

INTERIM REPORT

Linamar Announces Fourth Quarter Results

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products. The company's Powertrain and Driveline focused 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 close to 12,000 employees in 37 manufacturing locations, 5 R&D centers and 10 sales offices in Canada, the US, the UK, Mexico, Germany, Sweden, Hungary, China, Korea and Japan Linamar generated sales of over \$2.3 Billion in 2007. 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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	528,180	543,611	2,313,551	2,262,130
Gross Margin	52,765	61,543	288,182	270,013
Operating Earnings ¹	25,002	35,677	172,160	158,438
Earnings from Continuing Operations	25,063	31,908	108,987	105,335
Net Earnings	25,407	26,806	109,331	99,533
Diluted Earnings per Share from Continuing Operations	0.36	0.46	1.56	1.48
Diluted Earnings per Share	0.36	0.38	1.57	1.40

Certain unusual items affected earnings in both 2007 and 2006 as noted in the table below:

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	
	2007	2006	2007	2006
	\$	\$	\$	\$
Gross margin	52,765	61,543	288,182	270,013
Selling, general and administrative	27,763	25,866	116,022	111,575
Operating earnings	25,002	35,677	172,160	158,438

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.

(in millions of dollars, except per share figures)	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
Earnings from Continuing Operations	\$25.1	\$31.9	\$109.0	\$105.3
Adjustments due to one-time items (after tax)				
Rate changes on future income taxes in Canada	(6.8)	(2.0)	(6.8)	(5.5)
Utilization of previously unrecorded future income tax assets	-	(4.8)	(0.2)	(4.8)
Recognition of future Hungarian tax credits	-	(5.9)	-	(5.9)
Reduction of valuation allowance against tax benefit of loss carryforwards	-	(2.1)	-	(2.1)
Foreign Exchange loss (gain) on Hungarian Forints held in Escrow	(1.0)	-	3.0	-
Ontario Automotive Investment Strategy – “OAI” 2005/2006 Recovery	-	-	(4.3)	-
Adjusted Earnings From Continuing Operations	\$17.3	\$17.1	\$100.7	\$87.0
As a percentage of Sales	3.3%	3.1%	4.4%	3.8%
Change over Prior Year	1.2%		15.7%	
Earnings per Share	\$0.25	\$0.24	\$1.44	\$1.22

Fourth Quarter Operating Highlights

Sales for the fourth quarter of 2007 declined 2.8% to \$528.2 million, compared to \$543.6 million for the fourth quarter of 2006. 2007 sales increased \$51.5 million to \$2,313.6 million compared to \$2,262.1 million for the same period in 2006.

The Industrial Segment (“Industrial”) product sales increased 25.7% or \$105.9 million for the year. Adjusting for the stronger Canadian dollar versus the U.S. dollar and other currencies, sales would otherwise have increased by \$122.2 million or 29.7%. The increase in Industrial product sales has been predominantly driven by global market demand for aerial work platforms² and telehandlers produced by Skyjack Inc. (“Skyjack”) (a subsidiary of the company) and a product diversification strategy executed during the year.

Sales for the Powertrain/Driveline Segment (“Powertrain/Driveline”) declined by \$54.4 million, or 2.9% for the year. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2007, sales would otherwise have decreased by \$19.4 million, or 1.0%. The sales decline was expected and largely due to the substantial pre-buy activity in 2006 in the medium/heavy duty truck market related to an emissions regulation change which took effect January 1, 2007 significantly affecting the year over year comparison. The segment’s results were also affected by plant shutdowns and production reductions by North American original equipment manufacturers (“OEMs”), increased pricing pressure from

² During 2007, Skyjack began selling Booms. Accordingly the definition of aerial work platforms now includes these products

these same customers, the maturation or re-sourcing of some contracts, partially offset by the ramping up of new programs, strong growth in Europe and continuing ramp up of our Asian operations.

Operating earnings in the fourth quarter of 2007 decreased \$10.7 to \$25.0 million, compared to \$35.7 million for the same period last year. Operating earnings for the fiscal year 2007 were \$172.2 million which represents an increase of 8.7% compared to 2006 operating earnings of \$158.4 million.

Increased market share in the aerial work platform market, helped 2007 operating earnings for Industrial to increase \$12.2 million (22.2%) over 2006 to \$67.1 million.

Operating earnings for Powertrain/Driveline were higher year over year by \$1.6 million (1.5%) in 2007 to \$105.1 million. The segment did experience improved results in Europe and new business in North America but these improvements were mainly offset by significant operating earnings pressures due to non-variable cost burdens in North America and ongoing start-up costs in Asia-Pacific.

Dividends

The Board of Directors today declared an **ELIGIBLE** dividend in respect to the quarter ended December 31, 2007 of CDN\$0.06 per share on the common shares of the company, payable on or after March 31, 2008 to shareholders of record on March 21, 2008.

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 (in the various economies in which Linamar operates): the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, 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, and technological developments by Linamar's competitors.

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 hedging strategy as appropriate 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.

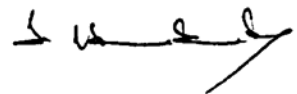
Conference Call Information

Linamar will hold a conference call on **March 5, 2008** at 5:00 p.m. EST to discuss its fourth quarter and year end 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, March 5, 2008, and at www.sedar.com by the start of business on March 6, 2008. A taped replay of the conference call will also be made available starting at 11:00 p.m. on March 5, 2008 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Conference ID 9842673. 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.

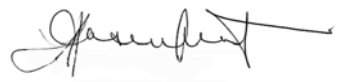
Linamar will hold a conference call on **May 7, 2008** at 5:00 p.m. EST to discuss its first quarter. The numbers for this call are (416) 642-5212 (local/overseas) or (866) 321-6651 (North America), with a call-in required 10 minutes prior to the start of the conference call. The conference call will 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 7, 2008 and at www.sedar.com by the start of business on May 8, 2008. A taped replay of the conference call will also be made available starting at 11:00 p.m. on May 7, 2008 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Conference ID 1944408. 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.

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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

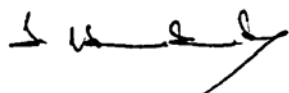
Guelph, Ontario
March 5, 2008

LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

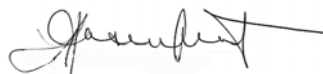
As at December 31, 2007 with comparatives as at December 31, 2006
(in thousands of dollars)

	December 31 2007	December 31 2006
	\$	\$
ASSETS		
Current Assets		
Cash	120,319	49,061
Accounts receivable	389,811	366,675
Inventories	279,299	214,953
Prepaid expenses	7,156	10,458
Current portion of long-term receivables	691	757
Derivative financial instruments (notes 1 and 4)	4,265	-
Future income taxes	6,726	6,410
Current assets – discontinued operations (note 6)	1,726	4,956
	809,993	653,270
Deferred Charges	2,128	3,693
Long-Term Receivables	1,564	2,114
Goodwill and Other Intangibles	64,613	36,697
Property, Plant and Equipment	899,944	880,651
Future Income Taxes	32,303	35,123
Property, Plant and Equipment – Discontinued Operations (note 6)	1,438	1,562
Future Income Taxes – Discontinued Operations (note 6)	1,836	3,031
	1,813,819	1,616,141
LIABILITIES		
Current Liabilities		
Unpresented cheques	16,574	10,774
Short-term bank borrowings	143,778	30,400
Accounts payable and accrued liabilities	329,857	331,687
Income taxes payable	3,739	9,313
Current portion of long-term debt	4,756	12,196
Current liabilities – discontinued operations (note 6)	4,195	9,766
	502,899	404,136
Derivative Financial Instruments (notes 1 and 4)	1,235	-
Long-Term Debt	324,380	268,911
Future Income Taxes	62,785	61,468
Non-Controlling Interests	31,962	41,883
	923,261	776,398
SHAREHOLDERS' EQUITY		
Capital Stock (note 2)	116,782	116,806
Retained Earnings	851,515	762,833
Contributed Surplus	2,246	-
Accumulated Other Comprehensive Loss (notes 1 and 3)	(79,985)	(39,896)
	890,558	839,743
	1,813,819	1,616,141

