

Linamar Accelerates Strong Performance in the Second Quarter

August 11, 2010, Guelph, Ontario, Canada

- Sales increase 50.4% over the second quarter of 2009 (“Q2 2009”);
- Reported net earnings of \$26.6 million or \$0.41 per share;
- Net Earnings in company target zone at 4.7% of Sales;
- Adjusted operating earnings up almost \$37 million or 500% over Q2 2009.
- Launch book remains strong at just over \$1.8 Billion, driving short and long term growth.

(in millions of dollars, except earnings per share figures)	Three Months Ended June 30	
	2010 \$	2009 \$
Sales	\$ 568.4	\$ 378.0
Operating Earnings (Loss)		
Powertrain/Driveline	45.1	(52.6)
Industrial	(2.7)	(10.4)
Operating Earnings (Loss)	\$ 42.4	\$ (63.0)
Unusual Items	\$ -	\$ 53.2
Operating Earnings (Loss) – Adjusted	\$ 42.4	\$ (9.8)
Net Earnings (Loss)	26.6	(48.4)
Unusual Items	-	38.3
Net Earnings (Loss) – Adjusted	26.6	(10.1)
Earnings (Loss) per Share	26.6	(10.1)
Earnings (Loss) per Share - Adjusted	0.41	(0.16)
Unusual Items		
Taxable Items before Tax		
1) Severance related to the global economic slow down	-	5.4
2) Capital asset impairments due to market conditions	-	46.3
	-	51.7
Tax Impact	-	(14.9)
	-	36.8
Non-Taxable Items		
3) Goodwill impairments	-	-
4) Intangible asset impairments	-	1.5
Total Unusual Items	-	38.3

Operating Highlights

Sales for the second quarter of 2010 ("Q2 2010") were \$568.4 million, up \$190.4 million from \$378.0 million from Q2 2009:

- Sales for the Powertrain/Driveline segment increased by \$199.8 million, or 61.6% in Q2 2010 to \$524.1 million compared to \$324.3 million in Q2 2009. The sales increase in the second 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 Asia Pacific operations in Q2 2010; and
 - maturing volumes of key programs that were in the start-up phase in 2008/2009 including 6 speed transmissions.

Industrial segment sales decreased 17.5%, or \$9.4 million from Q2 2009 to \$44.3 million. The sales decrease was due to:

- significant declines in demand in the agricultural equipment markets serviced by the European Fabrication Division;
- significant declines in demand in the markets serviced by the Consumer Products Division; and partially offset by
- modest increases in the access equipment markets even though the overall demand remains soft as rental houses continue extend fleet life and delay purchases.

The company's adjusted operating earnings for Q2 2010 were \$42.4 million. This compares to \$9.8 million adjusted operating loss for Q2 2009, an increase of \$52.2 million:

- The increase was driven primarily by the better absorption of fixed costs due to the improved volume in global markets and on launch programs in the Powertrain/Driveline segments;
- Q2 2010 adjusted operating earnings of \$45.1 million for the Powertrain/Driveline segment were higher by \$45.7 million from the adjusted operating loss of \$0.6 million in Q2 2009;
- The adjusted operating losses for the Industrial segment were \$2.7 million in Q2 2010, a decrease in loss of \$6.5 million from Q2 2009.

Net earnings for Q2 2010 were \$26.6 million or \$0.41 net earnings per share versus \$21.6 million or \$0.33 per share in Q1 2010.

"We are happy to see our strong first quarter results improve even further in the second quarter." said Linamar CEO Linda Hasenfratz, "We are continuing to focus on improving earnings through top line growth coming from our robust launch book on a global basis."

Dividends

The Board of Directors today declared an eligible dividend in respect to the quarter ended June 30, 2010 of CDN\$0.06 per share on the common shares of the company, payable on or after September 14, 2010 to shareholders of record on August 27, 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

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 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, by accessing the investor relations/events menu, and will be available for a 7 day period.

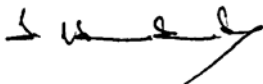
Q3 Conference Call Information

Linamar will hold a conference call on November 11, 2010 at 5:00 p.m. EST to discuss its third quarter results. The numbers for this call are (647) 427-3420 (local/overseas) or (888) 300-0053 (North America) confirmation number 91337561, 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 11, 2010 and at www.sedar.com by the start of business on November 12, 2010. A taped replay of the conference call will also be made available starting at 11:00 p.m. on November 11, 2010 for seven days. The number for replay is (800) 642-1687, Conference ID 91337561. The conference call can also be accessed by web cast at www.linamar.com, by accessing the investor relations/events menu, and will be available for a 7 day period.

