



INTERIM REPORT

Linamar Announces Fourth Quarter Results

March 8, 2007, Guelph, Ontario, Canada Linamar Corporation (TSX: LNR), a diversified global manufacturing company of highly engineered products, today announced its financial results for the fourth quarter ended December 31, 2006. The company's Powertrain and Driveline divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial products, notably its class-leading aerial work platforms. With over 11,000 employees in 36 manufacturing locations, 5 R&D centres and 9 sales offices in Canada, the US, Mexico, Germany, Hungary, China, Korea and Japan, Linamar generated sales in excess of close to \$2.3 billion in 2006. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com.

(CDN dollars in thousands except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	543,611	523,455	2,262,130	2,161,410
Gross Margin	61,543	70,865	270,013	278,674
Operating Earnings ¹	35,677	44,308	158,438	176,015
Earnings from Continuing Operations	31,908	26,385	105,335	101,024
Net Earnings	26,806	25,402	99,533	100,041
Diluted Earnings per Share				
from Continuing Operations	0.46	0.37	1.48	1.43
Diluted Earnings per Share	0.38	0.36	1.40	1.41

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 December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Gross margin	61,543	70,865	270,013	278,674
Selling, general and administrative	25,866	26,557	111,575	102,659
Operating earnings	35,677	44,308	158,438	176,015

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.



Fourth Quarter Operating Highlights

Effective December 31, 2006, the company has determined the previously reported operational segments of North American Automotive Systems, Europe and Asia Pacific should be more appropriately reported within a single operational segment: Powertrain/Driveline. This consolidation more appropriately reflects the common nature of products, production processes and customer across these groups. The production of agricultural implements in Hungary and the development of fabrication business in Hungary in support of the Industrial division will be reported as part of the Industrial operational segment. The corporate headquarters and other small operating entities are included with the Powertrain/Driveline operational segment. Operational segment reporting for 2005 has been restated to reflect this change throughout this document.

Powertrain/Driveline sales were virtually flat over the same quarter in 2005. Without the exchange effect of the stronger Canadian dollar, sales for the quarter would have been \$5.8 million higher over the same quarter in 2005; this would have resulted in an overall sales increase of 2.1%. Growth was largely driven by heavy duty programs and ongoing growth in cylinder head and block and camshaft programs in the German subsidiary. This was largely offset by foreign exchange as noted above, overall pricing pressures in North America and an overall reduction in vehicle production in North America.

Operating earnings for Powertrain/Driveline were significantly lower in the fourth quarter of 2006 at \$15.5 million (3.4% of operational segment sales) as compared to \$33.3 million (7.4% of operational segment sales) a year earlier. This reduction was due to non-variable cost burdens in North America associated with OEM shutdowns/reduced volumes commencing during the third quarter of 2006 and slower than expected ramp-ups particularly in 6-speed transmission, ongoing start-up costs in Asia Pacific, pricing and other productivity givebacks, and asset impairment charges recognised in the fourth quarter. This was somewhat offset by improved results in Europe as volumes on the cylinder head and block and camshaft programs ramp-up.

Sales growth in Industrial continued very strong with sales reported for the fourth quarter 2006 of \$87.3 million, up \$16.4 million or 23% over a year earlier. This reflects continued demand for Skyjack's aerial work platform. Operating earnings for Industrial also improved significantly during the quarter to \$20.1 million (23% of sales), compared to \$10.9 million (15% of sales) a year earlier. This improvement primarily reflects mix and reduction of expenditure on research and development on the "boom" product compared to the same period in 2005.

The effective tax rate in the fourth quarter of 2006 of a 15.0% recovery reflects the recognition of the effect in the quarter of the reduction in Canadian income tax rates effected in May 2006 on the future tax liabilities arising on earnings in the third and fourth quarters of 2006, the utilisation of previously unrecognized tax loss carryforwards and/or credits against earnings in the current year in both Mexico and Hungary, and the recognition in the quarter of a portion of the previously unrecognized remaining tax loss carryforwards of the Mexican operations and of the tax credits of the Hungarian operations.

The fourth quarter of 2006 includes a charge to Discontinued Operations of \$5.1 million, net of income tax recovery of \$2.7 million, in respect of the decision, subsequent to year end, to resource work from and complete an orderly wind-up of the company's remaining in-house casting operations.

On February 26, 2007, the company announced its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary Linamar Hungary Nyrt. The company currently owns 58.63% of Linamar Hungary Nyrt, which is a public company listed on the Budapest Stock Exchange. The offer is valued at 3,003 Huf (\$18.00 CAD) per share, for the cumulative value of \$63,885 for the residual holdings,



and expires 60 days after approval by local regulatory authorities. Had the transaction been completed prior to December 31, 2006, the reduction from earnings of \$9,580 for non-controlling interest would not have been required and earnings from continuing operations for 2006 would have been \$114,915, and goodwill would have increased by \$22,002 as at December 31, 2006.

Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of Linamar Hungary Nyrt, representing 10.3% and 2.7% respectively of the shares not already owned by the company. The officers/directors have indicated their intention to accept the public purchase offer.

Senior Management Change

Linamar Corporation today announced the resignation of its Chief Financial Officer, Peggy Mulligan.

"We value the significant contributions made by Peggy in her short time with us, particularly the renewal of our Canadian banking facility this past November and the acquisition, currently underway, of the remaining interest in our Hungarian operations", said Linda Hasenfratz, CEO.

"I have enjoyed my time with this dynamic company. Unfortunately some personal matters have arisen which will require significant attention over the next several months and, with the many exciting initiatives underway at Linamar currently, I would not be able to support the company at a level appropriate to what they deserve", noted Peggy Mulligan.

The resignation will take effect from March 31, 2007. The company will immediately begin a rigorous search for a replacement. In the intervening time, Mrs. Mulligan will continue to provide support during transition.

Dividends

The Board of Directors today declared a dividend in respect to the quarter ended December 31, 2006 of CDN\$0.06 per share on the common shares of the company, payable on or after March 30, 2007 to shareholders of record on March 22, 2007.

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 cyclicalities, 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 March 8, 2007 at 5:00 pm. EST to discuss its results for the quarter and year ended December 31, 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 Thursday, March 8, 2007 and at www.sedar.com by the start of business on March 9, 2007. A taped replay of the conference call will also be made available until 11:00 p.m. on March 8, 2007 for seven days. The number for replay is (416) 915-1028 or (866) 244-4494, Conference ID 35794. The conference call can also be accessed by web cast at 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 May 9, 2007 at 5:00 p.m. EST to discuss its first quarter results. 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, May 9, 2007 and at www.sedar.com by the start of business on May 10, 2007. A taped replay of the conference call will also be made available starting at 11:00 p.m. on May 9, 2007 for seven days. The number for replay is (416) 915-1028 or (866) 244-4494, Conference ID 928885. The conference call can also be accessed by web cast at www.linamar.com, by accessing the investor relations/events menu, and will be available for a 7 day period.

* * * * *

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

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Chief Executive Officer

Guelph, Ontario
March 8, 2007

LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

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

	December 31 2006	December 31 2005
	\$	\$
ASSETS		
Current Assets		
Cash	49,061	44,055
Accounts receivable	366,675	376,371
Inventories	214,953	196,455
Prepaid expenses	10,458	6,783
Current portion of long-term receivables	757	3,923
Future income taxes	6,410	-
Current assets – discontinued operations (note 5)	4,956	3,927
	653,270	631,514
Deferred Charges	3,693	12,318
Long-Term Receivables	2,114	2,793
Goodwill and Other Intangibles	36,697	38,536
Property, Plant and Equipment	880,651	831,366
Future Income Taxes	35,123	22,712
Property, Plant and Equipment – Discontinued Operations (note 5)	1,562	1,705
Future Income Taxes – Discontinued Operations (note 5)	3,031	515
	1,616,141	1,541,459
LIABILITIES		
Current Liabilities		
Unpresented cheques	10,774	16,050
Short-term bank borrowings	30,400	9,999
Accounts payable and accrued liabilities	331,687	326,473
Income taxes payable	9,313	18,529
Current portion of long-term debt	12,196	131,316
Current liabilities – discontinued operations (note 5)	9,766	2,623
	404,136	504,990
Long-Term Debt	268,911	174,864
Future Income Taxes	61,468	54,924
Non-Controlling Interests	41,883	28,087
	776,398	762,865
SHAREHOLDERS' EQUITY		
Capital Stock	116,806	119,242
Retained Earnings	762,833	708,783
Cumulative Translation Adjustment	(39,896)	(49,431)
	839,743	778,594
	1,616,141	1,541,459

On behalf of the Board of Directors:

Frank Hasenfratz
Director

Linda Hasenfratz
Director

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the three months(unaudited) and year ended December 31, 2006 and December 31, 2005
(in thousands of dollars, except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Sales	543,611	523,455	2,262,130	2,161,410
Cost of Sales	443,453	416,020	1,845,989	1,745,517
Amortization	38,615	36,570	146,128	137,219
Gross Margin	61,543	70,865	270,013	278,674
Selling, general and administrative	25,866	26,557	111,575	102,659
Earnings Before the Following:	35,677	44,308	158,438	176,015
Other Income (Expense)				
Interest on long-term debt	(3,744)	(4,297)	(16,659)	(16,737)
Other interest expense	(512)	(470)	(998)	(2,260)
Interest earned	479	752	1,843	1,601
Other income (loss)	374	(32)	822	817
	32,274	40,261	143,446	159,436
Provision for Income Taxes				
Current	3,843	5,806	40,354	45,941
Future	(8,683)	7,385	(11,823)	8,410
	(4,840)	13,191	28,531	54,351
	37,114	27,070	114,915	105,085
Non-Controlling Interests	5,206	685	9,580	4,061
Earnings from Continuing Operations	31,908	26,385	105,335	101,024
Discontinued Operations (note 5)	(5,102)	(983)	(5,802)	(983)
Net Earnings for the Period	26,806	25,402	99,533	100,041
Basic Earnings per Share from Continuing Operations (note 6)	0.46	0.37	1.48	1.43
Diluted Earnings per Share from Continuing Operations (note 6)	0.46	0.37	1.48	1.43
Basic Earnings per Share (note 6)	0.38	0.36	1.40	1.41
Diluted Earnings per Share (note 6)	0.38	0.36	1.40	1.41

