043)	(81,218)	(96,144)
Proceeds of disposal of property, plant and equipment	80	3,265	179	5,156
Payments for purchase of intangible assets subject to amortization	-	-	(434)	-
	(35,311)	(46,778)	(81,473)	(90,988)
	(7,088)	(5,949)	(42,946)	(26,791)
Effect of Translation Adjustment	(970)	(11)	(1,245)	(61)
Decrease in Cash Position	(8,058)	(5,960)	(44,191)	(26,852)
Cash Position - Beginning of Period	(8,128)	(8,381)	28,005	12,511
Cash Position - End of Period	(16,186)	(14,341)	(16,186)	(14,341)
Comprised of:				
Cash	21,106	19,845	21,106	19,845
Unpresented cheques	(37,292)	(34,186)	(37,292)	(34,186)
	(16,186)	(14,341)	(16,186)	(14,341)

LINAMAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended June 30, 2006 and June 30, 2005 (Unaudited)

1. Significant Accounting Policies

Management prepared these interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") using the same accounting policies and methods of their application as the most recent annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the company's most recent annual consolidated financial statements. These interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants ("CICA") Handbook.

2. Capital Stock (in thousands of dollars except for per share figures)

In January 2006, the company filed a normal course issuer bid which entitles the company to acquire for cancellation up to 4,543,588 of its common shares before January 30, 2007. The purchases are made on the open market at the market price. Under this bid, during the first half of 2006, the company repurchased for cancellation 236,800 common shares with an assigned value of \$391 for \$3,519 cash.

3. Financial Instruments

At June 30, 2006, the company was committed to a series of monthly zero cost option contracts to sell U.S. dollars. As these zero cost option contracts qualify for accounting as cash flow hedges, the unrealized gains and losses are deferred and recognized in the same period as the sales which generate the cash flows.

The company was also committed to two long-dated forward contracts to buy U.S. dollars. As these forward exchange contracts qualify for accounting as fair value hedges, they are marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

The following table is a list of forward contracts and zero cost option hedges in place at June 30, 2006:

<u>Year</u>	<u>Amount Hedged - Sell (Buy)</u>	<u>Average Exchange Rate</u>	<u>Average Trigger Rate</u>
2006	USD\$ 54,000,000 for Canadian dollars	1.2222	1.3422
2009	USD\$ (80,000,000) with Canadian dollars	1.3029	-
2014	USD\$ (40,000,000) with Canadian dollars	1.3535	-

4. Segmented Sales and Earnings Information (from Continuing Operations in thousands of dollars)

At the end of the second quarter of 2006, the company realigned its internal product groups so that the Chassis group is now integrated into the Engine group and the renamed Transmission/Driveline group. These continue to be aggregated into the North American Automotive Systems operational segment. Substantially all automotive revenue is derived from sales to major North American manufacturers. The corporate headquarters and other small operating entities are reported in the North American Automotive Systems operational segment. Europe and Asia Pacific are primarily in the automotive business. The Industrial group, is primarily comprised of the aerial work platform business.

Geographic	For the three months ended June 30, 2006			For the six months ended June 30, 2006			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	
	\$	\$	\$	\$	\$	\$	
Canada	449,557	1,615	33,049	888,461	3,096	67,326	1,054,407
United States	55,477	2,463	8,161	109,017	8,118	18,146	106,381
Asia Pacific	1,510	-	(199)	2,157	-	(1,030)	7,809
Mexico	45,287	-	1,789	89,985	-	2,157	175,523
Europe	55,260	3,315	6,371	100,819	5,897	8,194	255,396
Total	607,091		49,171	1,190,439		94,793	1,599,516

	For the three months ended June 30, 2005			For the six months ended June 30, 2005			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	
	\$	\$	\$	\$	\$	\$	
Canada	439,812	2,079	42,809	853,117	3,788	79,161	943,552
United States	47,380	5,869	6,446	90,493	8,045	10,781	140,181
Asia Pacific	-	-	(909)	262	-	(1,213)	-
Mexico	35,075	-	462	66,262	-	(646)	204,959
Europe	56,538	2,349	2,938	98,145	5,232	3,231	229,912
Total	578,805		51,746	1,108,279		91,314	1,518,604

Operational	For the three months ended June 30, 2006			For the six months ended June 30, 2006			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	
	\$	\$	\$	\$	\$	\$	
N.A. Automotive Systems	457,227	5,396	30,294	911,501	10,614	63,197	1,266,330
Europe	42,737	3,315	5,090	75,499	5,897	5,832	169,501
Asia Pacific	1,510	-	(142)	2,157	-	(921)	7,724
Industrial	105,617	88	13,929	201,282	214	26,685	155,961
Total	607,091		49,171	1,190,439		94,793	1,599,516

	For the three months ended June 30, 2005			For the six months ended June 30, 2005			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	
	\$	\$	\$	\$	\$	\$	
N.A. Automotive Systems	453,042	4,388	37,768	883,445	7,777	71,538	1,234,249
Europe	39,831	2,349	2,700	73,690	5,232	2,437	180,909
Asia Pacific	-	-	(909)	262	-	(1,213)	-
Industrial	85,932	157	12,187	150,882	363	18,552	103,446
Total	578,805		51,746	1,108,279		91,314	1,518,604

5. Discontinued operations (in millions of dollars)

During the first quarter, management reviewed and revised the original estimates made with respect to the eventual proceeds on disposition of the company's in-house casting operation, and the expected results of operations until disposition as appropriate. The results from discontinued operations have been reported separately within these interim financial statements.

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net loss from discontinued operations	-	-	308	-
Income tax recovery	-	-	(108)	-
Loss from discontinued operations	-	-	200	-

6. Earnings Per Share (in thousands of dollars except for per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Earnings from Continuing Operations	32,268	29,757	58,306	52,162
Net Earnings for the Period	32,268	29,757	58,106	52,162
Weighted average number of common shares	72,046,730	70,636,080	72,071,442	70,632,133
Incremental shares from assumed conversion of stock options	65,411	359,905	-	355,324
Adjusted weighted average shares for diluted earnings per share	72,112,141	70,995,985	72,071,442	70,987,457
Earnings Per Share from Continuing Operations				
Basic	0.45	0.42	0.81	0.74
Diluted	0.45	0.42	0.81	0.73
Earnings Per Share from Net Earnings				
Basic	0.45	0.42	0.81	0.74
Diluted	0.45	0.42	0.81	0.73

Earnings per share are calculated using the weighted daily average number of shares outstanding during the period.

