

## Powertrain Continues to Drive Strong Performance at Linamar

May 5, 2010 - Guelph, Ontario, Canada

- Sales increase 13.0% over the fourth quarter of 2009 ("Q4 2009") and 20.2% over the first quarter of 2009 ("Q1 2009");
- Reported net earnings of \$21.6 million or \$0.33 per share;
- Net Earnings as a % of sales is already back in the target zone of 4-6%
- Adjusted operating earnings more than double the level of Q4 2009
- Powertrain/Driveline segment adjusted operating earnings of \$39.5 million increased \$14.1 million from Q4 2009 and \$34.2 million from Q1 2009;

	Three Months Ended		
	Mar 31 2010	Dec 31 2009	Mar 31 2009
(in millions of dollars, except earnings per share figures)	\$	\$	\$
Sales	\$ 510.7	\$ 451.9	\$ 424.9
Operating Earnings (Loss)			
Powertrain/Driveline	39.5	28.8	1.7
Industrial	(7.9)	(21.0)	(0.5)
Operating Earnings (Loss)	\$ 31.6	\$ 7.8	\$ 1.2
Unusual Items	-	5.4	4.4
<b>Operating Earnings (Loss) – Adjusted</b>	\$ 31.6	\$ 13.2	\$ 5.6
Net Earnings (Loss)	\$ 21.6	\$ 14.6	\$ (12.6)
Unusual Items	-	(3.9)	12.0
<b>Net Earnings (Loss) – Adjusted</b>	21.6	10.7	(0.6)
Earnings (Loss) per Share	0.33	0.22	(0.19)
<b>Earnings (Loss) per Share - Adjusted</b>	<b>0.33</b>	<b>0.17</b>	<b>(0.01)</b>
Unusual Items			
Taxable Items before Tax			
1) Closure announcement of Invar	\$ -	\$ 6.4	\$ -
2) Inventory provision related to the global economic slow down	-	6.0	-
3) Capital asset impairments due to market conditions	-	2.8	-
4) Access equipment contract converted from previous period sale to a rental contract	-	2.5	-
5) Change in key accounting estimates	-	(12.3)	-
6) Severance related to the global economic slow down	-	-	4.4
	-	5.4	4.4
Tax Impact	-	(1.6)	(4.1)
	-	3.8	0.3
Non-Taxable Items			
7) Rate changes on future income taxes in Canada	-	(3.7)	-
8) Utilization of previously unrecognized tax losses	-	(4.0)	-
9) Goodwill impairments	-	-	11.7
Total Unusual Items after Tax	\$ -	\$ (3.9)	\$ 12.0

## **Operating Highlights**

Sales for the first quarter of 2010 ("Q1 2010") were \$510.7 million, up \$58.8 million from \$451.9 million from Q4 2009:

- Sales for the Powertrain/Driveline segment increased by \$39.0 million, or 8.9% in Q1 2010 to \$476.6 million compared to \$437.8 million in Q4 2009. The increase was a result of improved Powertrain volumes driven from Ford, General Motors and Chrysler in North America and higher sales from launch programs;
- Industrial segment sales increased 138.4%, or \$19.8 million from Q4 2009 to \$34.1 million. This increase was due to the seasonality of the Consumer Products, the European Fabrication and the Access Equipment Divisions, as well as an unusual sales reversal in Q4 2009.

The company's operating earnings for Q1 2010 were \$31.6 million. This compares to \$13.2 million adjusted operating earnings for Q4 2009, an increase of \$18.4 million:

- The increase was driven by the better absorption of fixed costs due to the improved volume in global markets and on launch programs in both the Powertrain/Driveline and Industrial segments;
- Q1 2010 operating earnings of \$39.5 million for the Powertrain/Driveline segment were higher by \$14.1 million from adjusted operating earnings of \$25.4 million in Q4 2009;
- The adjusted operating losses for the Industrial segment were \$7.9 million in Q1 2010, a decrease in loss of \$4.3 million from adjusted Q4 2009.

Taking into account the unusual items in the respective quarters, adjusted net earnings for Q1 2010 was \$21.6 million or \$0.33 net earnings per share versus \$10.7 million or \$0.17 per share in Q4 2009.

At March 31, 2010 the amount available under the company's syndicated revolving credit facility was \$236.1 million.

"We have started off the year on a very positive note with continued sales and earnings growth both from Q1 a year ago and the fourth quarter of 2009," said Linamar CEO Linda Hasenfratz, "The combination of our strong backlog of new business coupled with market growth in key markets will be key drivers of our success in 2010."

## **Dividends**

The Board of Directors today declared an eligible dividend in respect to the quarter ended March 31, 2010 of CDN\$0.06 per share on the common shares of the company, payable on or after June 8, 2010 to shareholders of record on May 26, 2010.

## **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 cash flows 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**

#### *Q1 Conference Call Information*

Linamar will hold a conference call on May 5, 2010 at 5:00 p.m. EST to discuss its first quarter results. The numbers for this call are (647) 427-3420 (local/overseas) or (888) 300-0053 (North America) confirmation number 55076381, 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 May 5, 2010 and at [www.sedar.com](http://www.sedar.com) by the start of business on May 6, 2010. A taped replay of the conference call will also be made available starting at 11:00 p.m. on May 5, 2010 for seven days. The number for replay is (800) 642-1687, Conference ID 55076381. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a 7 day period.