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months and year ended December 31, 2006 and December 31, 2005 (Unaudited)
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Balance – Beginning of Period	742,868	687,689	708,783	625,764
Net Earnings for the Period	26,806	25,402	99,533	100,041
Excess over assigned value of common shares purchased and cancelled (note 2)	(2,650)	-	(28,413)	-
Dividends	(4,191)	(4,308)	(17,070)	(17,022)
Balance – End of Period	762,833	708,783	762,833	708,783

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months (unaudited) and year ended December 31, 2006 and December 31, 2005
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
Cash Provided By (Used In)	\$	\$	\$	\$
Operating Activities				
Earnings from continuing operations	31,908	26,385	105,335	101,024
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	38,042	36,063	143,832	136,076
Amortization of other intangible assets	573	507	2,296	1,143
Future income taxes net of unrealized exchange loss	(8,683)	7,385	(11,823)	8,410
Non-controlling interests	5,206	685	9,580	4,061
Unrealized exchange loss on debt	(967)	411	28	1,284
Amortization of deferred exchange gain	-	(2,270)	-	(9,206)
Loss on disposal/impairment provision for property, plant and equipment	4,453	1,306	5,593	1,681
Pre-payment of tooling costs	6,260	-	8,998	-
Other	(74)	(242)	811	(971)
	76,808	70,230	264,650	243,502
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	86,156	50,216	19,539	(34,234)
(Increase) decrease in inventories	(10,167)	(12,472)	(15,400)	(7,773)
(Increase) decrease in prepaid expenses	(2,574)	996	(3,366)	(193)
(Decrease) increase in income taxes payable	(2,923)	2,704	(9,019)	14,861
(Decrease) increase in accounts payable and accrued liabilities	(21,552)	3,996	(11,108)	39,418
Cash flow – continuing operations	125,748	115,670	245,296	255,581
Cash flow – discontinued operations (note 5)	(1,295)	(625)	(2,061)	(167)
	124,453	115,045	243,235	255,414
Financing Activities				
Proceeds from (repayments of) short-term bank borrowings	(6,281)	(43,917)	20,548	(38,567)
Proceeds from long-term debt	8,139	-	8,139	-
Repayment of long-term debt	(30,370)	(1,245)	(35,857)	(6,309)
Proceeds from common share issuance	-	15,456	1,531	16,022
Repurchase of shares (note 2)	(3,046)	-	(32,380)	-
(Increase) decrease in long-term receivables	1,869	4,650	3,887	6,548
Dividends to shareholders	(4,191)	(4,308)	(17,070)	(17,022)
	(33,880)	(29,364)	(51,202)	(39,328)
Investing Activities				
Payments for purchase of property, plant and equipment	(45,902)	(49,526)	(183,395)	(195,988)
Proceeds of disposal of property, plant and equipment	-	-	925	2,993
Payments for purchase of intangible assets subject to amortization	-	(3,958)	(430)	(3,958)
Business acquisitions	-	-	-	(2,384)
	(45,902)	(53,484)	(182,900)	(199,337)
	44,671	32,197	9,133	16,749
Effect of Translation Adjustment	2,136	(87)	1,149	(1,255)
Increase (Decrease) in Cash Position	46,807	32,110	10,282	15,494
Cash Position - Beginning of Period	(8,520)	(4,105)	28,005	12,511
Cash Position - End of Period	38,287	28,005	38,287	28,005
Comprised of:				
Cash	49,061	44,055	49,061	44,055
Unpresented cheques	(10,774)	(16,050)	(10,774)	(16,050)
	38,287	28,005	38,287	28,005

LINAMAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended December 31, 2006 and December 31, 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 year 2006, the company repurchased for cancellation 2,376,200 common shares with an assigned value of \$3,967 for \$32,380 cash. Subsequent to the quarter the normal course issuer bid was renewed, allowing the company to acquire for cancellation up to 5,083,839 of its common shares before January 30 2008.

3. Financial Instruments

At December 31, 2006, the company was committed to a series of forward contracts to sell U.S. dollars and British pounds. As these forward 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 a forward contract to buy Euros that qualifies for accounting as a fair value hedge. As a fair value hedge, it is marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

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 December 31, 2006:

<u>Year</u>	<u>Amount Hedged - Sell (Buy)</u>	<u>Average Exchange Rate</u>
2007	USD\$ 132,600,000 for Canadian dollars	1.1272
2009	USD\$ (80,000,000) with Canadian dollars	1.3029
2014	USD\$ (40,000,000) with Canadian dollars	1.3535
2007	GBP£ 9,664,000 for Canadian dollars	2.2005
2007	EUR€ (1,000,000) with Canadian dollars	1.5202

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

Effective December 31, 2006, the company has determined the previously reported operational segments of North American Automotive Systems, Europe and Asia Pacific should be more appropriately reported within a single operational segment: Powertrain/Driveline. This consolidation more appropriately reflects the common nature of products, production processes and customers across these groups. The production of agricultural implements in Hungary and the development of fabrication business in Hungary in support of the Industrial division will be reported as part of the Industrial operational segment. The corporate headquarters and other small operating entities are included with the Powertrain/Driveline operational segment. Operational segment reporting for 2005 has been restated to reflect this change.

Geographic	For the three months ended December 31, 2006		For the twelve months ended December 31, 2006	
	Sales to external customers	Inter-segment sales	Sales to external customers	Inter-segment sales
	\$	\$	\$	\$
Canada	405,370	1,016	1,672,766	5,904
United States	39,803	3,038	192,648	13,637
Asia Pacific	409	10	3,517	10
Mexico	46,597	54	186,495	54
Europe	51,432	2,262	206,704	11,436
Total	543,611		2,262,130	

	For the three months ended December 31, 2005		For the twelve months ended December 31, 2005	
	Sales to external customers	Inter-segment sales	Sales to external customers	Inter-segment sales
	\$	\$	\$	\$
Canada	403,003	1,724	1,658,612	7,450
United States	38,172	6,468	167,576	20,066
Asia Pacific	222	-	2,439	-
Mexico	41,050	-	143,349	-
Europe	41,008	2,199	189,434	10,106
Total	523,455		2,161,410	

Operational	For the three months ended December 31, 2006			For the twelve months ended December 31, 2006			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings	Sales to external customers	Inter-segment sales	Operating earnings	
	\$	\$	\$	\$	\$	\$	\$
Powertrain/Driveline	456,267	8,018	15,535	1,890,804	32,679	98,709	1,447,560
Industrial	87,344	58	20,141	371,326	355	59,729	159,032
Total	543,611		35,677	2,262,130		158,438	1,606,592

	For the three months ended December 31, 2005			For the twelve months ended December 31, 2005			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings	Sales to external customers	Inter-segment sales	Operating earnings	
	\$	\$	\$	\$	\$	\$	\$
Powertrain/Driveline	452,546	7,018	33,349	1,868,877	26,843	137,483	1,398,501
Industrial	70,909	232	10,959	292,533	680	38,532	136,811
Total	523,455		44,308	2,161,410		176,015	1,535,312

5. Discontinued operations (in millions of dollars)

During 2001, Linamar adopted a formal plan to divest its wholly-owned in-house casting operations; management considered such operations were subject to significantly different business risks than the manufacturing of highly engineered precision products.

During 2006, the orderly closure of one of the operations was substantially completed with no additional costs.

Throughout 2006, efforts were made to complete the sale of the other operation. The transaction was ultimately unable to be completed and, subsequent to year end, management determined the re-sourcing of work currently within the facility to other Linamar plants and the orderly wind-up of this location was in the company's best interests. The ongoing losses until wind-up and the costs of closure have been accrued and reported in discontinued operations in the current period; this treatment is consistent with generally accepted accounting principles as the formal plan to divest the in-house casting operations was initiated by the company prior to May 1, 2003.

	Three Months Ended December 31		Twelve Months Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Net loss from discontinued operations	7,762	1,386	8,839	1,386
Income tax recovery	(2,660)	(403)	(3,037)	(403)
Loss from discontinued operations	5,102	983	5,802	983

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

	Three Months Ended December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Earnings from Continuing Operations	31,908	26,385	105,335	101,024
Net Earnings for the Period	26,806	25,402	99,533	100,041
Weighted average number of common shares	69,857,273	71,259,530	71,335,178	70,796,544
Incremental shares from assumed conversion of stock options	-	-	-	-
Adjusted weighted average shares for diluted earnings per share	69,857,273	71,259,530	71,335,178	70,796,544
Earnings Per Share from Continuing Operations				
Basic	0.46	0.37	1.48	1.43
Diluted	0.46	0.37	1.48	1.43
Earnings Per Share from Net Earnings				
Basic	0.38	0.36	1.40	1.41
Diluted	0.38	0.36	1.40	1.41

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 \$3,183 paid to a company owned by the spouse of an officer and director. In addition, the company has a commitment of \$4,800 to the same entity. Included in cost of sales, are maintenance costs of \$767 paid to the same company. The maintenance and construction costs and the commitment represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Included in selling, general and administrative expenses, is a recovery of \$24 related to equipment and services sold to the same company. Included in cost of sales, are lease costs of \$347 related to property leased from a company owned by two directors. Included in sales is \$223 to a company for which an officer serves as a member of the board of directors.

The company has designed an independent process to ensure building construction and improvements are transacted at fair value. Other transactions have been recorded at the exchange amount.

As more fully discussed in Note 13, Subsequent Events, the company announced on February 26, 2007 its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary, Linamar Hungary Nyrt. Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of Linamar Hungary Nyrt, representing 10.3% and 2.7% respectively of the shares not already owned by the company. The officers/directors have indicated their intention to accept the public purchase offer.

