



## INTERIM REPORT

### Linamar Announces Third Quarter Results

November 4, 2008, Guelph, Ontario, Canada –Linamar Corporation (TSX: LNR), a diversified global manufacturing company of highly engineered products, today announced its financial results for the third quarter ended September 30, 2008. The company's Powertrain and Driveline divisions ("Powertrain/Driveline") 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 ("Industrial") 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 centres and 11 sales offices in Canada, the US, Mexico, the UK, Germany, Hungary, China, Korea and Japan, Linamar generated sales in excess of \$2.3 billion in 2007. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com).

(CDN dollars in thousands except per share figures)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales	<b>540,360</b>	581,559	<b>1,780,314</b>	1,785,371
Gross Margin	<b>40,188</b>	75,677	<b>207,057</b>	235,417
Selling, general and administrative	<b>32,957</b>	28,193	<b>97,552</b>	88,259
Operating Earnings <sup>1</sup>	<b>7,231</b>	47,484	<b>109,505</b>	147,158
Earnings from Continuing Operations	<b>3,345</b>	25,850	<b>64,806</b>	83,924
Net Earnings	<b>11,484</b>	25,850	<b>72,945</b>	83,924
Diluted Earnings per Share from Continuing Operations	<b>0.05</b>	0.37	<b>0.96</b>	1.20
Diluted Earnings per Share	<b>0.17</b>	0.37	<b>1.08</b>	1.20

#### Third Quarter Operating Highlights

Sales for the third quarter of 2008 at \$540.4 million were down \$41.2 million compared to \$581.6 million for the third quarter of 2007. Sales for the Powertrain/Driveline Segment ("Powertrain/Driveline") decreased by \$12.1 million, or 2.7% in the third quarter compared with 2007. The decrease was driven by significant volume reductions by North American OEMs notably GM, Chrysler and Ford. The Industrial Segment ("Industrial") product sales decreased 21.3% or \$29.2 million for the quarter. The sales for the third quarter of 2008 differed from the corresponding period in 2007 due to significant volume reductions due to uncertainty in the market and the restricted credit availability, particularly in Europe.

The company's operating earnings decreased to \$7.3 million for the third quarter of 2008 compared to \$47.5 million for the third quarter of 2007, a decrease of 40.2 million. Third quarter operating earnings for Powertrain/Driveline were lower by \$27.1 million or 84.7% over the same quarter of 2007. Operating Earnings for Industrial decreased \$13.1 million or 84.5% over the third quarter of 2007 to \$2.4 million. The decrease in both segments were driven by under absorption of fixed costs due to the significant volume reductions.

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

Earnings from continuing operations for the quarter were \$3.3 million (0.6% of sales) versus \$25.9 million (4.5% of sales) in 2007, a decrease of 87.3%.

### **Dividends**

The Board of Directors today declared an eligible dividend in respect to the quarter ended September 30, 2008 of CDN\$0.06 per share on the common shares of the company, payable on or after December 12, 2008 to shareholders of record on November 26, 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 cashflows are denominated in foreign currencies. The movement of foreign currency exchange rates against 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**

*Q3 Conference Call Information:*

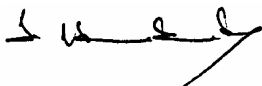
Linamar will hold a conference call on November 4, 2008 at 5:00 p.m. EST to discuss its third quarter results. The numbers for this call are (416) 642-5212 (local/overseas) or (866) 321-6651 (North America) confirmation number 3022641, with a call-in required 10 minutes prior to the start of the conference 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 November 4, 2008 and at [www.sedar.com](http://www.sedar.com) by the start of business on November 5, 2008. A taped replay of the conference call will also be made available starting at 11:00 p.m. on November 4, 2008 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Conference ID 3022641. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a seven day period.

*Q4 Conference Call Information*


Linamar will hold a conference call on March 5, 2009 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) confirmation number 2204708, 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 March 5, 2009 and at [www.sedar.com](http://www.sedar.com) by the start of business on March 6, 2009. A taped replay of the conference call will also be made available starting at 11:00 p.m. on March 5, 2009 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Conference ID 2204708. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a seven 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

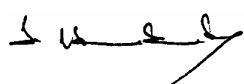
Guelph, Ontario  
November 4, 2008

**LINAMAR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

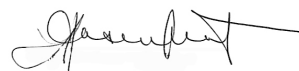
As at September 30, 2008 with comparatives as at December 31, 2007 (Unaudited)  
(in thousands of dollars)

	September 30 2008	December 31 2007
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	63,055	120,319
Accounts receivable	419,329	389,811
Inventories	310,172	279,299
Prepaid expenses	11,372	7,156
Income taxes recoverable	29,849	-
Current portion of long-term receivables	668	691
Future income taxes	5,257	6,726
Derivative financial instruments (note 10)	-	4,265
Current assets – discontinued operations (note 6)	1,705	1,726
	<b>841,407</b>	<b>809,993</b>
<b>Deferred Charges</b>	3,054	2,128
<b>Long-Term Receivables</b>	402	1,564
<b>Goodwill and Other Intangibles</b>	63,653	64,613
<b>Property, Plant and Equipment</b>	913,562	899,944
<b>Future Income Taxes</b>	37,949	32,303
<b>Property, Plant and Equipment – Discontinued Operations</b> (note 6)	1,062	1,438
<b>Future Income Taxes – Discontinued Operations</b> (note 6)	1,466	1,836
	<b>1,862,555</b>	<b>1,813,819</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unpresented cheques	20,594	16,574
Short-term bank borrowings	149,568	143,778
Accounts payable and accrued liabilities	339,273	329,857
Income taxes payable	-	3,739
Derivative financial instruments (note 10)	2,211	-
Current portion of long-term debt	3,868	4,756
Current liabilities – discontinued operations (note 6)	2,917	4,195
	<b>518,431</b>	<b>502,899</b>
<b>Long-Term Debt</b>	326,233	324,380
<b>Derivative Financial Instruments</b> (note 10)	6,524	1,235
<b>Future Income Taxes</b>	65,365	62,785
<b>Non-Controlling Interests</b>	37,450	31,962
	<b>954,003</b>	<b>923,261</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock</b> (note 4)	108,886	116,782
<b>Retained Earnings</b>	857,965	851,515
<b>Contributed Surplus</b> (note 4)	4,840	2,246
<b>Accumulated Other Comprehensive Loss</b> (note 5)	(63,139)	(79,985)
	<b>908,552</b>	<b>890,558</b>
	<b>1,862,555</b>	<b>1,813,819</b>

On behalf of the Board of Directors:



Frank Hasenfratz  
**Director**



Linda Hasenfratz  
**Director**

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

For the nine months ended September 30, 2008 and September 30, 2007 (Unaudited)  
(in thousands of dollars, except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Sales</b>	540,360	581,559	1,780,314	1,785,371
Cost of Sales	456,545	464,479	1,440,631	1,426,097
Amortization	43,627	41,403	132,626	123,857
<b>Gross Margin</b>	40,188	75,677	207,057	235,417
Selling, general and administrative	32,957	28,193	97,552	88,259
<b>Earnings Before the Following:</b>	7,231	47,484	109,505	147,158
<b>Other Income (Expense)</b>				
Interest on long-term debt	(4,074)	(3,454)	(12,126)	(10,624)
Other interest expense	(1,322)	(2,187)	(3,952)	(4,265)
Interest earned	761	1,296	1,986	3,573
Other income	911	341	1,546	1,815
	3,507	43,480	96,959	137,657
<b>Provision for (Recovery of) Income Taxes</b>				
Current	(3,634)	14,994	24,181	47,944
Future	2,667	1,197	5,242	2,246
	(967)	16,191	29,423	50,190
	4,474	27,289	67,536	87,467
<b>Non-Controlling Interests</b>	1,129	1,439	2,730	3,543
<b>Earnings from Continuing Operations</b>	3,345	25,850	64,806	83,924
<b>Extraordinary item, net of tax</b> (note 15)	8,139	-	8,139	-
<b>Net Earnings for the Period</b>	11,484	25,850	72,945	83,924
<b>Basic Earnings per Share</b> <b>from Continuing Operations</b> (notes 4 and 12)	0.05	0.37	0.96	1.20
<b>Diluted Earnings per Share</b> <b>from Continuing Operations</b> (notes 4 and 12)	0.05	0.37	0.96	1.20
<b>Basic Earnings per Share</b> (notes 4 and 12)	0.17	0.37	1.08	1.20
<b>Diluted Earnings per Share</b> (notes 4 and 12)	0.17	0.37	1.08	1.20

