



## INTERIM REPORT

### Linamar Announces Third Quarter Results

November 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 third quarter ended September 30, 2006.

(CDN dollars in thousands except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	<b>528,080</b>	529,676	<b>1,718,519</b>	1,637,955
Gross Margin	<b>53,079</b>	66,786	<b>208,470</b>	207,809
Operating Earnings <sup>1</sup>	<b>27,968</b>	40,393	<b>122,761</b>	131,707
Earnings from Continuing Operations	<b>15,121</b>	22,477	<b>73,427</b>	74,639
Net Earnings	<b>14,621</b>	22,477	<b>72,727</b>	74,639
Diluted Earnings per Share				
from Continuing Operations	<b>0.21</b>	0.32	<b>1.02</b>	1.05
Diluted Earnings per Share	<b>0.20</b>	0.32	<b>1.01</b>	1.05

#### Third Quarter Operating Highlights

Sales for the third quarter of 2006 at \$528.1 million were flat compared to \$529.7 million for the third quarter of 2005. Year to date sales have increased \$80.5 million or 4.9%, to \$1,718.5 million, compared to \$1,638.0 million for the same period in 2005. During the quarter, engine and transmission/driveline sales experienced a decline of approximately 3% from the third quarter of 2005. This decline reflects the well-publicized production declines of the North American OEM's announced and effected during the quarter and the foreign exchange impact (\$7.8 million for the quarter) of the strengthening Canadian Dollar over the same period in 2005. This decline was partially offset by a net increase in heavy truck sales. Industrial sales, almost exclusively aerial work platforms, showed a strong improvement of \$12.0 million (17%) over the same period in 2005, although this was also offset by the foreign exchange impact of the strengthening Canadian dollar (\$5.7 million).

<sup>1</sup> “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 September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Gross margin	<b>53,079</b>	66,786	<b>208,470</b>	207,809
Selling, general and administrative	<b>25,111</b>	26,393	<b>85,709</b>	76,102
Operating earnings	<b>27,968</b>	40,393	<b>122,761</b>	131,707

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.



Engine and transmission/driveline sales year to date improved only moderately (approximately 1%) over the same period in 2005. This reflects the strong pre-buy activity in the medium and heavy duty truck market experienced in the first two quarters of 2006, offset by the third quarter production declines noted above. In addition, the strengthening Canadian dollar negatively affected engine and transmission/driveline sales by \$52.1 million year to date. Industrial sales have improved by 28% year to date over the same period in 2005; this is after the negative impact of \$21.1 million as a result of the strengthening Canadian Dollar.

Operating earnings in the third quarter decreased significantly to \$28.0 million, compared to \$40.4 million for the same period last year and decreased by \$8.9 million or 6.8% for the nine months ended September 2006. The engine and transmission/driveline businesses experienced pressure on operating earnings during the quarter principally due to non-variable cost burdens associated with delayed launches and reduced volumes, materials and other inputs price increases not fully recoverable and general pricing pressure in the environment. Industrial operating margins improved over third quarter 2005 due to mix.

For the quarter, earnings from continuing operations were \$15.1 million (2.9% of sales) versus \$22.5 million (4.2% of sales) for 2005. For the first nine months of the year, earnings from continuing operations were \$73.4 million (4.3% of sales) versus \$74.6 million (4.6% of sales) for 2005.

At its November 8, 2006 meeting, Linamar's Board of Directors approved the renewal of its bank loan facility maturing in December 2006. The new facility is a five-year revolving credit facility in the amount of \$520 million and matures November 9, 2011.

### **Dividends**

The Board of Directors today declared a dividend in respect to the quarter ended September 30, 2006 of CDN\$0.06 per share on the common shares of the company, payable on or after December 13, 2006 to shareholders of record on November 24, 2006.

### **Risk and Uncertainties (forward looking statements)**

Linamar no longer provides a financial outlook.

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.

### **Conference Call Information**

Linamar will hold a conference call on November 8, 2006 at 5:00 p.m. EST to discuss its results for the quarter ended September 30, 2006. The numbers for this call are (416) 642-5212 (local/overseas) or (866) 321-6651 (North America), with a call-in required 10 minutes prior to the start of the conference call. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the company's full quarterly financial statements, including the Management's Discussion & Analysis will be available on the company's website after 4 p.m. EST on Wednesday, November 8, 2006 and at [www.sedar.com](http://www.sedar.com) by the start of business on November 9, 2006. A taped replay of the conference call will also be made available until 12:00 midnight on November 8, 2006. The number for replay is (416) 915-1028 or (866) 244-4494, Conference ID 606828. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a 7 day period.

Linamar will hold a conference call on March 8, 2007 at 5:00 p.m. EST to discuss its fourth quarter and year end results. Access information is as above.

\* \* \* \* \*

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

Frank Hasenfratz  
Chairman of the Board

Linda Hasenfratz  
Chief Executive Officer

Guelph, Ontario  
November 8, 2006

**LINAMAR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**As at September 30, 2006 (Unaudited) with comparatives as at December 31, 2005  
(in thousands of dollars)