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 December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Government sponsored	2,795	2,992	17,423	17,340
Company sponsored	2,223	1,908	9,023	8,191

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 December 31		Year Ended December 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
Foreign Exchange (Gain) Loss	987	(11)	2,137	(721)

10. Guarantees (in thousands of dollars)

The company has guaranteed certain 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 \$22,695 over the remaining lease term, of which \$11,960 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$32,150 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$24,675.

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 December 31, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$56,942. Of this amount, \$39,642 relates to the purchase of manufacturing equipment, \$4,800 is to a related party and relates to general contracting and construction costs in respect of plant construction in Ontario, and \$12,500 relates to the purchase of land and a manufacturing facility. All of these commitments are due in 2007. The land and manufacturing facility have been sold forward; the sale is scheduled to close shortly after the purchase at a small gain.

12. Comparative Figures

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

13. Subsequent Events (in thousands of dollars except for per share figures)

a) On February 9, 2007, the company formalized its investment agreement with the Ontario government as announced in May 2006. The agreement provides for a conditional grant of up to \$44,500 and is dependent upon the company satisfying various program investment criteria and achieving a cumulative job target over the term of the agreement. To the extent the investment and/or job targets are not met, a pro-rata clawback arrangement exists. The term of the agreement is January 14, 2005 through January 14, 2010. As the agreement has only recently been finalized, including the methodology for claims under the program, no amount has been recognized in the financial statements for the years ended December 31, 2005 and 2006.

b) See Note 5, Discontinued Operations

c) On February 26, 2007, the company announced its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary Linamar Hungary Nyrt. The company currently owns 58.63% of Linamar Hungary Nyrt, which is a public company listed on the Budapest Stock Exchange. The offer is valued at 3,003 Huf (\$18.00 CAD) per share, for the cumulative value of \$63,885 for the residual holdings, and expires 60 days after approval by local regulatory authorities. Had the transaction been completed prior to December 31, 2006, the reduction from earnings of \$9,580 for non-controlling interest would not have been required and earnings from continuing operations for 2006 would have been \$114,915, and goodwill would have increased by \$22,002 as at December 31, 2006.

Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of Linamar Hungary Nyrt, representing 10.3% and 2.7% respectively of the shares not already owned by the company. The officers/directors have indicated their intention to accept the public purchase offer.

LINAMAR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 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 for the year ended December 31, 2006 and related notes thereto.

This MD&A has been prepared as at March 8, 2007.

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 which is not a measure 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. The company has included information concerning this measure because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as a measure of the company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies and should not be construed as an alternative to net earnings or cash flows from operating activities as determined in accordance with Canadian GAAP or as a measure of liquidity.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX: LNR) is a diversified global manufacturing company of highly engineered products. The company's Powertrain and Driveline divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial products, notably its class-leading aerial work platforms. With over 11,000 employees in 36 manufacturing locations, 5 R&D centres and 9 sales offices in Canada, the US, Mexico, Germany, Hungary, China, Korea and Japan, Linamar generated sales in excess of \$2.2 billion in 2006. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com.

Effective December 31, 2006, the company has determined the previously reported operational segments of North American Automotive Systems, Europe and Asia Pacific should be more appropriately reported within a single operational segment: Powertrain/Driveline. This consolidation more appropriately reflects the common nature of products, production processes and customers across these groups. The production of agricultural implements in Hungary and the development of fabrication business in Hungary in support of the Industrial division will be reported as part of the Industrial operational segment. The corporate headquarters and other small operating entities are included with the Powertrain/Driveline operational segment. Operational segment reporting for 2005 has been restated to reflect this change throughout this document.

The following table sets out certain highlights of the company's performance in 2006:

<i>(in millions of dollars, except content per vehicle numbers)</i>	2006	2005
Sales	\$2,262.1	\$2,161.4
Gross Margin	270.0	278.7
Operating Earnings ¹	158.4	176.0
Earnings from Continuing Operations	105.3	101.0
Net Earnings	99.5	100.0
Content per Vehicle – North America	\$96.30	\$92.84
Content per Vehicle – Europe	\$7.77	\$7.66
Content per Vehicle – Asia Pacific	\$0.33	\$0.07

Overall Corporate Results

Sales for the year have increased \$100.7 million or 4.7%, to \$2,262.1 million, compared to \$2,161.4 million in 2005.

Sales growth for Powertrain/Driveline was modest at \$21.9 million, or 1.2%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2006, sales would otherwise have increased by \$81.3 million, or 4.4%. Sales were affected by a number of factors, most notably the significant extent of plant shutdowns and production reductions by North American original equipment manufacturers (“OEMs”) commencing in the third quarter of 2006, increased pricing pressure from these same customers and the maturation or re-sourcing of some contracts, offset by a net increase in medium/heavy duty truck sales for the year reflecting the substantial pre-buy activity in the first half of 2006, the ramping up of 6-speed transmission production (although at a slower than expected rate), and strong growth in Europe.

Industrial product sales have increased \$78.8 million for the year or 26.9% (adjusting for the stronger Canadian dollar versus the U.S. dollar, \$102.3 million or 35%). The increase in industrial products has been predominantly driven by market demand for aerial work platforms produced by Skyjack Inc. (“Skyjack”).

North American content per vehicle was \$96.30 as compared to \$92.84 in 2005. European content per vehicle was \$7.77 compared to \$7.66 in 2005. Asia Pacific content was \$0.33 for this continuing start-up period.

Operating earnings declined \$17.6 million year over year, or 10%. Strong gross margin growth in Industrial, applied to robust sales increases reflecting an increased market share of an overall

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>	Year Ended December 31	
	2006	2005
Gross Margin	\$270.0	\$ 278.7
Selling, general and administrative	111.6	102.7
Operating Earnings	\$158.4	\$ 176.0

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.

growth market, lead to operating earnings for this group in 2006 of \$59.7 million, an increase of \$21.2 million (55%) over 2005. Powertrain/Driveline experienced significant pressure in 2006 on operating earnings, which were lower year over year by \$38.8 million (28.2%). This was due to non-variable cost burdens in North America associated with OEM shutdowns/reduced volumes and slower than expected ramp-ups particularly in 6-speed transmission, ongoing start-up costs in Asia-Pacific, pricing and other productivity givebacks, and asset impairment charges, somewhat offset by improved results in Europe.

Earnings from continuing operations for the year were \$105.3 million (4.7% of sales) versus \$101.0 million (4.7% of sales) in 2005. As previously discussed, operating earnings for Industrial increased substantially year over year (\$21.2 million), while Powertrain/Driveline experienced a significant decline (\$38.8 million). Interest expense for 2006 was reduced, reflecting strong cash management activities. Finally, and as more fully described below, the company's effective income tax rate was significantly lower in 2006 compared to 2005.

The company's effective tax rate for 2006 was 19.9%, substantially reduced from the effective rate of 34.1% in 2005. The rate reduction reflects a variety of elements, including the one-time gain recognized in the second quarter of 2006 from the reduction of Canadian tax rates, the ongoing effect of the same rate reduction as applied to future tax liabilities arising in Canada in the third and fourth quarters of 2006, the utilization of previously unrecognized tax loss carryforwards and/or credits against earnings in the current year in both Mexico and Hungary, the recognition in the fourth quarter of 2006 of a portion of the previously unrecognized remaining Mexican tax loss carryforwards and Hungarian tax credits, and general rate differentials between Canada and other countries having an increasing effect as the company's profits re-align on a global basis. Note 13 to the consolidated financial statements for the year ended December 31, 2006 provides additional information on the company's overall tax position.

Losses from discontinued operations were \$5.8 million, net of income tax recovery of \$3.0 million, for the year compared to \$1.0 million, net of income tax recovery of \$0.4 million for 2005. During 2001, Linamar adopted a formal plan to divest its wholly-owned in-house casting operations. In 2006, the orderly closure of one of the operations was substantially completed with no additional costs. Throughout 2006 efforts were made to complete the sale of the other operation. The transaction was ultimately unable to be completed and, subsequent to year end, management determined the re-sourcing of work currently within the facility to other Linamar plants and the orderly wind-up of this location was in the company's best interests. The ongoing losses until wind-up and the costs of closure have been accrued and reported in discontinued operations in 2006. The 2005 charge represented accrued operating losses to the expected sales date, offset by the anticipated gain on sale.

In May 2006, Linamar and the Ontario government announced an investment partnership in people and technology development, specifically in support of the development, adaptation and commercialization of cutting edge machining, manufacturing and environmental technologies in the production of powertrain and driveline components and systems. On February 9, 2007 the company and the Ontario government formalized this investment agreement. The agreement provides for a conditional grant of up to \$44.5 million and is dependent upon the company satisfying various program investment criteria and achieving a cumulative job target over the term of the agreement. To the extent the investment and/or job targets are not met, a pro-rata clawback arrangement exists. The term of the agreement is January 14, 2005 through January 14, 2010. As the agreement has only recently been finalized, including the methodology for claims under the program, no amount has been recognized in the financial statements for the years ended December 31, 2006 and 2005.

On February 26, 2007, the company announced its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary Linamar Hungary Nyrt. The company currently owns 58.63% of Linamar Hungary Nyrt, which is a public company listed on the Budapest Stock Exchange. The offer is valued at 3,003 Huf (\$18.00 CAD) per share, for the cumulative value of \$63,885 for the residual holdings, and expires 60 days after approval by local regulatory authorities. Had the transaction been completed prior to December 31, 2006, the reduction from earnings of \$9,580 for non-controlling interest would not have been required and earnings from continuing operations for 2006 would have been \$114,915, and goodwill would have increased by \$22,002 as at December 31, 2006.

Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of Linamar Hungary Nyrt, representing 10.3% and 2.7% respectively of the shares not already owned by the company. The officers/directors have indicated their intention to accept the public purchase offer.