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

For the nine months ended September 30, 2008 and September 30, 2007 (Unaudited)  
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Balance – Beginning of Period, as Previously Reported</b>	869,699	808,637	851,515	762,833
Change in accounting policies	-	-	-	(3,706)
<b>Balance – Beginning of Period</b>	869,699	808,637	851,515	759,127
Net Earnings for the Period	11,484	25,850	72,945	83,924
Dividends	(3,969)	(4,189)	(12,077)	(12,568)
Excess over assigned value of common shares purchased and cancelled (note 4)	(19,249)	-	(54,418)	(185)
<b>Balance – End of Period</b>	857,965	830,298	857,965	830,298

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

For the nine months ended September 30, 2008 and September 30, 2007 (Unaudited)  
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Net Earnings for the Period</b>	11,484	25,850	72,945	83,924
<b>Other Comprehensive Earnings (Loss)</b>				
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations (note 5)	(11,634)	(20,206)	24,845	(42,234)
Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges (net of income taxes of \$1,309 and \$4,341 year to date, 2007 - \$3,905 and \$374 year to date) (notes 5 and 10)	(2,822)	(7,844)	(9,194)	(690)
Reclassification to earnings of gains (losses) on cash flow hedges (net of income taxes of \$299 and \$576 year to date, 2007 - \$3,745 and \$4,448 year to date) (notes 5 and 10)	(622)	7,589	1,195	8,971
	(15,078)	(20,461)	16,846	(33,953)
<b>Comprehensive Earnings for the Period</b>	(3,594)	5,389	89,791	49,971

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

For the nine months ended September 30, 2008 and September 30, 2007 (Unaudited)  
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>Cash Provided By (Used In)</b>	\$	\$	\$	\$
<b>Operating Activities</b>				
Earnings from continuing operations	3,345	25,850	64,806	83,924
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	42,405	40,656	128,593	121,868
Amortization of other intangible assets	1,222	747	4,033	1,989
Future income taxes	2,667	1,197	5,242	2,246
Non-controlling interests	1,129	1,439	2,730	3,543
Unrealized exchange (gain) loss on debt	(70)	(880)	195	(3,530)
Net loss on disposal of property, plant and equipment	(36)	253	6,159	2,878
Stock-based compensation	1,471	-	2,594	-
Other	(799)	796	790	550
	51,334	70,058	215,142	213,468
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable	35,141	(35,146)	(9,493)	(154,525)
(Increase) decrease in inventories	12,013	(9,014)	(6,643)	(28,557)
(Increase) decrease in prepaid expenses	(954)	1,480	(4,044)	1,185
Increase (decrease) in income taxes payable	(13,253)	1,236	(35,863)	4,505
Increase (decrease) in accounts payable and accrued liabilities	(24,801)	(6,891)	(6,739)	19,703
Cash flow – continuing operations	59,480	21,723	152,360	55,779
Cash flow – discontinued operations (note 6)	3	(1,201)	(511)	(851)
	59,483	20,522	151,849	54,928
<b>Financing Activities</b>				
Proceeds from (repayments of) short-term bank borrowings	28,755	131,288	5,847	216,258
Proceeds from long-term debt	41	-	2,563	-
Repayment of long-term debt	(953)	(7,023)	(4,189)	(11,467)
Repurchase of shares (note 4)	(22,531)	-	(62,314)	(209)
Decrease (increase) in long-term receivables	76	318	1,179	656
Dividends to shareholders	(3,969)	(4,189)	(12,077)	(12,568)
	1,419	120,394	(68,991)	192,670
<b>Investing Activities</b>				
Payments for purchase of property, plant and equipment	(52,581)	(49,143)	(135,973)	(130,352)
Proceeds of disposal of property, plant and equipment	550	1,340	3,336	2,498
Business acquisitions (note 15)	(5,740)	(101,223)	(11,823)	(105,619)
Extraordinary item (note 15)	(1,671)	-	(1,671)	-
	(59,442)	(149,026)	(146,131)	(233,473)
	1,460	(8,110)	(63,273)	14,125
<b>Effect of Translation Adjustment</b>	(290)	(1,267)	1,989	(3,091)
<b>Increase (Decrease) in Cash Position</b>	1,170	(9,377)	(61,284)	11,034
<b>Cash Position - Beginning of Period</b>	41,291	58,698	103,745	38,287
<b>Cash Position - End of Period</b>	42,461	49,321	42,461	49,321
<b>Comprised of:</b>				
Cash	63,055	90,071	63,055	90,071
Unpresented cheques	(20,594)	(40,750)	(20,594)	(40,750)
	42,461	49,321	42,461	49,321

# LINAMAR CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2008 and September 30, 2007 (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, 2008, the company adopted the CICA Handbook Section 3862, Financial Instruments – Disclosures ("CICA 3862"), Section 3863, Financial Instruments – Presentation ("CICA 3863"), Section 1535, Capital Disclosures ("CICA 1535") and Section 3031, Inventory ("CICA 3031").

CICA 3862 and CICA 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. CICA 3862 emphasizes disclosure on the significance of financial instruments, including hedging instruments, and the nature and extent of risks arising from those financial instruments and how management manages such exposures. CICA 3863 carries forward, unchanged from CICA Section 3861, standards for presentation of financial instruments and non financial instruments.

CICA 1535 requires supplementary disclosure regarding the company's capital management and compliance with any externally imposed capital requirements.

CICA 3031, Inventory, of the CICA handbook replaces section 3030 and establishes standards for the measurement of inventories, allocation of overhead, accounting for write-downs and disclosures.

The adoption of these new accounting standards did not impact the company's net earnings or financial position.

### 2. Foreign Exchange (in thousands of dollars)

Included as part of selling, general and administrative expenses are gains and (losses) resulting from foreign exchange as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Foreign Exchange Gain/(Loss)	(628)	970	1,687	(490)

### 3. Inventories (in thousands of dollars)

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and market. For raw materials, market is defined as replacement cost; for work-in-process and finished goods, market is defined as net realizable value. A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of goods sold. In the quarter ending September 30, 2008 the company recognized a write down of slow moving and obsolete material of \$1,227 in comparison to \$1,297 in the same quarter last year. Lower of cost or market adjustments are made on a regular basis and have no material effect on the financial statements.

Section 3031, Inventory, of the CICA Handbook replaces Section 3030 and established standards for the measurement of inventories, allocation of overhead, accounting for write-downs and disclosures. The new recommendations were adopted effective January 1, 2008, and had no material impact on the financial statements.

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

During the first quarter of 2008, the company purchased shares for cancellation under its normal course issuer bid. The company repurchased 37,800 shares for total consideration of \$640 subsequent to December 31, 2007 until January 30, 2008. The normal course issuer bid, which permitted the company to acquire up to 5,083,839 of its outstanding common shares, 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 4,683,300 shares for total consideration of \$61,674 subsequent to January 31, 2008.