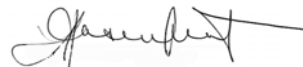
Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The company's Powertrain and Driveline focused divisions are world leaders in the collaborative design, development and manufacture of precision metallic 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 11,100 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.

* * * * *

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
August 11, 2010

LINAMAR CORPORATION
Consolidated Balance Sheets

As at June 30, 2010 with comparatives as at December 31, 2009 (Unaudited)
(in thousands of dollars)

	June 30 2010 \$	December 31 2009 \$
ASSETS		
Current Assets		
Cash	119,217	98,015
Accounts receivable	405,598	294,339
Inventories	268,380	258,951
Prepaid expenses	6,508	6,338
Income taxes recoverable	8,607	17,711
Current portion of long-term receivables	1,947	1,558
Future income taxes	8,198	9,758
Derivative financial instruments	502	2,265
	818,957	688,935
Deferred Charges	1,116	870
Long-Term Receivables	4,721	4,492
Goodwill and Other Intangibles (Note 2)	39,237	42,371
Property, Plant and Equipment (Note 3)	798,095	792,634
Future Income Taxes	40,391	43,063
	1,702,517	1,572,365
LIABILITIES		
Current Liabilities		
Unpresented cheques	27,477	16,719
Short-term bank borrowings	182,079	96,011
Accounts payable and accrued liabilities	361,210	337,786
Current portion of long-term debt	3,001	4,890
	573,767	455,406
Long-Term Debt	218,704	219,418
Derivative Financial Instruments	5,444	4,820
Future Income Taxes	51,574	51,607
Non-Controlling Interests	27,699	33,501
	877,188	764,752
SHAREHOLDERS' EQUITY		
Capital Stock (Note 4)	108,215	108,215
Retained Earnings	834,005	793,608
Contributed Surplus	5,627	4,939
Accumulated Other Comprehensive Loss (Note 5)	(122,518)	(99,149)
	825,329	807,613
	1,702,517	1,572,365

On behalf of the Board of Directors:

Frank Hasenfratz
Director

Linda Hasenfratz
Director

LINAMAR CORPORATION
Consolidated Statements of Earnings

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
	\$	\$	\$	\$
Sales	568,437	378,028	1,079,108	802,902
Cost of Sales (Notes 3 and 6)	461,352	370,152	879,439	726,335
Amortization	37,835	44,143	76,060	89,080
Gross Margin	69,250	(36,267)	123,609	(12,513)
Selling, general and administrative (Note 2)	26,879	26,746	49,613	49,342
Earnings Before the Following:	42,371	(63,013)	73,996	(61,855)
Other Income (Expense)				
Interest on long-term debt	(3,250)	(4,997)	(5,885)	(9,970)
Other interest expense	(648)	(542)	(1,205)	(948)
Interest earned	415	250	789	526
Other income	227	203	665	625
	39,115	(68,099)	68,360	(71,622)
Provision for (Recovery of) Income Taxes				
Current	9,373	(4,096)	16,140	(6,065)
Future	2,770	(15,570)	3,516	(16,847)
	12,143	(19,666)	19,656	(22,912)
	26,972	(48,433)	48,704	(48,710)
Non-Controlling Interests	414	(53)	543	564
Goodwill Impairment (Note 2)	-	-	-	11,718
Earnings (Loss) from Continuing Operations	26,558	(48,380)	48,161	(60,992)
Net Earnings (Loss) for the Period	26,558	(48,380)	48,161	(60,992)
Earnings (Loss) per Share (Note 10)				
From Continuing Operations				
Basic	0.41	(0.75)	0.74	(0.94)
Diluted	0.41	(0.75)	0.74	(0.94)
From Net Earnings (Loss)				
Basic	0.41	(0.75)	0.74	(0.94)
Diluted	0.41	(0.75)	0.74	(0.94)

LINAMAR CORPORATION
Consolidated Statements of Retained Earnings

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)
(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
	\$	\$	\$	\$
Balance – Beginning of Period	815,211	835,688	793,608	848,300
Net Earnings (Loss) for the Period	26,558	(48,380)	48,161	(60,992)
Dividends	(7,764)	(3,882)	(7,764)	(3,882)
Balance – End of Period	834,005	783,426	834,005	783,426