	September 30 2006	December 31 2005
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	27,197	44,055
Accounts receivable	437,224	376,371
Inventories	199,146	196,455
Prepaid expenses	7,581	6,783
Current portion of long-term receivables	2,576	3,923
Current assets – discontinued operations (note 5)	3,819	3,927
	677,543	631,514
<b>Deferred Charges</b>	9,334	12,318
<b>Long-Term Receivables</b>	2,136	2,793
<b>Goodwill and Other Intangibles</b>	36,804	38,536
<b>Property, Plant and Equipment</b>	847,389	831,366
<b>Future Income Taxes</b>	20,179	22,712
<b>Property, Plant and Equipment – Discontinued Operations (note 5)</b>	1,598	1,705
<b>Future Income Taxes – Discontinued Operations (note 5)</b>	495	515
	1,595,478	1,541,459
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unpresented cheques	35,717	16,050
Short-term bank borrowings	36,682	9,999
Accounts payable and accrued liabilities	328,146	326,473
Income taxes payable	12,212	18,529
Current portion of long-term debt	127,533	131,316
Current liabilities – discontinued operations (note 5)	2,322	2,623
	542,612	504,990
<b>Long-Term Debt</b>	173,652	174,864
<b>Future Income Taxes</b>	50,415	54,924
<b>Non-Controlling Interests</b>	30,977	28,087
	797,656	762,865
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b>	117,202	119,242
<b>Retained Earnings</b>	742,868	708,783
<b>Cumulative Translation Adjustment</b>	(62,248)	(49,431)
	797,822	778,594
	1,595,478	1,541,459

On behalf of the Board of Directors:

Frank Hasenfratz  
**Director**Linda Hasenfratz  
**Director**

**LINAMAR CORPORATION**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Sales</b>	528,080	529,676	1,718,519	1,637,955
Cost of Sales	438,511	428,505	1,402,536	1,329,497
Amortization	36,490	34,385	107,513	100,649
<b>Gross Margin</b>	53,079	66,786	208,470	207,809
Selling, general and administrative	25,111	26,393	85,709	76,102
<b>Earnings Before the Following:</b>	27,968	40,393	122,761	131,707
<b>Other Income (Expense)</b>				
Interest on long-term debt	(4,381)	(4,219)	(12,915)	(12,440)
Other interest expense	(195)	(495)	(486)	(1,790)
Interest earned	432	335	1,364	849
Other income	158	453	448	849
	23,982	36,467	111,172	119,175
<b>Provision for Income Taxes</b>				
Current	7,422	12,215	36,511	40,135
Future	(6)	283	(3,140)	1,025
	7,416	12,498	33,371	41,160
	16,566	23,969	77,801	78,015
<b>Non-Controlling Interests</b>	1,445	1,492	4,374	3,376
<b>Earnings from Continuing Operations</b>	15,121	22,477	73,427	74,639
<b>Discontinued Operations</b> (note 5)	(500)	-	(700)	-
<b>Net Earnings for the Period</b>	14,621	22,477	72,727	74,639
<b>Basic Earnings per Share</b>				
<b>from Continuing Operations</b> (note 6)	0.21	0.32	1.02	1.06
<b>Diluted Earnings per Share</b>				
<b>from Continuing Operations</b> (note 6)	0.21	0.32	1.02	1.05
<b>Basic Earnings per Share</b> (note 6)	0.20	0.32	1.01	1.06
<b>Diluted Earnings per Share</b> (note 6)	0.20	0.32	1.01	1.05

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Balance – Beginning of Period</b>	755,114	669,450	708,783	625,764
Net Earnings for the Period	14,621	22,477	72,727	74,639
Excess over assigned value of common shares purchased and cancelled (note 2)	(22,635)	-	(25,763)	-
Dividends	(4,232)	(4,238)	(12,879)	(12,714)
<b>Balance – End of Period</b>	742,868	687,689	742,868	687,689

**LINAMAR CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
<b>Cash Provided By (Used In)</b>	\$	\$	\$	\$
<b>Operating Activities</b>				
Earnings from continuing operations	15,121	22,477	73,427	74,639
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	35,917	33,908	105,790	100,013
Amortization of other intangible assets	573	477	1,723	636
Future income taxes net of unrealized exchange loss	(6)	283	(3,140)	1,025
Non-controlling interests	1,445	1,492	4,374	3,376
Unrealized exchange loss on debt	(469)	593	995	873
Amortization of deferred exchange gain	-	(2,291)	-	(6,936)
Loss on disposal of property, plant and equipment	126	170	1,050	375
Other	1,200	(845)	3,623	(729)
	53,907	56,264	187,842	173,272
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	41,077	8,121	(66,617)	(84,450)
(Increase) decrease in inventories	(13,113)	(11,662)	(5,233)	4,699
(Increase) decrease in prepaid expenses	(281)	10	(792)	(1,189)
(Decrease) increase in income taxes payable	(3,496)	5,413	(6,096)	12,157
(Decrease) increase in accounts payable and accrued liabilities	(8,889)	17,293	10,444	35,422
Cash flow – continuing operations	69,205	75,439	119,548	139,911
Cash flow – discontinued operations (note 5)	(1,052)	(245)	(766)	458
	68,153	75,194	118,782	140,369
<b>Financing Activities</b>				
Proceeds from (repayments of) short-term bank borrowings	28,286	(342)	26,829	5,350
Proceeds from long-term debt	-	-	4,282	334
Repayment of long-term debt	(1,811)	(1,788)	(9,769)	(5,398)
Proceeds from common share issuance	87	293	1,531	566
Repurchase of shares (note 2)	(25,815)	-	(29,334)	-
(Increase) decrease in long-term receivables	(1,735)	(2,911)	2,018	1,898
Dividends to shareholders	(4,232)	(4,238)	(12,879)	(12,714)
	(5,220)	(8,986)	(17,322)	(9,964)
<b>Investing Activities</b>				
Payments for purchase of property, plant and equipment	(55,638)	(52,899)	(136,856)	(149,043)
Proceeds of disposal of property, plant and equipment	113	418	292	5,574
Payments for purchase of intangible assets subject to amortization	-	-	(434)	-
Business acquisitions	-	(2,384)	-	(2,384)
	(55,525)	(54,865)	(136,998)	(145,853)
	7,408	11,343	(35,538)	(15,448)
<b>Effect of Translation Adjustment</b>	258	(1,107)	(987)	(1,168)
<b>Increase (Decrease) in Cash Position</b>	7,666	10,236	(36,525)	(16,616)
<b>Cash Position - Beginning of Period</b>	(16,186)	(14,341)	28,005	12,511
<b>Cash Position - End of Period</b>	(8,520)	(4,105)	(8,520)	(4,105)
<b>Comprised of:</b>				
Cash	27,197	36,539	27,197	36,539
Unpresented cheques	(35,717)	(40,644)	(35,717)	(40,644)
	(8,520)	(4,105)	(8,520)	(4,105)