On August 14, 2008, 818,001 options with tandem share appreciation rights ("SARs") were granted with an average exercise price of \$11.44 per option. 545,334 of the options vested 10% on date of grant with additional 10% vesting on each of the

next nine consecutive anniversary dates of grant. The remaining 272,667 options vested 33.33% on the date of grant with additional 33.33% vesting on each of the next two 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)	\$5.36
Risk free interest rate	3.75%
Expected life (years)	10.0
Expected volatility	39.84%
Dividend yield	1.32%

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.

**5. Accumulated Other Comprehensive Loss** (in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Balance – Beginning of Period, as Previously Reported</b>	(48,061)	(56,901)	(79,985)	(39,896)
Change in accounting policies	-	-	-	(3,513)
<b>Balance – Beginning of Period, as after changes in accounting policies</b>	(48,061)	(56,901)	(79,985)	(43,409)
Other comprehensive earnings (loss) for the period	(15,078)	(20,461)	16,846	(33,953)
<b>Balance – End of Period</b>	<b>(63,139)</b>	<b>(77,362)</b>	<b>(63,139)</b>	<b>(77,362)</b>

**6. Discontinued operations**

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.

**7. Pension Costs** (in thousands of dollars)

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Government sponsored	4,642	4,442	16,581	15,876
Company sponsored	3,724	2,496	9,346	7,407

**8. Contingent Liabilities and Commitments** (in thousands of dollars)

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

As at September 30, 2008, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$118,628. Of this amount, \$114,062 relates to the purchase of manufacturing equipment and \$4,566 is to a related party and relates to general contracting and construction costs in respect of plant construction in Ontario. All of these commitments are due within the next twelve months.

## 9. 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 \$8,697 paid to a company owned by the spouse of an officer and director. In addition, the company has a commitment of \$4,566 to the same entity. Included in cost of sales, are maintenance costs of \$717 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 sales is \$19 related to equipment and services sold to the same company.

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.

## 10. Financial Instruments (in thousands of dollars)

Classification and fair value of financial instruments

- i) Cash is classified as "Assets held for trading". Cash is measured at fair value and the gains or losses resulting from the re-measurement 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. The carrying amounts of accounts receivable approximate their fair values due to the relatively short periods to maturity. Subsequent measurements on long-term receivables 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 cost, which upon their initial measurement is equal to their fair value. The carrying amounts of short-term bank borrowings, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity. Subsequent measurements of the long-term debt are recorded at amortized cost using the effective interest method.
- iv) Derivative financial instruments designated as cash flow hedges are classified as "held for trading" and are measured at fair value at the end of each period with the gains or losses resulting from re-measurement recognized in other comprehensive income, any ineffective portion is recognized in net income. Derivative financial instruments designated as fair value hedges are classified as "held for trading" and are measured at fair value at the end of each period with the gains or losses resulting from the re-measurement recognized in net income. The fair values are determined based on observable market data.

As at September 30, 2008 the carrying value of the derivative financial instruments designated as hedges are as follows:

	Liabilities \$
Derivative financial instruments designated as cash flow hedges	8,735
Derivative financial instruments designated as fair value hedges	2,801

### Financial risk management

#### Foreign exchange risk

The company operates in several different geographical regions in the world and has many business arrangements with customers and suppliers based in different geographical regions in the world; the company therefore experiences changes in foreign exchange rates. These foreign exchange rate changes will impact the net sales and expenses based in foreign currencies and the translation of foreign currency monetary balances in relation to functional currencies. The highest concentration of foreign exchange impact comes from approximately 44% of the company's exposure on U.S. dollar activity, 21% based on GBP activity and 25% based on Euro activity in Canadian dollar, Hungarian forint, Mexican peso, U.S. dollar and British pound functional currency reporting entities.

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 September 30, 2008 there are contracts in place with maturity dates out to 2011. 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 September 30, 2008 there are contracts in place with maturity dates in 2009 and 2014.

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 periods ending September 30, 2008 and September 30, 2007, the company recognized an unrealized loss of \$1,822, net of \$849 in income taxes and an unrealized loss of \$6,873, net of \$3,466 in incomes taxes respectively and for the nine month periods 2008 and 2007, the company recognized unrealized losses of \$6,831 net of \$3,261 in income taxes, and \$1,784 net of \$884 in income taxes respectively, under other comprehensive earnings, representing the effective portion of the change in fair value of foreign exchange forward contracts designated as cash flow hedges. A reclassification from accumulated other comprehensive loss to sales and selling, general and administrative expenses netting to \$622 in losses, net of \$299 in income taxes and a net gain of \$7,589, net of \$3,745 in income taxes were made in September 30, 2008 and 2007 quarters respectively. A reclassification from accumulated other comprehensive loss to sales and selling, general and administrative expenses netting to \$1,196 in gains, net of \$576 in income taxes and a net gain of \$8,976, net of \$4,448 in income taxes were made in the first nine months of 2008 and 2007 respectively. An estimated loss of \$1,492 net of tax of \$718, is anticipated to be included in net earnings over the next twelve months.

For the three month periods ending September 30, 2008 and September 30, 2007, the company recognized a gain of \$60, net of \$27 in related income taxes and a gain of \$588, net of \$403 in related income taxes respectively, in net earnings representing the change in the fair value of the derivatives designated as fair value hedges. For the nine month periods in 2008 and 2007, the company recognized a loss of \$180, net of \$81 in related income taxes and a gain of \$2,126, net of \$1,231 in related income taxes respectively.

Holding all other variables constant, at September 30, 2008, a 5% increase or decrease in the U.S. dollar, British pound and Euro foreign exchange rates against the functional currency of the company and its self-sustained foreign subsidiaries would result in a change of \$1,850 in net earnings and \$6,508 in other comprehensive earnings on U.S. based financial instruments, \$809 in net earning and \$75 in other comprehensive earnings on British pound financial instruments and \$987 in net earnings on Euro based financial instruments. There would be a nil impact in other comprehensive earnings on Euro based financial instruments.

#### Interest rate risk

Due to the company's capital structure, there is some degree of exposure to changes in the market rate of interest. The company does invest excess funds at times to maximize interest income earned. The investment quality must meet internal standards for ratings and liquidity to safeguard our cash and cash equivalents. 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.

For the three month periods ending September 30, 2008 and September 30, 2007, the company recognized an unrealized loss of \$1,000, net of \$460 in income taxes and an unrealized loss of \$971, net of \$439 in incomes taxes respectively, under other comprehensive earnings representing the effective portion of the change in fair value of the interest rate swaps designated as cash flow hedges. For the nine month periods ending September 30, 2008 and September 30, 2007, the company recognized an unrealized loss of \$2,364, net of \$1,080 in income taxes and an unrealized gain of \$1,093, net of \$510 in income taxes respectively. There were no reclassifications to net earnings made in either the September 30, 2008 or 2007 year to date periods. There is no impact on earnings anticipated over the next twelve months.

As at September 30, 2008, an interest rate change of 50 basis points (all other variables held constant) would result in a \$91 increase or decrease in net earnings for the quarter. An interest rate change of 50 basis points would impact other comprehensive earnings by \$1,295.

#### Liquidity risk

Liquidity risk is the company's ability to meet its financial obligations when they come due. With Senior Management involvement, the company manages the liquidity risk of forecasted anticipated cash flows from operations, by ensuring that there are available cash resources to meet these needs. As at September 30, 2008, the company's syndicated revolving bank facility had available credit of \$210,570. The facility does not mature until 2011.