LINAMAR CORPORATION
Consolidated Statements of Comprehensive Earnings

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)
(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
	\$	\$	\$	\$
Net Earnings (Loss) for the Period	26,558	(48,380)	48,161	(60,992)
Other Comprehensive Earnings (Loss) (Note 5)				
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations	(8,292)	243	(21,881)	(10,042)
Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges (net of income taxes of \$2,064 and \$1,173 year to date, 2009 - \$6,568 and \$8,454 year to date)	(5,483)	15,516	(3,455)	16,603
Reclassification to earnings of gains (losses) on cash flow hedges (net of taxes of \$537 and \$726 year to date, 2009 - \$270 and \$1,447 year to date)	1,455	600	1,967	(3,221)
	(12,320)	16,359	(23,369)	3,340
Comprehensive Earnings (Loss) for the Period	14,238	(32,021)	24,792	(57,652)

LINAMAR CORPORATION
Consolidated Statements of Cash Flows

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)
(in thousands of dollars)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash Provided By (Used In)				
Operating Activities				
Earnings (loss) from continuing operations	26,558	(48,380)	48,161	(60,992)
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	37,055	42,868	74,494	86,457
Amortization of other intangible assets	780	1,275	1,566	2,623
Future income taxes	2,770	(15,570)	3,516	(16,847)
Non-controlling interests	414	(53)	543	564
Unrealized exchange gain on debt	(150)	(2,602)	(545)	(2,873)
Net loss (gain) on disposal of property, plant and equipment	(120)	(273)	(48)	(368)
Asset impairment (Notes 2 and 3)	-	47,849	-	47,849
Goodwill impairment (Note 2)	-	-	-	11,718
Stock-based compensation	355	-	688	-
Other	338	1,498	340	2,292
	68,000	26,612	128,715	70,423
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable	(52,660)	50,751	(123,542)	66,339
(Increase) decrease in inventories	(5,132)	33,107	(14,411)	58,389
(Increase) decrease in prepaid expenses	(900)	850	(234)	2,025
Decrease (increase) in income taxes recoverable	5,284	398	10,042	(333)
Increase (decrease) in accounts payable and accrued liabilities	8,631	(23,368)	39,713	(35,710)
Cash flow - continuing operations	23,223	88,350	40,283	161,133
Financing Activities				
Proceeds from (repayments of) short-term bank borrowings	57,852	49,034	85,732	16,460
Proceeds from long-term debt	701	-	701	-
Repayment of long-term debt	(1,348)	(106,295)	(2,882)	(108,029)
(Increase) decrease in long-term receivables	(383)	769	(794)	349
Dividends to shareholders	(7,764)	(3,882)	(7,764)	(3,882)
	49,058	(60,374)	74,993	(95,102)
Investing Activities				
Payments for purchase of property, plant and equipment	(56,152)	(19,343)	(101,602)	(59,510)
Proceeds of disposal of property, plant and equipment	1,448	394	2,003	1,093
Business acquisitions (Note 9)	-	-	-	(1,227)
	(54,704)	(18,949)	(99,599)	(59,644)
	17,577	9,027	15,677	6,387
Effect of Translation Adjustment	(2,228)	3,536	(5,233)	1,420
Increase in Cash Position	15,349	12,563	10,444	7,807
Cash Position - Beginning of Period	76,391	78,740	81,296	83,496
Cash Position - End of Period	91,740	91,303	91,740	91,303
Comprised of:				
Cash	119,217	102,196	119,217	102,196
Unpresented cheques	(27,477)	(10,893)	(27,477)	(10,893)
	91,740	91,303	91,740	91,303

LINAMAR CORPORATION

Notes to Consolidated Financial Statements

For the six months ended June 30, 2010 and June 30, 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 Asset Impairment *(in thousands of dollars)*

In response to the bankruptcy induced production disruptions at Chrysler and GM during the second quarter of 2009, the company performed an impairment test on the capital assets related to Chrysler and GM programs. These asset groups are part of the Powertrain / Driveline segment. For any asset group that failed the cash flow recoverability test, the fair value of the asset group was determined using the current appraisal value of similar equipment. As a result of this impairment test, management estimated the carrying value of its machinery and equipment exceeded its fair value by \$46,347 as at June 30, 2009, which is included in the costs of sales.

4 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

LINAMAR CORPORATION

Notes to Consolidated Financial Statements

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)

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.

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

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance – Beginning of Period	(110,198)	(94,238)	(99,149)	(81,219)
Other comprehensive earnings (loss) for the period	(12,320)	16,359	(23,369)	3,340
Balance – End of Period	(122,518)	(77,879)	(122,518)	(77,879)

6 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.