7. Related Party Transactions (in thousands of dollars)

Included in the purchase of property, plant and equipment are the construction of buildings, building additions and building improvements in the aggregate amount of \$2,569 paid to a company owned by the spouse of an officer and director. Included in cost of sales, are maintenance costs of \$371 paid to the same company. Included in cost of sales, are lease costs of \$181 related to property leased from a company owned by two directors and officers.

The company has established an independent process to ensure buildings constructed or improvements are transacted at fair value. Other transactions have been recorded at the exchange amount.

8. Pension Costs (in thousands of dollars)

The company has various contributory and non-contributory defined contribution pension plans which cover most employees. Current service pension costs are charged to earnings as they accrue. The following was expensed during the quarter:

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Government sponsored	5,462	5,464	10,723	10,319
Company sponsored	2,312	2,085	4,568	4,301

9. Foreign Exchange (in thousands of dollars)

Included as part of selling, general and administrative expenses is a loss or gain resulting from foreign exchange as follows:

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Foreign Exchange (Gain) Loss	(1,309)	413	(1,267)	592

10. Guarantees (in thousands of dollars)

The company has guaranteed the lease payments of Eagle Manufacturing LLC, a joint venture, for the full term of the lease which ends in 2011. The company is receiving a guarantee fee during the lease term. As at the quarter end, the maximum potential amount of future payments is \$24,752 over the remaining lease term, of which \$12,789 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$30,915 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$22,464.

11. Contingent Liabilities and Commitments (in thousands of dollars)

The company is involved in certain lawsuits and claims. Management believes that adequate provisions have been recorded in the accounts. Although it is not possible to estimate the potential costs and losses, if any, management is of the opinion that there will not be any significant additional liability other than amounts already provided for in these financial statements.

As at June 30, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$58,057.

12. Comparative Figures

Certain comparative figures have been reclassified in accordance with the current quarter's presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter Ended June 30, 2006

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 and related notes thereto as well as the annual MD&A for the year ended December 31, 2005.

This MD&A has been prepared as at August 8, 2006.

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.

In this MD&A, reference is made to operating earnings, book value per share and content per vehicle, which are not measures of financial performance under Canadian generally accepted accounting principles ("GAAP"). Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses. Book value per share is calculated by the company as Shareholders' Equity divided by shares outstanding at period end. Content per vehicle is calculated by the company as Linamar automotive sales, not including tooling sales, divided by vehicle production units as regularly reported by industry sources. The company has included information concerning these measures because they are used by management as measures of performance and management believes they are used by certain investors and analysts as measures of the company's financial performance. The measures are not necessarily comparable to similarly titled measures used by other companies and should not be construed as alternatives to net earnings or cash flows from operating activities, Shareholders' Equity as determined in accordance with Canadian GAAP or as a measure of liquidity.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar designs, develops and manufactures precision machined components, modules and assemblies for brakes, engine, steering and suspension, transmission and driveline applications for sale primarily to original equipment manufacturers (“OEMs”) and Tier 1 customers for the North American and European car, light to heavy truck and off-road markets. Linamar’s business also includes industrial products that leverage the company’s core competencies of precision machining and assembly. The company also produces agricultural implements in Hungary for worldwide use.

Overall Corporate Results

The following table sets out certain highlights of the company’s performance in the second quarter of 2006 and 2005:

<i>(in millions of dollars, except content per vehicle numbers)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
Sales	\$ 607.1	\$ 578.8	\$ 1,190.4	\$ 1,108.3
Gross Margin	79.4	77.7	155.4	141.0
Operating Earnings ¹	49.2	51.7	94.8	91.3
Earnings from Continuing Operations	32.3	29.8	58.3	52.2
Net Earnings	32.3	29.8	58.1	52.2
Content per Vehicle – North America	\$ 93.33	\$ 95.64	\$ 94.94	\$ 93.87
Content per Vehicle – Europe	\$ 7.44	\$ 7.15	\$ 7.54	\$ 7.47
Content per Vehicle – Asia Pacific	\$ 0.32	\$ 0.04	\$ 0.32	\$ 0.06

The second quarter of 2006 saw sales grow 4.9% to \$607.1 million, compared to \$578.8 million for the second quarter of 2005. Second quarter year to date sales have increased \$82.1 million or 7.4%, to \$1,190.4 million, compared to \$1,108.3 million for the same period in 2005. During the quarter, engine and transmission/driveline sales reported some moderate growth (1.7% over second quarter of 2005) reflecting some ongoing pre-buy in the medium and heavy duty truck market, strength in high performance vehicle and SUV sales, continued strong growth in the off-road market and an overall slight increase in North American light vehicle production, offset by general pricing pressure in the current tough industry environment and the foreign exchange impact of the strengthening Canadian dollar (\$25.7 million for the quarter; \$44.2 million year to date). Industrial sales, almost exclusively aerial work platforms, showed a strong improvement of \$19.7 million (22.9%) over the same period in 2005, although this was also offset by the foreign exchange impact of the strengthening Canadian dollar (\$9.5 million for the quarter; \$15.4 million year to date).

¹ “**Operating earnings**”, as used by the chief operating decision makers and management, monitors the performance of the business specifically at the segmented level. Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses.

<i>(in millions of dollars)</i>	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2006	2005	2006	2005
Gross Margin	\$ 79.4	\$ 77.7	\$ 155.4	\$ 141.0
Selling, general and administrative	30.2	26.0	60.6	49.7
Operating Earnings	\$ 49.2	\$ 51.7	\$ 94.8	\$ 91.3

Under Canadian GAAP, this financial measure does not have a standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers.

Operating earnings in the second quarter decreased 4.8% to \$49.2 million, compared to \$51.7 million for the same period last year. The company's operating earnings grew by \$3.5 million or 3.8% for the six months ended June 2006. The engine and transmission/driveline businesses experienced pressure on operating earnings during the quarter principally due to increased carrying costs arising from some delayed launches and reduced volumes, principally in the SUV/pick-up truck and light vehicle 6-speed transmission areas, material and other inputs price increases not recoverable and general pricing pressure in the environment. Industrial operating earnings compressed slightly over second quarter 2005 due to mix and development costs associated with the new boom product.