## LINAMAR CORPORATION

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2006 and September 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 three quarters of 2006, the company repurchased for cancellation 2,139,000 common shares with an assigned value of \$3,571 for \$29,334 cash. Subsequent to the quarter 226,700 common shares were repurchased for cancellation with an assigned value of \$379 for \$2,911 cash.

#### 3. Financial Instruments

At September 30, 2006, the company was committed to a series of monthly forward and zero cost option contracts to sell U.S. dollars and monthly forward contracts to sell British pounds. As these forward and 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 and zero cost option hedges in place at September 30, 2006:

Year	Amount Hedged - Sell (Buy)	Average Exchange Rate	Average Trigger Rate
2006	USD\$ 27,000,000 for Canadian dollars	1.2222	1.3422
2006	GBP£ 5,508,800 for Canadian dollars	2.0839	-
2007	USD\$ 30,000,000 for Canadian dollars	1.1195	-
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	<u>For the three months ended September 30, 2006</u>			<u>For the nine months ended September 30, 2006</u>			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	378,935	1,792	15,401	1,267,396	4,888	82,727	1,015,236
United States	43,828	2,481	6,638	152,845	10,599	24,784	119,282
Asia Pacific	951	-	(974)	3,108	-	(2,004)	11,040
Mexico	49,913	-	2,332	139,898	-	4,489	191,004
Europe	54,453	3,277	4,571	155,272	9,174	12,765	253,004
<b>Total</b>	<b>528,080</b>		<b>27,968</b>	<b>1,718,519</b>		<b>122,761</b>	<b>1,589,566</b>

	<u>For the three months ended September 30, 2005</u>			<u>For the nine months ended September 30, 2005</u>			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	402,492	1,938	31,731	1,255,609	5,726	110,892	936,238
United States	38,911	5,553	4,958	129,404	13,598	15,739	155,841
Asia Pacific	1,955	-	29	2,217	-	(1,184)	2,630
Mexico	36,037	-	598	102,299	-	(48)	201,844
Europe	50,281	2,675	3,077	148,426	7,907	6,308	238,123
<b>Total</b>	<b>529,676</b>		<b>40,393</b>	<b>1,637,955</b>		<b>131,707</b>	<b>1,534,676</b>

Operational	<u>For the three months ended September 30, 2006</u>			<u>For the nine months ended September 30, 2006</u>			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	403,989	4,873	12,581	1,315,490	15,487	75,778	1,252,224
Europe	40,440	3,277	3,353	115,939	9,174	9,185	172,488
Asia Pacific	951	-	(879)	3,108	-	(1,800)	10,986
Industrial	82,700	83	12,913	283,982	297	39,598	153,868
<b>Total</b>	<b>528,080</b>		<b>27,968</b>	<b>1,718,519</b>		<b>122,761</b>	<b>1,589,566</b>

	<u>For the three months ended September 30, 2005</u>			<u>For the nine months ended September 30, 2005</u>			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	420,966	4,141	29,071	1,304,411	11,918	100,609	1,264,808
Europe	36,013	2,675	2,272	109,703	7,907	4,709	167,822
Asia Pacific	1,955	-	29	2,217	-	(1,184)	2,630
Industrial	70,742	85	9,021	221,624	448	27,573	99,416
<b>Total</b>	<b>529,676</b>		<b>40,393</b>	<b>1,637,955</b>		<b>131,707</b>	<b>1,534,676</b>

**5. Discontinued operations** (in millions of dollars)

During the first and third quarters, 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 September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net loss from discontinued operations	769	-	1,077	-
Income tax recovery	(269)	-	(377)	-
Loss from discontinued operations	500	-	700	-

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Earnings from Continuing Operations	15,121	22,477	73,427	74,639
Net Earnings for the Period	14,621	22,477	72,727	74,639
Weighted average number of common shares	71,368,215	70,657,019	71,834,457	70,640,520
Incremental shares from assumed conversion of stock options	-	668,914	-	450,009
Adjusted weighted average shares for diluted earnings per share	71,368,215	71,325,933	71,834,457	71,090,529
Earnings Per Share from Continuing Operations				
Basic	0.21	0.32	1.02	1.06
Diluted	0.21	0.32	1.02	1.05
Earnings Per Share from Net Earnings				
Basic	0.20	0.32	1.01	1.06
Diluted	0.20	0.32	1.01	1.05

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 \$2,866 paid to a company owned by the spouse of an officer and director. Included in cost of sales, are maintenance costs of \$675 paid to the same company. Included in cost of sales, are lease costs of \$266 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 September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Government sponsored	3,905	4,029	14,628	14,348
Company sponsored	2,231	1,982	6,799	6,283

**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 September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Foreign Exchange (Gain) Loss	117	118	(1,150)	710

**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 \$23,276 over the remaining lease term, of which \$11,983 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$31,732 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$23,558.

**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 September 30, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$48,386.