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, 2007 and December 31, 2006
(in thousands of dollars, except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales	528,180	543,611	2,313,551	2,262,130
Cost of Sales	431,104	443,453	1,857,201	1,845,989
Amortization	44,311	38,615	168,168	146,128
Gross Margin	52,765	61,543	288,182	270,013
Selling, general and administrative	27,763	25,866	116,022	111,575
Earnings Before the Following:	25,002	35,677	172,160	158,438
Other Income (Expense)				
Interest on long-term debt	(3,513)	(3,744)	(14,137)	(16,659)
Other interest expense	(2,906)	(512)	(7,171)	(998)
Interest earned	1,144	479	4,717	1,843
Other income	1,583	374	3,398	822
	21,310	32,274	158,967	143,446
Provision for Income Taxes				
Current	(563)	3,843	47,381	40,354
Future	(3,839)	(8,683)	(1,593)	(11,823)
	(4,402)	(4,840)	45,788	28,531
	25,712	37,114	113,179	114,915
Non-Controlling Interests	649	5,206	4,192	9,580
Earnings from Continuing Operations	25,063	31,908	108,987	105,335
Discontinued Operations (note 6)	344	(5,102)	344	(5,802)
Net Earnings for the Period	25,407	26,806	109,331	99,533
Basic Earnings per Share				
from Continuing Operations (note 7)	0.36	0.46	1.56	1.48
Diluted Earnings per Share				
from Continuing Operations (note 7)	0.36	0.46	1.56	1.48
Basic Earnings per Share (note 7)	0.36	0.38	1.57	1.40
Diluted Earnings per Share (note 7)	0.36	0.38	1.57	1.40

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months (unaudited) and year ended December 31, 2007 and December 31, 2006
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance – Beginning of Period, as Previously Reported	830,298	742,868	762,833	708,783
Change in accounting policies (note 1)	-	-	(3,706)	-
Balance – Beginning of Period, as Restated	830,298	742,868	759,127	708,783
Net Earnings for the Period	25,407	26,806	109,331	99,533
Excess over assigned value of common shares purchased and cancelled (note 2)	-	(2,650)	(185)	(28,413)
Dividends	(4,190)	(4,191)	(16,758)	(17,070)
Balance – End of Period	851,515	762,833	851,515	762,833

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

For the three months (unaudited) and year ended December 31, 2007 and December 31, 2006
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net Earnings for the Period	25,407	26,806	109,331	99,533
Other Comprehensive Earnings (Loss)				
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations (Note 3)	113	22,352	(42,121)	9,535
Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges (net of income taxes of \$1,304 and \$2,769 respectively) (Notes 3 and 4)	(2,736)	-	5,545	-
	(2,623)	22,352	(36,576)	9,535
Comprehensive Earnings for the Period	22,784	49,158	72,755	109,068

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months (unaudited) and year ended December 31, 2007 and December 31, 2006
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
Cash Provided By (Used In)	\$	\$	\$	\$
Operating Activities				
Earnings from continuing operations	25,063	31,908	108,987	105,335
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	43,086	38,042	164,954	143,832
Amortization of other intangible assets	1,225	573	3,214	2,296
Future income taxes	(3,839)	(8,683)	(1,593)	(11,823)
Non-controlling interests	649	5,206	4,192	9,580
Unrealized exchange (gain) loss on debt	412	(967)	(3,118)	28
Net loss on disposal/impairment provision on property, plant and equipment	4,800	4,453	7,678	5,593
Stock-based compensation	2,246	-	2,246	-
Pre-payment of tooling costs	-	6,620	-	8,998
Other	552	(74)	1,102	811
	74,194	76,808	287,662	264,650
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable	119,051	86,156	(35,474)	19,539
(Increase) in inventories	(23,928)	(10,167)	(52,485)	(15,400)
(Increase) decrease in prepaid expenses	1,766	(2,574)	2,951	(3,366)
(Decrease) in income taxes payable	(9,288)	(2,923)	(4,783)	(9,019)
Increase (decrease) in accounts payable and accrued liabilities	(826)	(21,552)	18,877	(11,108)
Cash flow – continuing operations	160,969	125,748	216,748	245,296
Cash flow – discontinued operations (note 6)	173	(1,295)	(678)	(2,061)
	161,142	124,453	216,070	243,235
Financing Activities				
Proceeds from (repayments of) short-term bank borrowings	(102,880)	(6,281)	113,378	20,548
Proceeds from long-term debt	59,628	8,139	59,628	8,139
Repayment of long-term debt	(4,985)	(30,370)	(16,452)	(35,857)
Proceeds from common share issuance	-	-	-	1,531
Repurchase of shares (note 2)	-	(3,046)	(209)	(32,380)
Decrease (increase) in long-term receivables	13	1,869	669	3,887
Dividends to shareholders	(4,190)	(4,191)	(16,758)	(17,070)
	(52,414)	(33,880)	140,256	(51,202)
Investing Activities				
Payments for purchase of property, plant and equipment	(52,281)	(45,902)	(185,490)	(183,395)
Proceeds of disposal of property, plant and equipment	-	-	5,355	925
Payments for purchase of intangible assets subject to amortization	-	-	-	(430)
Business acquisitions	(2,984)	-	(108,603)	-
	(55,265)	(45,902)	(288,738)	(182,900)
	53,463	44,671	67,588	9,133
Effect of Translation Adjustment	961	2,136	(2,130)	(1,149)
Increase (Decrease) in Cash Position	54,424	46,807	65,458	10,282
Cash Position - Beginning of Period	49,321	(8,520)	38,287	28,005
Cash Position - End of Period	103,745	(38,287)	103,745	38,287
Comprised of:				
Cash	120,319	49,061	120,319	49,061
Unpresented cheques	(16,574)	(10,774)	(16,574)	(10,774)
	103,745	38,287	103,745	38,287

LINAMAR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended December 31, 2007 and December 31, 2006 (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, except as noted below. These interim consolidated financial statements do not include all the information and footnotes as required in the annual consolidated financial statements and as such should be read in conjunction with the company's most recent audited 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.

Changes in accounting policies

Effective January 1, 2007, the company retroactively adopted the CICA Handbook Section 1530 "Comprehensive Income" ("CICA 1530"), Section 3855 "Financial Instruments – Recognition and Measurement" ("CICA 3855") and Section 3865 "Hedges" ("CICA 3865"). The adoption of the new standards resulted in changes in accounting for financial instruments and hedges as well as the recognition of certain transition adjustments that have been recorded in opening accumulated other comprehensive loss. The comparative consolidated financial statements have not been restated with the exception of the reclassification of the cumulative translation adjustment to accumulated other comprehensive loss.

A) Comprehensive Income

CICA 1530 requires the presentation of comprehensive income and its components in a new financial statement. Comprehensive income is composed of the company's net income and other comprehensive income. Other comprehensive income includes unrealized gains (losses) on translating financial statements of self-sustaining foreign operations and changes in unrealized gains (losses) on derivative instruments designated as cash flow hedges.

B) Financial Assets and Financial Liabilities

CICA 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. This standard prescribes when to recognize a financial instrument in the balance sheet and at what amount. Depending on the balance sheet classification, including management designation, fair value or cost-based measures are used. This standard also prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other comprehensive income. The company has made the following classifications:

- i) Cash is classified as "Assets held for trading". Cash is measured at fair value and the gains or losses resulting from the remeasurement at the end of each period are recognized in net income.
- ii) Accounts receivable and long-term receivables are classified as "Loans and receivables". They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.
- iii) Short-term bank borrowings, accounts payable and accrued liabilities and long-term debt are classified as "Financial liabilities". They are recorded at their cost which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

C) Guarantees

CICA 3855 requires the recognition of the inception fair value of the obligation undertaken in issuing a guarantee that falls within the scope of CICA 3855. The fair value of a guarantee ordinarily will be equal to the premium the company receives for giving the guarantee. The impact of the new standard related to guarantees was not significant to the company.

D) Embedded Derivatives

Derivatives may be embedded in other non-derivative contracts. CICA 3855 requires that embedded derivatives be treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the remainder of the contract. The embedded derivatives are measured at fair value with subsequent changes recognized in net income. The impact of the new standard related to embedded derivatives was not significant to the company.

E) Debt Issuance and Other Transaction Costs

In addition, CICA 3855 requires that an entity must select an accounting policy of either expensing debt issue costs as incurred or applying them against the carrying value of the related asset or liability. The company has chosen to apply debt issue costs against the carrying value of the debt.