For the quarter, earnings from continuing operations were \$32.3 million (5.3% of sales) versus \$29.8 million (5.1% of sales) for 2005. For the first half of the year, earnings from continuing operations were \$58.3 million (4.9% of sales) versus \$52.2 million (4.7% of sales) for 2005. Excluding the effect of the one-time gain of \$3.5 million from a reduction in tax expense related to lower Canadian tax rates, earnings from continuing operations for the quarter would have been \$28.8 million (4.7% of sales) and \$54.8 million (4.6% of sales) for the year to date. This normalized decrease in earnings during the quarter is due to the decline in operating earnings described above, partially offset by a moderate reduction in interest costs and an improvement in the overall income tax rate due to increased non-Canadian based earnings.

Vehicle Production Volumes

North American vehicle production units used by Linamar for the determination of the company's content per vehicle (see table following) include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy truck volumes. Both measures exclude the off-road (heavy equipment) market.

North American vehicle production volumes in the second quarter of 2006 increased slightly to 4.36 million units versus 2005 production of 4.28 million units, while European vehicle production decreased to 4.27 million units compared with the second quarter of 2005 at 4.42 million units.

Vehicle production in Asia Pacific increased to 5.33 million units for the second quarter of 2006.

Automotive Sales and Content per Vehicle

Automotive sales and content per vehicle in the following discussion are determined by the final vehicle production location and, as such, there are differences versus the sales figures as reported under the North American Automotive Systems operating segment, which are based primarily on the company's location of manufacture. 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 production vehicle units for each continent. In addition, the sales reported as the company's North American Automotive Systems include sales to the off-road (heavy equipment) market, the corporate headquarters and other small operating entities.

For the second quarter of 2006 North American automotive sales decreased \$2.3 million or 0.6% to \$406.7 million from 2005, and content per vehicle decreased 2.4% to \$93.33 from \$95.64 over the same period. As noted above, the primary cause of the decrease is the impact of the strengthening Canadian dollar.

European automotive sales have increased to \$31.8 million for the quarter as compared to \$31.6 million for the same comparable quarter of 2005. Vehicle production volumes remained relatively flat, and content per vehicle was up 4.1% from \$7.15 in 2005 to \$7.44. The increase is largely attributable to a camshaft program launched in late 2005 for a German automaker and utilising our industry leading innovative technology.

Content per vehicle for Asia Pacific continues at levels anticipated in this start-up phase.

	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	% Change	2006	2005	% Change
<i>North America</i>						
Vehicle Production Units (i)	4.36	4.28	1.9%	8.64	8.38	3.1%
Automotive Sales (ii)	\$ 406.7	\$ 409.0	(0.6)%	\$ 820.1	\$ 786.3	4.3%
Content Per Vehicle	\$ 93.33	\$ 95.64	(2.4)%	\$ 94.94	\$ 93.87	1.1%
<i>Europe</i>						
Vehicle Production Units (i)	4.27	4.42	(3.5)%	8.25	8.45	(2.3)%
Automotive Sales (ii)	\$ 31.8	\$ 31.6	0.5%	\$ 62.3	\$ 63.1	(1.4)%
Content Per Vehicle	\$ 7.44	\$ 7.15	4.1%	\$ 7.54	\$ 7.47	0.9%
<i>Asia Pacific</i>						
Vehicle Production Units (i)	5.33	4.31	23.6%	9.73	8.64	12.6%
Automotive Sales (ii)	\$ 1.7	\$ 0.2	924.5%	\$ 3.1	\$ 0.5	517.8%
Content Per Vehicle	\$ 0.32	\$ 0.04	729.0%	\$ 0.32	\$ 0.06	448.7%

(i) Vehicle production units are shown in millions of units

(ii) Automotive sales are shown in millions of dollars

Gross Margin

	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
<i>(in millions of dollars)</i>				
Sales	\$ 607.1	\$ 578.8	\$ 1,190.4	\$ 1,108.3
Cost of Sales	492.3	467.9	964.0	901.0
Amortization	35.4	33.2	71.0	66.3
Gross Margin	\$ 79.4	\$ 77.7	\$ 155.4	\$ 141.0
Gross Margin as a Percentage of Sales	13.1%	13.4%	13.1%	12.7%

Gross margin as a percentage of sales was 13.1% for both the quarter and for the first half year to date. For the second quarter of 2006 versus 2005, the decline in margin is attributed to increased carrying costs on engine and transmission/driveline sales arising from some delayed launches and reduced volumes, principally in the SUV/pick-up truck and light vehicle 6-speed transmission areas, material and other inputs price increases and general pricing pressure in a tough industry. Margins on industrial sales are also down slightly from the second quarter of 2005 due principally to product mix and development costs associated with the new boom product.

Amortization increased \$2.2 million over \$33.2 million in 2005, with a slight increase to 5.8% of sales as compared to 5.7% for the second quarter of 2005. For the first six months, amortization increased \$4.7 million to \$71.0 million. As a percentage of sales, amortization is 6.0% for 2006 year to date, unchanged compared to the same period in 2005. Capital expenditures have been closely managed, ensuring minimal additive depreciation burden in advance of related sales.

Operating Earnings

<i>(in millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Gross Margin	\$ 79.4	\$ 77.7	\$ 155.4	\$ 141.0
Selling, general and administrative	30.2	26.0	60.6	49.7
Operating Earnings	\$ 49.2	\$ 51.7	\$ 94.8	\$ 91.3
Operating Earnings as a Percentage of Sales	8.1%	8.9%	8.0%	8.2%

Selling, general and administrative (“SG&A”) costs were \$30.2 million for the second quarter, compared with \$26.0 million for 2005. Year to date SG&A was \$60.6 million, compared to \$49.7 million in 2005. As a percentage of sales, SG&A costs were 5.0% in the quarter as compared to 4.5% in 2005, and 5.1% for the first half of 2006 compared to the same period in 2005 of 4.5%. Contributing factors to the increase in SG&A costs include development costs associated with the Industrial group’s new boom product, ongoing planned start-up costs for Asia Pacific, infrastructure costs to support business growth and an increase in bad debt provisioning. Offsetting these increases, the company’s foreign exchange hedging strategy resulted in a 2006 second quarter gain of \$1.3 million compared with a loss of \$0.4 million in 2005, and a \$1.3 million 2006 year to date gain compared with a \$0.6 million loss year to date in 2005. The company continues to manage movement in the Canadian dollar against other world currencies through a foreign exchange risk management strategy.