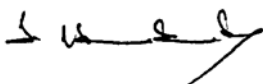
#### *Q2 Conference Call Information*

Linamar will hold a conference call on August 11, 2010 at 5:00 p.m. EST to discuss its second quarter results. The numbers for this call are (647) 427-3420 (local/overseas) or (888) 300-0053 (North America) confirmation number 69714326, 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 August 11, 2010 and at [www.sedar.com](http://www.sedar.com) by the start of business on August 12, 2010. A taped replay of the conference call will also be made available starting at 11:00 p.m. on August 11, 2010 for seven days. The number for replay is (800) 642-1687, Conference ID 69714326. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a 7 day period.

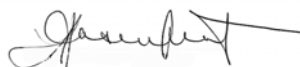
Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The company's Powertrain and Driveline focused divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 10,400 employees in 37 manufacturing locations, 5 R&D centers and 11 sales offices in Canada, the US, Mexico, Germany, Hungary, the UK, China, Korea and Japan, Linamar generated sales of close to \$1.7 Billion in 2009. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com).

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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

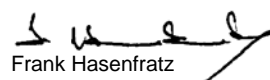
Guelph, Ontario  
May 5, 2010

**LINAMAR CORPORATION**  
**Consolidated Balance Sheets**

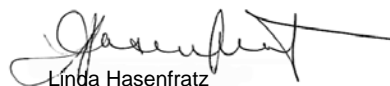
As at March 31, 2010 with comparatives as at December 31, 2009 (Unaudited)  
(in thousands of dollars)

	March 31 2010 \$	December 31 2009 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	94,891	98,015
Accounts receivable	354,396	294,339
Inventories	264,658	258,951
Prepaid expenses	5,616	6,338
Income taxes recoverable	13,266	17,711
Current portion of long-term receivables	1,809	1,558
Future income taxes	8,893	9,758
Derivative financial instruments	4,494	2,265
	<b>748,023</b>	<b>688,935</b>
<b>Deferred Charges</b>	1,252	870
<b>Long-Term Receivables</b>	4,389	4,492
<b>Goodwill and Other Intangibles (Note 2)</b>	40,434	42,371
<b>Property, Plant and Equipment</b>	796,753	792,634
<b>Future Income Taxes</b>	42,382	43,063
	<b>1,633,233</b>	<b>1,572,365</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unpresented cheques	18,500	16,719
Short-term bank borrowings	123,000	96,011
Accounts payable and accrued liabilities	364,444	337,786
Current portion of long-term debt	3,592	4,890
	<b>509,536</b>	<b>455,406</b>
<b>Long-Term Debt</b>	218,763	219,418
<b>Derivative Financial Instruments</b>	3,296	4,820
<b>Future Income Taxes</b>	52,265	51,607
<b>Non-Controlling Interests</b>	30,873	33,501
	<b>814,733</b>	<b>764,752</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock (Note 3)</b>	108,215	108,215
<b>Retained Earnings</b>	815,211	793,608
<b>Contributed Surplus</b>	5,272	4,939
<b>Accumulated Other Comprehensive Loss (Note 4)</b>	(110,198)	(99,149)
	<b>818,500</b>	<b>807,613</b>
	<b>1,633,233</b>	<b>1,572,365</b>

On behalf of the Board of Directors:

  
Frank Hasenfratz

Director

  
Linda Hasenfratz

Director

**LINAMAR CORPORATION**  
**Consolidated Statements of Earnings**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)  
(in thousands of dollars, except per share figures)

	Three Months Ended	
	2010	March 31 2009
	\$	\$
<b>Sales</b>	510,671	424,874
Cost of Sales (Note 5)	418,087	356,183
Amortization	38,225	44,937
Gross Margin	54,359	23,754
Selling, general and administrative (Note 2)	22,734	22,596
<b>Earnings Before the Following:</b>	31,625	1,158
<b>Other Income (Expense)</b>		
Interest on long-term debt	(2,635)	(4,973)
Other interest expense	(557)	(406)
Interest earned	374	276
Other income	438	422
	29,245	(3,523)
<b>Provision for (Recovery of) Income Taxes</b>		
Current	6,767	(1,969)
Future	746	(1,277)
	7,513	(3,246)
	21,732	(277)
Non-Controlling Interests	129	617
Goodwill Impairment (Note 2)	-	(11,718)
<b>Earnings (Loss) from Continuing Operations</b>	21,603	(12,612)
<b>Net Earnings (Loss) for the Period</b>	21,603	(12,612)
<b>Earnings (Loss) per Share (Note 9)</b>		
From Continuing Operations		
Basic	0.33	(0.19)
Diluted	0.33	(0.19)
From Net Earnings (Loss)		
Basic	0.33	(0.19)
Diluted	0.33	(0.19)

**LINAMAR CORPORATION**  
**Consolidated Statements of Retained Earnings**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)  
(in thousands of dollars)

	Three Months Ended	
	2010	March 31 2009
	\$	\$
<b>Balance – Beginning of Period</b>	793,608	848,300
Net Earnings (Loss) for the Period	21,603	(12,612)
<b>Balance – End of Period</b>	815,211	835,688