The undiscounted contractual maturities of the company's financial liabilities as at September 30, 2008 are as follows:

	Current Year	Maturing in 1 to 2 Years	Maturing after 2 Years	Total
	\$	\$	\$	\$
Short-term bank borrowings	149,568	-	-	149,568
Long-term debt	4,837	149,190	143,837	297,864
Derivative financial instruments designated as fair value hedge	-	19,096	11,570	30,666
Derivative financial instruments designated as cash flow hedge	3,285	2,407	1,587	7,279
	157,690	170,693	156,994	485,377

## Credit risk

The maximum exposure to credit risk at the balance sheet date is best represented by the carrying amount of the company's cash, accounts receivable, derivative financial instruments and financial guarantees (see note 14) the company has provided. The company is exposed to credit risk from potential default by counterparties that carry the company's cash and cash equivalents and derivative financial instruments and attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions within the bank syndicate providing the company's credit facility meet these qualifications. Any short term investments are made in products rated R1 Mid or higher.

Credit risk also arises from the inability of customers to discharge their obligation to the company. A substantial portion of the company's accounts receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. At September 30, 2008, the accounts receivable from the company's three largest customers amounted to 13.9%, 9.1% and 9.0% (September 30, 2007 – 12.9%, 8.8%, and 8.8%) of total receivables. The level of accounts receivable that are past due as at September 30, 2008 are part of normal payment patterns within the industry and the allowance for doubtful accounts are less than 1.0% of total trade receivables. The company does not believe it is exposed to a significant concentration of credit risk.

## 11. Capital Risk Management

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

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Earnings from Continuing Operations	3,345	25,850	64,806	83,924
Net Earnings for the Period	11,484	25,850	72,945	83,924
Weighted average common shares	66,370,431	69,824,276	67,522,913	69,828,349
Incremental shares from assumed conversion of stock options	-	-	-	-
Adjusted weighted average shares for diluted earnings per share	66,370,431	69,824,276	67,522,913	69,828,349
Earnings Per Share from Continuing Operations				
Basic	0.05	0.37	0.96	1.20
Diluted	0.05	0.37	0.96	1.20
Earnings Per Share from Net Earnings				
Basic	0.17	0.37	1.08	1.20
Diluted	0.17	0.37	1.08	1.20

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

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

Effective with the second quarter of 2007, the company has determined that the corporate headquarters and other small operating entities are allocated to both the Powertrain/Driveline and Industrial operational segments. Previously these costs were included in the Powertrain/Driveline operational segment. This new method to allocate the corporate headquarters and other small operating entities best matches how the chief operating decision makers monitor the business segments. Operational segment reporting for 2007 has been adjusted to reflect this change.

The company operates in five geographic segments – Canada, United States, Mexico, Europe and Asia Pacific.

The company accounts for inter-segment sales and transfers at current market rates. The company ensures that the measurement and policies are consistently followed among the company's reportable segments for earnings from continuing operations, net earnings and assets. The company's three largest customers account for 13.4%, 12.4% and 9.5% (2007 – 14.6%, 13.1%, and 8.2%) of total year to date sales and are all part of the Powertrain/Driveline segment.

Geographic	Three Months Ended September 30		Nine Months Ended September 30	
	2008 \$	2007 \$	2008 \$	2007 \$
Sales to external customers				
Canada	327,504	389,852	1,137,898	1,223,028
United States	42,929	53,805	177,789	157,486
Asia Pacific	10,517	4,771	25,728	6,950
Mexico	42,571	48,837	147,506	156,687
Europe	116,839	84,294	291,393	241,220
<b>Total</b>	<b>540,360</b>	<b>581,559</b>	<b>1,780,314</b>	<b>1,785,371</b>

Operational	Three months ended September 30, 2008			Nine months ended September 30, 2008			
	Sales to external customers \$	Inter-segment sales \$	Operating earnings (loss) \$	Sales to external customers \$	Inter-segment sales \$	Operating earnings (loss) \$	Assets from Continuing Operations \$
Powertrain/Driveline	432,436	4,040	4,876	1,391,338	23,807	74,198	1,503,642
Industrial	107,924	359	2,355	388,976	609	35,307	354,679
<b>Total</b>	<b>540,360</b>		<b>7,231</b>	<b>1,780,314</b>		<b>109,505</b>	<b>1,858,321</b>

	Three months ended September 30, 2007			Nine months ended September 30, 2007			
	Sales to external customers \$	Inter-segment sales \$	Operating earnings (loss) \$	Sales to external customers \$	Inter-segment sales \$	Operating earnings (loss) \$	Assets from Continuing Operations \$
Powertrain/Driveline	444,509	8,215	32,023	1,367,872	22,701	88,101	1,529,471
Industrial	137,050	127	15,461	417,499	361	59,057	335,588
<b>Total</b>	<b>581,559</b>		<b>47,484</b>	<b>1,785,371</b>		<b>147,158</b>	<b>1,865,059</b>

**14. 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 \$13,351 over the remaining lease term, of which \$7,221 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$22,534 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$12,707.

**15. Business Acquisitions** (in thousands of dollars)

**a) Volvo Material Handling Equipment**

On April 25, 2008, the company purchased the assets of Volvo's Material Handling Equipment (MHE) Business based in Shippensburg, Pennsylvania, USA. Volvo's MHE business compliments the acquisition of Carelift Equipment, completed in August of 2007. This acquisition was accounted for using the purchase method with the results of operations included in these financial statements from the effective date of acquisition. Total consideration for the acquisition has amounted to \$11,541.

	MHE \$
Cash	-
Inventory	8,949
Property, plant and equipment	1,822
Intangible assets	1,414
<b>Total assets acquired</b>	<b>12,185</b>
<b>Total liabilities assumed</b>	<b>644</b>
<b>Total cash consideration</b>	<b>11,541</b>

**b) Visteon Swansea Limited**

On July 7, 2008, the company acquired 100% of the issued and outstanding shares of Visteon Swansea Limited, subsequently named Linamar Automotive Systems Swansea Company Limited (LASSCo), an automotive manufacturing facility based in Wales, United Kingdom. LASSCo is the sister plant of the company's recently acquired Power Transfer Units business in Nuevo Laredo, Mexico.

This acquisition was accounted for using the purchase method, with results of operations included in the consolidated financial statements from the acquisition date. The net purchase price of \$1,671 was allocated based on the fair value of the net identifiable assets acquired. This allocation resulted in an excess of the fair value of the net identifiable assets over the cost of the purchase, which is sometimes referred to as negative goodwill. The negative goodwill was allocated to the fair value of the long-term assets acquired and the remaining excess of \$8,139 was recognized as an extraordinary gain.

Due to the timing of the close and complexities associated with this transaction, the purchase price allocation is subject to further adjustments pending the finalization of the valuation of goodwill, other intangibles and certain assets and liabilities.

**16. 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 Quarter Ended September 30, 2008

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "company") should be read in conjunction with its consolidated financial statements and related notes thereto as well as the annual MD&A for the year ended December 31, 2007.

This MD&A has been prepared as at November 4, 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](http://www.linamar.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).

## 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/Driveline divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial products, notably its class-leading aerial work platforms. Close to 12,000 employees in 37 manufacturing locations, 5 R&D centres and 11 sales offices in Canada, the US, Mexico, the UK, Germany, Hungary, China, Korea and Japan, Linamar generated sales in excess of \$2.3 billion in 2007. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com).