F) Hedge Accounting

CICA 3865 allows qualifying transactions to be designated as hedges for accounting purposes. The company elected to apply hedge accounting for foreign exchange forward contracts and interest rate swaps as cash flow hedges. These derivatives are measured at fair value at the end of each period and the gains or losses resulting from remeasurement are recognized in other comprehensive income with any ineffective portion being recognized in net income. In addition, the company elected to apply hedge accounting for its long-dated foreign exchange forwards as fair value hedges. These derivatives are measured at fair value at the end of each period and the gains or losses resulting from the remeasurement are recognized in net income, with a corresponding adjustment to the carrying value of the hedged item through net income. The fair values are determined based on observable market data.

The adoption of these new standards translated into the following changes as at January 1, 2007 for the cash flow and fair value hedges: a \$3,513 thousand decrease in accumulated other comprehensive loss, a \$3,685 thousand increase in future income tax assets, a \$5,289 thousand increase in derivative financial instruments reported under liabilities, a \$5,615 thousand increase in long-term debt, and a \$3,706 thousand reduction in opening retained earnings. The adoption of these new standards has no impact on the company's cash flows.

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

In January 2007, the company filed a normal course issuer bid which entitles the company to acquire for cancellation up to 5,083,839 of its common shares before January 30, 2008. The purchases are made on the open market at the market price. Under this bid, in 2007, the company repurchased for cancellation 14,000 common shares with an assigned value of \$24 for \$209 cash. Subsequent to the year end, the company repurchased for cancellation 37,800 common shares with an assigned value of \$63 for \$640 cash.

On January 29, 2008, the company renewed its normal course issuer bid. The current bid permits the company to acquire up to 5,084,699 of its outstanding common shares and expires on January 30, 2009. Subsequent to the year end, the company repurchased for cancellation 962,800 common shares with an assigned value of \$1,610 for \$15,579 cash

On December 19, 2007, 999,999 options with SARs were granted with an average exercise price of \$21.24 per option. 333,333 of the options vested 50% on date of grant with the remaining vesting on the next anniversary date of grant. The remaining 666,666 options vested 10% on the date of grant with additional 10% vesting on each of the next 9 consecutive anniversary dates of grant.

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

Share option fair value (per share)	\$9.63
Risk free interest rate	4.1%
Expected life (years)	10.0
Expected Volatility	37.82%
Dividend yield	1.24%

The risk free interest rate used in determining the fair value of the options granted is based on a Government of Canada 10 year zero coupon yield that was current at the time of the grant. The expected life is the maximum term of the share options. The expected volatility considers the historical volatility of company's shares. The dividend yield is the annualized dividend current at the date of grant divided by the average exercise price.

The company recognized \$2,246 in total compensation expense in the fourth quarter of 2007 relating to the vested options (2006 - \$Nil). The fair value of the unvested options to be expensed in future years is \$7,379 at the end of 2007.

3. Accumulated Other Comprehensive Loss (in thousands of dollars)

	Three Months Ended December 31			Three Months Ended
			2007	December 31
				2006
	Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges	Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	Total Accumulated Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
	\$	\$	\$	\$
Balance – Beginning of Period	4,768	(82,130)	(77,362)	(62,248)
Other comprehensive earnings (loss) for the period	(2,736)	113	(2,623)	22,352
Balance – End of Period	2,032	(82,017)	(79,985)	(39,896)

	Year Ended December 31			Year Ended
			2007	December 31
	Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges	Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	Total Accumulated Other Comprehensive Loss	Total Accumulated Other Comprehensive Loss
	\$	\$	\$	\$
Balance – Beginning of Period, as Previously Reported	-	(39,896)	(39,896)	(49,431)
Change in accounting policies (note 1)	(3,513)	-	(3,513)	-
Balance – Beginning of Period, as Restated	(3,513)	(39,896)	(43,409)	(49,431)
Other comprehensive earnings (loss) for the period	5,545	(42,121)	(36,576)	9,535
Balance – End of Period	2,032	(82,017)	(79,985)	(39,896)

The 2006 balance corresponds to the reclassification of the cumulative translation adjustment to accumulated other comprehensive loss.

4. Financial Instruments (in thousands of dollars)

The company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future cash inflows and outflows of U.S. dollars, Euros, and British pounds from operations. The company uses forecasted future cash flows of foreign currencies to determine the level of hedges required. As at December 31, 2007 there are contracts in place with maturity dates out to 2008. The company elected to apply hedge accounting for foreign exchange forward contracts as cash flow hedges. The reclassification of gains and losses that are reported in accumulated other comprehensive earnings, net of taxes, will be recognized in net earnings in the same period as the transactions which generate the cash flows. In addition, the company elected to apply hedge accounting for its long-dated foreign exchange forwards which are accounted for as fair value hedges. These derivatives are measured at fair value at the end of each period and the gains or losses resulting from the re-measurement are recognized in net earnings. As at December 31, 2007 there are contracts in place with maturity dates in 2009 and 2014.

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 elected to apply hedge accounting for interest rate swaps as cash flow hedges.

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.

For the three month and twelve month periods ending December 31, 2007, the company recognized an unrealized loss of \$2,736, net of \$1,304 in related income taxes and an unrealized gain of \$5,545, net of \$2,769 in related incomes taxes respectively, under other comprehensive earnings representing the effective portion of the change in fair value of the derivatives designated as cash flow hedges. A loss of \$3,863 for the quarter and gain of \$3,725 for the year were classified under net earnings. An estimated gain of \$2,879 net of tax of \$1,386, is anticipated to be included in net earnings over the next twelve months.

For the three month and twelve month periods ending December 31, 2007, the company recognized a loss of \$243, net of \$109 in related income taxes and \$1,953, net of \$1,122 in related income taxes respectively, in net earnings representing the change in the fair value of the derivatives designated as fair value hedges.

5. 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.

Effective with the second quarter of 2007, the company has determined that certain corporate headquarter costs previously included in the Powertrain/Driveline operating segment should be properly apportioned between both the Powertrain/Driveline and Industrial segments. The change reflects how the chief operating decision maker monitors the business segments. The segmented reporting for 2006 and 2007 have been restated to reflect this change.

	Sales to external customers	Inter-segment sales	Sales to external customers	Inter-segment sales
	\$	\$	\$	\$
Canada	356,700	2,713	1,579,727	10,239
United States	58,742	5,086	216,228	22,419
Asia Pacific	3,918	5	10,868	29
Mexico	47,832	44	204,519	1,717
Europe	60,989	1,524	302,209	9,853
Total	528,180		2,313,551	

	Three months ended December 31, 2006		Year ended December 31, 2006	
	Sales to external customers	Inter-segment sales	Sales to external customers	Inter-segment sales
	\$	\$	\$	\$
Canada	405,370	1016	1,672,766	5,904
United States	39,803	3038	192,648	13,637
Asia Pacific	409	10	3,517	10
Mexico	46,597	54	186,495	54
Europe	51,432	2262	206,704	11,436
Total	543,611		2,262,130	

Operational	Three months ended December 31, 2007			Year ended December 31, 2007			Assets from Continuing Operations
	Sales to external customers	Inter-segment sales	Operating earnings	Sales to external customers	Inter-segment sales	Operating earnings	
	\$	\$	\$	\$	\$	\$	\$
Powertrain/Driveline	428,058	7,935	16,926	1,795,930	30,636	105,026	1,512,965
Industrial	100,122	314	8,076	517,621	675	67,134	295,570
Total	528,180		25,002	2,313,551		172,160	1,808,535

	Three months ended December 31, 2006			Year 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	448,563	4,927	17,343	1,850,362	18,679	103,496	1,373,693
Industrial	95,048	1,057	18,333	411,768	1,596	54,942	232,899
Total	543,611		35,677	2,262,310		158,438	1,606,592

6. Discontinued operations (in thousands of dollars)

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

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net (gain)loss from discontinued operations	(522)	7,762	(522)	8,839
Income tax expense(recovery)	178	(2,660)	178	(3,037)
Discontinued operations	(344)	5,102	(344)	5,802

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

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Earnings from Continuing Operations	25,063	31,908	108,987	105,335
Net Earnings for the Period	25,407	26,806	109,331	99,533
Weighted average common shares	69,824,276	69,853,621	69,827,323	71,335,178
Incremental shares from assumed conversion of stock options	-	-	-	-
Adjusted weighted average shares for diluted earnings per share	69,824,276	69,853,621	69,827,323	71,335,178
Earnings Per Share from Continuing Operations				
Basic	0.36	0.46	1.56	1.48
Diluted	0.36	0.46	1.56	1.48
Earnings Per Share from Net Earnings				
Basic	0.36	0.38	1.57	1.40
Diluted	0.36	0.38	1.57	1.40

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

8. 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 \$5,337 paid to a company owned by the spouse of an officer and director. Included in cost of sales are maintenance costs of \$723 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 \$27 related to equipment and services sold to the same company. Included in cost of sales, are lease costs of \$172 related to property leased from a company owned by two directors. Included in sales is \$1,421 to a company for which a former 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.