**LINAMAR CORPORATION**  
**Consolidated Statements of Comprehensive Earnings**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)  
(in thousands of dollars)

	Three Months Ended	
	2010	March 31 2009
	\$	\$
<b>Net Earnings (Loss) for the Period</b>	21,603	(12,612)
<b>Other Comprehensive Earnings (Loss) (Note 4)</b>		
Unrealized losses on translating financial statements of self-sustaining foreign operations	(13,589)	(10,285)
Change in unrealized gains of derivative instruments designated as cash flow hedges (net of income taxes of \$891, 2009 - \$1,885)	2,028	1,087
Reclassification to earnings of gains (losses) on cash flow hedges (net of taxes of \$189, 2009 - \$1,717)	512	(3,821)
	(11,049)	(13,019)
<b>Comprehensive Earnings (Loss) for the Period</b>	10,554	(25,631)

**LINAMAR CORPORATION**  
**Consolidated Statements of Cash Flows**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)  
(in thousands of dollars)

	Three Months Ended	
	2010	March 31 2009
	\$	\$
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Earnings (loss) from continuing operations	21,603	(12,612)
Non-cash charges (credits) to earnings:		
Amortization of property, plant and equipment	37,439	43,589
Amortization of other intangible assets	786	1,348
Future income taxes	746	(1,277)
Non-controlling interests	129	617
Unrealized exchange gain on debt	(395)	(271)
Net loss (gain) on disposal of property, plant and equipment	72	(95)
Goodwill impairment (Note 2)	-	11,718
Stock-based compensation	333	-
Other	2	794
	60,715	43,811
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(70,882)	15,588
(Increase) decrease in inventories	(9,279)	25,282
Decrease in prepaid expenses	666	1,175
Decrease (increase) in income taxes recoverable	4,758	(731)
Increase (decrease) in accounts payable and accrued liabilities	31,082	(12,342)
Cash flow - continuing operations	17,060	72,783
<b>Financing Activities</b>		
Proceeds from (repayments of) short-term bank borrowings	27,880	(32,574)
Repayment of long-term debt	(1,534)	(1,734)
Increase in long-term receivables	(411)	(420)
	25,935	(34,728)
<b>Investing Activities</b>		
Payments for purchase of property, plant and equipment	(45,450)	(40,167)
Proceeds of disposal of property, plant and equipment	555	699
Business acquisitions (Note 8)	-	(1,227)
	(44,895)	(40,695)
	(1,900)	(2,640)
<b>Effect of Translation Adjustment</b>	(3,005)	(2,116)
<b>Decrease in Cash Position</b>	(4,905)	(4,756)
<b>Cash Position - Beginning of Period</b>	81,296	83,496
<b>Cash Position - End of Period</b>	76,391	78,740
<b>Comprised of:</b>		
Cash	94,891	82,623
Unpresented cheques	(18,500)	(3,883)
	76,391	78,740

# LINAMAR CORPORATION

## Notes to Consolidated Financial Statements

For the three months ended March 31, 2010 and March 31, 2009 (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.

#### The following accounting pronouncement will be adopted by the company effective in subsequent periods

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS. These new standards will be effective for the company for the interim and annual financial statements beginning on January 1, 2011, with retrospective presentation of the comparative 2010 results.

### 2 Goodwill and Other Intangible Asset Impairment *(in thousands of dollars)*

In the fourth quarter of 2008, the company determined that goodwill was potentially impaired with respect to two of its reporting units, namely the Hungary and McLaren reporting units. The reporting units of the company have been defined as the component of an operating segment level based on the level at which discrete financial information is available and for which segment management regularly reviews the operating results of that component. In certain cases the components are aggregated when they have similar economic characteristics.

With respect to the McLaren reporting unit, while it was determined that the carrying amount of this reporting unit exceeded its fair value, the impairment test was not completed and a reasonable estimate of the impairment, if any, could not be determined in the fourth quarter of 2008. The company completed the impairment test of the McLaren reporting unit during the first quarter of 2009 and it was determined that the goodwill and other intangible assets attributable to this reporting unit were fully impaired. As a result, goodwill and other intangible asset impairment charges of \$11,718 and \$1,502, respectively, were recorded in 2009.

### 3 Capital Stock *(in thousands of dollars except for share figures)*

On February 5, 2009, the company renewed its normal course issuer bid. The bid permitted the company to acquire up to 3,791,858 of its outstanding common shares and expired on February 8, 2010. The company did not repurchased any shares under this bid.

On August 26, 2009, 999,999 options were granted with an average exercise price of \$12.89 per option. 666,666 options vested 10% on the date of grant with additional 10% vesting on each of the next nine consecutive anniversary dates of the grant. The remaining 333,333 of the options vested 50% on the grant date with the remaining vesting one year from the date of the 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)	\$6.15
Risk free interest rate	3.39%
Expected life (years)	10.0
Expected volatility	52.71%
Dividend yield	2.49%

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 at the date of grant divided by the average exercise price.