INCOME BY SEGMENT

The following should be read in conjunction with note 22 to Linamar’s consolidated financial statements for the financial year ended December 31, 2005.

Operational

At the end of the second quarter of 2006, the company realigned its internal product groups so that the Chassis group is now integrated into the Engine group and the renamed Transmission/Driveline group. These continue to be aggregated into the North American Automotive Systems operating segment. Substantially all revenue for this group is derived from sales to major North American manufacturers. Europe and Asia Pacific stand alone as operating segments and are primarily in the automotive business. The Industrial group is primarily comprised of the aerial work platform business. The corporate headquarters, sales force and other small operating entities are reported in the North American Automotive Systems operating segment.

Sales for the North American Automotive Systems segment were \$457.3 million in the second quarter and \$911.4 million for the first half of 2006. This compares to second quarter sales of \$453.1 million in 2005 and \$883.4 million in the prior year to date. This resulted in an 0.9% increase for the quarter and 3.2% for the first half of 2006. This revenue growth was led by pre-buy activity in the medium/heavy truck market (particularly strong in the first quarter of 2006), strength in high performance vehicle and SUV sales, continued strong growth in the off-road market and overall small growth in North American vehicle production. Offsetting this volume growth was pricing pressure in the current tough environment and the foreign exchange impact of the strengthening Canadian dollar.

Operating earnings for the North American Automotive Systems segment is \$30.3 million for the current period and \$63.2 million for the first half of 2006. The prior year saw \$37.7 million for the second quarter and \$71.5 million year to date. General pricing pressure in the current tough environment, materials and other inputs cost increases and carrying costs associated with some delayed launches/reduced volumes (principally SUV/pick-up truck and 6-speed transmission) were the primary causes of the decline in operating earnings for the quarter and year to date.

Sales for the European operating segment reached \$42.7 million in the second quarter and \$75.5 million for the first half of 2006. This compares to second quarter sales of \$39.8 million in 2005 and \$73.7 million in the prior year to date. This resulted in a 7.3% increase for the quarter and 2.4% for the first half of 2006. Automotive camshaft programs launched in late 2005 for a German automaker and utilizing our industry leading innovative technology has combined with various other automotive programs ramping up to contribute to sales growth in the European operating segment. These contributors are offset by reduced volumes in automotive programs such as fuel rails at Linamar Hungary RT (“Linamar Hungary”).

Operating earnings for the European segment reached \$5.1 million for the current period and \$5.8 million for the first half of 2006. The prior year saw \$2.7 million for the second quarter and \$2.4 million year to date. Volume improvements on the programs noted above, supported by improved cost controls achieved through the application of lean processing systems, contributed to these improved earnings.

Sales for the Industrial operating segment rose to \$105.6 million in the second quarter and \$201.3 million for the first half of 2006. This compares to second quarter sales of \$85.9 million in 2005 and \$150.9 million in the prior year to date. This resulted in a 22.9% increase for the quarter and 33.4% for the first half of 2006. The demand for aerial work platforms continues to strengthen, reflecting strong market conditions in North America and Europe.

Operating earnings for the Industrial segment topped \$13.9 million for the current period and \$26.7 million for the first half of 2006. The prior year saw \$12.2 million for the second quarter and \$18.6 million year to date. Improved market share and overall market growth supported the increase in operating earnings, which was marginally offset by development costs associated with the new boom product.

Sales for the Asia Pacific segment are \$1.5 million in the second quarter of 2006, with no sales for the same period in 2005. This compares to first half sales of \$2.2 million compared to \$0.3 million in the same period of 2005. These sales are related to various prototypes for programs originally awarded in 2004. This operating group incurred an operating loss of \$0.1 million for the quarter and \$0.9 million year to date as expected while the group prepares to launch various new programs, principally in China.

Geographical

Sales for the Canadian geographic segment were \$449.5 million in the second quarter and \$888.4 million for the first half of 2006. This compares to second quarter sales of \$439.8 million in 2005 and \$853.1 million in the prior year to date. Sales have been led principally by the pre-buy for medium and heavy duty trucks in the first quarter and continuous improvement in demand for aerial work platforms, offset by the foreign exchange impact of the strengthening Canadian dollar and pricing pressure in the automotive environment.

Operating earnings for the Canadian geographic segment were \$33.0 million for the current period and \$67.3 million for the first half of 2006. The prior year saw \$42.8 million for the second quarter and \$79.1 million year to date for 2005. As previously noted, sales growth was more than offset by general pricing pressure in the current tough industry environment, materials and other inputs cost increases, carrying costs associated with some delayed launches/reduced volumes and development costs associated with the new boom product.

Sales for the U.S. geographic segment reached \$55.5 million in the second quarter and \$109.0 million for the first half of 2006. This compares to second quarter sales of \$47.4 million in 2005 and \$90.5 million in the prior year to date. This resulted in an 17.1% increase for the quarter and 20.4% for the first half of 2006. Sales increases are primarily driven by market demand for aerial work platforms in the U.S., which is largely the result of fleet replacement and a strong overall market, and are partially offset by the foreign exchange impact of the strengthening Canadian dollar.

Operating earnings for the U.S. geographic segment were \$8.2 million for the current period and \$18.1 million for the first half of 2006. The prior year saw \$6.4 million for the second quarter and \$10.8 million year to date for 2005. The industrial market for aerial work platforms continues to drive earnings through its strong margin contribution in the U.S.

Sales for the start-up Asia Pacific segment were \$1.5 million in the second quarter of 2006, with no sales for the same period in 2005. This compares to first half sales of \$2.2 million compared to \$0.3 million in the same period of 2005. This group incurred an operating loss of \$0.2 million for the quarter compared to a \$0.9 million loss for the same quarter of 2005, and \$1.0 million loss for the first half of 2006 compared with a \$1.2 million loss last year. This reflects the company's entrance into the Asian automotive parts market through the establishment of operations in China.

Sales for the Mexican geographic segment reached \$45.3 million in the second quarter and \$90.0 million for the first half of 2006. This compares to second quarter sales of \$35.1 million in 2005 and \$66.3 million in the prior year to date. The differential case program is reaching anticipated production volumes and backing and anchor plates programs are ramping up. Also, block and camshaft volumes are increasing at one of our Mexican facilities.