During the year, the company purchased 397,000 shares (4.63% of the voting shares) of Linamar Hungary Nyrt under the purchase offer from two officers who are also directors of the company for considerations of \$6,770. No shares were purchased in the fourth quarter.

9. 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 pension costs were expensed as follows:

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Government sponsored	3,534	2,795	19,410	17,423
Company sponsored	2,438	2,223	9,846	9,023

10. Foreign Exchange (in thousands of dollars)

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

	Three Months Ended December 31		Year Ended December 31	
	2007	2006	2007	2006
	\$	\$	\$	\$
Foreign exchange gain	(887)	(987)	(397)	(2,137)

11. Guarantees (in thousands of dollars)

The company has guaranteed the lease payments of Eagle Manufacturing LLC, a joint venture, for the full term of the lease which ends in 2011. The company is receiving a guarantee fee during the lease term. As at the quarter end, the maximum potential amount of future payments is \$16,194 over the remaining lease term, of which \$8,554 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$24,494 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$14,401.

12. 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, 2007, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$57,620 which relates to the purchase of manufacturing equipment. All of these commitments are due within the next twelve months.

13. Business Acquisitions (in thousands of dollars)

During the quarter, the Company purchased 129,807 shares (981,727 in 2007) of Linamar Hungary Nyrt for consideration of \$2.2 million (\$16.7 million in 2007), representing 1.5% of the total voting shares (11.4% in 2007). This purchase was accounted for by a reduction in the minority interest of \$1.6 million (\$11.7 million in 2007) and an increase to goodwill of \$0.6 million (\$5.0 million in 2007).

The following acquisitions have been accounted for using the purchase method with the results of operations included in these financial statements from the effective date of acquisition:

a) Carelift Equipment Limited

On August 22, 2007, the Company purchased Carelift Equipment Limited (Carelift) located in Breslau, Ontario, Canada. Carelift is a leading designer and manufacturer of telehandlers for the aerial work platform market. The total consideration for the acquisition of all of the outstanding shares of Carelift amounted to \$33.1 million, consisting of \$23.5 million paid in cash, and \$9.6 million of assumed debt.

b) Power Transfer Unit Business

On September 1, 2007, the Company purchased the assets of Ford Motor Company's Power Transfer Unit (PTU) business located in Nuevo Laredo, Mexico. The PTU is a critical driveline system that provides all-wheel-drive control to vehicles. The acquisition also includes the product engineering group which will be based in our US Sales office. The total consideration for the acquisition amounted to \$68.6 million.

c) N-C Lifteknik AB

On August 16, 2007, the Company purchased N-C Lifteknik AB, a distributor of the Company's Skyjack products, located in Gotenorg, Sweden. The total consideration for the acquisition of all of the outstanding shares of N-C Lifteknik AB amounted to \$1.5 million, consisting of \$0.9 million of assumed debt, and \$0.6 million in cash to be paid over the course of two years from the date of acquisition.

14. Comparative Figures

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



LINAMAR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2007

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, 2007 and related notes thereto.

This MD&A has been prepared as at March 5, 2008.

Additional information regarding Linamar, including copies of its continuous disclosure materials such as its annual information form, is available on its website at www.linamar.com or through the SEDAR website at www.sedar.com.

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

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 focused 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 close to 12,000 employees in 37 manufacturing locations, 5 research and development ("R&D") centers and 10 sales offices in Canada, the US, the UK, Mexico, Germany, Sweden, Hungary, China, Korea and Japan, Linamar generated sales of over \$2.3 Billion in 2007. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com



The following table sets out certain highlights of the company's performance in 2007:

<i>(in millions of dollars, except content per vehicle numbers)</i>	2007	2006
Sales	\$2,313.6	\$2,262.1
Gross Margin	288.2	270.0
Operating Earnings ¹	172.2	158.4
Earnings from Continuing Operations	109.0	105.3
Net Earnings	109.3	99.5
Content per Vehicle – North America	\$95.08	\$96.30
Content per Vehicle – Europe	\$9.33	\$7.77
Content per Vehicle – Asia Pacific	\$0.48	\$0.33

Overall Corporate Results

Sales for the year have increased 2.3% or \$51.5 million to \$2,313.6 million, compared to \$2,262.1 million in 2006.

The Industrial Segment (“Industrial”) product sales increased 25.7% or \$105.9 million for the year. Adjusting for the stronger Canadian dollar versus the U.S. dollar and other currencies, sales would otherwise have increased by \$122.2 million or 29.7%. The increase in Industrial product sales has been predominantly driven by global market demand for aerial work platforms² and telehandlers produced by Skyjack Inc. (“Skyjack”) (a subsidiary of the company) as part of the company’s product diversification strategy executed during the year.

Sales for the Powertrain/Driveline Segment (“Powertrain/Driveline”) declined by \$54.4 million, or 2.9%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2007, sales would otherwise have decreased by \$19.4 million, or 1.0%. The sales decline was expected and largely due to the substantial pre-buy activity in 2006 in the medium/heavy duty truck market related to an emissions regulation change which took effect January 1, 2007 significantly affecting the year over year comparison. The segment’s results were also affected by plant shutdowns and production reductions by North American original equipment manufacturers (“OEMs”), increased pricing pressure from these same customers, the maturation or re-sourcing of some contracts, partially offset by the ramping up of new programs, strong growth in Europe and continuing ramp up of our Asian operations.

North American content per vehicle was \$95.08 as compared to \$96.30 in 2006. European content per vehicle was \$9.33 compared to \$7.77 in 2006. Asia Pacific content was \$0.48 for this continuing start-up period compared to \$0.33 last year.

Operating earnings rose \$13.8 million year over year, or 8.7%.

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	
	2007	2006
Gross Margin	\$288.2	\$270.0
Selling, general and administrative	116.0	111.6
Operating Earnings	\$172.2	\$158.4

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.

² During 2007, Skyjack began selling Booms. Accordingly the definition of aerial work platforms now includes these products



Increased market share in the aerial work platform market, helped operating earnings for Industrial to increase \$12.2 million (22.2%) over 2006.

Operating earnings for Powertrain/Driveline were higher year over year by \$1.6 million (1.5%) in 2007. The segment did experience improved results in Europe and new business in North America but these improvements were mainly offset by significant operating earnings pressures due to non-variable cost burdens in North America and ongoing start-up costs in Asia-Pacific.

Certain unusual items affected earnings in both 2007 and 2006 as noted in the table below:

(in millions of dollars, except per share figures)	Three Months Ended		Year Ended	
	December 31		December 31	
	2007	2006	2007	2006
Earnings from Continuing Operations	\$25.1	\$31.9	\$109.0	\$105.3
Adjustments due to one-time items (after tax)				
Rate changes on future income taxes in Canada	(6.8)	(2.0)	(6.8)	(5.5)
Utilization of previously unrecorded future income tax assets	-	(4.8)	(0.2)	(4.8)
Recognition of future Hungarian tax credits	-	(5.9)	-	(5.9)
Reduction of valuation allowance against tax benefit of loss carryforwards	-	(2.1)	-	(2.1)
Foreign Exchange loss (gain) on Hungarian Forints held in Escrow	(1.0)	-	3.0	-
Ontario Automotive Investment Strategy – “OAIS” 2005/2006 Recovery	-	-	(4.3)	-
Adjusted Earnings From Continuing Operations	\$17.3	\$17.1	\$100.7	\$87.0
As a percentage of Sales	3.3%	3.1%	4.4%	3.8%
Change over Prior Year	1.2%		15.7%	
Earnings per Share	\$0.25	\$0.24	\$1.44	\$1.22

Earnings from continuing operations for the year were \$109.0 million (4.7% of sales) versus \$105.3 million (4.7% of sales) in 2006. Interest expense for 2007 was higher mainly due to increased borrowing used to support acquisition activities. Finally and as more fully described below, the company's effective income tax rate was significantly higher in 2007 compared to 2006.