Selected Annual Information

The following table sets out selected financial data relating to the company's years ended December 31, 2006, 2005 and 2004 prepared in accordance with GAAP and reported in Canadian dollars. This financial data should be read in conjunction with the company's audited consolidated financial statements for these years:

<i>(in millions of dollars, except per share amounts)</i>	2006	2005	2004
Sales	\$2,262.1	\$2,161.4	\$1,844.2
Earnings from Continuing Operations	105.3	101.0	90.4
Discontinued Operations, net of Income Tax Effect	(5.8)	(1.0)	2.1
Net Earnings for the year	99.5	100.0	92.5
Total Assets	1,616.1	1,541.5	1,473.4
Total Long-term Liabilities	372.3	257.9	390.1
Cash Dividends declared per share	\$0.24	\$0.24	\$0.16
Earnings Per Share From Continuing Operations			
Basic	\$1.48	\$1.43	\$1.28
Diluted	1.48	1.43	1.28
Earnings Per Share From Net Earnings			
Basic	\$1.40	\$1.41	\$1.31
Diluted	1.40	1.41	1.31

Sales

<i>(in millions of dollars)</i>	2006	2005
Canada	\$1,678.7	\$1,666.1
U.S.	206.3	187.6
Asia Pacific	3.5	2.4
Mexico	186.5	143.4
Europe	218.1	199.5
Intersegment	(31.0)	(37.6)
Total external sales	\$2,262.1	\$2,161.4

In 2006, sales grew 4.7% for a total of \$2,262.1 million.

Sales growth for Powertrain/Driveline was modest at \$21.9 million, or 1.2%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2006, sales would otherwise have increased by \$81.3 million, or 4.4%. Sales were affected by a number of factors, most notably the significant extent of plant shutdowns and production reductions by North American OEMs commencing in the third quarter of 2006, increased pricing pressure from these same customers and the maturation or re-sourcing of some contracts, offset by a net increase in medium/heavy duty truck sales for the year reflecting the substantial pre-buy activity in the first half of 2006, the ramping up of 6-speed transmission production (although at a slower than expected rate), and strong growth in Europe.

Industrial product sales have increased \$78.8 million for the year or 26.9% (adjusting for the stronger Canadian dollar versus the U.S. dollar, \$102.3 million or 35%). The increase in industrial products has been predominantly driven by market demand for aerial work platforms produced by Skyjack.

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 vehicle production units exclude medium and heavy trucks. Volume information is as regularly reported by industry sources.

North American vehicle production volumes for 2006 decreased 2.3% to 16.0 million versus 2005 production of 16.4 million.

European vehicle production increased 2.0% to 15.8 million units for the year from 15.5 million units in 2005.

Automotive Sales and Content per Vehicle (i)

Automotive sales in the following discussion are determined by the final vehicle production location and, as such, there are differences in the figures as reported under the geographic segment disclosure which is based primarily on the company's location of manufacturing. 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.

The impact of the stronger Canadian dollar accounted for a reduction of approximately \$59.4 million in total Powertrain/Driveline revenue in 2006. If the estimated impact of the stronger dollar is removed, total automotive revenues for these groups for the year would have increased \$81.3 million or 4.4%.

North American automotive sales increased \$20.1 million or 1.3% to \$1,540.8 million. Despite vehicle production in North America declining, content per vehicle increased 3.7% to \$96.30 from \$92.84 a year earlier. North American automotive sales benefited from the substantial pre-buy of heavy-duty trucks in the first half of the year and the ramping up of 6-speed transmission production (although at a slower than expected rate). This was largely offset by volume reductions as reflected by overall North American production levels and increased pricing pressures.

European automotive sales improved by \$4.1 million to \$122.8 million as compared to 2005. Vehicle production volumes increased 2.0% and content per vehicle improved moderately to \$7.77 from \$7.66 in 2005. Sales continue to improve primarily in the German subsidiary where a substantial cylinder head and block program is underway, as well as a camshaft program to a German automaker utilising our industry leading innovative technology.

Content per vehicle for Asia Pacific continues at a low level, as anticipated, during the start-up phase.

<i>North America</i>	2006	2005	% Change
Vehicle Production Units (ii)	16.00	16.38	-2.3%
Automotive Sales (iii)	\$1,540.8	\$1,520.7	1.3%
Content Per Vehicle	\$96.30	\$92.84	3.7%
<i>Europe</i>			
Vehicle Production Units (ii)	15.79	15.48	2.0%
Automotive Sales (iii)	\$122.8	\$118.7	3.5%
Content Per Vehicle	\$7.77	\$7.66	1.4%
<i>Asia Pacific</i>			
Vehicle Production Units (ii)	19.25	17.43	10.4%
Automotive Sales (iii)	\$6.3	\$1.3	387.0%
Content Per Vehicle	\$0.33	\$0.07	341.1%

- (i) Measured as the amount of Linamar automotive sales dollars per vehicle, not including tooling sales
- (ii) Vehicle production units are shown in millions of units
- (iii) Automotive sales are shown in millions of dollars

Gross Margin

<i>(in millions of dollars)</i>	2006	2005
Sales	\$2,262.1	\$2,161.4
Cost of sales	1,846.0	1,745.5
Amortization	146.1	137.2
Gross Margin	\$270.0	\$278.7
Gross Margin Percentage	11.9%	12.9%

The overall decline in gross margin year over year reflects strong improvement in Industrial margins, due primarily to product mix and ongoing production enhancements, which was more than offset by a significant decline in Powertrain/Driveline margins. As previously discussed, Powertrain/Driveline was negatively affected by non-variable cost burdens in North America associated with OEM shutdowns/reduced volumes and slower than expected ramp-ups particularly in 6-speed transmission, ongoing start-up costs in Asia-Pacific, pricing and other productivity givebacks, and asset impairment charges, somewhat offset by improved results in Europe.

Amortization increased \$8.9 million over 2005. As a percent of sales overall, amortization increased marginally from 6.3% to 6.5%. The majority of the amortization expense, \$144.3 million (98.8%) relates to the Powertrain/Driveline segment where it represents 7.6% of sales in 2006 as compared to 7.2% in 2005. This moderate increase primarily reflects the capital burden of machinery for the 6-speed transmission program and the slower than expected ramp-up of the program.

Operating Earnings

<i>(in millions of dollars)</i>	2006	2005
Gross margin	\$270.0	\$278.7
Selling, general and administrative	111.6	102.7
Operating Earnings	\$158.4	\$176.0
Operating Earnings Percentage	7.0%	8.1%

Selling, general and administrative (“SG&A”) costs were \$111.6 million in 2006, compared to \$102.7 million in 2005. As a percentage of sales, SG&A costs were 4.9% in 2006, largely unchanged from 4.8% in 2005. The primary contributing factors to the increase were expanded infrastructure to support continued business growth, full-year costs related to the start up of the Asia Pacific operations, research and development expenditures in Industrial and costs relating to the Enterprise Resource Planning (“ERP”) system implementation.

The company’s foreign exchange cash flow hedging strategy has resulted in a nominal 2006 gain of \$2.1 million compared with a loss of \$0.7 million in 2005. The company continues to manage volatility in the Canadian dollar against other world currencies through a cash flow hedging strategy.

During 2003, the company placed forward contracts to buy U.S. dollars, effectively locking in gains on forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. The gain was deferred and amortized to revenue based on the terms of the original underlying contracts. During 2005, the remaining \$9.2 million gain was recognized.

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, 2006.

Operational

Linamar Corporation is a diversified global manufacturing company of highly engineered precision products. The company’s Powertrain/Driveline businesses are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. The company’s Industrial division is a world leader in the design and production of innovative mobile industrial products, notably aerial work platforms.

Effective December 31, 2006, the company has determined the previously reported operational segments of North American Automotive Systems, Europe and Asia Pacific should be more appropriately reported within a single operational segment: Powertrain/Driveline. This consolidation more appropriately reflects the common nature of products, production processes and customers across these groups. The production of agricultural implements in Hungary and the

development of fabrication business in Hungary in support of the Industrial division will be reported as part of the Industrial operational segment. The corporate headquarters and other small operating entities are included with the Powertrain/Driveline operational segment. Operational segment reporting for 2005 has been restated to reflect this change.

Sales growth for Powertrain/Driveline in 2006 was modest at \$21.9 million, or 1.2%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2006, sales would otherwise have increased by \$81.3 million, or 4.4%. Sales were affected by a number of factors, most notably the significant extent of plant shutdowns and production reductions by North American OEMs commencing in the third quarter of 2006, increased pricing pressure from these same customers and the maturation or re-sourcing of some contracts, offset by a net increase in medium/heavy duty truck sales for the year reflecting the substantial pre-buy activity in the first half of 2006, the ramping up of 6-speed transmission production (although at a slower than expected rate), and strong growth in Europe.

Powertrain/Driveline experienced significant pressure in 2006 on operating earnings, which were lower year over year by \$38.8 million (28.2%). This was due to non-variable cost burdens in North America associated with OEM shutdowns/reduced volumes and slower than expected ramp-ups particularly in 6-speed transmission, ongoing start-up costs in Asia-Pacific, pricing and other productivity givebacks, and asset impairment charges, somewhat offset by improved results in Europe.

Industrial product sales have increased \$78.8 million for the year or 26.9% (adjusting for the stronger Canadian dollar versus the U.S. dollar, \$102.3 million or 35%). The increase in industrial products has been predominantly driven by market demand for aerial work platforms produced by Skyjack.

Strong gross margin growth in Industrial, applied to robust sales increases reflecting an increased market share of an overall growth market, lead to operating earnings for this group in 2006 of \$59.7 million, an increase of \$21.2 million (55%) over 2005.

Geographical

Canadian geographic segment sales showed modest growth of \$14.1 million year over year, to reach a level of \$1,672.8 million for the year ended December 31, 2006. Powertrain/Driveline sales in Canada were slightly down overall due to a combination of production volume declines, increased pricing pressure and a strengthened Canadian dollar, somewhat offset by strong pre-buy of medium/heavy duty trucks in the first half of 2006. Strong market demand for aerial work platforms through fleet replacements and reconditioning services and increased market share resulted in strong sales growth in Canada for Industrial.