Operating earnings for the Mexican geographic segment were \$1.8 million for the current period and \$2.2 million for the first half of 2006. The prior year saw \$0.5 million for the second quarter and \$0.6 million loss year to date for 2005. The improvement over 2005 is the result of sales volume increases as described above.

Sales for the European geographic segment reached \$55.3 million in the second quarter and \$100.8 million for the first half of 2006. This compares to second quarter sales of \$56.5 million in 2005 and \$98.1 million in the prior year to date. The sales mix, which includes aerial work platforms, agricultural and automotive products has remained relatively constant.

Operating earnings for the European geographic segment were \$6.4 million for the current period and \$8.2 million for the first half of 2006. The prior year saw \$2.9 million for the second quarter and \$3.2 million year to date for 2005. Cost improvement through the application of lean processing systems was the primary contributor to increased operating earnings.

NET EARNINGS AND BALANCE SHEET DATA

The following financial data has been derived from, and should be read in conjunction with, Linamar's consolidated financial statements for the financial periods ended June 30, 2006 and 2005.

<i>(in millions of dollars, except per share amounts)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Sales	\$ 607.1	\$ 578.8	\$ 1,190.4	\$ 1,108.3
Gross Margin	79.4	77.7	155.4	141.0
Operating Earnings	49.2	51.7	94.8	91.3
Net interest expense	(3.9)	(5.0)	(7.9)	(9.0)
Other income	0.2	0.4	0.3	0.5
Provision for Income Taxes	(11.3)	(15.9)	(26.0)	(28.7)
Non-Controlling Interests	(1.9)	(1.4)	(2.9)	(1.9)
Earnings from Continuing Operations	\$ 32.3	\$ 29.8	\$ 58.3	\$ 52.2
Discontinued Operations, net of Income Tax Provision	-	-	(0.2)	-
Net Earnings for the Quarter	\$ 32.3	\$ 29.8	\$ 58.1	\$ 52.2

Earnings Per Share From Continuing Operations				
Basic	\$ 0.45	\$ 0.42	\$ 0.81	\$ 0.74
Diluted	0.45	0.42	0.81	0.73
Net Earnings Per Share				
Basic	\$ 0.45	\$ 0.42	\$ 0.81	\$ 0.74
Diluted	0.45	0.42	0.81	0.73
Total Long-Term Liabilities and Non-Controlling Interests			\$ 254.4	\$ 353.4
Cash Dividends declared per share			0.12	0.12
Total Assets			\$ 1,604.5	\$ 1,523.6

Net Earnings and Earnings per Share

The effective tax rate for the second quarter of 2006 was 24.8%, a decrease from 33.8% in the same quarter of 2005. The year to date rate was 29.8% compared with 34.7% in the prior year. The effective rate decreased principally due to reduced Canadian federal tax rates as proposed in the federal budget that received Royal Assent on June 22, 2006. The impact on current quarter earnings is \$3.5 million.

Without the rate change, the effective rate would have been 32.5% for the second quarter and 33.8% year to date. This normalized effective tax rate is overall positively impacted by the positive results generated by operations in Mexico and Hungary. Loss carryforwards are available to offset Mexican taxes. The Hungarian operations enjoy the benefit of a tax holiday through a tax credit system which management expects will continue until 2011. Asian operations are also subject to certain tax benefits; however, in a period of start-up, the benefit from current losses in these operations have not been recognized at this time as it is too early to assess the likelihood of these early losses being applied after the tax-free period ends.

For the second quarter of 2006, net earnings from continuing operations were \$32.3 million which is an improvement of \$2.5 million from \$29.8 million the previous year. The net earnings from continuing operations as a percentage of sales was 5.3% for the quarter whereas it was 5.1% in 2005. Adjusting for the one-time tax benefit of \$3.5 million, net earnings for the quarter would have been 4.7% of sales. The first half of 2006 saw net earnings from continuing operations at \$58.3 million, versus \$52.2 million in 2005, an improvement of \$6.1 million. As a percentage of sales, net earnings from continuing operations was 4.9% (4.6% adjusted for the one-time tax benefit) year to date compared to 4.7% for 2005.

Second quarter diluted earnings per share from continuing operations are \$0.45 compared to \$0.42 in the second quarter of the previous year. For the year to date, diluted earnings per share from continuing operations are \$0.81 as compared to \$0.73 in the first half of 2005. The year to date earnings per share improvement is principally due to strong results in the first quarter (medium/heavy truck pre-buy and strong industrial sales), the effect of the one-time tax benefit in the second quarter and ongoing strong industrial sales in the second quarter offset by margin compression in the engine and transmission/driveline businesses arising from some program delays/reduced volume and pricing pressure in the current tough industry environment. In addition, the weighted average number of shares used for purposes of this calculation has increased by approximately 1.5% over the same periods in 2005. During the same periods in 2005, a number of stock options were anti-dilutive compared to market and were thus not assumed to be converted.

Interest

Interest on long-term debt increased \$0.1 million over the same quarter in 2005, to \$4.3 million and the year to date interest on long-term debt increased by \$0.3 million to \$8.5 million. The consolidated effective interest rate was higher year to date 2006 at 5.6% as compared to 5.4% year to date 2005,

primarily due to continued increases in interest rates in both Canada and the US. Partially offsetting the increases in interest rates was the strengthening Canadian dollar against the U.S. dollar which effectively lowered U.S. dollar interest expenses in 2006 compared to 2005. The lower effective rates on Euro debt held by Linamar Hungary also reduces the consolidated effective interest rate.

Other interest expense is lower by \$0.7 million over the same quarter in 2005 and year to date 2006 other interest expense is lower by \$1.0 million over 2005. Short term borrowings were significantly reduced as a result of positive cash flows from operations. The positive cash flow arises from strong industrial sales and careful management of capital expenditures for automotive programs. Interest earned arises from the short term investment of surplus funds, interest on long-term receivables and gain on sale of receivables. The increase in interest earned of \$0.4 million to \$0.5 million for the second quarter 2006 and the increase of \$0.4 million to \$0.9 million year to date 2006 over the same time periods last year is due in part to the same strong positive cash flows noted above as well as the increase in interest rates since 2005.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited consolidated information for each of the eight quarters ended September 30, 2004 through to June 30, 2006. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared in accordance with Canadian GAAP using the same accounting policies and methods of their application as the audited consolidated financial statements.