### Overall Corporate Results

The following table sets out certain highlights of the company's performance in the third quarter of 2008 and 2007:

<i>(in millions of dollars, except content per vehicle numbers)</i>	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	+/-	%	2008	2007	+/-	%
Sales	\$540.4	\$581.6	(\$41.2)	(7.1%)	\$1,780.3	\$1,785.4	(\$5.1)	(0.3%)
Gross Margin	40.2	75.7	(35.5)	(46.9%)	207.1	235.4	(28.3)	(12.0%)
Operating Earnings	7.2	47.5	(40.3)	(84.8%)	109.5	147.1	(37.6)	(25.6%)
Earnings from Continuing Operations	3.4	25.9	(22.5)	(86.9%)	64.8	83.9	(19.1)	(22.8%)
Net Earnings	11.5	25.9	(14.4)	(55.6%)	72.9	83.9	(11.0)	(13.1%)
Content per Vehicle – North America	\$98.23	\$98.63	(\$0.40)	(0.4%)	\$102.21	\$95.80	\$6.41	6.7%
Content per Vehicle – Europe	\$10.24	\$6.87	\$3.37	49.1%	\$8.99	\$6.93	\$2.06	29.7%
Content per Vehicle – Asia Pacific	\$2.85	\$0.42	\$2.43	578.6%	\$1.70	\$0.40	\$1.30	325.0%

The changes in these financial highlights are discussed in detail in the following sections of the MD&A.

Sales and Operating Earnings are discussed in the Business Segment Review Section.

Gross Margin, Earnings from Continuing Operations, Net Earnings and Content per Vehicle are discussed in their respective sections below.

Certain unusual items affected earnings in the third quarter of both 2008 and 2007 as noted in the table below:

(in millions of dollars, except per share figures)	Three Months Ended		Nine Months Ended	
	September 30 2008	2007	September 30 2008	2007
<b>Net Earnings</b>	\$ 11.5	\$ 25.9	\$ 72.9	\$ 83.9
<b>Adjustments due to one-time items (after tax)</b>				
1) Expenses related to the release of employees	2.7	-	2.7	-
2) Foreign Exchange loss (gain) on Hungarian Forints held in Escrow	-	2.1	(2.0)	4.0
3) Ontario Capital Tax - eliminated retroactively to Jan 1, 2007	-	-	(3.0)	-
4) Ontario Automotive Investment Strategy "OAIS" 2005/2006 Recovery	-	(4.3)	-	(4.3)
5) Program specific asset write down	-	-	3.2	-
<b>Adjusted Net Earnings</b>	\$ 14.2	\$ 23.7	\$ 73.8	\$ 83.6
As a percentage of Sales	2.6%	4.1%	4.1%	4.7%
Change over Prior Year	-40.1%		-11.7%	
Earnings per Share	0.21	0.34	1.09	1.20

1) During the third quarter of 2008, the company incurred certain one time expenses related to the release of employees as the company adjusted to new sales volumes.

2) 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 which resulted in a foreign exchange gain in the first quarter of 2008.

3) In the 2007 Economic Outlook and Fiscal Review, the Government of Ontario proposed to eliminate the Capital Tax effective January 1, 2008, for Ontario companies primarily engaged in manufacturing and resource activities. In the March 2008 Budget, the Government committed to retroactively eliminate the Capital Tax one year earlier, effective January 1, 2007, for Ontario companies primarily engaged in manufacturing and resource activities.

4) 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 third quarter of 2007, the company recognized government assistance from the O AIS program in the financial statements, \$6.7 million of it relating to 2005 and 2006.

5) In the first quarter of 2008, the company re-assessed the fair value of a specific asset that was not meeting performance requirements as committed to by the vendor. The company's attempts to correct the performance issues have had limited success. The company was required to invest in additional equipment to ensure customer delivery and quality was not compromised. Accordingly, the original equipment has been written down to its fair value.

## **BUSINESS SEGMENT REVIEW**

The company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are distinguished by the products that each produced and reflect how the chief decision makers of the company manage the business. The following should be read in conjunction with note 22 to Linamar's consolidated financial statements for the financial year ended December 31, 2007.

(in millions of dollars)	Three Months Ended September 30					
	2008			2007		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 432.5	\$ 107.9	\$ 540.4	\$ 444.5	\$ 137.1	\$ 581.6
Operating Earnings	4.8	2.4	7.2	32.0	15.5	47.5

(in millions of dollars)	Nine Months Ended September 30					
	2008			2007		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 1,391.3	\$ 389.0	\$ 1,780.3	\$ 1,367.9	\$ 417.5	\$ 1,785.4
Operating Earnings	74.2	35.3	109.5	88.1	59.1	147.2

### **Powertrain/Driveline Highlights**

(in millions of dollars)	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	+/-	%	2008	2007	+/-	%
	Sales	\$ 432.5	\$ 444.5	\$(12.0)	(2.7%)	\$ 1,391.3	\$ 1,367.9	\$ 23.4
Operating Earnings	4.8	32.0	(27.2)	(85.0%)	74.2	88.1	(13.9)	(15.8%)

Sales for the Powertrain/Driveline Segment ("Powertrain/Driveline") decreased by \$12.1 million, or 2.7% in the third quarter compared with 2007. For the first nine months of 2008, Powertrain/Driveline increased by \$23.4 million or 1.7%.

The sales decrease in the third quarter was impacted by:

- significant volume reductions by North American OEMs notably GM, Chrysler and Ford.

The decrease was offset by:

- the acquisition of the driveline plant in Wales in the quarter;
- the ramping up of key programs that were in the start up phase in the third quarter of 2007 including new 4 cylinder engine programs and 6 speed transmissions;
- the strong growth in Europe;
- the continuing ramp up of the Asian operations; and
- the acquisition of the driveline plant in Mexico in late 2007.

On a year-to-date ("YTD") basis sales have increased \$23.4 million in comparison with the same period of 2007. The increase is a result of the same sales growth items that helped mitigate the decline in sales in the third quarter. These growth factors were also impacted by volume reductions by North American OEM's as was seen in the third quarter, but to a lesser extent.

Third quarter operating earnings for Powertrain/Driveline were lower by \$27.1 million or 84.7% over the same quarter of 2007. The YTD operating earnings for Powertrain/Driveline were lower by \$13.9 million or 15.8% over the same period in 2007.

The segment experienced the following in the third quarter:

- improved margins as key programs exited the start up phase;
- improved margins as a result of increased focus on cost reductions;
- improved results in Europe and Asia from the sales growth; and
- in 2007, the segment's portion of the foreign exchange loss on the Hungarian Forints held in Escrow.

But these improvements were more than offset by:

- under absorption of fixed costs due to the significant volume reductions by North American OEMs notably GM, Chrysler and Ford;
- delayed labour adjustments due to fluctuating customer release schedules;
- one-time expenses relating to the release of employees as the company adjusted to new sales volumes;
- increased raw material cost driven by high commodity price levels including metal market surcharges;
- increased engineering costs with the addition of the Driveline Systems Engineering Group; and
- the one-time 2007 OAS recovery relating to 2005 and 2006.

In addition to the items that impacted the third quarter, the segment did experience the following positive impacts in the first nine months in comparison to the same period of 2007:

- elimination of the Ontario capital tax; and
- the segment's portion of the foreign exchange gain on the repatriation of Hungarian Forints held in Escrow.

But these improvements were limited by:

- a program specific asset write-down as previously discussed.

## Industrial Highlights

(in millions of dollars)	Three Months Ended September 30				Nine Months Ended September 30			
	2008	2007	+/-	%	2008	2007	+/-	%
Sales	\$ 107.9	\$ 137.1	\$(29.2)	(21.3%)	\$ 389.0	\$ 417.5	\$(28.5)	(6.8%)
Operating Earnings	2.4	15.5	(13.1)	(84.5%)	\$ 35.3	\$ 59.1	\$(23.8)	(40.3%)

The Industrial Segment ("Industrial") product sales decreased 21.3% or \$29.2 million for the quarter leading to a drop in YTD 2008 Industrial sales of \$28.5 million or 6.8% compared with the same nine month period in 2007.