A substantial portion of the company's property, plant and equipment (68%, \$599.1 million) continues to be located in Canada. This reflects the 25 manufacturing facilities located in Ontario, 22 of which support the capital-intensive Powertrain/Driveline segment.

The U.S. geographic segment has enjoyed a 15.0% increase in sales, reaching \$192.6 million during the year, an increase of \$25.1 million over 2005. Sales to the U.S. customers of Skyjack have been driven by market demand and an increased market share. Sales have remained steady for McLaren Performance Technologies Inc., the testing and engineering development business acquired by the company in late 2003. This is offset by a decline at the company's engine plant in Kentucky as sales demand for cylinder heads, bedplates, and other heavy duty truck volumes declined.

Sales in the Asia Pacific geographic group remain insignificant at \$3.5 million during this start-up phase.

Mexican sales continue to improve, reaching \$186.5 million during 2006, a 30.1% increase or \$43.1 million over 2005. Strong new and growing programs continue to improve sales results in Mexico. The programs are diverse and include 4-speed transmission for light vehicle, liners for medium and heavy duty truck and high feature camshaft supporting a variety of platforms.

Sales in Europe increased \$17.3 million or 9.1% to \$206.7 million in 2006. The increase is primarily due to a camshaft program launched in late 2005 for a German automaker and utilising our industry leading innovative technology and a substantial cylinder head and block program.

NET EARNINGS AND BALANCE SHEET DATA

The following financial data has been derived from, and should be read in conjunction with, Linamar's audited consolidated financial statements for the financial years ended December 31, 2006 and 2005.

<i>(in millions of dollars, except per share amounts)</i>	2006	2005
Sales	\$2,262.1	\$2,161.4
Gross Margin	270.0	278.7
Operating Earnings	158.4	176.0
Net interest expense	(15.8)	(17.4)
Other income	0.8	0.8
Provision for Income Taxes	(28.5)	(54.3)
Non-Controlling Interests	(9.6)	(4.1)
Earnings from Continuing Operations	\$105.3	\$101.0
Discontinued Operations, net of Income Tax Effect	(5.8)	(1.0)
Net Earnings for the Year	\$99.5	\$100.0
Earnings Per Share From Continuing Operations		
Basic	\$1.48	\$1.43
Diluted	1.48	1.43
Net Earnings Per Share		
Basic	\$1.40	\$1.41
Diluted	1.40	1.41
Total Long-Term Liabilities	\$372.3	\$257.9
Cash Dividends declared per share	0.24	0.24
Total Assets	\$1,616.1	\$1,541.5

Net Earnings and Earnings per Share

The company's effective tax rate for 2006 was 19.9%, substantially reduced from the effective rate of 34.1% in 2005. The rate reduction reflects a variety of elements, including the one-time gain recognized in the second quarter of 2006 from the reduction of Canadian tax rates (\$3.5 million), the ongoing effect of the same rate reduction as applied to future tax liabilities arising in Canada in the third and fourth quarters of 2006 (\$2 million), the utilization of previously unrecognized tax loss carryforwards and/or credits against earnings in the current year in both Mexico and Hungary (\$4.8

million), the recognition in the fourth quarter of 2006 of a portion of the previously unrecognized remaining Mexican tax loss carryforwards (\$2.1 million) and Hungarian tax credits (\$10.1 million), and general rate differentials between Canada and other countries having an increasing effect as the company's profits re-align on a global basis. The full extent of tax loss carryforwards and/or credits available in Mexico and Hungary have not been recognized in the accounts. The Hungarian operations enjoy the benefit of an income tax holiday through a tax credit system which management expects will continue until 2011.

Earnings from continuing operations for the year were \$105.3 million (4.7% of sales) versus \$101.0 million (4.7% of sales) in 2005. As previously discussed, operating earnings for Industrial increased substantially year over year (\$21.2 million) while Powertrain/Driveline experienced a significant decline (\$38.8 million). Interest expense for 2006 was reduced, reflecting strong cash management activities. Finally, and as more fully described above, the company's effective income tax rate was significantly lower in 2006 compared to 2005.

Losses from discontinued operations were \$5.8 million, net of income tax recovery of \$3.0 million, for the year compared to \$1.0 million, net of income tax recovery of \$0.4 million for 2005. During 2001, Linamar adopted a formal plan to divest its wholly-owned in-house casting operations. In 2006, the orderly closure of one of the operations was substantially completed with no additional costs. Throughout 2006 efforts were made to complete the sale of the other operation. The transaction was ultimately unable to be completed and, subsequent to year end, management determined the re-sourcing of work currently within the facility to other Linamar plants and the orderly wind-up of this location was in the company's best interests. The ongoing losses until wind-up and the costs of closure have been accrued and reported in discontinued operations in 2006. The 2005 charge represented accrued operating losses to the expected sales date, offset by the anticipated gain on sale.

During 2006, the company issued 106,000 common shares on exercise of options and repurchased for cancellation, 2,376,200 shares under its normal course issuer bid. The weighted average number of shares used to calculate earnings per share in 2006 was 71,335,178, compared to 70,796,544 in 2005.

Interest

Interest on long-term debt decreased \$0.1 million over 2005 to \$16.6 million. The decrease is primarily due to the effect of lower interest rates on a lower long-term outstanding amount on our syndicated borrowings renewed during the fourth quarter of 2006. The consolidated year to date effective interest rate was higher in 2006 at 5.6% as compared to 5.4% in 2005, primarily due to the trend in interest rates globally during 2006.

Other interest expense decreased by \$1.2 million for the year as compared with 2005. This was primarily due to a large reduction in the amount of average short term borrowing by the company during 2006 as compared with 2005.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2005 through December 31, 2006. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

(in millions of dollars, except per share amounts)	Mar 31, 2005	June 30, 2005	Sept 30, 2005	Dec 31, 2005	Mar 31, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006
Sales	529.5	578.7	529.7	523.5	583.3	607.1	528.1	543.6
Earnings from Continuing Operations	22.4	29.7	22.5	26.4	26.0	32.3	15.1	31.9
Earnings per Share from Continuing Operations								
Basic	0.32	0.42	0.32	0.37	0.36	0.45	0.21	0.46
Diluted	0.32	0.42	0.32	0.37	0.36	0.45	0.21	0.46
Net Earnings per Share								
Basic	0.32	0.42	0.32	0.36	0.36	0.45	0.20	0.38
Diluted	0.32	0.42	0.32	0.36	0.36	0.45	0.20	0.38

The quarterly results of the company are impacted by the seasonality of certain operational units. Earnings in the second quarter are positively impacted by the high selling season for both 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 maintenance activities that would otherwise disrupt normal production schedules.

The quarter ended June 30, 2006 included a one-time gain of \$3.5 million from a reduction in Canadian income tax rates; a subsequent benefit of \$2.0 million was recognized in the fourth quarter of 2006 in respect of the ongoing effect of this same rate reduction applied to future tax liabilities arising in the third and fourth quarters of 2006.

The effective tax rate in the fourth quarter of 2006 of a 15% recovery reflects the recognition of the effect in the quarter of the reduction in Canadian income tax rates effected in May 2006 on the future tax liabilities arising in the third and fourth quarters of 2006, the utilisation of previously unrecognized tax loss carryforwards and/or credits against earnings in the current year in both Mexico and Hungary, and the recognition in the quarter of a portion of the previously unrecognized remaining tax loss carryforwards of the Mexican operations and of the tax credits of the Hungarian operations.

The quarter ended December 31, 2006 also includes a charge to Discontinued Operations of \$5.1 million, net of income tax recovery of \$2.7 million, in respect of the decision, subsequent to year end, to resource work from and complete an orderly wind-up of the company's remaining in-house casting operation.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<i>(in millions of dollars)</i>	2006	2005
Cash provided by (used in):		
Operating Activities	\$243.2	\$255.4
Financing Activities	(51.2)	(39.3)
Investing Activities	(182.9)	(199.3)
Effect of Translation Adjustment	1.2	(1.3)
Net Increase (decrease) in Cash Position	10.3	15.5
Cash Position – Beginning of Year	28.0	12.5
Cash Position – End of Year	38.3	28.0
Comprised of:		
Cash	49.0	44.1
Unpresented Cheques	(10.7)	(16.1)
	\$38.3	\$28.0

Linamar's cash position (net of unpresented cheques) at December 31, 2006 was \$38.3 million, an increase of \$10.3 million from the prior year.

Cash provided by operating activities was \$243.2 million, \$12.2 million less than was provided in 2005.

During the year, financing activities used \$51.2 million, primarily due to the repurchase of common shares for \$32.4 million under the company's normal course issuer bid and the payment of dividends which has remained at a constant rate of \$0.06 per quarter throughout 2006 and 2005. Long-term receivables from the industrial business continue to be collected or sold under a portfolio purchase agreement entered into at the end of 2004.

Investing activities continue to be dominated by payments for the purchase of property, plant and equipment in 2006, however at a reduced rate from 2005.

Operating Activities

<i>(in millions of dollars)</i>	2006	2005
Earnings from continuing operations	\$105.3	\$101.0
Non-cash charges to earnings	159.3	142.5
Cash provided from operations	\$264.6	\$243.5
Changes in non-cash working capital	(19.3)	12.1
Cash flow – continuing operations	\$245.3	\$255.6
Cash flow – discontinued operations	(2.1)	(0.2)
Cash provided from operating activities	\$243.2	\$255.4

Cash provided by operations improved by \$21.1 million to \$264.6 million for the year ended December 31, 2006. While sales growth during the year was only moderate, earnings from continuing operations were subject to a number of non-cash charges including increased amortization reflecting new products coming online (particularly 6-speed transmission) provision for impairment of fixed assets and customer pre-payment of tooling.

Non-cash working capital consumed \$19.3 million in 2006. The amount consumed was subject to a number of items, particularly inventory build-up in Industrial for the launch of the new 68RT product and a decrease in income taxes payable reflecting the shifting tax structure as previously discussed.