**LINAMAR CORPORATION****Notes to Consolidated Financial Statements**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)

**4 Accumulated Other Comprehensive Loss** *(in thousands of dollars)*

	Three Months Ended	
	2010	2009
	\$	\$
<b>Balance – Beginning of Period</b>	(99,149)	(81,219)
Other comprehensive loss for the period	(11,049)	(13,019)
<b>Balance – End of Period</b>	<b>(110,198)</b>	<b>(94,238)</b>

**5 Exit Activity** *(in thousands of dollars)*

On December 3, 2009, Linamar announced the closure of Invar Manufacturing Corporation (“Invar”), located in Batawa, Ontario. Invar will work through an orderly wind down of operations in 2010 and accordingly, has recognized charges mainly related to severance, special termination benefits and machine removal. Invar is included in the company’s Powertrain/Driveline segment.

	Severance	Special Termination Benefits	Total Exit Activity Liability
Beginning exit activity liability, December 31, 2009	1,855	4,188	6,043
Costs incurred	-	100	100
Costs paid	507	630	1,137
Ending exit activity liability, March 31, 2010	1,348	3,658	5,006

	Severance	Special Termination Benefits	Other *	Total Activity Exit Costs
Cumulative exit activity costs incurred as of December 31, 2010	1,855	4,288	-	6,143
Exit activity costs incurred during the period	-	100	174	274
Cumulative exit activity costs incurred as of March 31, 2010	1,855	4,288	174	6,317
Expected exit activity costs to be incurred in future periods	-	-	1,348	1,348
Total exit activity costs expected to be incurred	1,855	4,288	1,522	7,665

\* “Other” exit activity costs are related to removing the machines and closing the building.

**6 Pension Costs** *(in thousands of dollars)*

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

	Three Months Ended	
	2010	2009
	\$	\$
Government sponsored	5,028	4,063
Company sponsored	2,708	2,059

**LINAMAR CORPORATION****Notes to Consolidated Financial Statements**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)

**7 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	
	March 31	
	2010	2009
	\$	\$
Foreign Exchange Gain (Loss)	258	4,088

**8 Business Acquisitions** *(in thousands of dollars)*

On January 30, 2009, the company acquired the remaining 40% interest in Eagle Manufacturing II, LLC (Eagle Mfg), a machining facility in Florence, Kentucky, USA. The joint venture was established in September 1998, with the original ownership interest of 60% owned by Linamar and 40% owned by Navistar. The company accounted for its interest in the joint venture using the proportionate consolidation method until the date of acquisition. After the date of acquisition, Eagle Mfg's results were fully consolidated in the accounts of the company. This acquisition was accounted for using the purchase method. Total consideration for the acquisition of the remaining 40% interest was \$1,227.

	2009
	Eagle Mfg
	\$
Accounts receivable	5,745
Inventory	2,450
Prepaid expenses	34
Income taxes recoverable	55
Property, plant and equipment	6,240
Future income tax asset	632
Total assets acquired	15,156
Accounts payable	6,320
Long-term debt	7,609
Total liabilities assumed	13,929
Net assets acquired	1,227
Total cash consideration	1,227

**9 Earnings (Loss) Per Share** *(in thousands of dollars except for per share figures)*

	Three Months Ended	
	March 31	
	2010	2009
	\$	\$
Earnings (loss) from continuing operations	21,603	(12,612)
Net earnings (loss) for the period	21,603	(12,612)
Weighted average common shares	64,701,876	64,701,876
Earnings (loss) per share from continuing operations		
Basic	0.33	(0.19)
Diluted	0.33	(0.19)
Earnings (loss) per share from net earnings (loss)		
Basic	0.33	(0.19)
Diluted	0.33	(0.19)

## LINAMAR CORPORATION

### Notes to Consolidated Financial Statements

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)

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

### 10 Segmented Sales and Earnings Information *(from Continuing Operations in thousands of dollars)*

The company has two operational segments – Powertrain/Driveline and Industrial. Corporate headquarters and other small operating entities are allocated to the Powertrain/Driveline and Industrial operational segments accordingly.

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 operating earnings from continuing operations, net earnings and assets. The company's three largest customers account for 30.4%, 16.8% and 9.4% (2009 – 23.8%, 13.0% and 9.7%) of total segmented sales and are all part of the Powertrain/Driveline segment.

Geographic	Three Months Ended	
	2010	March 31 2009
Sales to external customers	\$	\$
Canada	338,317	265,100
United States	36,887	38,129
Asia Pacific	16,940	6,958
Mexico	47,422	39,626
Europe	71,105	75,061
Total	510,671	424,874

Operational	Three Months Ended March 31, 2010			
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Assets from Continuing Operations
	\$	\$	\$	\$
Powertrain/Driveline	476,575	247	39,543	1,527,020
Industrial	34,096	70	(7,918)	106,213
Total	510,671		31,625	1,633,233

	Three Months Ended March 31, 2009			
	Sales to external customers	Inter- segment sales	Operating earnings (loss)	Assets from Continuing Operations
	\$	\$	\$	\$
Powertrain/Driveline	373,499	2,620	1,660	1,449,375
Industrial	51,375	80	(502)	323,071
Total	424,874		1,158	1,772,446

### 11 Contingent Liabilities and Commitments *(in thousands of dollars)*

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

As at March 31, 2010, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$86,166. Of this amount, \$86,045 relates to the purchase of manufacturing equipment and \$121 relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

## **LINAMAR CORPORATION**

### **Notes to Consolidated Financial Statements**

For the three months ended March 31, 2010 and March 31, 2009 (Unaudited)

#### **12 Guarantees** *(in thousands of dollars)*

The company guarantees various lease payments under lease agreements for assets ending in 2011. As at March 31, 2010, the maximum potential amount of the future payments is \$8,860 over the remaining lease term, of which \$8,073 is recorded in capital leases.