(in millions of dollars, except per share amounts)	Sept 30, 2004	Dec 31, 2004	Mar 31, 2005	June 30, 2005	Sept 30, 2005	Dec 31, 2005	Mar 31, 2006	June 30, 2006
Sales	478.8	474.2	529.5	578.7	529.7	523.5	583.3	607.1
Earnings from Continuing Operations	19.8	24.2	22.4	29.7	22.5	26.4	26.0	32.3
Earnings per Share from Continuing Operations								
Basic	0.28	0.34	0.32	0.42	0.32	0.37	0.36	0.45
Diluted	0.28	0.34	0.32	0.42	0.32	0.37	0.36	0.45
Net Earnings per Share								
Basic	0.36	0.34	0.32	0.42	0.32	0.36	0.36	0.45
Diluted	0.35	0.34	0.32	0.42	0.32	0.36	0.36	0.45

The quarterly results of the company have traditionally been impacted by the seasonality of certain operational units. Earnings in the second quarter are positively impacted by the high selling season for the aerial work platform, other industrial and agricultural businesses. The third quarter is generally negatively impacted by the scheduled summer shutdowns at automotive customers; the company takes advantage of summer shutdowns for internal maintenance activities that would otherwise disrupt normal production schedules.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<i>(in millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating Activities	\$ 45.7	\$ 65.2	\$ 50.6	\$ 65.2
Financing Activities	(17.4)	(24.3)	(12.1)	(1.0)
Investing Activities	(35.3)	(46.8)	(81.5)	(91.0)
Effect of Translation Adjustment	(1.1)	-	(1.2)	-

Net decrease in Cash Position	(8.1)	(5.9)	(44.2)	(26.8)
Cash Position – Beginning of Period	(8.1)	(8.4)	28.0	12.5
Cash Position – End of Period	\$ (16.2)	\$ (14.3)	\$ (16.2)	\$ (14.3)
Comprised of:				
Cash	21.1	19.8	21.1	19.8
Unpresented Cheques	(37.3)	(34.1)	(37.3)	(34.1)
	\$ (16.2)	\$ (14.3)	\$ (16.2)	\$ (14.3)

Linamar's cash position (net of unpresented cheques) at June 30, 2006 was \$(16.2) million, relatively unchanged from the same period in the prior year. Cash proceeds from operating activities are lower compared to 2005 due to non-cash working capital. Non-cash working capital consumed \$24.0 million, primarily from increases in accounts receivable related to record sales in the second quarter combined with decreases in accounts payable and income taxes payable.

During the quarter, financing activities consumed \$17.4 million, due to a combination of repaying short-term bank borrowings and long-term debt, the repurchase of shares from the company's normal course issuer bid announced in the first quarter, and dividends paid to shareholders. The company continues to collect or sell long-term receivables from the industrial business under a portfolio purchase agreement entered into at the end of 2004.

As is customary in the automotive industry the payments for the purchase of property, plant and equipment continue to dominate investing activities resulting in an investment of \$35.4 million for the quarter and \$81.2 million for the first six months.

Operating Activities

<i>(in millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Earnings from Continuing Operations	\$ 32.3	\$ 29.8	\$ 58.3	\$ 52.2
Non-cash charges to earnings	36.5	33.2	75.6	64.8
Cash provided from operations	\$ 68.8	\$ 63.0	\$ 133.9	\$ 117.0
Changes in non-cash working capital	(24.0)	1.8	(83.6)	(52.5)
Cash flow – continuing operations	\$ 44.8	\$ 64.8	\$ 50.3	\$ 64.5
Cash flow – discontinued operations	0.9	0.4	0.3	0.7
Cash provided by operating activities	\$ 45.7	\$ 65.2	\$ 50.6	\$ 65.2

Cash provided by continuing operations, before the effect of changes in non-cash working capital, increased to \$68.8 million for the second quarter from \$63.0 million a year earlier and \$133.9 million for the first half of 2006 from \$117.0 million in 2005. The increase in cash provided from operations arises largely from significant growth in sales of industrial products.

The increased investment in non-cash working capital for the second quarter of 2006 over the same quarter of 2005, is primarily the result of decreased payables, while the increased investment in the first six months reflects significantly increased accounts receivables due to strong industrial sales and the related longer collection period. The inventory improvement is largely the result of sales of aerial work platforms from inventory accumulated over the preceding six months in anticipation of the high cyclical sales demands for this product in the second quarter.

Financing Activities

<i>(in millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
(Repayment of) proceeds from short-term bank borrowings	\$ (9.8)	\$ (24.4)	\$ (1.5)	\$ 5.7
Proceeds from long-term debt	4.3	0.3	4.3	0.3
Repayment of long-term debt	(6.2)	(2.1)	(8.0)	(3.6)
Proceeds from common share issuance	1.4	0.2	1.4	0.3
Repurchase of shares	(3.1)	-	(3.5)	-
Decrease in long-term receivables	0.3	5.9	3.8	4.8
Dividends to shareholders	(4.3)	(4.2)	(8.6)	(8.5)
Cash used in financing activities	\$ (17.4)	\$ (24.3)	\$ (12.1)	\$ (1.0)

At the end of the quarter, there was \$176.2 million in credit available in the revolving term facility under the Canadian syndicated credit agreement.

The company continued its dividend policy at a quarterly rate of \$0.06 per share.

Long term receivables regularly arise in the industrial products marketplace. In order to manage the associated cash flow, the company periodically securitizes portions of the receivable balance. During the second quarter year to date the company's long term receivables declined from December 31, 2005 by \$3.8 million.

Consistent with the December 31, 2005 year end presentation, the company has classified as current, the bank term loan facility maturing December 2006. This loan facility was fully classified as long term in the second quarter of 2006. Renewal of this loan facility is expected to be completed without issue prior to maturity which would result in a reclassification of the full amount as long term. All of the company's debt covenants remained in compliance during the quarter.

Investing Activities

<i>(in millions of dollars)</i>	Three Months Ended June 30		Six Months Ended June 30	
	2006	2005	2006	2005
Payments for purchase of property, plant and equipment	\$ (35.4)	\$ (50.0)	\$ (81.2)	\$ (96.1)
Proceeds from disposal of property, plant and equipment	0.1	3.2	0.1	5.1
Payments for purchase of intangible assets subject to amortization	-	-	(0.4)	-
Cash used in investing activities	\$ (35.3)	\$ (46.8)	\$ (81.5)	\$ (91.0)

Cash spent on investing activities for the second quarter was \$35.3 million; in the same period last year the total spent was \$46.8 million. The company continues to invest heavily in capital equipment for various programs that are expected to come online in 2006 and 2007.