The company's effective tax rate for 2007 was 28.8% which included a one-time gain recognized in the fourth quarter of 2007 from the reduction of Canadian tax rates (\$6.8 million). Excluding this one-time gain in 2007, the effective tax rate would have been 33.1%.

The company's effective tax rate for 2006 was 19.9%. The 2006 provision included a similar one-time gain recognized in 2006 from the reduction of Canadian tax rates (\$5.5 million). In addition, the 2006 provision



included the recognition of tax loss carryforwards and/or credits against earnings in both Mexico and Hungary (\$17.0 million); without these adjustments, the 2006 effective tax rate would have been 35.6%.

Note 13 to the consolidated financial statements for the year ended December 31, 2007 provides additional information on the company's overall tax position.

The continued windup of the company's discontinued operations for the year resulted in a small recovery of \$0.3 million, net of a tax expense of \$0.2 million, as the company was able to divest of equipment at a higher value than anticipated. Prior year losses of \$5.8 million, net of income tax recovery of \$3.0 million, related to ongoing losses until windup and the costs of closure of the discontinued operations. During 2007, the orderly wind down of production of the remaining discontinued operation was completed with no additional costs.

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 (Ontario Automotive Investment Strategy – "OAIS"). 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. During the year, the company recognized government assistance from the OAIS program in the financial statements, \$6.7 million of it relating to 2005 and 2006.

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 offer expired in May of 2007. During the offer period, the company purchased 981,727 of the shares that it did not already own for \$16.7 million to bring its ownership total to 70.1%. On January 22, 2008, the company announced the repatriation of the remaining funds that were held in escrow in Hungary that were intended for the purchase. The money was repatriated at the same exchange rate at which it was placed in escrow.

Selected Annual Information

The following table sets out selected financial data relating to the company's years ended December 31, 2007, 2006 and 2005 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>	2007	2006	2005
Sales	\$2,313.6	\$2,262.1	\$2,161.4
Earnings from Continuing Operations	109.0	105.3	101.0
Discontinued Operations, net of Income Tax Effect	0.3	(5.8)	(1.0)
Net Earnings for the year	109.3	99.5	100.0
Total Assets	1,813.8	1,616.1	1,541.5
Total Long-term Liabilities	420.4	372.3	257.9
Cash Dividends declared per share	0.24	0.24	0.24
Earnings Per Share From Continuing Operations			
Basic	\$1.56	\$1.48	\$1.43
Diluted	1.56	1.48	1.43
Earnings Per Share From Net Earnings			
Basic	\$1.57	\$1.40	\$1.41
Diluted	1.57	1.40	1.41



Sales

In 2007, sales grew 2.3% for a total of \$2,313.6 million.

<i>(in millions of dollars)</i>	2007	2006
Powertrain/Driveline	\$1,795.9	\$1,850.3
Industrial	517.7	411.8
Total external sales	\$2,313.6	\$2,262.1

Sales for Powertrain/Driveline declined by \$54.4 million, or 2.9%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2007, sales would otherwise have decreased by \$19.4 million, or 1.0%. The sales decline was expected and largely due to the substantial pre-buy activity in 2006 in the medium/heavy duty truck market related to an emissions regulation change which took effect January 1, 2007 significantly affecting the year over year comparison. The segment's results were also affected by plant shutdowns and production reductions by North American OEMs, increased pricing pressure from these same customers, the maturation or re-sourcing of some contracts, partially offset by the ramp up of new programs, strong growth in Europe and continuing ramp up of our Asian operations.

Industrial sales increased \$105.9 million for the year or 25.7%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2007, sales would otherwise have increased by \$122.2 million, or 29.7%. The increase in industrial product sales has been predominantly driven by global market demand for aerial work platforms and telehandlers produced by Skyjack as part of the company's product diversification strategy executed during the year.

Vehicle Production Volumes

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

North American vehicle production volumes for 2007 decreased 3.3% to 15.5 million versus 2006 production of 16.0 million.

European vehicle production increased 1.3% to 16.0 million units for the year from 15.8 million units in 2006.

Asia Pacific vehicle production volumes for 2007 increased 10.2% to 21.2 million units from 19.3 million units in 2006.

Automotive Sales and Content per Vehicle ³

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 and includes both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the production vehicle units for each continent.

³ Measured as the amount of Linamar automotive sales dollars per vehicle, not including tooling sales

<i>North America</i>	2007	2006	% Change
Vehicle Production Units ⁴	15.47	16.00	-3.3%
Automotive Sales ⁵	\$1,470.7	\$1,540.8	-4.5%
Content Per Vehicle	\$95.08	\$96.30	-1.3%
<i>Europe</i>			
Vehicle Production Units ³	16.00	15.79	1.3%
Automotive Sales ⁴	\$149.3	\$122.8	21.6%
Content Per Vehicle	\$9.33	\$7.77	20.1%
<i>Asia Pacific</i>			
Vehicle Production Units ³	21.22	19.25	10.2%
Automotive Sales ⁴	\$10.2	\$6.3	61.9%
Content Per Vehicle	\$0.48	\$0.33	46.8%

North American automotive sales decreased \$70.1 million or 4.5% to \$1,470.7 million in a market which saw the overall decrease in vehicle production of 3.3%. As a result, content per vehicle decreased by only 1.3% to \$95.08 from \$96.30 a year earlier.

European automotive sales improved by \$26.5 million to \$149.3 million as compared to 2006. Vehicle production volumes increased 1.3% and content per vehicle improved to \$9.33 from \$7.77 in 2006.

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

Gross Margin

<i>(in millions of dollars)</i>	2007	2006
Sales	\$2,313.6	\$2,262.1
Cost of sales	1,857.2	1,846.0
Amortization	168.2	146.1
Gross Margin	\$288.2	\$270.0
Gross Margin Percentage	12.5%	11.9%

The overall increase in gross margin year over year reflects a more favourable product mix partially offset by higher amortization costs.

Amortization increased \$22.1 million over 2006 which represents an increase from 6.5% to 7.3% of sales. The majority of the amortization expense, \$162.8 million, relates to the Powertrain/Driveline segment, where it represents 9.1% of sales in 2007 as compared to 7.7% in 2006. This increase primarily reflects the capital investment in machinery required for new Powertrain/Driveline programs that ramped up production throughout 2007.

⁴ Vehicle production units are shown in millions of units

⁵ Automotive sales are shown in millions of dollars



Operating Earnings

<i>(in millions of dollars)</i>	2007	2006
Gross margin	\$288.2	\$270.0
Selling, general and administrative	116.0	111.6
Operating Earnings	\$172.2	\$158.4
Operating Earnings Percentage	7.4%	7.0%

Selling, general and administrative (“SG&A”) costs increased by \$4.4 million or 3.9%. The company recognized \$2.2 million in stock-based compensation in the year. This is explained in more detail later in this analysis. Without this impact, SG&A costs would have remained consistent at 4.9% of sales.

The company’s foreign exchange cash flow hedging strategy has resulted in a nominal 2007 gain of \$0.4 million compared with a gain of \$2.1 million in 2006. The company continues to manage volatility in the Canadian dollar against other world currencies through a cash flow hedging strategy.

INCOME BY SEGMENT

The following should be read in conjunction with note 22 to Linamar’s consolidated financial statements for the financial year ended December 31, 2007.

Operational

Sales for Powertrain/Driveline declined by \$54.4 million, or 2.9%. Adjusting for the effect of the stronger Canadian dollar compared with the U.S. dollar and other currencies in 2007, sales would otherwise have decreased by \$19.4 million, or 1.0%. The sales decline was expected and largely due to the substantial pre-buy activity in 2006 in the medium/heavy duty truck market related to an emissions regulation change which took effect January 1, 2007 significantly affecting the year over year comparison. The segment’s results were also affected by plant shutdowns and production reductions by North American OEMs, increased pricing pressure from these same customers, the maturation or re-sourcing of some contracts, partially offset by the ramp up of new programs, strong growth in Europe and continuing ramp up of our Asian operations.