The company has various guarantees for a maximum potential future payment of \$15,469 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$10,526.

#### **13 Related Party Transactions** *(in thousands of dollars)*

Included in sales is \$7 related to equipment and services sold to a company owned by the spouse of an officer and director. Included in cost of sales is maintenance costs of \$21 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.

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.

#### **14 Capital Disclosures** *(in thousands of dollars)*

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's private placement note holders require the company to maintain a minimum book value of shareholders' equity of \$450,000. Linamar is in compliance with this covenant. Book value of shareholders' equity as at March 31, 2010 was \$818,500 (2009 - \$852,691).

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.

#### **15 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 March 31, 2010

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 quarter ended March 31, 2010 and related notes thereto.

This MD&A has been prepared as at May 5, 2010.

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 powering vehicles, motion, work and lives. 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 and power generation markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 10,400 employees in 37 manufacturing locations, 5 R&D centers and 11 sales offices in Canada, the US, Mexico, Germany, Hungary, the UK, China, Korea and Japan, Linamar generated sales of close to \$1.7 Billion in 2009. 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 first quarter of 2010 ("Q1 2010") and 2009 ("Q1 2009"):

(in millions of dollars, except content per vehicle numbers)	2010	2009	Three Months Ended March 31 +/-	%
Sales	\$ 510.7	\$ 424.9	\$ 85.8	20.2%
Gross Margin	54.3	23.8	30.5	128.2%
Operating Earnings	31.6	1.2	30.4	2533.3%
Earnings (Loss) from Continuing Operations	21.6	(12.6)	34.2	271.4%
Net Earnings (Loss)	\$ 21.6	\$ (12.6)	\$ 34.2	271.4%
Unusual Items	-	12.0	(12.0)	
Net Earnings (Loss) - Adjusted	\$ 21.6	\$ (0.6)	\$ 22.2	3700.0%
Content per Vehicle – North America <sup>(1)</sup>	\$ 130.73	\$ 155.93	\$ (25.20)	(16.2%)
Content per Vehicle – Europe <sup>(1)</sup>	\$ 7.62	\$ 6.20	\$ 1.42	22.9%
Content per Vehicle – Asia Pacific <sup>(1)</sup>	\$ 2.52	\$ 1.50	\$ 1.02	68.0%

The changes in these financial highlights are discussed in detail in the following sections of this analysis.

<sup>1</sup> Content per Vehicle calculations reflect updated allocations of automotive sales in certain quarters of 2007, 2008, 2009. These allocations have no effect on the company's financial statements for those periods. Please see the December 31, 2009 MDA "Automotive Sales and Content per Vehicle" section for more information

Certain unusual items affected earnings in both Q1 2010 and Q1 2009 as noted in the table below:

(in millions of dollars, except per share figures)	2010	Three Months Ended March 31 2009
Net Earnings (Loss)	\$ 21.6	\$ (12.6)
Adjustments due to unusual items		
Taxable Items before Tax		
1) Severance related to the global economic slow down	-	4.4
	-	4.4
Tax Impact	-	(4.1)
	-	0.3
Non-Taxable Items		
2) Goodwill impairments	-	11.7
Adjusted Net Earnings (Loss)	\$ 21.6	\$ (0.6)
As a percentage of Sales	4.2%	(0.1%)
Change over Prior Year	3700.0%	
Adjusted Earnings (Loss) per Share	\$ 0.33	\$ (0.01)

- 1) During 2009, the company incurred certain expenses related to the release of employees as the company adjusted to new sales volumes.
- 2) See the Goodwill Impairments section of this Analysis for details on this item.

## **BUSINESS SEGMENT REVIEW**

The company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects 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 year ended December 31, 2009.

(in millions of dollars)	Three Months Ended March 31 2010			Three Months Ended March 31 2009		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 476.6	\$ 34.1	\$ 510.7	\$ 373.5	\$ 51.4	\$ 424.9
Operating Earnings (Loss)	39.5	(7.9)	31.6	1.7	(0.5)	1.2
Unusual Items	-	-	-	3.6	0.8	4.4
Operating Earnings (Loss) - Adjusted	39.5	(7.9)	31.6	5.3	0.3	5.6

## **Powertrain/Driveline Highlights**

(in millions of dollars)	2010		2009		Three Months Ended March 31	
					+/-	%
Sales	\$ 476.6		\$ 373.5		\$ 103.1	27.6%
Operating Earnings	39.5		1.7		37.8	2223.5%
Unusual Items						
Severance related to the global economic slow down	-		3.6		(3.6)	
	-		3.6		(3.6)	
Operating Earnings - Adjusted	39.5		5.3		34.2	645.3%

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by \$103.1 million, or 27.6% in Q1 2010 compared with Q1 2009.