The sales decreased for both the three month and nine month periods ending September 30, 2008 from the corresponding periods in 2007 due to:

- significant volume reductions due to uncertainty in the market and restricted credit availability, particularly in Europe; and
- a shift in Skyjack's sales mix to smaller units with lower per unit revenues in 2008.

The sales decrease was offset partially by:

- additional sales relating to the introduction of the boom and telehandler product lines; and
- higher sales in the European Fabrication division.

Operating Earnings decreased \$13.1 million or 84.5% over the third quarter of 2007 to \$2.4 million. The decrease in Industrial operating earnings has been predominantly driven by:

- under absorption of fixed costs due to the volume reductions;
- lower margins on new boom and telehandler sales still in the ramp-up phase;
- a shift in Skyjack's sales mix to smaller units with lower per unit margins in 2008;
- launch costs related to the continued start up of the energy market business; and
- increased investment in sales and marketing related to the marketing of the new product offerings of Booms and Telehandlers;

The operating earnings decrease was partially offset by:

- improved results due to the higher sales at the European Fabrication division;
- improved results in the Consumer Products Division; and
- a favourable variance to the third quarter of 2007 when operating earnings included a foreign exchange loss on the Hungarian Forints held in Escrow.

Operating Earnings decreased \$23.8 million or 40.3% over the first nine months of 2007 to \$35.3 million. The decrease in Industrial operating earnings for the nine month period has been predominantly driven by the same issues as the third quarter but the following additional issues helped to minimize the impact:

- In the first nine month period of 2007, the operating earnings included a foreign exchange loss on the Hungarian Forints held in Escrow;
- In the first nine months of 2008, the operating earnings included a gain on the repatriation of the Hungarian Forints held in Escrow; and
- the elimination of the Ontario capital tax.

## Automotive Sales and Content per Vehicle <sup>2</sup>

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.

As vehicle production continues to expand in Eastern Europe, the company has decided to state European content per vehicle based on all European production effective March 2008. In prior years, content per vehicle was expressed in terms of Western European production only. The 2007 comparative figures have been updated accordingly.

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	% Change	2008	2007	% Change
<i>North America</i>						
Vehicle Production Units <sup>2</sup>	3.01	3.70	(18.6%)	10.08	11.80	(14.6%)
Automotive Sales <sup>3</sup>	\$ 295.3	\$ 364.7	(19.0%)	\$1,030.5	\$1,130.6	(8.9%)
<b>Content Per Vehicle</b>	<b>\$ 98.23</b>	<b>\$ 98.63</b>	<b>(0.4%)</b>	<b>\$ 102.21</b>	<b>\$ 95.80</b>	<b>6.7%</b>
<i>Europe</i>						
Vehicle Production Units <sup>2</sup>	5.12	4.69	9.2%	17.05	16.04	6.3%
Automotive Sales <sup>3</sup>	\$ 52.5	\$ 32.2	63.0%	\$ 153.2	\$ 111.1	37.9%
<b>Content Per Vehicle</b>	<b>\$ 10.24</b>	<b>\$ 6.87</b>	<b>49.1%</b>	<b>\$ 8.99</b>	<b>\$ 6.93</b>	<b>29.7%</b>
<i>Asia Pacific</i>						
Vehicle Production Units <sup>2</sup>	5.64	5.51	2.4%	17.59	15.64	12.5%
Automotive Sales <sup>3</sup>	\$ 16.0	\$ 2.3	595.7%	\$ 30.0	\$ 6.3	376.2%
<b>Content Per Vehicle</b>	<b>\$ 2.85</b>	<b>\$ 0.42</b>	<b>578.6%</b>	<b>\$ 1.70</b>	<b>\$ 0.40</b>	<b>325.0%</b>

Linamar's North American automotive sales decreased \$69.4 million or 19.0% as compared to the third quarter of 2007 to \$294.3 million. However, the market experienced an overall decrease in vehicle production of 18.6%, resulting in a small content per vehicle decrease of 0.4% to \$98.23 from \$98.63 a year earlier.

European automotive sales improved by \$20.3 million to \$52.5 million or 63.0% as compared to the third quarter of 2007. Vehicle production volumes increased 9.2% and content per vehicle improved to \$10.24 from \$6.87 in the third quarter of 2007, an increase of 49.1%

<sup>2</sup> Measured as the amount of Linamar automotive sales dollars per vehicle, not including tooling sales.

<sup>2</sup> Vehicle production units are shown in millions of units. 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.

<sup>3</sup> Automotive sales are shown in millions of dollars.

Content per vehicle for Asia Pacific, while still at its anticipated low level during the start-up phase, realized a large increase for both the quarter and the nine month period over the same periods last year. Third quarter content per vehicle was up 578.6% from the same period last year to \$2.85 per vehicle. Vehicle production was up 2.4% while sales were up 595.7%. For the nine months ended September 30, 2008, automotive sales were up 376.2% resulting in a 325.0% increase in content per vehicle to \$1.70.

## Gross Margin

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Sales	\$540.4	\$581.6	\$1,780.3	\$1,785.4
Cost of sales	456.6	464.5	1,440.6	1,426.1
Amortization	43.6	41.4	132.6	123.9
<b>Gross Margin</b>	<b>\$40.2</b>	<b>\$75.7</b>	<b>\$207.1</b>	<b>\$235.4</b>
<b>Gross Margin Percentage</b>	<b>7.4%</b>	<b>13.0%</b>	<b>11.6%</b>	<b>13.2%</b>

Gross margin percentage decreased to 7.4% for the third quarter from 13.0% for the same quarter in 2007. Cost of sales as a percentage of sales increased to 84.5% for the third quarter of 2008 compared to 79.9% for 2007.

Cost of sales increased as a percentage of sales during the third quarter as a result of the issues discussed earlier in this analysis but specifically due to the:

- under absorption of fixed costs due to the significant volume reductions by North American OEMs notably GM, Chrysler and Ford;
- Delayed labour adjustments due to fluctuating customer release schedules;
- one-time expenses relating to the release of employees as the company adjusted to new sales volumes; and
- increased raw material cost driven by high commodity price levels including metal market surcharges.

Third quarter amortization increased to 8.1% of sales as compared to 7.1% in the same quarter in 2007. The increase in amortization is mainly attributable to new program launches and acquisitions made later in 2007.

For the first nine months of 2008, gross margin decreased to 11.6% from 13.2% when compared to the same period of 2007. The YTD decreased gross margin is mainly driven from higher amortization over slightly lower sales volume as well as increases in materials. In addition, the gross margin decrease was partially offset by improved results in the European Fabrication and Powertrain/Driveline divisions.

YTD amortization increased \$8.7 million to 7.4% of sales as compared to 6.9% in the same period of 2007. This increase relates mainly to the capital burden of machinery for the new transmission and engine programs where the volumes have not reached mature levels and lower volumes on mature programs due to industry conditions in North America.

## Selling, General and Administration

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Selling, general and administrative ("SG&A")	\$33.0	\$28.2	\$97.6	\$88.3
SG&A Percentage	6.1%	4.8%	5.5%	4.9%

Selling, general and administrative ("SG&A") costs increased \$4.8 million in the third quarter of 2008 to \$33.0 million when compared to the same quarter of 2007. As a percentage of sales, SG&A costs were 6.1% in the third quarter of 2008 and 4.8% in the third quarter of 2007.

Year-to-date SG&A was \$97.6 million or 5.5%, compared to \$88.3 million or 4.9% in 2007.