**12. Comparative Figures**

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

**13. Subsequent Event**

At its November 8, 2006 meeting, Linamar's Board of Directors approved the renewal of its bank loan facility maturing in December 2006. The new facility is a five year revolving credit facility in the amount of \$520 million and matures November 9, 2011.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Quarter Ended September 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 November 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](http://www.linamar.com) or through the SEDAR website at [www.sedar.com](http://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 the number of 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 brake, engine, steering and suspension, and 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 third quarter of 2006 and 2005:

<i>(in millions of dollars, except content per vehicle numbers)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Sales	\$ 528.1	\$ 529.7	\$ 1,718.5	\$ 1,638.0
Gross Margin	53.1	66.8	208.5	207.8
Operating Earnings <sup>1</sup>	28.0	40.4	122.8	131.7
Earnings from Continuing Operations	15.1	22.5	73.4	74.6
Net Earnings	14.6	22.5	72.7	74.6
Content per Vehicle – North America	\$ 100.59	\$ 94.08	\$ 96.59	\$ 93.94
Content per Vehicle – Europe	\$ 8.85	\$ 8.08	\$ 7.94	\$ 7.65
Content per Vehicle – Asia Pacific	\$ 0.39	\$ 0.09	\$ 0.34	\$ 0.07

Sales for the third quarter of 2006 at \$528.1 million were flat compared to \$529.7 million for the third quarter of 2005. Year to date sales have increased \$80.5 million or 4.9%, to \$1,718.5 million, compared to \$1,638.0 million for the same period in 2005. During the quarter, engine and transmission/driveline sales experienced a decline of approximately 3% from the third quarter of 2005. This decline reflects the well-publicized production declines of the North American OEM's announced and effected during the quarter and the foreign exchange impact (\$7.8 million for the quarter) of the strengthening Canadian Dollar over the same period in 2005. This decline was partially offset by a net increase in heavy truck sales. Industrial sales, almost exclusively aerial work platforms, showed a strong improvement of \$12.0 million (17.0%) over the same period in 2005, although this was also offset by the foreign exchange impact of the strengthening Canadian dollar (\$5.7 million).

Engine and transmission/driveline sales year to date improved only moderately (approximately 1%) over the same period in 2005. This reflects the strong pre-buy activity in the medium and heavy duty truck

<sup>1</sup> "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		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Gross Margin	\$ 53.1	\$ 66.8	\$ 208.5	\$ 207.8
Selling, general and administrative	25.1	26.4	85.7	76.1
<b>Operating Earnings</b>	<b>\$ 28.0</b>	<b>\$ 40.4</b>	<b>\$ 122.8</b>	<b>\$ 131.7</b>

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.

market experienced in the first two quarters of 2006, offset by the third quarter production declines noted above. In addition, the strengthening Canadian dollar negatively affected engine and transmission/driveline sales by \$52.1 million year to date. Industrial sales have improved by 28% year to date over the same period in 2005; this is after the negative impact of \$21.1 million as a result of the strengthening Canadian Dollar.

Operating earnings in the third quarter decreased significantly to \$28.0 million, compared to \$40.4 million for the same period last year and decreased by \$8.9 million or 6.8% for the nine months ended September 2006. The engine and transmission/driveline businesses experienced pressure on operating earnings during the quarter principally due to non-variable cost burdens associated with delayed launches and reduced volumes, material and other inputs price increases not fully recoverable and general pricing pressure in the environment. Industrial operating margins improved over third quarter 2005 due to mix.

For the quarter, earnings from continuing operations were \$15.1 million (2.9% of sales) versus \$22.5 million (4.2% of sales) for 2005. For the first nine months of the year, earnings from continuing operations were \$73.4 million (4.3% of sales) versus \$74.6 million (4.6% of sales) for 2005.

At its November 8, 2006 meeting, Linamar's Board of Directors approved the renewal of its bank loan facility maturing in December 2006. The new facility is a five-year revolving credit in the amount of \$520 million and matures November 9, 2011.

### **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 third quarter of 2006 decreased almost 9% to 3.56 million units versus 2005 production of 3.91 million units, while European vehicle production increased almost 4% to 3.63 million units compared with the third quarter of 2005 at 3.50 million units.

Vehicle production in Asia Pacific increased to 4.68 million units for the third 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 third quarter of 2006, North American automotive sales decreased \$9.7 million or 2.7% to \$357.8 million from 2005; content per vehicle increased 6.9% to \$100.59 from \$94.08 over the same period.

European automotive sales have increased to \$32.1 million for the quarter as compared to \$28.3 million for the comparable quarter of 2005. Vehicle production volumes increased almost 4%, and content per vehicle was up 9.5% from \$8.08 in 2005 to \$8.85. The increase is largely attributable to a camshaft program launched in late 2005 for a German automaker and utilizing our industry leading innovative technology.

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

<i>North America</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	% Change	2006	2005	% Change
Vehicle Production Units (i)	3.56	3.91	(9.0)%	12.19	12.28	(0.7)%
Automotive Sales (ii)	\$ 357.8	\$ 367.5	(2.7)%	\$ 1,177.9	\$ 1,153.9	2.1%
<b>Content Per Vehicle</b>	100.59	\$ 94.08	6.9%	\$ 96.59	\$ 93.94	2.8%
<i>Europe</i>						
Vehicle Production Units (i)	3.63	3.50	3.8%	11.88	11.95	(0.6)%
Automotive Sales (ii)	\$ 32.1	\$ 28.3	13.4%	\$ 94.4	\$ 91.4	3.3%
<b>Content Per Vehicle</b>	\$ 8.85	\$ 8.08	9.5%	\$ 7.94	\$ 7.65	3.8%
<i>Asia Pacific</i>						
Vehicle Production Units (i)	4.68	4.31	8.6%	14.41	12.95	11.3%
Automotive Sales (ii)	\$ 1.8	\$ 0.4	355.7%	\$ 5.0	0.9	445.8%
<b>Content Per Vehicle</b>	\$ 0.39	\$ 0.09	319.2%	\$ 0.34	\$ 0.07	390.4%