The sales increase in the first quarter was impacted by the vehicle volumes starting to recover in the global vehicle markets and specifically by:

- higher sales driven by increased consumer demand in the US;
- higher sales from the Asian operations in Q1 2010; and
- the maturing volumes of key programs that were in the start-up phase in 2008/2009 including 6 speed transmissions.

Q1 2010 operating earnings for Powertrain/Driveline were higher by \$37.8 million over Q1 2009.

The Powertrain/Driveline segment experienced the following in Q1 2010:

- improved margins as production volumes increase and as new programs launch while operating under a leaner cost structure;
- improved results in Asia from the sales growth;
- reduced amortization due to the lower net book value of property, plant and equipment as a result of the impairments recognized during 2009;

and with the following Q1 2009 impact:

- expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in Q1 2010.

## Industrial Highlights

(in millions of dollars)	2010	2009	Three Months Ended	
			March 31	
			+/-	%
Sales	\$ 34.1	\$ 51.4	\$ (17.3)	(33.7%)
Operating Earnings (Loss)	(7.9)	(0.5)	(7.4)	1480.0%
Unusual Items				
Severance related to the global economic slow down	-	0.8	(0.8)	
	-	0.8	(0.8)	
Operating Earnings (Loss) - Adjusted	(7.9)	0.3	(8.2)	(2733.3%)

The Industrial segment ("Industrial") product sales decreased 33.7% or \$17.3 million to \$34.1 million in Q1 2010 from Q1 2009. The sales decrease was due to:

- Industrial's Access Equipment Markets remained soft as rental houses extend fleet life and delay purchases; and
- significant declines in demand in the agricultural equipment markets serviced by the European Fabrication Division.

Adjusted operating earnings in Q1 2010 decreased \$8.2 million over Q1 2009 to a loss of \$7.9 million. The decrease in Industrial operating earnings was predominantly driven by:

- under absorption of fixed costs due to the volume reductions;
  - partially offset by cost savings from the company's overhead and fixed cost reduction program that was executed throughout 2009;
- and with the following Q1 2009 impact:
- expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in Q1 2010.

## AUTOMOTIVE SALES AND CONTENT PER VEHICLE<sup>1</sup>

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are 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 Asia Pacific, the company decided to state Asia Pacific content per vehicle based on all China, India, Japan, South Korea and Thailand production effective September 2009. In prior years, content per vehicle was expressed in terms of China, Japan and South Korea production only. The 2009 comparative figures have been adjusted accordingly.

In addition to automotive OEMs, Linamar sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear, however the company estimates the automotive portion of the sales for inclusion in its content per vehicle calculations. In reviewing its calculation of content per vehicle in the fourth quarter of 2009, the company identified certain sales estimates that required updating to better reflect the automotive sales in certain quarters of 2007, 2008 and 2009. These allocations have no effect on the company's financial statements for those periods. Please see the annual MD&A for the year ended December 31, 2009 for a discussion on the updated estimates for 2007, 2008 and 2009. For informational purposes, the tables below present content per vehicle calculations with the automotive sales allocations for 2009, updated where applicable.

		Three Months Ended March 31	
	2010	2009	% Change
<i>North America</i>			
Vehicle Production Units <sup>2</sup>	2.85	1.81	57.5%
Automotive Sales <sup>3</sup>	\$ 372.3	\$ 282.0	32.0%
<b>Content Per Vehicle</b>	<b>\$ 130.73</b>	<b>\$ 155.93</b>	<b>(16.2%)</b>
<i>Europe</i>			
Vehicle Production Units <sup>2</sup>	4.27	4.26	0.2%
Automotive Sales <sup>3</sup>	\$ 32.5	\$ 26.4	23.1%
<b>Content Per Vehicle</b>	<b>\$ 7.62</b>	<b>\$ 6.20</b>	<b>22.9%</b>
<i>Asia Pacific</i>			
Vehicle Production Units <sup>2</sup>	7.79	5.36	45.3%
Automotive Sales <sup>3</sup>	\$ 19.6	\$ 8.0	145.0%
<b>Content Per Vehicle</b>	<b>\$ 2.52</b>	<b>\$ 1.50</b>	<b>68.0%</b>

North American automotive sales increased \$104.6 million or 37.1% to \$386.6 million in a market which saw an overall increase in vehicle production of 57.5%. As a result, content per vehicle in Q1 2010 decreased by 12.9% to \$135.78 from \$155.93.

European automotive sales increased by \$7.4 million or 28.0% to \$33.8 million as compared to Q1 2009. Vehicle production volumes increased 0.2% and content per vehicle increased 27.7% to \$7.92 from \$6.20 in Q1 2009.

Content per vehicle for Asia Pacific continues at its anticipated level as programs in the region ramp up. The content per vehicle increased by 74.0% to \$2.61 from \$1.50 in a market that increased 45.3% in terms of vehicle production for Q1 2010.

## **GROSS MARGIN**

	Three Months Ended March 31	
(in millions of dollars)	2010	2009
Sales	\$510.7	\$424.9
Cost of sales	418.2	356.2
Amortization	38.2	44.9
Gross Margin	\$54.3	\$23.8
Gross Margin Percentage	10.6%	5.6%

Gross margin percentage increased to 10.6% in Q1 2010 from 5.6% for Q1 2009. Cost of sales as a percentage of sales decreased to 81.9% for Q1 2010 compared to 83.8% for the same quarter of 2009.