	Three Months Ended			Six Months Ended		
	June 30, 2010			June 30, 2010		
	Severance	Special Termination Benefits	Total Exit Activity Liability	Severance	Special Termination Benefits	Total Exit Activity Liability
	\$	\$	\$	\$	\$	\$
Exit activity liability - beginning of period	1,348	3,658	5,006	1,855	4,188	6,043
Costs incurred	-	-	-	-	100	100
Costs paid	1,348	3,210	4,558	1,855	3,840	5,695
Exit activity liability - end of period	-	448	448	-	448	448

	Three Months Ended			
	June 30, 2010			
	Severance	Special Termination Benefits	Other *	Total Exit Activity Costs
	\$	\$	\$	\$
Cumulative exit activity costs incurred at the beginning of the period	1,855	4,288	174	6,317
Exit activity costs incurred during the period	-	-	269	269
Cumulative exit activity costs incurred at the end of the period	1,855	4,288	443	6,586
Expected exit activity costs to be incurred in future periods	-	-	1,079	1,079
Total exit activity costs expected to be incurred	1,855	4,288	1,522	7,665

LINAMAR CORPORATION**Notes to Consolidated Financial Statements**

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)

	Severance	Special Termination Benefits	Other *	Six Months Ended June 30, 2010 Total Exit Activity Costs
	\$	\$	\$	\$
Cumulative exit activity costs incurred at the beginning of the period	1,855	4,188	-	6,043
Exit activity costs incurred during the period	-	100	443	543
Cumulative exit activity costs incurred at the end of the period	1,855	4,288	443	6,586
Expected exit activity costs to be incurred in future periods	-	-	1,079	1,079
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.

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:

	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Government sponsored	5,506	4,036	10,534	8,099
Company sponsored	2,593	2,471	5,301	4,529

8 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 June 30		Six Months Ended June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Foreign Exchange Gain (Loss)	1,611	(1,898)	1,869	2,190

9 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.

LINAMAR CORPORATION**Notes to Consolidated Financial Statements**

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)

	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

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

	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
	\$	\$	\$	\$
Earnings (loss) from continuing operations	26,558	(48,380)	48,161	(60,992)
Net earnings (loss) for the period	26,558	(48,380)	48,161	(60,992)
Weighted average common shares	64,701,876	64,701,876	64,701,876	64,701,876
Earnings (loss) per share from continuing operations				
Basic	0.41	(0.75)	0.74	(0.94)
Diluted	0.41	(0.75)	0.74	(0.94)
Earnings (loss) per share from net earnings (loss)				
Basic	0.41	(0.75)	0.74	(0.94)
Diluted	0.41	(0.75)	0.74	(0.94)

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

11 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 31.5%, 16.5% and 9.2% (2009 – 24.0%, 12.8% and 6.6%) of total segmented sales and are all part of the Powertrain/Driveline segment.

LINAMAR CORPORATION

Notes to Consolidated Financial Statements

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)

Geographic	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
Sales to external customers				
Canada	376,880	227,992	715,197	493,092
United States	39,663	34,586	76,550	72,715
Asia Pacific	19,731	10,881	36,671	17,839
Mexico	51,308	27,856	98,730	67,482
Europe	80,855	76,713	151,960	151,774
Total	568,437	378,028	1,079,108	802,902

Operational	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010			
	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	524,126	327	45,077	1,000,701	574	84,620	1,597,271
Industrial	44,311	273	(2,706)	78,407	343	(10,624)	105,246
Total	568,437		42,371	1,079,108		73,996	1,702,517

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009			
	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	324,310	2,250	(52,579)	697,809	4,870	(50,919)	1,308,924
Industrial	53,718	122	(10,434)	105,093	202	(10,936)	305,957
Total	378,028		(63,013)	802,902		(61,855)	1,614,881

12 Contingent Liabilities and Commitments *(in thousands of dollars)*

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

As at June 30, 2010, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$121,938 (2009 - \$65,062). Of this amount, \$110,767 (2009 - \$63,489) relates to the purchase of manufacturing equipment and \$11,171 (2009 - \$1,573) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months.

13 Guarantees *(in thousands of dollars)*

The company guarantees various lease payments under lease agreements for assets ending in 2013. As at June 30, 2010, the maximum potential amount of the future payments is \$7,745 over the remaining lease term, of which \$7,061 is recorded in capital leases.

The company has various guarantees for a maximum potential future payment of \$14,748 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$9,286.