At June 30, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$58.1 million (December 31, 2005 - \$64.9 million).

Financing Resources

Cash on hand was \$21.1 million at June 30, 2006, with unrepresented cheques and short-term bank borrowings of \$45.6 million. At this time, the company's syndicated revolving facility had available credit of \$176.2 million. Of the company's consolidated long-term available lines, \$302.0 million is due for renewal in the next six months.

Contractual Obligations

Please see the December 31, 2005 annual MD&A for a table summarizing contractual obligations by category; such obligations have not changed significantly during the quarter.

Shareholders' Equity

Book value per share² grew to \$11.23 per share at June 30, 2006, as compared to \$10.80 per share at December 31, 2005. Earnings net of dividends contributed \$27.9 million for the quarter and \$49.5 year to date to retained earnings. During the quarter and year to date, the company repurchased shares under a normal course issuer bid resulting in a charge for excess purchase over book cost to retained earnings of \$2.8 million and \$3.1 million year to date. During the first half of 2006, 100,000 options were exercised for proceeds of \$1.4 million. The number of options outstanding as at June 30, 2006 is 1,379,000.

Foreign Currency Activities

Linamar pursues a strategy of balancing its foreign currency cash flows, to the largest extent possible, in each region in which it operates. The company's foreign currency outflows for the purchases of materials and capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. To manage the residual exposure, Linamar employs hedging programs, where rate-appropriate, primarily through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations. The company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. Linamar is exposed to credit risk from potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with Canadian chartered banks. Despite these measures, significant long-term movements in relative currency values could affect the company's results of operations. Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries and, accordingly, results of operations could be further affected by a significant change in the relative values of the Canadian dollar, U.S. dollar, Euro, Hungarian forint and Mexican peso.

² See the December 31, 2005 MD&A for discussion of non-GAAP measures. "**Book Value Per Share**", as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company's net assets. Book value per share is calculated by the company as Shareholders' Equity divided by shares outstanding.

	2006	2005
	June 30	December 31
<i>(in millions of dollars except share and per share figures)</i>		
Shareholders' Equity	\$ 808.1	\$ 778.6
Shares outstanding	71,971,676	72,108,476
Book Value Per Share	\$ 11.23	\$ 10.80

Under Canadian GAAP, this financial measure does not have a standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers.

At June 30, 2006, the company was committed to a series of zero cost option contracts to sell U.S. dollars. As these zero cost option contracts qualify for accounting as cash flow hedges, the unrealized gains and losses are deferred and recognized in the same period as the sales which generate the underlying cash flow.

The company was also committed to two long-dated forward contracts to buy U.S. dollars. As these forward exchange contracts qualify for accounting as fair value hedges, they are marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

At June 30, 2006, the net unrecognized loss on the U.S. contracts was approximately \$0.1 million. At June 30, 2005 the unrecognized loss on U.S. contracts was \$4.6 million, and the unrecognized net gain on British pound contracts was approximately \$0.1 million. The unrecognized net loss on Euro contracts was approximately \$0.1 million.

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. Linamar Transportation Inc. is an ISO 9001-2000 registered company. The companies currently lease approximately 128 trucks and 195 trailers from Penske Truck Leasing and Ryder Truck Rental Canada, Ltd. The amounts due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of the December 31, 2005 annual financial statements.

The company also has various operating leases for office equipment, computers, fork trucks, and other such items.

Please see note 10 of the interim consolidated financial statements incorporated herein.

Under a portfolio purchase agreement signed in 2004, the company regularly sells certain long-term receivables. Although title is transferred and no entitlement or obligated repurchase agreement is in place before maturity, the company remains exposed to certain risks of default on the amount of proceeds from the receivables under securitization, less recourse in the form of the underlying physical asset. Under the agreement, receivables are 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.

Guarantees

Linamar is a party to certain financial guarantees and contingent liabilities with respect to government assistance as discussed in notes 23 and 24 of the December 31, 2005 consolidated financial statements.

Transactions with Related Parties

Included in the purchase amount of property, plant and equipment for the quarter are payments in the aggregate amount of \$2.6 million to Kiwi-Newton Construction Ltd., a company owned by the spouse of an officer and a director in respect of building additions, construction and improvements. Cost of sales includes maintenance costs of \$0.4 million paid to the same company. The company has established an independent process to ensure these transactions are at fair value.

Included in cost of sales during the quarter are lease costs of \$0.2 million related to property leased from a company owned by two directors/officers.

A component of the company's Human Resources and Corporate Governance Committee mandate is to establish and monitor adherence to procedures for identifying and entering into transactions with related parties.

Proposed Transactions

The company has no material transactions proposed as at August 8, 2006.

RISK MANAGEMENT

Please see the December 31, 2005 annual MD&A for a listing of the company's various risks and how these risks are managed. There were no significant changes during the quarter of the risks described in the December 31, 2005 annual MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. The company bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities. On an ongoing basis, the company evaluates its estimates. However, actual results may differ from these estimates under different assumptions or conditions.

Please see the annual MD&A for the year ended December 31, 2005 for a discussion of critical accounting estimates for the Impairment of Goodwill and Other Intangibles, Future Income Tax Assets and Liabilities, Impairment of Long-Lived Assets, and Stock-Based Compensation. There were no significant changes in the assumptions used and balances of these critical accounting estimates during the quarter.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the two quarters ended June 30, 2006:

In 2005, the CICA issued Handbook Section 3831 "Non-monetary transactions" ("CICA 3831"), replacing Section 3830 "Non-monetary transactions". The company adopted the new guideline effective January 1, 2006. The adoption of this section has not had an effect on the company's financial condition.

The following accounting pronouncements will be adopted by the company after June 30, 2006:

a) In 2005, the CICA issued Handbook Section 1530 "Comprehensive Income" ("CICA 1530"). CICA 1530 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", CICA 3051 "Investments", and CICA 1651 "Foreign Currency Translation". CICA 1530 requires companies to present comprehensive income and its components, as well as net income, as a separate and distinct financial statement. Comprehensive income is the change in equity of an enterprise during a period arising from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. A component of comprehensive income is other comprehensive income which comprises revenues, expenses, gains and losses, in accordance with primary sources of GAAP.