<sup>1</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 include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks and the off-road (heavy equipment) market. All volume information is as regularly reported by industry sources.

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

Cost of sales decreased as a percentage of sales during Q1 2010 as a result of the issues discussed earlier in this analysis such as:

- improved margins as production volumes increase and as new programs launch while operating under a leaner cost structure and primarily in Powertrain/Driveline;
  - improved results in Asia from sales growth;
- and with the following Q1 2009 impact:
- expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in Q1 2010.

Q1 2010 amortization decreased by \$6.7M or 15.0% from Q1 2009 due to the lower net book value of property, plant and equipment as a result of the impairments recognized during 2009. Q1 2010 amortization decreased to 7.5% of sales as compared to 10.6% in Q1 2009. The percentage decrease is attributable to both the sales increases that occurred in the quarter and the lower dollar amortization noted above.

## SELLING, GENERAL AND ADMINISTRATION

(in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Selling, general and administrative	\$22.7	\$22.6
SG&A Percentage	4.4%	5.3%

Selling, general and administrative ("SG&A") costs were relatively flat at \$22.7 million in Q1 2010 when compared to Q1 2009. As a percentage of sales, SG&A costs were 4.4% in Q1 2010 and 5.3% in Q1 2009.

## EXPENSES AND OTHER INCOME

(in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Operating Earnings (Loss)	\$31.6	\$1.2
Other Income (Expense)		
Net Interest Expense	(2.8)	(5.1)
Other Income	0.4	0.4
Provision for (Recovery of) Income Taxes	7.5	(3.2)
Non-Controlling Interests	(0.1)	(0.6)
Goodwill Impairments	-	(11.7)
Earnings (Loss) from Continuing Operations	\$21.6	(\$12.6)
Net Earnings (Loss)	\$21.6	(\$12.6)

## Interest

Interest on long-term debt during Q1 2010 decreased \$2.3 million over Q1 2009, to \$2.6 million. The decrease in the quarter was due to:

- the June 2009 repayment of the \$80 million USD Series A Private Placement Notes;
- the maturity of the \$60 million interest rate swap in Q4 2009; and
- the ineffective portion of interest rate swap entered into during Q4 2008.

These factors resulted in the consolidated effective interest rate for Q1 2010 decreasing to 4.8% as compared to 5.2% in Q1 2009. Without the impact of the ineffective portion of the interest rate swap the effective rate was relatively unchanged from Q1 2009.

Interest expense from short-term borrowings for Q1 2010 is higher by \$0.2 million compared to the same period in 2009. Interest on short-term borrowings in Q1 2010 were:

- increased due to an increase in short-term borrowings; and
- decreased due to lower interest rates.

## Provision for Income Taxes

The effective tax rate for Q1 2010 was 25.7%, a decrease from the 92.2% rate in the same quarter of 2009. The unusually high rate in Q1 2009 was attributable to a favorable mix of foreign tax rates compared to the Canadian rate that was magnified because of the relatively low 2009 Q1 pretax loss. The Q1 2010 effective tax rate is lower based on the combined 2% Federal and Ontario corporate tax rate reductions in the year. The decrease was also due to a favourable mix of foreign tax rates relative to the Canadian rate.

## Goodwill Impairments

In 2008, the company determined that goodwill could potentially be impaired with respect to its McLaren reporting unit. While it was determined that the carrying amount of the McLaren reporting unit exceeded its fair value, the impairment test was not completed and a reasonable estimate of the impairment, if any, could not be determined in Q4 2008. The Company completed the impairment test of the McLaren reporting unit during Q1 2009 and it was determined that the goodwill attributable to this reporting unit was fully impaired. As a result, an impairment charge of \$11.7 million was recorded in Q1 2009.

## SHAREHOLDERS' EQUITY

Book value per share<sup>1</sup> increased to \$12.65 per share at March 31, 2010, as compared to \$12.48 per share at December 31, 2009.

During the quarter no options expired unexercised, and no options were exercised.

## OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 64,701,876 common shares were outstanding as of May 5, 2010. As of May 5, 2010, there were 818,001 options outstanding under Linamar's share option plan.

## SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended June 30, 2008 through March 31, 2010. 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 figures)	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010
Sales	\$625.4	\$540.4	\$476.7	\$424.9	\$378.0	\$421.1	\$451.9	\$510.7
Earnings (Loss) from Continuing Operations	32.0	3.4	(13.9)	(12.6)	(48.4)	(0.5)	14.6	21.6
Net Earnings (Loss)	32.0	11.5	(2.6)	(12.6)	(48.4)	(0.5)	14.6	21.6
Earnings (Loss) per Share from Continuing Operations:								
Basic	0.48	0.05	(0.21)	(0.19)	(0.75)	(0.01)	0.22	0.33
Diluted	0.48	0.05	(0.21)	(0.19)	(0.75)	(0.01)	0.22	0.33
Net Earnings (Loss) per Share:								
Basic	0.48	0.17	(0.04)	(0.19)	(0.75)	(0.01)	0.22	0.33
Diluted	0.48	0.17	(0.04)	(0.19)	(0.75)	(0.01)	0.22	0.33

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

The purchase during Q3 2008 of the new automotive manufacturing facility, a former Visteon plant, in Swansea, Wales, United Kingdom (UK) resulted in the company recognizing an extraordinary gain in both the third and fourth quarters of 2008. The purchase price allocation method used for accounting, determined fair value of assets in excess of the purchase price. This difference, to the extent it can not be eliminated by allocating it as a reduction of the amounts that otherwise would be assigned to the acquired assets, is required to be reported as an extraordinary gain under Canadian GAAP. The purchase price accounting for this acquisition was finalized in the fourth quarter of 2008.