Financing Activities

<i>(in millions of dollars)</i>	2006	2005
Proceeds from (repayment) of short-term bank borrowings	\$20.5	\$(38.5)
Proceeds from long-term debt	8.1	-
Repayment of long-term debt	(35.8)	(6.3)
Proceeds from common share issuance	1.5	16.0
Repurchase of shares	(32.4)	-
Decrease (increase) in long-term receivables	3.9	6.5
Dividends to shareholders	(17.0)	(17.0)
Cash used for financing activities	\$(51.2)	\$(39.3)

Financing activities consumed \$51.2 million of cash during the year, compared to \$39.3 million in 2005.

Effective November 9, 2006, the company renewed its five-year revolving credit facility in the amount of \$520 million. This replaced the prior bank facility maturing December, 2006. All of the company's debt covenants remained in compliance during the year. At the end of the year, \$388.4 million in credit was available under the facility.

During the year the company purchased 2,376,200 common shares at an average price of \$13.63 per share for cancellation under its normal course issuer bid for total consideration of \$32.4 million. The normal course issuer bid expired in January 2007; effective January 31, 2007, the company renewed its normal course issuer bid in respect of the common shares of the company. The bid permits the company to acquire up to 5,083,839 of its outstanding common shares and expires on January 30, 2008. The company has not repurchased any shares subsequent to December 31, 2006.

The company continued its dividend policy with payments made quarterly at a rate of \$0.06 per share in 2006.

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 2006 the company's long term receivables declined from the prior year by \$3.9 million.

Investing Activities

<i>(in millions of dollars)</i>	2006	2005
Payments for purchases of property, plant and equipment	\$(183.4)	\$(196.0)
Proceeds from disposal of property, plant and equipment	0.9	3.0
Payments for purchase of intangible assets subject to amortization	(0.4)	(3.9)
Business acquisitions	-	(2.4)
Cash used for investing activities	\$(182.9)	\$(199.3)

Cash spent on investing activities for 2006 was \$182.9 million while during 2005 the total spent was \$199.3 million.

At December 31, 2006, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$56.9 million (December 31, 2005 - \$64.9 million). Of this amount, \$39.6 million relates to the purchase of manufacturing equipment, \$4.8 million relates to general contracting and construction costs for plant construction in Ontario (this amount is due to a related party – see Note 17 to the consolidated financial statements) and \$12.5 million relates to the purchase of land and a manufacturing facility. All of these commitments are in respect of 2007. The land and manufacturing facility under commitment have been sold forward; the sale is scheduled to close shortly after the purchase at a small gain.

Financing Resources

At December 31, 2006 cash on hand was \$49.1 million, with unrepresented cheques and short-term bank borrowings of \$41.2 million. At December 31, 2006, the company's syndicated revolving facility had available credit of \$388.4 million.

Contractual Obligations

The following table summarizes contractual obligations by category and the associated payment for the next five years.

Contractual Obligations	Payment Due by Period (in millions of dollars)						
	Total	2007	2008	2009	2010	2011	Thereafter
Long-Term Debt Principal, Excluding Capital Leases	\$261.2	\$7.8	\$1.5	\$102.0	\$ -	\$98.9	\$51.0
Capital Lease Obligations ²	23.3	5.7	5.2	5.2	3.6	2.0	1.6
Operating Leases	24.0	6.1	5.8	4.6	3.8	2.3	1.4
Purchase Obligations ³	56.9	56.9	-	-	-	-	-
Total Contractual Obligations	\$365.4	\$76.5	\$12.5	\$111.8	\$7.4	\$103.2	\$54.0

² "Capital Lease Obligations" includes the interest component in accordance with the definition of minimum lease payments under GAAP.

³ "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Shareholders' Equity

Book value per share⁴ grew to \$12.02 per share at December 31, 2006, as compared to \$10.80 per share at December 31, 2005. Earnings net of dividends contributed \$82.5 million for the year to retained earnings. During the year 1,373,000 options expired unexercised, and 106,000 options were exercised for proceeds of \$1.5 million. The number of options outstanding as at December 31, 2006 is nil.

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 only dealing with relationship banks in our five year credit facility. 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 December 31, 2006, the company was committed to a series of forward contracts to sell U.S. dollars and British pounds. As these 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 a forward contract to buy Euros that qualifies for accounting as a cash flow hedge. As a cash flow hedge, the unrealized gains and losses are deferred and recognized in the same period as the capital expenditure which generates the cash flows.

⁴ See page 32 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.

	December 31, 2006	December 31, 2005
<i>(in millions of dollars except share and per share figures)</i>		
Shareholders' Equity	\$839.8	\$ 778.6
Shares outstanding	69,838,276	72,108,476
Book Value Per Share	\$12.02	\$ 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.

The company was also committed to two long-dated forwards 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 December 31, 2006, the net unrecognized loss on the U.S. contracts was approximately \$9.2 million (2005 - \$1.3 million gain). The unrecognized loss on the British Pound contracts was approximately \$0.4 million (2005 - \$Nil). The unrecognized gain on the Euro contract was approximately \$Nil (2005 - \$0.2 million loss).

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. These subsidiaries are ISO 9001-2000 registered companies, providing the best possible delivery service to their customers. The company currently leases approximately 98 trucks and 121 trailers from Penske Truck Leasing and Ryder Truck Rental Canada, Ltd. The amount due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of this document. The company is allowed to return up to 20% of the fleet at any time without incurring any charges. Should the entire arrangement be terminated, the company would be responsible for the balance of the amount owing under the leases.

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

Please see note 16 of the 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 14, 23, 24, and 25 of the consolidated financial statements that are incorporated herein.

Transactions with Related Parties

Included in the purchase of property, plant and equipment are the construction of buildings, building additions and building improvements in the aggregate amount of \$3.2 million (December 31, 2005 - \$14.7 million) to Kiwi-Newton Construction Ltd., a company owned by the spouse of an officer and a director. Cost of sales includes maintenance costs of \$0.8 million (December 31, 2005 - \$0.8 million) paid to the same company. In addition, the company has a commitment of \$4.8 million to Kiwi-Newton Construction Ltd. as at December 31, 2006. The maintenance and construction costs and the commitment represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities.

Selling, general and administrative expenses includes a recovery of approximately \$0.02 million (December 31, 2005 - \$0.04 million) related to equipment and services sold to the same company.

Lease costs, included in cost of sales, of \$0.3 million (December 31, 2005 - \$0.3 million) are related to property leased from a company owned by two directors.

Included in sales is \$0.2 million (2005 - \$Nil) to a company for which an officer is a director.

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. The company has designed an independent process to ensure building construction and improvements are transacted at fair value. Other related party transactions have been recorded at the exchange amount.

As more fully described in the "Overall Corporate Results", the company announced on February 26, 2007 its public purchase offer for the balance of the shares of its consolidated subsidiary, Linamar Hungary Nyrt. Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of this subsidiary. The officers/directors have indicated their intention to accept the public purchase offer.

FOURTH QUARTER

In the fourth quarter, sales increased by 3.8% to \$543.6 million compared to \$523.5 million in the same quarter last year and operating earnings declined by 19.5% to \$35.7 million compared to \$44.3 million a year earlier.

Powertrain/Driveline sales were virtually flat over the same quarter in 2005. Without the exchange effect of the stronger Canadian dollar, sales for the quarter would have been \$5.8 million higher over the same quarter in 2005; this would have resulted in an overall sales increase of 2.1%. Growth was largely driven by heavy duty programs and ongoing growth in cylinder head and block and camshaft programs in the German subsidiary. This was largely offset by foreign exchange as noted above, overall pricing pressures in North America and an overall reduction in vehicle production in North America.

Operating earnings for Powertrain/Driveline were significantly lower in the fourth quarter of 2006 at \$15.5 million (3.4% of operational segment sales) as compared to \$33.3 million (7.4% of operational segment sales) a year earlier. This reduction was due to non-variable cost burdens in North America associated with OEM shutdowns/reduced volumes commencing during the third quarter of 2006 and slower than expected ramp-ups particularly in 6-speed transmission, ongoing start-up costs in Asia Pacific, pricing and other productivity givebacks, and asset impairment charges recognised in the fourth quarter. This was somewhat offset by improved results in Europe as volumes on the cylinder head and block and camshaft programs ramp-up.

Sales growth in Industrial continued very strong with sales reported for the fourth quarter 2006 of \$87.3 million, up \$16.4 million or 23% over a year earlier. This reflects continued demand for Skyjack's aerial work platform. Operating earnings for Industrial also improved significantly during the quarter to \$20.1 million (23% of sales), compared to \$10.9 million (15% of sales) a year earlier. This improvement primarily reflects mix and reduction of expenditure on research and development on the "boom" product compared to the same period in 2005.

The effective tax rate in the fourth quarter of 2006 of a 15% recovery reflects the recognition of the effect in the quarter of the reduction in Canadian income tax rates effected in May 2006 on the future tax liabilities arising in the third and fourth quarters of 2006, the utilisation of previously unrecognized tax loss carryforwards and/or credits against earnings in the current year in both Mexico and Hungary, and the recognition in the quarter of a portion of the previously unrecognized remaining tax loss carryforwards of the Mexican operations and of the tax credits of the Hungarian operations.

The fourth quarter of 2006 includes a charge to Discontinued Operations of \$5.1 million, net of income tax recovery of \$2.7 million, in respect of the decision, subsequent to year end, to resource work from and complete an orderly wind-up of the company's remaining in-house casting operations.

Proposed Transactions

On February 26, 2007, the company announced its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary Linamar Hungary Nyrt. The company currently owns 58.63% of Linamar Hungary Nyrt, which is a public company listed on the Budapest Stock Exchange. The offer is valued at 3,003 Huf (\$18.00 CAD) per share, for the cumulative value of \$63,885 for the residual holdings, and expires 60 days after approval by local regulatory authorities. Had the transaction been completed prior to December 31, 2006, the reduction from earnings of \$9,580 for non-controlling interest would not have been required and earnings from continuing operations for 2006 would have been \$114,915, and goodwill would have increased by \$22,002 as at December 31, 2006.