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

(ii) Automotive sales are shown in millions of dollars

### Gross Margin

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Sales	\$ 528.1	\$ 529.7	\$ 1,718.5	\$ 1,638.0
Cost of Sales	438.5	428.5	1,402.5	1,329.5
Amortization	36.5	34.4	107.5	100.7
<b>Gross Margin</b>	\$ 53.1	\$ 66.8	\$ 208.5	\$ 207.8
<b>Gross Margin as a Percentage of Sales</b>	10.1%	12.6%	12.1%	12.7%

Gross margin as a percentage of sales was 10.1% for the quarter and 12.1% for the first three quarters of 2006. This compares to 12.6% for the quarter and 12.7% for the first three quarters of 2005. For the third quarter of 2006 versus 2005, the decline in margin is attributed to non-variable cost burdens associated with delayed launches and significantly reduced volumes, material and other inputs price increases not fully recoverable and general pricing pressure in a tough industry for the engine and transmission/driveline business. Margins on industrial sales are significantly improved from the third quarter of 2005 due principally to product mix.

Amortization in the quarter increased \$2.1 million over \$34.4 million in 2005, and increased to 6.9% of sales as compared to 6.5% for the third quarter of 2005. For the first nine months, amortization increased \$6.8 million to \$107.5 million. As a percentage of sales, amortization is 6.3% for 2006 year to date, which has increased moderately from 6.1% for the same period in 2005. A number of new lines have come on line during the year, although not at anticipated volumes, thereby increasing the amortization burden. Capital expenditures continue to be closely managed, ensuring minimal additive depreciation burden in advance of related sales.

## Operating Earnings

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Gross Margin	\$ 53.1	\$ 66.8	\$ 208.5	\$ 207.8
Selling, general and administrative	25.1	26.4	85.7	76.1
<b>Operating Earnings</b>	<b>\$ 28.0</b>	<b>\$ 40.4</b>	<b>\$ 122.8</b>	<b>\$ 131.7</b>
<b>Operating Earnings as a Percentage of Sales</b>	<b>5.3%</b>	<b>7.6%</b>	<b>7.1%</b>	<b>8.0%</b>

Selling, general and administrative (“SG&A”) costs were \$25.1 million for the third quarter, compared with \$26.4 million for 2005. Year to date SG&A costs were \$85.7 million, compared to \$76.1 million in 2005. SG&A costs were 4.8% as a percentage of sales in the quarter as compared to 5.0% in 2005, and 5.0% for the first three quarters of 2006 compared to the same period in 2005 of 4.6%. Contributing factors to the increase in SG&A costs on a year to date basis include development costs associated with the Industrial group’s new boom product, ongoing planned start-up costs for Asia Pacific and infrastructure costs to support business growth. Offsetting these increases, the company’s foreign exchange hedging strategy resulted in a \$1.2 million 2006 year to date gain compared with a \$0.7 million loss year to date in 2005. The third quarter of 2006 resulted in a foreign exchange loss of \$0.1 million, identical to the same quarter of 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 within the North American Automotive Systems operating segment.

The North American Automotive Systems segment had sales of \$404.0 million in the third quarter of 2006 compared with \$421.0 million in 2005. Year to date sales were \$1,315.5 million compared with sales of \$1,304.5 million for the same period of 2005. This resulted in a 4.0% decrease for the third quarter and 0.8% increase for the year to date. The year to date result reflects the strong pre-buy activity in the medium and heavy duty truck market experienced in the first two quarters of 2006, offset by the well-publicized production declines announced by the North American OEM’s during the third quarter. In addition, the strengthening Canadian dollar negatively affected sales by \$52.1 million year to date (\$7.8 million for the quarter).

The North American Automotive Systems segment had operating earnings of \$12.6 million in the current quarter compared to \$29.1 million, or a 56.7% decrease, over the prior year. Year to date operating earnings were \$75.8 million compared to \$100.6 million, a 24.7% decrease, over the same period in 2005. General pricing pressure in the current tough environment, materials and other input cost increases not fully passed on and non-variable cost burdens associated with delayed launches/reduced volumes were the primary causes of the decline in operating earnings for the quarter and year to date.

The European segment had sales of \$40.4 million in the third quarter of 2006 compared with \$36.0 million in 2005. Year to date sales were \$115.9 million compared with sales of \$109.7 million for the same period of 2005. This resulted in a 12.2% increase for the third quarter and 5.7% increase for the year to date. The volume continues to grow primarily due to an automotive camshaft program launched in late 2005 for a German automaker which utilizes our industry leading innovative technology. These ramping volumes continue to contribute to sales growth in the European operating segment. This growth is somewhat offset by reduced volumes in other automotive programs.

The European segment had operating earnings of \$3.4 million in the current quarter compared to \$2.3 million or a 47.8% increase over the prior year. Year to date operating earnings were \$9.2 million compared to \$4.7 million or a 95.7% increase over the same period in 2005. The operating earnings improvement is a reflection of the volume improvements on the programs noted above, and is also supported by improved cost controls achieved through the application of lean processing systems.

The Industrial segment had sales of \$82.7 million in the third quarter of 2006 compared with \$70.7 million in 2005. Year to date sales were \$284.0 million compared with sales of \$221.6 million for the same period of 2005. Demand for aerial work platforms continues to strengthen, reflecting strong market conditions in North America and Europe.