<sup>1</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 MD&A.

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

### **Cash Flows**

( in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Cash provided by (used in):		
Operating Activities	\$ 17.1	\$ 72.8
Financing Activities	25.9	(34.7)
Investing Activities	(44.9)	(40.8)
Effect of Translation Adjustment	(3.0)	(2.1)
Net Increase/(Decrease) in Cash Position	(4.9)	(4.8)
Cash Position – Beginning of Period	81.3	83.5
Cash Position – End of Period	\$ 76.4	\$ 78.7
Comprised of:		
Cash	\$ 94.9	\$ 82.6
Unpresented Cheques	(18.5)	(3.9)
	\$ 76.4	\$ 78.7

Linamar's cash position (net of unpresented cheques) at March 31, 2010 was \$76.4 million, a decrease of \$2.3 million from the same quarter of 2009.

Cash provided by operating activities was \$17.1 million, \$55.7 million less than was provided in Q1 2009. In the fourth quarter of 2008 ("Q4 2008"), Linamar started its non-cash working capital reduction plans. Q1 2009 had a large reduction in non-cash working capital as a result of the reduction plans. Q1 2010 experienced an increase in non-cash working capital as a result of the sales increases that occurred in the quarter.

During the quarter, financing activities provided \$25.9 million mainly to fund the increase in non-cash working capital requirements.

Q1 2009 investing activities used \$44.9 million in Q1 2010 mainly for the purchase of property, plant and equipment.

### **Operating Activities**

(in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Earnings (Loss) from continuing operations	\$ 21.6	\$ (12.6)
Non-cash charges to earnings	39.1	56.4
	\$ 60.7	\$ 43.8
Changes in non-cash working capital	(43.6)	29.0
Cash provided (used) from operating activities	\$ 17.1	\$ 72.8

Cash provided by continuing operations before the effect of changes in non-cash working capital was a 38.6% increase to \$60.7 million in Q1 2010 compared to \$43.8 million in Q1 2009.

Non-cash working capital for Q1 2010 increased \$43.6 million, compared to a \$29.0 million decrease in Q1 2009 as a result of the significant volume increases that occurred in the quarter.

### **Financing Activities**

(in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Proceeds from (repayments of) short-term bank borrowings	\$ 27.8	\$ (32.6)
Repayment of long-term debt	(1.5)	(1.7)
Increase in long-term receivables	(0.4)	(0.4)
Cash provided (used) from financing activities	\$ 25.9	\$ (34.7)

Financing activities for Q1 2010 provided \$25.9 million of cash compared to \$34.7 million used in Q1 2009.

Effective November 9, 2006, the company renewed its five-year revolving credit facility in the amount of \$520 million. This facility will mature on November 9, 2011. At the end of Q1 2010, \$236.1 million in credit was available under the facility.

In 2009, the company continued its dividend policy with payments made quarterly at a rate of \$0.03 per share. In the fourth quarter of 2009, the company amended the dividend policy with payments to be made quarterly at a rate of \$0.06 per share with respect to dividends payable on or after April 15, 2010.

## Investing Activities

(in millions of dollars)	Three Months Ended	
	2010	March 31 2009
Payments for purchase of property, plant and equipment	\$ (45.5)	\$ (40.3)
Proceeds from disposal of property, plant and equipment	0.6	0.7
Business acquisitions	-	(1.2)
Cash used for investing activities	\$ (44.9)	\$ (40.8)

Cash spent on investing activities for Q1 was \$44.9 million while during Q1 2009 the total spent was \$40.8 million.

At March 31, 2010, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$84.4 million which relates to the purchase of manufacturing equipment and buildings. All of these commitments are due within the next twelve months.

## Financing Resources

At March 31, 2010 cash on hand was \$94.9 million, with unrepresented cheques and short-term bank borrowings of \$141.5 million. At March 31, 2010, the company's syndicated revolving facility had available credit of \$236.1 million.

## Contractual Obligations

Please see the December 31, 2009 annual MD&A for a table summarizing contractual obligations by category; such obligations have not changed significantly during the quarter.

## 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 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 March 31, 2010, the company was committed to a series of forward contracts to sell U.S. dollars. These forward contracts qualify for accounting as a cash flow hedge and the fair value of 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 a long-dated forward contract to buy U.S. dollars. This forward exchange contract qualifies for accounting as a fair value hedge and any fair value unrealized gains and losses are included in net earnings.

Please see note 7 of the December 31, 2009 consolidated annual financial statements.

## 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 91 trucks and 187 trailers. The amounts due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of the December 31, 2009 Annual MD&A. 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.