This is primarily due to:

- increased engineering costs with the addition of the Driveline Systems Engineering Group;

- increased sales and marketing costs related to the new product offerings of Booms and Telehandlers; and
- increased investment in R&D in the Industrial segment;
- an exchange loss on the Hungarian forint held in escrow in 2007 versus an exchange gain in 2008;
- higher professional fees were incurred in 2007 as a result of the pending acquisition in Mexico;

## Expenses and Other Income

(in millions of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Operating Earnings	\$7.2	\$47.5	\$109.5	\$147.1
Other Income (Expense)				
Net Interest Expense	(4.6)	(4.3)	(14.1)	(11.3)
Other Income	0.9	0.3	1.5	1.8
Provision for (Recovery of) Income Taxes	(1.0)	16.2	29.4	50.2
Non-Controlling Interests	(1.1)	(1.4)	(2.7)	(3.5)
<b>Earnings from Continuing Operations</b>	<b>\$3.4</b>	<b>\$25.9</b>	<b>\$64.8</b>	<b>\$83.9</b>
Extraordinary Item	8.1	-	8.1	-
<b>Net Earnings</b>	<b>\$11.5</b>	<b>\$25.9</b>	<b>\$72.9</b>	<b>\$83.9</b>

## Interest

Interest on long-term debt during the third quarter increased \$0.6 million over the same quarter in 2007, to \$4.0 million. For the nine month period, interest on long-term debt increased \$1.5 million over the same period in 2007. This resulted from an increase in long-term debt as the company converted short-term debt through an interest rate swap in the fourth quarter of 2007. This was partially offset by a stronger Canadian Dollar in Q3 2008 vs. Q3 2007 on the Company's U.S. dollar interest expenses. The net increase in debt was the result of acquisitions that took place during 2007. Although the expense has increased, the consolidated effective interest rate was lower in the third quarter of 2008 at 5.0% as compared to 5.1% in 2007 also due to the stronger Canadian Dollar. The effective interest rate year-to-date is lower at 4.9% as compared to 5.1% in the same period of 2007.

Average short-term borrowings decreased during the current quarter due to the above noted interest rate swap executed in Q4 2007. This was partially offset by increased short-term borrowings due to share repurchases made in 2008 under the normal course issuer bid. Short-term borrowings has benefited from lower interest rates in the current quarter compared to rates in the same quarter in 2007. Interest expense from short-term borrowings year-to-date 2008 is lower by \$0.3 compared to the same period in 2007.

Other income increased by \$0.6 million for the quarter as compared with the same quarter in 2007. For the nine month period, other income decreased by 0.3 million as compared to the same period in 2007.

## Provision for Income Taxes

The effective tax rate for the third quarter of 2008 was negative 27.6%, a decrease from positive 37.2% in the same quarter of 2007. A negative tax rate results because the tax factors (discussed below), and their impact on the effective tax rate is magnified based on the relatively low 2008 third quarter pretax income.

The year-to-date effective tax rate for 2008 was 30.4%, a decrease from 36.5% in the same period of 2007. This reduction in the year-to-date effective rate is due primarily to the decrease in the Canadian federal income tax rate effective January 1, 2008. In addition, the 2007 tax rate was negatively impacted by the cumulative foreign exchange loss of 3.9 million from the funds held in escrow for the privatization

bid of Linamar Hungary Nyrt. Finally, there was a favorable mix of lower foreign tax rates relative to the higher Canadian tax rate resulting in a reduction to the 2008 year-to-date effective rate.

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

### Non-Controlling Interests

Non-Controlling Interests declined by \$0.3 million from \$1.4 million in the third quarter of 2007 to \$1.1 million in the same quarter of 2008 and by \$0.8 million from \$3.5 million in the first nine months of 2007 to \$2.7 million in the same period of 2008. These reductions were mainly due to the reduction of Non-Controlling interests in Linamar Hungary Nyrt due to the Company's purchase of shares as part of its public purchase offering in 2007 as mentioned earlier in this analysis.

### Extraordinary Gain

The purchase during the quarter of the new automotive manufacturing facility, former Visteon plant in Swansea, Wales, United Kingdom (UK) resulted in the company recognizing an extraordinary gain. The purchase price allocation method used for accounting, generated asset values in excess of the purchase price. This difference is required to be reported as an extraordinary gain. Due to the timing of the closing and the complexities associated with the transaction, the purchase price allocations are subject to further adjustments.

## SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended December 31, 2006 through September 30, 2008. This information was derived from our unaudited consolidated financial statements which, in the opinion of management, were 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)	Dec 31, 2006	Mar 31, 2007	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008
Sales	\$543.6	\$579.4	\$624.4	\$581.6	\$528.2	\$614.5	\$625.4	\$540.4
Earnings from Continuing Operations	31.9	26.7	31.3	25.9	25.1	29.5	32.0	3.4
Net Earnings	26.8	26.7	31.3	25.9	25.4	29.5	32.0	11.5
Earnings per Share from Continuing Operations								
Basic	0.46	0.38	0.45	0.37	0.36	0.43	0.48	0.05
Diluted	0.46	0.38	0.45	0.37	0.36	0.43	0.48	0.05
Net Earnings per Share								
Basic	0.38	0.38	0.45	0.37	0.36	0.43	0.48	0.17
Diluted	0.38	0.38	0.45	0.37	0.36	0.43	0.48	0.17

The quarterly results of the company are impacted by the seasonality of certain operational units. Earnings in the third quarter are normally 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 internal maintenance activities that would otherwise disrupt normal production schedules.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

### **Cash Flows**

<i>( in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Cash provided by (used in):				
Operating Activities	\$ 59.5	\$ 20.5	\$ 151.8	\$ 54.9
Financing Activities	1.4	120.4	(69.0)	192.7
Investing Activities	(59.4)	(149.0)	(146.1)	(233.5)
Effect of Translation Adjustment	(0.3)	(1.3)	2.0	(3.1)
Net Increase in Cash Position	1.2	(9.4)	(61.3)	11.0
Cash Position – Beginning of Period	41.3	58.7	103.7	38.3
Cash Position – End of Period	\$ 42.5	\$ 49.3	\$ 42.4	\$ 49.3
Comprised of:				
Cash	\$ 63.1	\$ 90.1	63.1	90.1
Unpresented Cheques	(20.6)	(40.8)	(20.6)	(40.8)
	\$ 42.5	\$ 49.3	\$ 42.5	\$ 49.3

Linamar's cash position (net of unpresented cheques) at September 30, 2008 was \$42.5 million, a decrease of \$6.8 million compared to the same period in 2007. Cash provided by operating activities in the quarter was \$59.5 million compared to cash provided of \$20.5 million in the same period in 2007. The operating activities provided \$151.8 million in cash for the first nine months of 2008 compared to \$54.9 million for the same period of 2007.

During the quarter, financing activities provided \$1.4 million primarily through proceeds from short-term debt. Year-to-date, financing activities used \$69.0 million primarily to repurchase shares under the normal course issuer bids.

### **Operating Activities**

<i>(in millions of dollars)</i>	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Earnings from continuing operations	\$ 3.4	\$ 25.9	\$ 64.8	\$ 83.9
Non-cash charges to earnings	48.0	44.1	150.3	129.6
	\$ 51.4	\$ 70.0	\$ 215.1	\$ 213.5
Changes in non-cash working capital	8.1	(48.3)	(62.8)	(157.7)
Cash flow – continuing operations	\$ 59.5	\$ 21.7	\$ 152.3	\$ 55.8
Cash flow – discontinued operations	-	(1.2)	(0.5)	(0.9)
<b>Cash provided (used) from operating activities</b>	\$ 59.5	\$ 20.5	\$ 151.8	\$ 54.9

Cash provided by continuing operations, before the effect of changes in non-cash working capital was a 26.6% decrease at \$51.4 million in the third quarter of 2008 compared to \$70.0 million in the same quarter in 2007. On a year-to-date basis, cash provided by continuing operations, before the effect of changes in non-cash working capital, was a 0.7% increase to \$215.1 million in 2008 compared to \$213.5 million in the same quarter in 2007.