Operating earnings for Powertrain/Driveline were higher year over year by \$1.6 million (1.5%) in 2007 to \$105.1 million. The segment did experience improved results in Europe and new business in North America but these improvements were mainly offset by significant operating earnings pressures due to non-variable cost burdens in North America and ongoing start-up costs in Asia-Pacific.

Industrial sales have increased \$105.9 million for the year or 25.7%. Adjusting for the stronger Canadian dollar versus the U.S. dollar and other currencies, sales would otherwise have increased by \$122.2 million or 29.7%. The increase in industrial product sales has been predominantly driven by global market demand for aerial work platforms and telehandlers produced by Skyjack as part of the company’s product diversification strategy executed during the year

This increase in sales resulted in a \$12.2 million (22.2%) increase in operating earnings for Industrial over 2006 to \$67.1 million for 2007.



Geographical

<i>(in millions of dollars)</i>	2007	2006
Canada	\$1,579.8	\$1,672.8
U.S.	216.2	192.6
Asia Pacific	10.9	3.5
Mexico	204.5	186.5
Europe	302.2	206.7
Total external sales	\$2,313.6	\$2,262.1

Canadian geographic segment sales declined \$93.0 million year over year, to \$1,579.8 million for the year ended December 31, 2007. Powertrain/Driveline sales in Canada were down overall due to a combination of production volume declines, increased pricing pressure, and the aforementioned decline in the medium/heavy duty trucks in 2007, somewhat offset by new program launches. Strong market demand for aerial work platforms through fleet replacements and increased market share resulted in strong sales growth in Canada for Industrial.

The U.S. geographic segment enjoyed a 12.3% increase in sales, reaching \$216.2 million during the year, an increase of \$23.6 million over 2006. Sales to the U.S. customers of Skyjack have been driven by market demand and an increased market share. This is partially offset by a decline at the company's engine component plant in Kentucky, which is primarily focused on the heavy duty truck market.

Sales in the Asia Pacific geographic group more than tripled in 2007 to \$10.9 million but remain at their anticipated low levels during this start-up phase.

Mexican sales continue to improve, reaching \$204.5 million during 2007, a 9.7% increase or \$18.0 million over 2006. New and diverse programs including transmission components as well as engine components for light vehicle, medium and heavy duty truck contributed to this sales increase. In addition, the acquisition of Linamar Driveline Systems Mexico S de R.L. de C.V. also supported the sales growth in 2007.

Sales in Europe increased \$95.5 million or 46.2% to \$302.2 million in 2007. This reflects an increase in sales of our aerial work platforms and to the continued growth in our German subsidiary where a substantial cylinder head and block program is underway.



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, 2007 and 2006.

<i>(in millions of dollars, except per share amounts)</i>	2007	2006
Sales	\$2,313.6	\$2,262.1
Gross Margin	288.2	270.0
Operating Earnings	172.2	158.4
Net interest expense	(16.6)	(15.8)
Other income	3.4	0.8
Provision for Income Taxes	(45.8)	(28.5)
Non-Controlling Interests	(4.2)	(9.6)
Earnings from Continuing Operations	\$109.0	\$105.3
Discontinued Operations, net of Income Tax Effect	0.3	(5.8)
Net Earnings for the Year	\$109.3	\$99.5
Earnings Per Share From Continuing Operations		
Basic	\$1.56	\$1.48
Diluted	1.56	1.48
Net Earnings Per Share		
Basic	\$1.57	\$1.40
Diluted	1.57	1.40
Total Long-Term Liabilities	420.4	372.3
Cash Dividends declared per share	0.24	0.24
Total Assets	1,813.8	1,616.1

Net Earnings and Earnings per Share

The company's effective tax rate for 2007 was 28.8%, which included a one-time gain recognized in the fourth quarter of 2007 from the reduction of Canadian tax rates (\$6.8 million). Excluding this one-time gain in 2007, the effective tax rate would have been 33.1%.

The company's effective tax rate for 2006 was 19.9%. The 2006 provision included a similar one-time gain recognized in 2006 from the reduction of Canadian tax rates (\$5.5 million). In addition, the prior year provision included the recognition of tax loss carryforwards and/or credits against earnings in both Mexico and Hungary (\$17.0 million); without these adjustments, the 2006 effective tax rate would have been 35.6%.

The full extent of tax loss carryforwards and/or credits available in Mexico and Hungary has 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 \$109.0 million (4.7% of sales) versus \$105.3 million (4.7% of sales) in 2006. As previously discussed, operating earnings for Industrial increased year over year (\$12.2 million) as did Powertrain/Driveline (\$1.5 million).

Earnings from discontinued operations were \$0.3 million, net of income tax expense of \$0.2 million, for the year compared to a loss of \$5.8 million, net of income tax recovery of \$3.0 million for 2006. In 2007, some assets were disposed of at a higher value than anticipated resulting in a small recovery. The ongoing losses until wind-up and the costs of closure have been accrued and were reported in discontinued operations in 2006.



During 2007, the company repurchased for cancellation, 14,000 shares under its normal course issuer bid. The weighted average number of shares used to calculate earnings per share in 2007 was 69,827,323, compared to 71,335,178 in 2006.

Interest

Interest on long-term debt decreased \$2.6 million from 2006 to \$14.1 million. The decrease is primarily due to the effect of lower interest rates on a lower long-term outstanding amount on the company's syndicated borrowings, renewed during the fourth quarter of 2006. The consolidated year to date effective interest rate was lower in 2007 at 5.1%, as compared to 5.6% in 2006, primarily due to the trend in interest rates globally during 2007.

Other interest expense increased by \$6.2 million for the year as compared with 2006. There was an increase in short-term borrowings during the year in order to purchase Hungarian Forints to fund the privatization bid for Linamar Hungary Nyrt and to fund the various acquisitions during the year. The Hungarian Forints purchased have been repatriated during the first part of 2008.

Interest earned was higher by \$2.9 million during 2007 to \$4.7 million, compared to \$1.8 million in 2006. The primary contributor was interest earned on the Hungarian Forints that were purchased in 2007 for the Linamar Hungary Nyrt privatization bid that was unsuccessful. As mentioned above, these funds have been repatriated during the first part of 2008.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2006 through December 31, 2007. 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, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006	Mar 31, 2007	June 30, 2007	Sept 30, 2007	Dec 31, 2007
Sales	583.3	607.1	528.1	543.6	579.4	624.4	581.6	\$528.2
Earnings from Continuing Operations	26.0	32.3	15.1	31.9	26.7	31.3	25.9	25.1
Earnings per Share from Continuing Operations								
Basic	0.36	0.45	0.21	0.46	0.38	0.45	0.37	0.36
Diluted	0.36	0.45	0.21	0.46	0.38	0.45	0.37	0.36
Net Earnings per Share								
Basic	0.36	0.45	0.20	0.38	0.38	0.45	0.37	0.36
Diluted	0.36	0.45	0.20	0.38	0.38	0.45	0.37	0.36

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 September 30, 2007 included a one-time gain of \$6.7 million (\$4.3 million after tax) relating to the cost recoveries from fiscal 2005 and 2006 as a result of the OAIS grant.

The quarter ended December 31, 2007 included a one-time tax recovery of \$6.8 million resulting from the change in Canadian tax rates as described earlier. In addition, the company recognized \$2.2 million in stock-based compensation in the quarter compared with \$Nil a year earlier.

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 utilization 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>	2007	2006
Cash provided by (used in):		
Operating Activities	\$216.0	\$243.2
Financing Activities	140.2	(51.2)
Investing Activities	(288.7)	(182.9)
Effect of Translation Adjustment	(2.1)	1.2
Net Increase in Cash Position	65.4	10.3
Cash Position – Beginning of Year	38.3	28.0
Cash Position – End of Year	\$103.7	38.3
Comprised of:		
Cash	120.3	49.1
Unpresented Cheques	(16.6)	(10.8)
	\$103.7	\$38.3

Linamar's cash position (net of unpresented cheques) at December 31, 2007 was \$103.7 million, an increase of \$65.4 million from the prior year.

Cash provided by operating activities was \$216.0 million, \$27.2 million less than was provided in 2006 due to higher levels of working capital being utilized in support of sales increases.

During the year, financing activities provided \$140.2 million, primarily due to proceeds from short-term borrowing and long-term debt, which was used to fund the acquisition activities.