The Industrial segment had operating earnings of \$12.9 million in the current quarter compared to \$9.0 million or a 43.3% increase in the prior year. Year to date operating earnings were \$39.6 million compared to \$27.6 million or a 43.5% increase over the same period in 2005. 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 in the earlier quarters of 2006.

The Asia Pacific segment had sales of \$1.0 million in the third quarter of 2006 compared with \$2.0 million in 2005. Year to date sales were \$3.1 million compared with sales of \$2.2 million for 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 \$0.9 million for the quarter and \$1.8 million year to date as expected while the group prepares to launch various new programs, principally in China.

## **Geographical**

The Canadian geographic segment had sales of \$378.9 million in the third quarter of 2006 compared with \$402.5 million in 2005. Year to date sales were \$1,267.4 million compared with sales of \$1,255.6 million for the same period of 2005. This resulted in a 5.9% decrease for the third quarter and 0.9% increase for the year to date. The third quarter has seen a large decrease in volumes across all major North American manufacturers. These decreases in volumes have been partially offset on a year to date basis by the pre-buy sales for medium and heavy duty trucks in the first and second quarters and continued strength in demand for aerial work platforms.

The segment had operating earnings of \$15.4 million in the current quarter compared to \$31.7 million or a 51.4% decrease from the prior year. Year to date operating earnings were \$82.7 million compared to \$110.9 million or a 25.4% decrease over the same period in 2005. General pricing pressure in the current tough automotive industry environment, materials and other input cost increases not fully passed on in automotive, and non-variable cost burdens associated with delayed launches/reduced volumes, contributed to reduced operating earnings, both for the quarter and year to date. This was somewhat offset by strongly improved operating earnings in industrial.

The U.S. geographic segment had sales of \$43.8 million in the third quarter of 2006 compared with \$38.9 million in 2005. Year to date sales were \$152.8 million compared with sales of \$129.4 million for the same period of 2005. This resulted in a 12.6% increase for the third quarter and 18.1% increase for the year to date. 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.

The segment had operating earnings of \$6.7 million in the current quarter compared to \$5.0 million or a 34.0% increase over the prior year. Year to date operating earnings were \$24.8 million compared to \$15.7 million or a 58.0% increase over the same period in 2005. The Industrial market for aerial work platforms continues to drive earnings in the U.S. through its strong margin contribution.

The Asia Pacific geographic segment had sales of \$1.0 million in the third quarter of 2006 compared with \$2.0 million in 2005. Year to date sales were \$3.1 million compared with sales of \$2.2 million for the same period of 2005. This group incurred an operating loss of \$1.0 million for the quarter compared to a \$nil loss for the same quarter of 2005, and \$2.0 million loss for the first nine months 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.

The Mexican geographic segment had sales of \$49.9 million in the third quarter of 2006 compared with \$36.0 million in 2005. Year to date sales were \$139.9 million compared with sales of \$102.3 million for the same period of 2005. This resulted in a 38.6% increase for the third quarter and 36.8% increase for the 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.

The segment had operating earnings of \$2.3 million in the current quarter compared to \$0.6 million or a 283.3% increase over the prior year. Year to date operating earnings were \$4.5 million compared to \$nil in the same period in 2005. The improvement over 2005 is the result of sales volume increases as described above.

The European geographic segment had sales of \$54.5 million in the third quarter of 2006 compared with \$50.3 million in 2005. Year to date sales were \$155.3 million compared with sales of \$148.4 million for the same period of 2005. This resulted in a 8.3% increase for the third quarter and 4.6% increase for the year to date. Strong growth is occurring in both the aerial work platform and automotive camshaft programs.

The segment had operating earnings of \$4.6 million in the current quarter compared to \$3.1 million or a 48.4% increase over the prior year. Year to date operating earnings were \$12.8 million compared to \$6.3 million or a 103.2% increase over the same period in 2005. Cost improvement through the application of lean processing systems and the ongoing ramping of production at the German facility are the primary contributors to improved 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 September 30, 2006 and 2005.

<i>(in millions of dollars, except per share amounts)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Sales	\$ 528.1	\$ 529.7	\$ 1,718.5	\$ 1,638.0
Gross Margin	53.1	66.8	208.5	207.8
Operating Earnings	28.0	40.4	122.8	131.7
Net interest expense	(4.2)	(4.4)	(12.0)	(13.4)
Other income	0.1	0.5	0.4	0.9
Provision for Income Taxes	(7.4)	(12.5)	(33.4)	(41.2)
Non-Controlling Interests	(1.4)	(1.5)	(4.4)	(3.4)
Earnings from Continuing Operations	\$ 15.1	\$ 22.5	\$ 73.4	\$ 74.6
Discontinued Operations, net of Income Tax Provision	(0.5)	-	(0.7)	-
<b>Net Earnings for the Quarter</b>	<b>\$ 14.6</b>	<b>\$ 22.5</b>	<b>\$ 72.7</b>	<b>\$ 74.6</b>
Earnings Per Share From Continuing Operations				
Basic	\$ 0.21	\$ 0.32	\$ 1.02	\$ 1.06
Diluted	0.21	0.32	1.02	1.05
Net Earnings Per Share				
Basic	\$ 0.20	\$ 0.32	\$ 1.01	\$ 1.06
Diluted	0.20	0.32	1.01	1.05
Total Long-Term Liabilities and Non-Controlling Interests	\$255.0	\$351.6	\$ 255.0	\$ 351.6
Cash Dividends declared per share	0.06	0.06	0.18	0.18
Total Assets	\$1,595.5	\$1,539.8	\$ 1,595.5	\$ 1,539.8

### Net Earnings and Earnings per Share

The effective tax rate for the third quarter of 2006 was 30.9%, a decrease from 34.3% in the same quarter of 2005. The year to date rate was 30.0% compared with 34.5% in the prior year. The year to date 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 the prior quarter earnings was \$3.5 million.