Non-cash working capital for the third quarter increased \$8.1 million, compared to a \$48.3 million decrease in 2007 and decreased \$62.8 million for the first nine months of 2008 versus \$157.7 million in the same period of 2007.

## Financing Activities

<i>(in millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
Proceeds from (repayments of) short-term bank borrowings	\$ 28.8	\$ 131.3	\$ 5.8	\$ 216.3
Proceeds from long-term debt	-	-	2.6	-
Repayment of long-term debt	(1.0)	(7.0)	(4.2)	(11.5)
Repurchase of shares	(22.5)	-	(62.3)	(0.2)
Decrease in long-term receivables	0.1	0.3	1.2	0.7
Dividends to shareholders	(4.0)	(4.2)	(12.1)	(12.6)
<b>Cash provided (used) from financing activities</b>	<b>\$ 1.4</b>	<b>\$ 120.4</b>	<b>\$ (69.0)</b>	<b>\$ 192.7</b>

During the third quarter of 2008, short-term bank borrowings increased \$28.8M and were used primarily to repurchase common shares for cancellation.

Under the normal course issuer bid which expired on January 30, 2008, the company purchased 37,800 common shares for cancellation under its normal course issuer bid for total consideration of \$0.6 million. The bid permitted the company to acquire up to 5,083,839 of its outstanding common shares.

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 4,683,300 shares as of September 30, 2008 for total consideration of \$61.7 million.

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

## Investing Activities

<i>(in millions of dollars)</i>	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
Payments for purchase of property, plant and equipment	\$ (52.6)	\$ (49.1)	\$ (135.9)	\$ (130.4)
Proceeds from disposal of property, plant and equipment	0.6	1.3	3.3	2.5
Business acquisitions	(5.7)	(101.2)	(11.8)	(105.6)
Extraordinary Item	(1.7)	-	(1.7)	-
<b>Cash used for investing activities</b>	<b>\$ (59.4)</b>	<b>\$ (149.0)</b>	<b>\$ (146.1)</b>	<b>\$ (233.5)</b>

Cash spent on investing activities for the third quarter was \$59.4 million while during the same period last year the total spent was \$149.0 million. In the nine month period ending September 30, 2008, cash spent on investing activities was \$146.1 million compared to \$233.5 million for the same period in 2007.

During the third quarter, Linamar Corporation acquired a new automotive manufacturing facility, former Visteon plant in Swansea, Wales, United Kingdom (UK). Due to the timing of the closing and the complexities associated with the transaction, the purchase price allocations are subject to further adjustments.

During the third quarter, the company also finalized the purchase of the assets of Volvo's Material Handling Equipment (MHE) Business based in Shippensburg, Pennsylvania, USA.

At September 30, 2008, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$118.6 million (September 30, 2007 - \$115.0 million).

## Financing Resources

At September 30, 2008, cash was \$63.1 million, with unrepresented cheques and short-term bank borrowings of \$170.2 million. At the end of the third quarter 2008 there was \$210.6 million in credit available in the revolving term facility under the syndicated credit facility. Under certain covenants for the Syndicated Credit Facility and Private Placement Notes, the Company is required to maintain certain financial ratios including leverage and the ability to meet interest payments. The Company is in compliance with these financial covenants as of September, 30 2008.

With Senior Management's involvement, the Company continues to monitor market conditions and anticipated cash flows to ensure there is adequate liquidity to meet these needs.

At this time the Company continues to review different sources of funding, both short and long term. As of September 30 2008 the Company has more than sufficient liquidity within the Credit Facility that matures November 9, 2011, to cover the portion of the debt that is coming due in 2009 as well as operational cash flows.

## **Contractual Obligations**

Please see the December 31, 2007 annual MD&A for a table summarizing contractual obligations by category; such obligations have not changed significantly during the first nine months of 2008.

## **Shareholders' Equity**

Book value per share<sup>3</sup> grew to \$13.96 per share at September 30, 2008, as compared to \$12.75 per share at December 31, 2007. Earnings net of dividends contributed \$7.5 million for the quarter to retained earnings. During the first nine months, the company repurchased shares under a normal course issuer bid resulting in a charge for excess purchase over book cost to retained earnings of \$54.4 million.

## **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, through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations. The company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. Linamar is exposed to credit risk from potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with relationship banks in our 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, British pound, Hungarian forint and Mexican peso.

At September 30, 2008, the company was committed to a series of forward contracts to sell U.S. dollars and British pounds. These forward contracts qualify for accounting as cash flow hedges and 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 transaction which generates the cash flows.

The company was also committed to two long-dated forward contracts to buy U.S. dollars. 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.

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<sup>3</sup> "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. For more information refer to the Non-GAAP Measures section of this Analysis

## **Off Balance Sheet Arrangements**

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. These subsidiaries are ISO 9001-2000 registered companies, providing the best possible delivery service to their customers. The company currently leases approximately 125 trucks and 194 trailers from Penske Truck Leasing and Ryder Truck Rental Canada, Ltd. The amount due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of the December 31, 2007 annual financial statements. 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 8 of the interim consolidated financial statements that 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 with respect to government assistance as discussed in notes 14, 16, 23, and 24 of the December 31, 2007 consolidated financial statements.

## **Transactions with Related Parties**

Linamar is a party to certain transactions with related parties as discussed in note 9 of the interim consolidated financial statements that are hereby incorporated by reference herein.

## **RISK MANAGEMENT**

Please see the December 31, 2007 annual MD&A for a listing of the company's various risks and how these risks are managed. There were no significant changes during the quarter of the risks described in the December 31, 2007 annual MD&A.

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

As of January 31, 2008 all deficiencies have been remediated, please see the December 31, 2007 annual MD&A for more details.

## **CRITICAL ACCOUNTING ESTIMATES**

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

Please see the annual MD&A for the year ended December 31, 2007 for a discussion of critical accounting estimates for the Impairment of Goodwill and Other Intangibles, Future Income Tax Assets and Liabilities, Impairment of Long-Lived Assets, and Stock-Based Compensation. There were no significant changes in the assumptions used and balances of these critical accounting estimates during the quarter.

## **RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES**

Refer to note 1 to the interim consolidated financial statements that are hereby incorporated by reference herein for information pertaining to accounting changes effective in 2008 and for information on issued accounting pronouncements that will be effective in future fiscal years.

## **OUTSTANDING SHARE DATA**

Linamar is authorized to issue an unlimited number of common shares, of which 64,824,076 common shares were outstanding as of November 4, 2008. As of November 4, 2008, there were 1,818,000 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. Refer to the Non-GAAP measures section of the Annual MD&A for December 31, 2007 for more information.

### **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.

(in thousands of dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Gross Margin	\$40.2	\$75.7	\$207.1	\$235.4
Selling, general and administrative	33.0	28.2	97.6	88.3
Operating Earnings	\$7.2	\$47.5	\$109.5	\$147.1

### **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 the end of the period.

(in thousands of dollars)	September 30 2008	December 31 2007
Shareholders' Equity	\$908.6	\$890.6
Shares outstanding at the end of the period	65,103,176	69,824,276
Book value per share	\$13.96	\$12.75

## **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 cyclicality, trade and labour disruptions, world political events, pricing concessions and cost absorptions, delays in program launches, the company’s dependence on certain engine and transmission programs and major OEM customers, currency exposure, technological developments by Linamar’s competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates.

The foregoing is not an exhaustive list of the factors that may affect Linamar’s forwarding looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Linamar’s forward-looking statements. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.