2007 investing activities include payments for the purchase of property, plant and equipment, at a level consistent with 2006. In addition, several acquisitions were made during the year whereas 2006 had no acquisition activity.



Operating Activities

<i>(in millions of dollars)</i>	2007	2006
Earnings from continuing operations	\$109.0	\$105.3
Non-cash charges to earnings	178.7	159.4
	287.7	\$264.7
Changes in non-cash working capital	(71.0)	(19.4)
Cash flow – continuing operations	216.7	\$245.3
Cash flow – discontinued operations	(0.7)	(2.1)
Cash provided from operating activities	\$216.0	\$243.2

Cash provided by operations before changes in non-cash working capital improved by \$23.0 million to \$287.7 million for the year ended December 31, 2007. While overall 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 on line.

Non-cash working capital consumed \$71.0 million in 2007 due to a build up of inventory in the Industrial segment and an increase in tooling inventory in the Powertrain/Driveline segment relating to new programs launches.

Financing Activities

<i>(in millions of dollars)</i>	2007	2006
Proceeds from of short-term bank borrowings	\$113.4	\$20.5
Proceeds from long-term debt	59.6	8.1
Repayment of long-term debt	(16.5)	(35.9)
Proceeds from common share issuance	-	1.5
Repurchase of shares	(0.2)	(32.3)
Decrease in long-term receivables	0.7	3.9
Dividends to shareholders	(16.8)	(17.0)
Cash used for financing activities	\$140.2	\$(51.2)

Financing activities provided \$140.2 million of cash during the year, compared to consuming \$51.2 million in 2006.

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. At the end of 2007, \$210.8 million in credit was available under the facility.

During the year the company purchased 14,000 common shares for cancellation under its normal course issuer bid, for total consideration of \$0.2 million. The company repurchased 37,800 shares for total consideration of \$0.6 million subsequent to December 31, 2007. The normal course issuer bid which permitted the company to acquire up to 5,083,839 of its outstanding common shares and expired on January 30, 2008.

On January 29, 2008, the company renewed its normal course issuer bid. The current bid permits the company to acquire up to 5,084,699 of its outstanding common shares and expires on January 30, 2009. The company has repurchased 962,800 shares for total consideration of \$15.3 million subsequent to January 29, 2008.

The company continued its dividend policy with payments made quarterly at a rate of \$0.06 per share in 2007.



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 2007 the company's long term receivables declined from the prior year by \$0.7 million.

Investing Activities

<i>(in millions of dollars)</i>	2007	2006
Payments for purchases of property, plant and equipment	\$(185.5)	\$(183.4)
Proceeds from disposal of property, plant and equipment	5.4	0.9
Payments for purchase of intangible assets subject to amortization	-	(0.4)
Business acquisitions	(108.6)	-
Cash used for investing activities	\$(288.7)	\$(182.9)

Cash spent on investing activities for 2007 was \$288.7 million compared to \$182.9 million spent in 2006.

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's public purchase offer was unsuccessful. During the year, 981,727 shares were acquired at a cost of \$16.7 million representing an additional 11.5% of the total outstanding shares. The company now owns 70.1% of Linamar Hungary Nyrt, which is a public company listed on the Budapest Stock Exchange.

During the third quarter of 2007, the acquisitions of the assets of Ford Motor Company's Power Transfer Unit (PTU) business, Carelift Equipment Limited, and N-C Lifteknik AB were finalized for a combined consideration of \$92.6 million. The PTU is a critical driveline system that provides all-wheel-drive control to vehicles. The PTU acquisition also includes the product engineering group which will be based in our US Sales office. Carelift is a leading designer and manufacturer of telehandlers for the aerial work platform market. N-C Lifteknik AB is a distributor of the company's Skyjack products located in Gotenorg, Sweden.

At December 31, 2007, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$57.6 million (December 31, 2006 - \$56.9 million) which relates to the purchase of manufacturing equipment. All of these commitments are in respect of 2008.

Financing Resources

At December 31, 2007 cash on hand was \$120.3 million, with unrepresented cheques and short-term bank borrowings of \$160.4 million. At December 31, 2007, the company's syndicated revolving facility had available credit of \$210.8 million.

Contractual Obligations

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



Contractual Obligations	Payment Due by Period (in millions of dollars)						
	Total	2008	2009	2010	2011	2012	Thereafter
Long-Term Debt Principal, Excluding Capital Leases	\$314.3	\$1.4	\$162.7	-	\$98.8	-	\$51.4
Capital Lease Obligations ⁶	15.0	4.5	4.5	3.1	1.6	0.4	0.9
Operating Leases	32.1	7.1	6.9	6.0	3.7	2.9	5.5
Purchase Obligations ⁷	57.6	57.6	-	-	-	-	-
Total Contractual Obligations	\$418.8	\$70.6	\$174.1	\$9.1	104.1	3.3	57.8

Shareholders' Equity

Book value per share⁸ grew to \$12.75 per share at December 31, 2007, as compared to \$12.02 per share at December 31, 2006. Earnings net of dividends contributed \$92.5 million for the year to retained earnings. During the year no options expired unexercised, and no options were exercised.

On December 19, 2007, 999,999 options with tandem stock appreciation rights ("SARs") were granted with an average exercise price of \$21.24 per option. 333,333 of the options vested 50% on dated of grant with the remaining vesting on the next anniversary date of grant. The remaining 666,666 options vested 10% on the date of grant with additional 10% vesting on each of the next 9 consecutive anniversary dates of grant. All 999,999 options were outstanding at the end of the year.

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

⁶ "Capital Lease Obligations" includes the interest component in accordance with the definition of minimum lease payments under GAAP.

⁷ "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.

⁸ "**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, 2007	December 31, 2006
<i>(in millions of dollars except share and per share figures)</i>		
Shareholders' Equity	\$890.6	\$839.7
Shares outstanding	69,824,276	69,838,276
Book Value Per Share	\$12.75	\$12.02

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.



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, 2007, the company has foreign exchange forward contracts that qualify for accounting as cash flow hedges and under the new standards which are discussed further below, the fair value unrealized gains and losses are included in other comprehensive earnings, net of taxes. The gains and losses will be recognized in net earnings in the same period as the transactions which generate the cash flows. The company was also committed to two long-dated foreign exchange forward contracts. These forward exchange contracts qualify for accounting as fair value hedges and under the new standards, any fair value unrealized gains and losses are included in net earnings.

Please see note 11 of the consolidated financial statements, which is hereby incorporated herein.

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. The company currently leases approximately 125 trucks and 194 trailers from Penske Truck Leasing and Ryder Truck Rental Canada, Ltd. The amounts due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of 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, which are hereby incorporated by reference 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 as discussed in notes 14, 16, 23, and 24 of the consolidated financial statements that are hereby incorporated by reference 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 \$5.3 million (December 31, 2006 - \$3.2 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 \$0.7 million (December 31, 2006 - \$0.8 million) paid to the same company. The maintenance and construction costs 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 \$0.03 million (December 31, 2006 - \$0.02 million) related to equipment and services sold to the same company.

Lease costs, included in cost of sales, of \$0.2 million (December 31, 2006 - \$0.3 million) are related to property leased from a company owned by two directors.

Included in sales is \$1.4 million (2006 - \$0.2) to a company for which a former officer serves as a member of the board of directors..

During the year, the company purchased 397,000 shares (4.63% of the voting shares) of Linamar Hungary Nyrt under the purchase offer from two officers who are also directors of the company for consideration of approximately \$6.8 million.

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.

FOURTH QUARTER

In the fourth quarter, sales decreased by 2.8% to \$528.2 million as compared to \$543.6 million in the same quarter last year. Operating earnings declined by 30.0% to \$25.0 million compared with \$35.7 million a year earlier.

Powertrain/Driveline sales were lower by \$20.5 million or 4.6% to \$428.1 million as compared to \$448.6 million for the same quarter in 2006. Without the exchange effect of the stronger Canadian dollar, sales for the quarter would have been higher by \$24.6 million. This would have resulted in the sales being \$4.1 million or 0.9% higher over the same quarter in 2006. Results were largely driven by lower medium/heavy duty truck sales and extended OEM customer shutdowns offset by continued growth in Asia, Europe and an acquisition in North America.

Operating earnings for Powertrain/Driveline were lower in the fourth quarter of 2007 at \$16.9 million (3.9% of operational segment sales) as compared to \$17.4 million (3.9% of operational segment sales) a year earlier. Fourth quarter earnings for 2007 were most impacted by the lower sales levels described above, offset by improved performance in Europe and reduced SG&A costs.