14 Related Party Transactions *(in thousands of dollars)*

Included in cost of sales are maintenance costs of \$88 (2009 - \$66) paid to a company owned by the spouse of an officer and director. Construction costs paid to the same company for buildings, building additions and building improvements in the aggregate amount of nil (2009 - \$918) are included in the purchase of property, plant and equipment. In addition, the company has outstanding commitments for capital expenditures of \$142 (2009 - \$70) to the same company. The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and

LINAMAR CORPORATION

Notes to Consolidated Financial Statements

For the six months ended June 30, 2010 and June 30, 2009 (Unaudited)

maintenance for a number of facilities. Included in sales is \$14 (2009 - \$31) 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.

15 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 June 30, 2010 was \$825,329 (December 2009 - \$807,613).

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.

16 Subsequent Events

On July 2, 2010 the company announced the purchase of 2,469,728 of the outstanding ordinary shares of Linamar Hungary NYRT ("Linamar Hungary") at a price of HUF 2,570 per share (approximately CAD \$11.74 per share) in cash. The purchase was completed between the company and several of the larger shareholders of Linamar Hungary. Upon completion of this purchase, the company now owns 8,497,178 Linamar Hungary shares, representing approximately 99.0% of the outstanding Linamar Hungary shares. At the time of issuing these interim financial statements, an estimate of the financial effect of the share purchase can not be practicably made.

On July 7, 2010 the company announced that its Linamar Automotive Systems Swansea Company, located in Swansea Wales will initiate consultations with the Unite trade union at the plant on proposals to cease manufacturing and transfer production elsewhere. Consultations on such proposals in the UK are typically for a 90 day period. The announcement comes as a result of extensive review into the prospects of the operations located in Swansea. Regrettably, the review has concluded, subject to consultation, that there is no viable future for the operation. At the time of issuing these interim financial statements, an estimate of the financial effect of the cessation of operations in Swansea can not be practicably made.

On July 23, 2010 the company completed the placement of USD \$130 million of senior unsecured notes. The notes are comprised of USD \$130 million at a seven year term bearing interest at 5.31% per annum. The net proceeds from the sale of the notes will be used for general corporate purposes.

17 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 June 30, 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 June 30, 2010 and related notes thereto.

This MD&A has been prepared as at August 11, 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 or through the SEDAR website at 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 11,100 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.

Overall Corporate Results

The following table sets out certain highlights of the company's performance in the second quarter of 2010 ("Q2 2010") and 2009 ("Q2 2009"):

(in millions of dollars, except content per vehicle numbers)	Three Months Ended June 30				Six Months Ended June 30			
	2010	2009	+/-	%	2010	2009	+/-	%
Sales	\$ 568.4	\$ 378.0	\$ 190.4	50.4%	\$ 1,079.1	\$ 802.9	\$ 276.2	34.4%
Gross Margin	69.3	(36.3)	105.6	290.9%	123.6	(12.5)	136.1	1088.8%
Operating Earnings	42.4	(63.0)	105.4	167.3%	74.0	(61.9)	135.9	219.5%
Earnings (Loss) from Continuing Operations	26.6	(48.4)	75.0	155.0%	48.2	(61.0)	109.2	179.0%
Net Earnings (Loss)	\$ 26.6	\$ (48.4)	\$ 75.0	155.0%	\$ 48.2	\$ (61.0)	\$ 109.2	179.0%
Unusual Items	0.0	38.3	(38.3)		-	50.3	(50.3)	
Net Earnings (Loss) - Adjusted	\$ 26.6	\$ (10.1)	\$ 36.7	363.4%	\$ 48.2	\$ (10.7)	\$ 58.9	550.5%
Content per Vehicle – North America ⁽¹⁾	\$ 131.76	\$ 115.77	\$ 15.99	13.8%	\$ 128.82	\$ 137.88	\$ (9.06)	(6.6%)
Content per Vehicle – Europe ⁽¹⁾	\$ 8.03	\$ 6.93	\$ 1.10	15.9%	\$ 7.39	\$ 7.03	\$ 0.36	5.1%
Content per Vehicle – Asia Pacific ⁽¹⁾	\$ 2.73	\$ 1.80	\$ 0.93	51.7%	\$ 2.49	\$ 1.65	\$ 0.84	50.9%

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

¹ 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 Q2 2009 as noted in the table below:

(in millions of dollars, except per share figures)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Net Earnings (Loss)	\$ 26.6	\$ (48.4)	\$ 48.2	\$ (61.0)
Adjustments due to unusual items				
Taxable Items before Tax				
1) Severance related to the global economic slow down	-	5.4	-	9.8
2) Capital asset impairments due to market conditions	-	46.3	-	46.3
	-	51.7	-	56.1
Tax Impact	-	(14.9)	-	(19.0)
	-	36.8	-	37.1
Non-Taxable Items				
3) Goodwill impairments	-	-	-	11.7
4) Intangible asset impairments	-	1.5	-	1.5
Adjusted Net Earnings (Loss)	\$ 26.6	\$ (10.1)	\$ 48.2	\$ (10.7)
As a percentage of Sales	4.7%	(2.7%)	4.5%	(1.3%)
Change over Prior Year	363.4%		550.5%	
Adjusted Earnings (Loss) per Share	\$ 0.41	\$ (0.16)	\$ 0.74	\$ (0.17)

- 1) During 2009, the company incurred certain expenses related to the release of employees as the company adjusted to new sales volumes.
- 2) In Q2 2009, the company assessed the recoverability of the carrying cost of its property, plant and equipment based largely on the bankruptcy filings of General Motors and Chrysler, the reduced production volumes that existed in the quarter and the expectation that volumes will remain suppressed in 2009. As a result, the company identified asset groups, on specific programs, where the carrying value was impaired and the appropriate write down was taken in the quarter.
- 3) See the Goodwill Impairments section of this Analysis for details on this item.
- 4) The company determined in Q2 2009 that the intangible assets of the McLaren reporting unit were fully impaired as a result of the impairment test done at the time.

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 June 30 2010			Three Months Ended June 30 2009		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 524.1	\$ 44.3	\$ 568.4	\$ 324.3	\$ 53.7	\$ 378.0
Operating Earnings (Loss)	45.1	(2.7)	42.4	(52.6)	(10.4)	(63.0)
Unusual Items	-	-	-	52.0	1.2	53.2
Operating Earnings (Loss) - Adjusted	45.1	(2.7)	42.4	(0.6)	(9.2)	(9.8)

(in millions of dollars)	Six Months Ended June 30 2010			Six Months Ended June 30 2009		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 1,000.7	\$ 78.4	\$ 1,079.1	\$ 697.8	\$ 105.1	\$ 802.9
Operating Earnings (Loss)	84.6	(10.6)	74.0	(51.0)	(10.9)	(61.9)
Unusual Items	-	-	-	55.5	2.1	57.6
Operating Earnings (Loss) - Adjusted	84.6	(10.6)	74.0	4.5	(8.8)	(4.3)

Powertrain/Driveline Highlights

(in millions of dollars)	Three Months Ended June 30				Six Months Ended June 30			
	2010	2009	+/-	%	2010	2009	+/-	%
Sales	\$ 524.1	\$ 324.3	\$ 199.8	61.6%	\$ 1,000.7	\$ 697.8	\$ 302.9	43.4%
Operating Earnings	45.1	(52.6)	97.7	185.7%	84.6	(51.0)	135.6	265.9%
Unusual Items								
Severance related to the global economic slow down	-	4.2	(4.2)		-	7.7	(7.7)	
Capital asset impairments due to market conditions	-	46.3	(46.3)		-	46.3	(46.3)	
Intangible asset impairments	-	1.5	(1.5)		-	1.5	(1.5)	
Operating Earnings - Adjusted	45.1	(0.6)	45.7	7616.7%	84.6	4.5	80.1	1780.0%

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by \$199.8 million, or 61.6% in Q2 2010 compared with Q2 2009.

The sales increase in the second 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 Asia Pacific operations in Q2 2010; and
- maturing volumes of key programs that were in the start-up phase in 2008/2009 including 6 speed transmissions.

Year to date ("YTD") Sales for Powertrain/Driveline increased by \$302.9 million, or 43.4% compared with YTD Q2 2009. The same factors that impacted Q2 2010 also impacted the YTD results.

Q2 2010 operating earnings for Powertrain/Driveline were higher by \$97.7 million over Q2 2009. The Powertrain/Driveline segment experienced the following in Q2 2010:

- improved margins as production volumes increased and new programs launched while operating under a leaner cost structure;
- improved results in Asia Pacific 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;
- strengthening US dollar against other currencies in the quarter compared to the same period in 2009 has resulted in a foreign exchange loss in Q2 2010 compared to a foreign exchange gain in Q2 2009;

and with the following Q2 2009 impacts:

- capital asset impairments recognized in Q2 2009 did not recur in Q2 2010; and
- expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in Q2 2010.

The YTD operating earnings increased by \$135.6 million or 265.9% compared with YTD Q2 2009. The same factors that impacted Q2 2010 also impacted the YTD results.