Two officers and directors of the company own respectively 365,000 and 97,000 of the outstanding shares of Linamar Hungary Nyrt, representing 10.3% and 2.7% respectively of the shares not already owned by the company. The officers/directors have indicated their intention to accept the public purchase offer.

RISK MANAGEMENT

Operational Risk

Dependence on Certain Customers

The Company's Powertrain and Driveline divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. As a result, the company typically has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The sales cycle is extended longer than one year for most transactions. Any disruption in the company's relationships with these major customers or any decrease in revenue from these major customers, given unforeseen events in the automotive (including medium/heavy duty trucks) industry, could have a material adverse effect on the company's business, financial condition, or results of operations. For 2006, the company's four largest customers accounted for 53.1% of consolidated revenue (63.5% of revenue for the Powertrain/Driveline operational segment).

Sales are similarly concentrated for the Industrial operational segment as product distribution is largely through major rental companies. In 2006, sales to the two largest Industrial customers were 5.9% of consolidated revenue (35.9% of revenue for the Industrial operational segment).

Sources and Availability of Raw Materials

The primary raw materials utilized by the precision machining operations are iron and aluminium castings and forgings, which are readily obtained from a variety of suppliers in North America for the Canadian, U.S. and Mexican operations. The company is not dependent on any one supplier. Occasionally, raw material is consigned to the company by its customers and any disruption in supply is the responsibility of that customer. The European segment sources its raw materials primarily from Europe. The company continues to seek out capable, less costly sources for its castings. By appointing a Director of Asian Business Development, the company is continuing its efforts to locate and develop strategic suppliers in Asia to deliver parts to the company's North American facilities for further manufacturing and to create opportunities to supply the rapidly growing Asian automotive sector. During the year the company continued to source some of its requirements from Asia. This effort will continue as Linamar's presence in Asia increases.

Raw materials supply factors such as allocations, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw material sourcing decisions of Linamar and its plants. When appropriate and available, the company may negotiate long-term agreements with raw material suppliers to ensure continued availability of certain raw materials on favourable terms. Such contracts, due to their terms, would not be considered derivatives for accounting purposes. In the event of significant unanticipated increase in demand for the company's products and the supply of raw materials, the company may in the future be unable to manufacture certain products in a quantity sufficient to meet its customers' demand in any particular period.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards. Accordingly, the company believes that its future success depends on its ability to launch new programs as well as enhance or develop current and future products at competitive prices and in a timely manner. The company's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the company's results of operations. For the development and production of products, the ability for the company to compete successfully will depend on its ability to acquire and retain competent trades people, management, and product development staff that allow the company to quickly adapt to technological change and advances in processes. In addition, there can be no assurance that products or technologies developed by others will not render the company's products uncompetitive or obsolete.

Financial and Capital Management Risk

Capital and Liquidity Risk

The amount of financial resources available to invest in a company's growth is dependent upon its size and willingness to utilize debt and issue equity. Since Linamar has a conservative

financial policy and is not as large as some competitors, the company has fewer financial resources than some of its principal competitors. If the company exceeds its growth expectations it may require additional debt or equity financing. There is no assurance that the company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development.

The company's current credit facility requires the company to comply with certain financial covenants. Additionally, certain of the company's credit facilities become due for renewal from time to time. There can be no assurance of the company's ability to continue to comply with these financial covenants, to appropriately service its debt or obtain continued commitments from debt providers given unforeseen events.

Acquisition and Expansion Risk

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

Foreign Currency Risk

Linamar's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure to foreign currency risk, Linamar employs hedging programs as appropriate, primarily through the use of forward contracts. The contracts are purchased based on the projected foreign cash flows from operations.

The company uses forecasted future cash flows of foreign currencies to determine the residual foreign exchange exposure. The purpose of the company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. 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 company's forward contracts are referenced in note 18 to the company's consolidated financial statements for the year ended December 31, 2006 which are included in the Annual Report to shareholders.

Credit Risk

A substantial portion of the company's accounts receivable are with large customers in the automotive, truck and industrial sectors and are subject to credit risks normal to those industries. At December 31, 2006, the accounts receivable from the company's three largest customers amounted to 18.2%, 12.2% and 10.3% of accounts receivable (2005 - 15.2%, 10.3% and 7.6%).

Interest Rate Risk

Interest rate swap agreements are used as part of the company's program to manage the fixed and floating interest rate mix of the company's total debt portfolio and related overall cost of borrowing. The company designates its interest rate hedge agreements as hedges of the underlying debt and accordingly defers gains and losses. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps. Please see note 18 of the company's consolidated financial statements.

Seasonality, Industry Growth, and Competition

Historically, earnings in the second quarter are positively impacted by the high selling season for both the general lift platform and agricultural businesses. Vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the OEMs. Since the company's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level at this time. The company takes advantage of summer shutdowns for maintenance activities that would otherwise disrupt normal production schedules. Production volumes in the month of December are usually negatively affected by the holiday season.

Through its Powertrain/Driveline businesses, Linamar principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Outsourcing of brake components and assemblies, engine components, and powertrain segment by the OEM's has increased.

Management believes there is still more powertrain/driveline work performed in house by the OEM's than is currently outsourced, and therefore there is still large potential for growth. However, because of various factors affecting the OEM's, such as the level of consumer spending on automobiles, labour contracts, and other economic factors, the OEM's are constantly facing volume changes and decisions on whether to outsource work or not; such changes and decisions are reflected in Linamar's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Through its Skyjack subsidiary, the company engages in the production and sale of aerial work platforms. There is a relatively defined sales cycle in this industry segment, as it is closely related to, and affected by, product life cycle and the construction sector. Therefore, the risks and fluctuations in the construction industry in the countries that Skyjack operates in, also affect Skyjack's sales.

The precision machining industry in North America is characterized by a large number of manufacturers. As a result, manufacturers such as Linamar tend to have a relatively small share of the North American market. Nonetheless, Linamar believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the company's consolidated sales.

The company faces numerous sources of competition, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. As Linamar's North American customers have faced increased cost pressures, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for Linamar.

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

Linamar believes that there are a large number of independent suppliers which have the capability to produce some or all of the components, modules and systems which Linamar currently produces. In addition, some of these competitors are larger and may have access to greater resources than Linamar, but the company believes that none of them are dominant in the markets in which Linamar operates. The basis for supplier selection by OEMs is not typically determined solely by price, but would also typically include such elements as quality, service, historical performance, timeliness of delivery, proprietary technologies, scope of in-house capabilities, existing agreements, responsiveness and the supplier's overall relationship with the OEM, as well as being influenced by the degree of available and unutilized capacity of resources in the OEM's manufacturing facilities, labour relations issues and other factors. The number of competitors that OEMs solicit to bid on any individual product has, in certain circumstances, been significantly reduced and management expects that further reductions will occur as a result of the OEMs' stated intention to deal with fewer suppliers and to award those suppliers longer-term contracts.

Foreign Business Risk

The company's operations in Europe, Mexico, China and South Korea, are subject to general business risks that do not exist in Canada or the United States. The political climate and government policies are less stable and less predictable in these countries. As well, Hungary, Mexico, China and South Korea do not currently have the same economic infrastructure as exists in Canada or the United States.

Operations outside the United States and Canada subject Linamar to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of public health threats such as Severe Acute Respiratory Syndrome or Avian Flu, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business

practices and standards in Canada and which may create unforeseen business or public relation situations.

Insurance

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

Regulatory Risk

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad have been changing since the collapse of Enron Corporation in the United States and the subsequent introduction of strengthened securities and governance laws such as the Sarbanes-Oxley Act. Canada has been implementing similar laws and it is foreseen that this will continue indefinitely. The company is currently implementing the Canadian Securities Administrators ("CSA") Multilateral Instruments 52-109, 52-110 and 52-111 and expects to be in full compliance by the new proposed CSA date.

Tax Laws

The tax laws in Canada and abroad are continuously changing. Recently, corporate tax rates in Canada have been decreasing. There is no assurance that rates will continue to decrease in Canada or remain unchanged in other countries. The company's operations in Hungary, via a tax credit system, are subject to an effective tax holiday but there can be no assurance that this effective holiday will continue up to or beyond its anticipated end date. The company's expansion into Asia via China and South Korea subjects the company to new tax regimes that may change based on political or social conditions. The company currently has tax losses and credits in Mexico and the U.S. that, given unforeseen changes in tax laws, may not continue indefinitely.

Emission Standards

Recent changes in emission standards in the U.S. in certain states, such as California, may affect the future sale of certain automotive products. Even though the company continues to implement changes to certain products via specifications from customers, there can be no assurance that the company will be able to keep pace with these changes. The introduction of the experimental fuel cell automobile by all major automotive manufacturers may affect the products and processes the company employs, the effect of which is currently undetermined. Canada, and other countries where the company's products are sold, has implemented or intend to implement the Kyoto Protocol, which sets limits for emission standards. The effect of this standard has not been fully analyzed by the automotive industry and its full effect on the financial stability of the company and its customers is as yet undetermined.

Environmental Matters

Linamar's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the company conducts business. Linamar has established an Environment Committee of senior management to oversee Linamar's environmental programs and to ensure that Linamar complies with applicable environmental laws. As well, the company has regular environmental compliance audits performed to check that wastes are disposed of in accordance with such laws. Nineteen of Linamar's manufacturing facilities meet the ISO 14001 standard. All other facilities are working towards qualifying under ISO 14001. To date, environmental laws and regulations have not had a material affect on Linamar's operations or financial condition. Linamar has made, and will continue to make, significant expenditures in connection with environmental matters. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations. Senior management is not aware of any material environmental liability facing the company at this time.