Sales growth in Industrial continued for the fourth quarter 2007 to \$100.1 million, up \$5.1 million or 5.4% over a year earlier. This reflects continued demand for Skyjack's aerial work platform. Operating earnings for Industrial declined during the quarter to \$8.1 million (8.1% of sales), compared to \$18.3 million (19.3% of sales) a year earlier. The fourth quarter of 2007 has seen lower operating earnings due to the addition of the new Boom products which have not yet reached their mature gross margin levels. The fourth quarter of 2006 had operating earnings which included a mix of higher margin products.

The effective tax rate in the fourth quarter of 2007 of a 20.7% recovery reflects the recognition of the effect in the quarter of the reduction in Canadian income tax rates as previously discussed.

The fourth quarter of 2007 includes a recovery to Discontinued Operations of \$0.3 million, net of income tax expense of \$0.2 million. In the fourth quarter of 2007, some assets were disposed of at a higher value than anticipated resulting in a small recovery. The ongoing losses until wind-up and the costs of closure have been accrued and were reported in discontinued operations in the fourth quarter of 2006.



Proposed Transactions

On October 18, 2007, Linamar Corporation announced that it had signed a non-binding Memorandum of Understanding setting forth a preliminary understanding regarding the purchase by Linamar of Visteon Corporation's Swansea plant located in Wales, United Kingdom. Visteon's Swansea Plant currently produces power transfer units, transfer cases and axles, which would extend Linamar's presence in the driveline business and complement Linamar's recent acquisition of Ford's PTU business in Nuevo Laredo, Mexico, finalized in August 2007. Ford is the key customer of the Swansea operations.

RISK MANAGEMENT

Operational Risk

Dependence on Certain Customers

The Company's Powertrain/Driveline segment is a world leader 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 2007, the company's four largest customers accounted for 42.5% of consolidated revenue (54.7% 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 2007, sales to the two largest Industrial customers were 6.8% of consolidated revenue (30.4% 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 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 financial instruments are referenced in note 18 to the company's consolidated financial statements, which are incorporated by reference herein.

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, 2007, the accounts receivable from the company's three largest customers amounted to 13.8%, 10.2% and 10.0% of accounts receivable (2006 - 18.2%, 12.2% and 10.3%).

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 reports any gains and losses in accumulated other comprehensive loss. 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, which are incorporated by reference herein.

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 and 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, and 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 relations 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 implemented similar laws. The company has complied with Canadian Securities Administrators ("CSA") Multilateral Instruments 52-109, and 52-110, among others.

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, have 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. Twenty five 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 effect 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.

Disclosure controls are procedures designed to ensure that information required to be disclosed in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to the Company's management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure.

The company's management, including the CEO and the CFO, does not expect that the company's disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all disclosure issues, if any, within the Company have been detected. The company is continually evolving and enhancing its systems of controls and procedures.

Based on the evaluation of disclosure controls over financial reporting, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the company's disclosure controls are effective in ensuring that material information relating to the company is made known to management on a timely basis, and is fairly presented in all material respect in the company's consolidated financial statements for the year ended December 31, 2007.

In its Annual MD&A dated March 8, 2007 and for the fiscal year ended December 31, 2006, the company reported that it, with the assistance of external specialists, had identified four areas where the internal controls over financial reporting had weaknesses requiring improvement. The company, with the assistance of its external specialists, completed in the first quarter of 2007 a remediation plan for the identified controls deficiencies, and had commenced implementation of this remediation plan.

As of January 31, 2008 all deficiencies have been remediated.

Substantive verification procedures were performed to ensure that the final 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, 2007. Otherwise, during the fiscal year ended December 31, 2007, no change in the company's internal controls over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, Linamar's internal control 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, 2007, goodwill and other intangibles of \$64.6 million (2006 - \$36.7 million) was recorded on the consolidated balance sheet of the company. The amount of goodwill and other intangibles acquired during the current year was \$34.6 million and \$0.4 million in 2006. Amortization against goodwill and intangibles totalled \$3.5 million in the year (\$2.3 million in 2006). There are no amounts recorded as impairment charges with respect to goodwill and other intangibles on the company's consolidated statements of earnings (2006 - \$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, 2007, the valuation allowance against the tax benefit of tax credits (excluding the Hungarian tax credits) and loss carry forwards as well as other assets with tax value in excess of book value is \$17.8 million (2006 - \$17.0 million). The valuation allowance is reflected in the net future income tax liability from continuing operations balance of \$23.8 million (2006 - \$20.0 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 realized impairment of long-lived assets of \$8.1 million (2006 \$4.7 million).

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.

On December 19, 2007, 999,999 options with tandem share SARs were granted with an average exercise price of \$21.24 per option. The fair value of these options was determined using the Black-Scholes option pricing model. Note 10 to the consolidated financial statements for the year ended December 31, 2007 provides additional information on the company’s stock based compensation.

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 costs may affect the estimate.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the year ended December 31, 2007:

- a) In 2005, the CICA issued Handbook Section 1530 “Comprehensive Income” (“CICA 1530”) and the company has adopted this section beginning January 1, 2007. 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” and the company has adopted this section beginning January 1, 2007. 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”) and the company has adopted this section beginning January 1, 2007. 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 and the company has adopted this section beginning January 1, 2007. 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") and the company has adopted this section beginning January 1, 2007. 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" and the company has adopted this section beginning January 1, 2007. 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" and the company has adopted this section beginning January 1, 2007. 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.

The following accounting pronouncement will be adopted by the company effective January 1, 2008:

- a) In 2006, the CICA issued Section 1535, Capital Disclosures. This Section applies to fiscal years beginning on or after October 1, 2007. It establishes standards for disclosing information about an entity’s capital and how it is managed to enable users of financial statements to evaluate the entity’s objectives, policies, and procedures for managing capital. The company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.
- b) In 2006, the CICA issued Section 3862, Financial Instruments – Disclosures, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section applies to fiscal periods beginning on or after October 1, 2007. It describes the required disclosures related to the significance of financial instruments on the entity’s financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks. This Section complements the principles of recognition, measurement and presentation of financial instruments of Section 3855, Financial Instruments - Recognition and Measurement, 3863, Financial Instruments - Presentation and 3865, Hedges. The company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.
- c) In 2006, the CICA issued Section 3863, Financial Instruments – Presentation, replacing Section 3861 – Financial Instruments – Disclosure and Presentation. This Section applies to fiscal periods beginning on or after October 1, 2007. It establishes standards for presentation of financial instruments and non-financial derivatives. The company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.
- d) In 2007, the CICA issued Section 3031, Inventories, replacing Section 3030 Inventories. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. This Section prescribes the accounting treatment for inventories, such as measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying amount of inventories, the amount of inventories recognized as an expense and the amount of the write-downs or reversal of write-downs of inventories. The company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 68,837,676 common shares were outstanding as of March 5, 2008. As of March 5, 2008, there were 999,999 options outstanding under Linamar’s share option plan.



NON-GAAP MEASURES

The following measures used by the company 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)	2007	2006	2005	2004	2003
Gross Margin	\$288.2	\$270.0	\$278.7	\$235.6	\$195.9
Selling, general and administrative	116.0	111.6	102.7	90.9	84.7
Operating Earnings	\$172.2	\$158.4	\$176.0	\$144.7	\$111.2

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)	2007	2006
Shareholders' Equity	\$890.6	\$839.7
Shares outstanding at year-end	69,824,276	69,838,276
Book value per share	\$12.75	\$12.02

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)	2007	2006
Short-term bank borrowings	\$143.8	\$30.4
Current portion of long-term debt	4.8	12.2
Long-Term Debt	324.4	268.9
Total Debt	\$473.0	\$311.5
Shareholders' Equity	890.6	839.7
Debt to Total Capitalization	34.7%	27.1%



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)	2007	2006	2005	2004	2003
Earnings from Continuing Operations	\$109.0	\$105.3	\$101.0	\$90.4	\$48.1
Shareholders' Equity	890.6	839.7	778.6	692.6	627.1
Return on Shareholders' Equity	12.2 %	12.5%	13.0%	13.1%	7.7%

OUTLOOK

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 MD&A 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 MD&A 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 cyclicity, 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.