Industrial Highlights

(in millions of dollars)	Three Months Ended June 30				Six Months Ended June 30			
	2010	2009	+/-	%	2010	2009	+/-	%
Sales	\$ 44.3	\$ 53.7	\$ (9.4)	(17.5%)	\$ 78.4	\$ 105.1	\$ (26.7)	(25.4%)
Operating Earnings (Loss)	(2.7)	(10.4)	7.7	74.0%	(10.6)	(10.9)	0.3	2.8%
Unusual Items								
Severance related to the global economic slow down	-	1.2	(1.2)		-	2.1	(2.1)	
Operating Earnings (Loss) - Adjusted	(2.7)	(9.2)	6.5	70.7%	(10.6)	(8.8)	(1.8)	(20.5%)

The Industrial segment ("Industrial") product sales decreased 17.5% or \$9.4 million to \$44.3 million in Q2 2010 from Q2 2009. The sales decrease was due to:

- significant declines in demand in the agricultural equipment markets serviced by the European Fabrication Division;
- significant declines in demand in the markets serviced by the Consumer Products Division; and partially offset by
- modest increases in the access equipment markets even though the overall demand remains soft as rental houses continue to extend fleet life and delay purchases.

YTD Sales for Industrial decreased by \$26.7 million, or 25.4% compared with YTD Q2 2009. The same factors that impacted Q2 2010 also impacted the YTD results.

Operating earnings in Q2 2010 increased \$7.7 million over Q2 2009 to a loss of \$2.7 million. The increase in Industrial operating earnings was predominantly driven by:

- strengthening US dollar against other currencies in the quarter compared to the same period in 2009 has resulted in a significant foreign exchange gain in Q2 2010 compared to foreign exchange losses in Q2 2009;

- cost savings from the company's overhead and fixed cost reduction program that was executed throughout 2009 resulting in a lower fixed cost structure in 2010; which were partially offset by
- reduced margins as a result of the sale volumes decline experienced in the European Fabrication Division and the Consumer Products Division.

and with the following Q2 2009 impact:

- expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in Q2 2010.

The YTD operating earnings increased by \$0.3 million or 2.8% compared with YTD Q2 2009. The same factors that impacted Q2 2010 were also impacted the YTD results.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE¹

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				Six Months Ended			
	2010	2009	+/-	Change	2010	2009	+/-	Change
<i>North America</i>								
Vehicle Production Units ²	3.14	1.85	1.29	69.7%	6.11	3.60	2.51	69.7%
Automotive Sales ³	\$ 414.4	\$ 214.2	\$ 200.2	93.5%	\$ 786.6	\$ 496.2	\$ 290.4	58.5%
Content Per Vehicle	\$ 131.76	\$ 115.77	\$ 15.99	13.8%	\$ 128.82	\$ 137.88	\$ (9.06)	(6.6%)
<i>Europe</i>								
Vehicle Production Units ²	4.56	4.43	0.13	2.9%	9.35	8.12	1.23	15.1%
Automotive Sales ³	\$ 36.6	\$ 30.7	\$ 5.9	19.2%	\$ 69.1	\$ 57.1	\$ 12.0	21.0%
Content Per Vehicle	\$ 8.03	\$ 6.93	\$ 1.10	15.9%	\$ 7.39	\$ 7.03	\$ 0.36	5.1%
<i>Asia Pacific</i>								
Vehicle Production Units ²	8.46	6.46	2.00	31.0%	17.16	11.88	5.28	44.4%
Automotive Sales ³	\$ 23.1	\$ 11.6	\$ 11.5	99.1%	\$ 42.7	\$ 19.6	\$ 23.1	117.9%
Content Per Vehicle	\$ 2.73	\$ 1.80	\$ 0.93	51.7%	\$ 2.49	\$ 1.65	\$ 0.84	50.9%

North American automotive sales increased \$200.2 million or 93.5% to \$414.4 million in a market which saw an overall increase in vehicle production of 69.7%. As a result, content per vehicle in Q2 2010 increased by 13.8% to \$131.76 from \$115.77.

European automotive sales increased by \$5.9 million or 19.2% to \$36.6 million as compared to Q2 2009. Vehicle production volumes increased 2.9% and content per vehicle increased 15.9% to \$8.03 from \$6.93 in Q2 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 51.7% to \$2.73 from \$1.80 in a market that increased 31.0% in terms of vehicle production for Q2 2010.

¹ Measured as the amount of Linamar automotive sales dollars per vehicle, not including tooling sales.