The normalized effective rate is 33.2% year to date excluding the one-time impact of the effective rate change. This normalized effective tax rate is favourably impacted by the positive results generated by operations in Mexico and Hungary. Unrecognized loss carry forwards are available to offset some Mexican taxes. Effective this quarter, a flat 4% tax was imposed on all Hungarian companies; the benefit of the tax credit system is otherwise expected to continue until 2011. The tax benefit from current losses in the Asia Pacific operations has not been recognized as it is too early to assess the likelihood of these early losses being utilized.

For the third quarter of 2006, net earnings from continuing operations was \$15.1 million which is a decrease of \$7.4 million from \$22.5 million the previous year. The net earnings from continuing operations as a percentage of sales was 2.9% for the quarter compared to 4.2% in 2005. The decrease is primarily due to volume related decreases and pricing pressure from a number of customers in the North American Automotive Systems Segment. Net earnings from continuing operations year to date was \$73.4 million, versus \$74.6 million in 2005. As a percentage of sales, net earnings from continuing operations was 4.3% (4.1% adjusted for the one-time tax benefit) year to date compared to 4.6% for 2005.

Third quarter diluted earnings per share from continuing operations was \$0.21 compared to \$0.32 in the third quarter of the previous year. Year to date diluted earnings per share from continuing operations was \$1.02 as compared to \$1.05 in the first nine months of 2005. The year to date earnings per share decrease is principally due to margin compression in the engine and transmission/driveline businesses arising from program delays, reduced volumes and pricing pressure offset partially by strong results in the first and second 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 addition, the weighted average number of shares used for purposes of this calculation has increased by approximately 1.0% in the third quarter of 2006 over third quarter of 2005 and 1.7% year to date 2006 over 2005. During the current period all stock options have expired and have no effect on the number of dilutive shares compared to the prior year.

## Interest

Interest on long-term debt increased \$0.2 million over the same quarter in 2005, to \$4.4 million and the year to date interest on long-term debt increased by \$0.5 million to \$12.9 million. The consolidated effective interest rate was higher year to date 2006 at 5.7% 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 increase 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 reduced the consolidated effective interest rate.

Other interest expense was lower by \$0.3 million over the same quarter in 2005 and year to date other interest expense is lower by \$1.3 million over 2005. Short term borrowings were significantly reduced during 2006 compared to 2005 as a result of positive cash flows from operations. Interest earned arises from the short term investment of surplus funds, interest on long-term receivables and gain on sale of receivables. Interest earned increased \$0.1 million to \$0.4 million for the third quarter 2006 (\$0.5 million to \$1.4 million year to date) 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 December 31, 2004 to September 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)	Dec 31, 2004	Mar 31, 2005	June 30, 2005	Sept 30, 2005	Dec 31, 2005	Mar 31, 2006	June 30, 2006	Sept 30, 2006
Sales	474.2	529.5	578.7	529.7	523.5	583.3	607.1	528.1
Earnings from								
Continuing Operations	24.2	22.4	29.7	22.5	26.4	26.0	32.3	15.1
Earnings per Share from Continuing Operations								
Basic	0.34	0.32	0.42	0.32	0.37	0.36	0.45	0.21
Diluted	0.34	0.32	0.42	0.32	0.37	0.36	0.45	0.21
Net Earnings per Share								
Basic	0.34	0.32	0.42	0.32	0.36	0.36	0.45	0.20
Diluted	0.34	0.32	0.42	0.32	0.36	0.36	0.45	0.20

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 and 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		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating Activities	\$ 68.1	\$ 75.2	\$ 118.8	\$ 140.4
Financing Activities	(5.2)	(9.0)	(17.3)	(10.0)
Investing Activities	(55.5)	(54.9)	(137.0)	(145.8)
Effect of Translation Adjustment	0.3	(1.1)	(1.0)	(1.2)
Net decrease in Cash Position	7.7	10.2	(36.5)	(16.6)
Cash Position – Beginning of Period	(16.2)	(14.3)	28.0	12.5
Cash Position – End of Period	\$ (8.5)	\$ (4.1)	\$ (8.5)	\$ (4.1)
Comprised of:				
Cash	27.2	36.5	27.2	36.5
Unpresented Cheques	(35.7)	(40.6)	(35.7)	(40.6)
	\$ (8.5)	\$ (4.1)	\$ (8.5)	\$ (4.1)

Linamar's cash position (net of unpresented cheques) at September 30, 2006 was \$(8.5) million, a decrease of \$4.4 million from the same period in the prior year. Cash proceeds from operating activities in the quarter are lower compared to 2005 due primarily to lower earnings.

During the quarter, financing activities consumed \$5.2 million due to the repurchase of shares under the company's normal course issuer bid announced in the first quarter, dividends paid to shareholders and repayment of long-term debt, offset by proceeds from short-term debt. The company continues to 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, payments for the purchase of property, plant and equipment continue to dominate investing activities resulting in an investment of \$55.6 million for the quarter and \$137.0 million for the first nine months.