Dependence on Key Personnel

Loss of certain members of the executive team or key technical leaders of the company could have a disruptive effect on the implementation of the company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, together with other members of the executive management team, are responsible for designing, establishing and maintaining disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

Linamar has recently completed its evaluation of the effectiveness of its disclosure controls and internal controls over financial reporting, with the assistance of external specialists.

Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures have been appropriately designed and are operating effectively to provide reasonable assurance that material information was made known to them in a timely fashion. The company, with the assistance of its external specialists, has identified certain areas requiring improvement relating to internal controls over financial reporting. The areas of weakness are described below. Because these deficiencies result in a more than remote likelihood that a material misstatement would not be prevented or detected, management identified and implemented a number of substantive verification procedures in order to ensure the annual financial statements fairly present in all material respects the financial condition, results of operations and cash flows as at and for the year ended December 31, 2006. Linamar intends to

continue to perform these supplementary verification measures until these controls deficiencies are addressed. The company, with the support of its external advisors, is developing a remediation plan to address the following identified weaknesses in a more scaleable and efficient manner.

The internal controls deficiencies identified by the company and its external advisor as requiring improvement may be summarized as follows:

1. The company operates on a highly decentralized basis and this has resulted in the deployment of a number of disparate financial reporting systems across its operations. Automated internal controls to support the completeness and accuracy of the financial reporting data flow and consolidation require further development.
2. A number of control deficiencies have been identified within the information technology environment, some of which arise due to an inadequate segregation of duties, which, in some cases, is caused by resource constraints. These areas of inadequacy relate to: the company's information security policy; the establishment, maintenance and monitoring of access controls; separation of test and production environments; and documentation of policies and controls.
3. The company has determined that aspects of its financial reporting application systems, including spreadsheet and other end-user computing tools, are subject to control deficiencies. These weaknesses pertain to: the establishment, maintenance and monitoring of user access privileges; the design and implementation of application level controls; and documentation supporting the design and operation of financial reporting applications.
4. As previously noted, the company operates on a highly decentralized basis. The accountability for the recording of financial transactions and preparation of financial information for consolidation resides primarily at the operating unit (plant) level. Due to the size of these individual units, there is often a lack of segregation of duties.

Management considers remediation of these deficiencies a high priority for the organization. Until then, the company intends to continue to perform the supplementary verification procedures referred to above.

Changes in Internal Controls

In recognition of the technical expertise and in-depth knowledge required to manage and record the provisions for income tax and other related tax expense, the company hired, during the quarter ended December 31, 2006, a senior tax professional. This improvement in internal control for the period has materially improved the company's internal controls over financial reporting.

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.

Impairment of Goodwill and Other Intangibles

Management, on an annual basis, must assess for impairment goodwill and intangible assets not subject to amortization. The company must also assess all intangible assets for impairment when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for goodwill and other intangibles is a "critical accounting estimate" because management is required to make significant forward looking assumptions. Also, different estimates that could be used or changes in estimates from period to period may have a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. The company uses a discounted cash flow method to assess the fair value of goodwill and other intangible assets. Fair value is evaluated on a quarterly basis or when events or circumstances change. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used.

As at December 31, 2006, goodwill and other intangibles of \$36.7 million (2005 - \$38.5 million) was recorded on the consolidated balance sheet of the company. The amount of goodwill acquired during the current year was \$Nil and \$2.4 million in 2005. In 2006 the company capitalised \$0.4 million of expenditure to intangible assets subject to amortization (\$4.0 million in 2005). Amortization against this and similar assets totalled \$2.3 million in the year (\$1.1 million in 2005). There are no amounts recorded as impaired on the company's consolidated statements of earnings (2005 - \$Nil).

Future Income Tax Assets and Liabilities

Future income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a future income tax asset. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided. The company considers this allowance a "critical accounting estimate" as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period and may have a material impact on the company's consolidated financial statements. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The company has and continues to use tax planning strategies to realize future tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the company may materially affect the consolidated financial statements.

As at December 31, 2006, the valuation allowance against the tax benefit of tax credits and loss carry forwards as well as other assets with tax value in excess of book value, excluding the Hungarian tax credits is \$17.0 million (2005 - \$19.3 million) and is reflected in the net future income tax liability from continuing operations balance of \$20.0 million (2005 - \$32.2 million) on the consolidated balance sheets of the company.

Impairment of Long-Lived Assets

Management assesses for impairment of long-lived assets when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for long-lived assets is a “critical accounting estimate” because management is required to make significant forward looking assumptions when events or circumstances indicating impairment arise. Also, different estimates that could have been used or changes in estimates from period to period may have a material impact on the company’s consolidated balance sheets, statements of cash flows, and statements of earnings.

Recoverability is assessed by comparing the carrying amount first to the estimated undiscounted future cash flows. An impairment loss is measured when the carrying amount of the long lived asset exceeds its fair value which can be determined using the discounted future cash flows the long-lived assets are expected to generate. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. During the year, the company realised impairment of long-lived assets of \$4.7 million (2005-\$Nil). The impairment charge was recognised in cost of sales in the fourth quarter of 2006.

Stock-Based Compensation

Management estimates the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period. The fair value of the options issued each year, if applicable, is determined using the Black-Scholes option pricing model. The company believes that the estimate of stock-based compensation is a “critical accounting estimate” because management is required to make significant forward looking assumptions. The varying inputs on which the Black-Scholes option pricing model is based can result in significantly different results and there may be a material impact on the company’s consolidated balance sheets, statements of cash flows, and statements of earnings. Uncertain changes in expected stock volatility, the change in expected dividend yields, the expected option term, and changes in assumptions used to form a risk free rate during the expected option term may affect the value derived for stock-based compensation.

During the year the remaining options that were priced using the Black-Scholes option pricing model were either exercised or expired.

Discontinued Operations

Management believes the estimate of Discontinued Operations is a critical accounting estimate, due to the significant forward looking assumptions required. Uncertainty around operational results to wind-up and ultimate wind-up costs, including re-sourcing of business and employee separation may affect the costs estimated.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the year ended December 31, 2006:

a) In 2005, the CICA issued Handbook Section 3831 “Non-monetary transactions” (“CICA 3831”), replacing Section 3830 “Non-monetary transactions”. CICA 3831 requires that an asset exchanged or transferred in a non-monetary transaction must be measured at its fair value except when: the transaction lacks commercial substance (when the company’s future cash flows are expected to

change significantly as a result of the transaction); the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange; neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or the transaction is a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation. In these cases the transaction must be measured at the carrying value.

Congruent guidance for related party non-monetary transactions is provided in CICA Handbook Section 3840 "Related party transactions" ("CICA 3840") and in CICA Handbook Section 1581 "Business combinations" ("CICA 1581") references to "culmination of the earnings process" have been removed.

CICA 1581, CICA 3831 and CICA 3840 are effective for non-monetary transactions in periods beginning on or after January 1, 2006. Accordingly the company has adopted the new requirements effective January 1, 2006. The adoption of CICA 1581, CICA 3831 and CICA 3840 did not have an effect on the company's consolidated financial condition.

The following accounting pronouncements will be adopted by the company effective January 1, 2007:

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 not expected to have any material effect on the company's consolidated financial condition.

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 any material 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 not expected to have any material effect on the company's consolidated financial condition but that effect has yet to be quantified. Within the context of the new guidelines on "Financial Instruments" effective January 1, 2007, our foreign and interest rate hedges are fully affective and therefore receive hedge accounting, with no effect on income.

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 any material 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.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 69,838,276 common shares were outstanding as of March 8, 2007. As of March 8, 2007, there were no options outstanding under Linamar's share option plan.

NON-GAAP MEASURES

The following measures do not have a standardized meaning under Canadian generally accepted accounting principles and, therefore are unlikely to be comparable to similar measures presented by other issuers.

Operating Earnings

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 and equity loss, if any.

December 31 (in millions of dollars)	2006	2005	2004	2003	2002
Gross Margin	\$270.0	\$278.7	\$235.6	\$195.9	\$176.8
Selling, general and administrative	111.6	102.7	90.9	84.7	72.0
Equity loss	-	-	-	-	0.8
Operating Earnings	\$158.4	\$176.0	\$144.7	\$111.2	\$104.0

Book Value Per Share

This measure, 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 at year-end.

December 31 (in millions of dollars, except per share amounts)	2006	2005
Shareholders' Equity	\$839.8	\$778.6
Shares outstanding at year-end	69,838,276	72,108,476
Book value per share	\$12.02	\$10.80

Debt to Total Capitalization

This measure, as used by the chief operating decision makers and management, indicates the company's reliance on debt and its financial flexibility. Debt to total capitalization is calculated by the company as the sum of Short-term bank borrowings, Current portion of long-term debt, and Long-Term Debt divided by the sum of this total and Shareholders' Equity.

December 31 (in millions of dollars)	2006	2005
Short-term bank borrowings	\$30.4	\$10.0
Current portion of long-term debt	12.2	131.3
Long-Term Debt	268.9	174.9
Total Debt	\$311.5	\$316.2
Shareholders' Equity	839.8	778.6
Debt to Total Capitalization	27.1%	28.9%

Return on Shareholders' Equity

This measure, as used by the chief operating decision makers and management, indicates the yearly return for shareholders. Return on Shareholders' Equity is calculated by the company as the Earnings from Continuing Operations divided by Shareholders' Equity.

December 31 (in millions of dollars)	2006	2005	2004	2003	2002
Earnings from Continuing Operations	\$105.3	\$101.0	\$90.4	\$48.1	\$64.1
Shareholders' Equity	839.8	778.6	692.6	627.1	622.9
Return on Shareholders' Equity	12.5 %	13.0%	13.1%	7.7%	10.3%

OUTLOOK

Significant volatility and uncertainty exists at this time in the automotive industry, particularly in North America. Accordingly, effective the second quarter of 2006, the company determined it was not appropriate to provide outlook guidance.

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 of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this Management Discussion and Analysis and elsewhere in the Annual Report 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 programs and major OEM customers, currency exposure, technological developments by Linamar's competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates.

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.