Comprehensive income will include exchange gains and losses arising from the translation of the financial statements of the company's self-sustaining foreign operations (as per CICA 1651 "Foreign Currency Translation" below), gains and losses arising from changes in the fair values of available-for-sale financial assets (as per CICA 3855 "Financial Instruments – Recognition and Measurement" below), and the change in fair values of effective cash flow hedging instruments (as per CICA 3865 "Hedges" below). Other than presentation and disclosure, the adoption of CICA 1530 is not expected to have a significant effect on the company's consolidated financial condition.

b) In 2005, the CICA reissued Handbook Section 3251 "Equity" ("CICA 3251") replacing Handbook Section 3250 "Surplus". CICA 3251 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", CICA 3051 "Investments", and CICA 1651 "Foreign Currency Translation". CICA 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this Section is a requirement for an enterprise to present separately each of the changes in equity during the period, including accumulated other comprehensive income, as well as components of equity at the end of the period. Other than disclosure, the adoption of CICA 3251 is not expected to have an effect on the company's consolidated financial condition.

c) In 2005, the CICA issued Handbook Section 3855 "Financial Instruments – Recognition and Measurement" ("CICA 3855"). CICA 3855 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", CICA 3051 "Investments", and CICA 1651 "Foreign Currency Translation". CICA 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. CICA 3855's primary items or changes include: financial assets are now classified as held for trading, held to maturity, loans and receivables, or available for sale; almost all derivatives, including embedded derivatives that are not closely related to the host contract, are classified as held for trading; financial assets and financial liabilities held for trading are measured at fair value with gains and losses recognized to net income in the periods in which they arise, unless they are part of a hedging relationship; financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading, are measured at amortized cost; financial assets available for sale are measured at fair value with gains and losses recognized to other comprehensive income until the financial asset is derecognized or becomes impaired; investments in equity instruments that do not have a quoted market price in an active market, other than those held for trading, are measured at cost; a company may elect on initial recognition to measure any financial instrument at fair value with gains or losses recognized in net income in the periods in which they arise. The adoption of CICA 3855, based on its new recognition standards, is expected to have an effect on the company's consolidated financial condition but that effect has yet to be quantified.

d) In 2005, the CICA reissued Handbook Section 3861 "Financial Instruments – Disclosure and Presentation" ("CICA 3861") replacing CICA 3860. CICA 3861 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3865 "Hedges", CICA 3051 "Investments", and CICA 1651 "Foreign Currency Translation". CICA 3861 establishes standards for accounting policy disclosures, a description of risk management objectives and policies, and sets standards for disclosures about fair value and hedges of anticipated future transactions. Other than disclosure, the adoption of CICA 3861 is not expected to have an effect on the company's consolidated financial condition.

e) In 2005, the CICA issued Handbook Section 3865 "Hedges" ("CICA 3865"). CICA 3865 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1,

2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3051 "Investments", and CICA 1651 "Foreign Currency Translation". CICA 3865's primary items or changes include: excerpts from the withdrawn AcG-13 "Hedging Relationships" Section; hedges are designated as either fair value hedges, cash flow hedges or hedges of a net investment in a self-sustaining foreign operation; for fair value hedges, the gain or loss from re-measuring a derivative hedging item at fair value or, for a non-derivative hedging item, from re-measuring the foreign currency component of its carrying amount, is recognized in net income in the period of change together with the offsetting loss or gain on the hedged item attributable to the hedged risk. The carrying amount of the hedged item is adjusted for the effect of the hedged risk; for cash flow hedges and a hedge of a net investment in a self-sustaining foreign operation, the effective portion of the hedging item's gain or loss is initially reported in other comprehensive income and subsequently reclassified to net income when the offsetting loss or gain on the hedged item affects net income; and new disclosures about the company's accounting for designated hedging relationships. The adoption of CICA 3865, based on its new recognition standards, is expected to have an effect on the company's consolidated financial condition but that effect has yet to be quantified.

f) In 2005, the CICA reissued Handbook Section 3051 "Investments" ("CICA 3051") replacing Handbook Section 3050 "Long-Term Investments". CICA 3051 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", and CICA 1651 "Foreign Currency Translation". CICA 3051 requires portfolio investments be accounted for in accordance with new Handbook Section CICA 3855. CICA 3051 outlines that an other-than-temporary decline in value of an investment occurs when there is a significant or prolonged decline in the fair value of an investment below its carrying value and this is evidence of an other-than-temporary loss in value of an investment. The adoption of CICA 3051 is not expected to have an effect on the company's consolidated financial condition.

g) In 2005, the CICA issued Handbook Section 1651 "Foreign Currency Translation" ("CICA 1651") replacing CICA 1650 "Foreign Currency Translation". CICA 1651 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", and CICA 3051 "Investments". CICA 1651 requires companies to include, as a component of other comprehensive income, the exchange gains and losses arising from the translation of the financial statements of the company's self-sustaining foreign operations. The effect on the company's financial position is the reclassification of the cumulative translation adjustment from the balance sheet to comprehensive income.

h) In 2006, the CICA reissued Handbook Section 1506 "Accounting changes" ("CICA 1506"). CICA 1506 requires that all companies comply with the revised Handbook Section for fiscal years beginning on or after January 1, 2007. CICA 1506 requires that voluntary changes in accounting policy are only made if they result in the financial statements providing reliable and more relevant information; changes in accounting policy are applied retrospectively unless doing so is impracticable or the change in accounting policy is made on initial application of a primary source of GAAP; a change in accounting estimate is generally recognized prospectively; material prior period errors are corrected retrospectively; new disclosures required in respect of changes in accounting policies, changes in accounting estimates, and correction of errors. The adoption of CICA 1506 is not expected to have a significant effect on the company's consolidated financial condition.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 71,977,676 common shares were outstanding as of August 8, 2006. As of August 8, 2006, options to purchase 1,373,000 common shares were outstanding under Linamar's share option plan.

OUTLOOK

While we are pleased with our earnings stability in the second quarter of 2006 and year to date, there exists significant volatility and uncertainty in the automotive industry as articulated in the forward looking statements section of this Management's Discussion and Analysis. As a result, we are not providing an outlook for the balance of 2006.

FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this Management Discussion and Analysis in 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 risks and uncertainties may cause results to differ from current expectations. The factors which are expected to have the greatest impact on Linamar include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, world political events, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission/driveline programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors.

The foregoing is not an exhaustive list of the factors that may affect Linamar's forwarding 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.