### Operating Activities

<i>(in millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Earnings from Continuing Operations	\$ 15.1	\$ 22.5	\$ 73.4	\$ 74.6
Non-cash charges to earnings	38.8	33.7	114.5	98.6
Cash provided from operations	\$ 53.9	\$ 56.2	\$ 187.9	\$ 173.2
Changes in non-cash working capital	15.3	19.2	(68.3)	(33.3)
Cash flow – continuing operations	\$ 69.2	\$ 75.4	\$ 119.6	\$ 139.9
Cash flow – discontinued operations	(1.1)	(0.2)	(0.8)	0.5
<b>Cash provided by operating activities</b>	<b>\$ 68.1</b>	<b>\$ 75.2</b>	<b>\$ 118.8</b>	<b>\$ 140.4</b>

Cash provided by continuing operations, before the effect of changes in non-cash working capital, decreased to \$53.9 million for the third quarter from \$56.2 million a year earlier and increased to \$187.9 million for 2006 year to date from \$173.2 million in 2005. The decrease in the third quarter reflects lower

earnings as discussed, increased amortization of property, plant and equipment reflecting the investment in automotive programs ramping up, and completion of the amortization of the deferred exchange gain by year end 2005.

The increased investment in non-cash working capital both for the third quarter of 2006 and year to date arises primarily due to the reduced global effective tax rate offset by a decrease in receivables and payables.

### Financing Activities

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
(Repayment of) proceeds from short-term bank borrowings	\$ 28.2	\$ (0.4)	\$ 26.9	\$ 5.4
Proceeds from long-term debt	-	-	4.3	0.3
Repayment of long-term debt	(1.8)	(1.8)	(9.8)	(5.4)
Proceeds from common share issuance	0.1	0.3	1.5	0.5
Repurchase of shares	(25.8)	-	(29.3)	-
Decrease in long-term receivables	(1.7)	(2.9)	2.0	1.9
Dividends to shareholders	(4.2)	(4.2)	(12.9)	(12.7)
<b>Cash used in financing activities</b>	<b>\$ (5.2)</b>	<b>\$ (9.0)</b>	<b>\$ (17.3)</b>	<b>\$ (10.0)</b>

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 third quarter the company's long term receivables declined by \$1.7 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 third quarter of 2005. All of the company's debt covenants remained in compliance during the quarter. At its November 8, 2006 meeting, the company's Board of Directors approved renewal of the loan facility. The new facility is a new five-year revolving credit facility in the amount of \$520 million and matures November 9, 2011.

### Investing Activities

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Payments for purchase of property, plant and equipment	\$ (55.6)	\$ (52.9)	\$ (136.9)	\$ (149.0)
Proceeds from disposal of property, plant and equipment	0.1	0.4	0.3	5.6
Payments for purchase of intangible assets subject to amortization	-	-	(0.4)	-
Business acquisitions	-	(2.4)	-	(2.4)
<b>Cash used in investing activities</b>	<b>\$ (55.5)</b>	<b>\$ (54.9)</b>	<b>\$ (137.0)</b>	<b>\$ (145.8)</b>

Cash spent on investing activities for the second quarter was \$55.5 million; in the same period last year the total spent was \$54.9 million. The company continues to invest heavily in capital equipment for various programs that are expected to come online in 2007 and 2008.

At September 30, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$48.4 million (December 31, 2005 - \$64.9 million).

### Financing Resources

Cash on hand was \$27.2 million at September 30, 2006, with unpresented cheques and short-term bank borrowings of \$72.4 million. At this time, the company's syndicated revolving facility had available credit of \$144.2 million. Of the company's consolidated long-term available lines, \$302.0 million is due for renewal during the next quarter. As noted previously, at its November 8, 2006 meeting, Linamar's Board of Directors approved a new five-year revolving credit facility in the amount of \$520 million and maturing November 9, 2011.

### 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 share<sup>2</sup> grew to \$11.38 per share at September 30, 2006, as compared to \$10.80 per share at December 31, 2005. Earnings net of dividends contributed \$10.4 million for the quarter and \$59.8 year to date to retained earnings. During the year, the company has repurchased shares under a normal course issuer bid resulting in a charge for excess purchase over book cost to retained earnings of \$22.6 million in the quarter and \$25.8 million year to date. During the quarter 6,000 options (year to date 106,000) were exercised for proceeds of \$0.1 million (year to date \$1.5 million). During the quarter, 1,373,000 options expired and there are no options outstanding as at September 30, 2006. Subsequent to the quarter 226,700 common shares were repurchased for cancellation with an assigned value of \$0.4 million for \$2.9 million cash.

### 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,

<sup>2</sup> 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.

<i>(in millions of dollars except share and per share figures)</i>	2006 September 30	2005 December 31
Shareholders' Equity	\$ 797.8	\$ 778.6
Shares outstanding	70,075,476	72,108,476
<b>Book Value Per Share</b>	<b>\$ 11.38</b>	<b>\$ 10.80</b>

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.

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.

At September 30, 2006, the company was committed to a series of monthly forward and zero cost option contracts to sell U.S. dollars and monthly forward contracts to sell British pounds. As these forward and 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 September 30, 2006, the net unrecognized loss on the U.S. contracts was approximately \$3.8 million and, at September 30, 2005 the unrecognized gain on U.S. contracts was \$1.0 million. The unrecognized net loss on British pound contracts was approximately \$nil compared to a gain of approximately \$0.1 million at September 30, 2005. The unrecognized net loss on Euro contracts was \$nil at September 30, 2006 and at September 30, 2005 was approximately \$0.2 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 127 trucks and 194 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 \$2.9 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 \$0.7 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 \$0.3 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 November 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 three quarters ended September 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 September 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 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 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 69,864,876 common shares were outstanding as of November 8, 2006. As of November 8, 2006, there were no options outstanding under Linamar's share option plan.

## **OUTLOOK**

Outlook information is not provided.

## **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.