² Vehicle production units are derived from industry sources and 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 vehicle production volume information is as regularly reported by industry sources. Industry sources release vehicle production volume estimates based on the latest information from the Automotive Manufacturers and update these estimates as more accurate information is obtained. Effective for 2010, Linamar will, on a quarterly basis, restate Content per Vehicle for the current fiscal year in its MD&A as these volume estimates are revised by the industry sources. The Content per Vehicle figures in this MD&A reflect the volume estimates that were published closest to the quarter end date by the industry sources. These updates to vehicle production units have no effect on the company's financial statements for those periods. Refer to the "Summary of Content per Vehicle by Quarter" section of this analysis for the update for each quarter of the current fiscal year.

³ Automotive sales are shown in millions of dollars.

GROSS MARGIN

(in millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Sales	\$568.4	\$378.0	\$1,079.1	\$802.9
Cost of sales	461.3	370.2	879.4	726.3
Amortization	37.8	44.1	76.1	89.1
Gross Margin	\$69.3	(\$36.3)	\$123.6	(\$12.5)
Gross Margin Percentage	12.2%	(9.6%)	11.5%	(1.6%)

Gross margin percentage increased to 12.2% in Q2 2010 from (9.6%) for Q2 2009. Cost of sales as a percentage of sales decreased to 81.2% for Q2 2010 compared to 97.9% for the same quarter of 2009.

Cost of sales decreased as a percentage of sales during Q2 2010 as a result of the items 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, primarily in Powertrain/Driveline;
 - improved results in Asia Pacific from sales growth;
- and with the following Q2 2009 impact:
- capital asset impairments recognized in Q2 2009 that did not recur in Q2 2010; and
 - expenses relating to the release of employees as the company adjusted to new sales volumes that did not recur in Q2 2010.

Q2 2010 amortization decreased by \$6.3M or 14.3% from Q2 2009 due to the lower net book value of property, plant and equipment as a result of the impairments recognized during 2009. Q2 2010 amortization decreased to 6.7% of sales as compared to 11.7% in Q2 2009. The percentage decrease is attributable to both the sales increases that occurred in the quarter and the lower dollar amortization noted above.

YTD Q2 2010, Gross Margin increased to a profit of 11.5% from a loss of 1.6% in the same period of 2009. The improvement in the YTD Gross Margin was a result of the same factors that impacted Q2 2010.

SELLING, GENERAL AND ADMINISTRATION

(in millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Selling, general and administrative	\$26.9	\$26.7	\$49.6	\$49.4
SG&A Percentage	4.7%	7.1%	4.6%	6.2%

Selling, general and administrative ("SG&A") costs were relatively flat at \$26.9 million in Q2 2010 when compared to Q2 2009 and also relatively flat at \$49.6 million when comparing YTD Q2 2010 to YTD Q2 2009. As a percentage of sales, SG&A costs were 4.7% in Q2 2010 and 7.1% in Q2 2009. On an YTD basis, SG&A costs were 4.6% in Q2 2010 and 6.2% in Q2 2009. The improvements in the percent of sales figures is a result of the sales increases in the respective Q2 and YTD Q2 periods over the same periods in 2009.

EXPENSES AND OTHER INCOME

(in millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2010	2009	2010	2009
Operating Earnings (Loss)	\$42.4	(\$63.0)	\$74.0	(\$61.9)
Other Income (Expense)				
Net Interest Expense	(3.5)	(5.3)	(6.3)	(10.4)
Other Income	0.2	0.2	0.7	0.6
Provision for (Recovery of) Income Taxes	12.1	(19.7)	19.7	(22.9)
Non-Controlling Interests	(0.4)	-	(0.5)	(0.5)
Goodwill Impairments	-	-	-	(11.7)
Earnings (Loss) from Continuing Operations	\$26.6	(\$48.4)	\$48.2	(\$61.0)
Net Earnings (Loss)	\$26.6	(\$48.4)	\$48.2	(\$61.0)

Interest

Interest on long-term debt during Q2 2010 decreased \$1.7 million over Q2 2009, to \$3.3 million. Interest on long-term debt in the quarter was:

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

The consolidated effective interest rate for Q2 2010 increased to 5.9% as compared to 5.1% in Q2 2009. Without the impact of the ineffective portion of the interest rate swap the effective rate would have been 4.8%, slightly lower than in Q2 2009 due to the debt repayment and maturity in 2009.

YTD Q2 2010 the interest on long-term debt decreased \$4.1 million over the same period in 2009. YTD Q2 2010 was impacted by the same factors that impacted the quarter. The consolidated effective interest rate for YTD 2010 increased to 5.3% from 5.2% for the same period in 2009. Without the impact of the ineffective portion of the interest rate swap the effective rate would have been 4.9% which is slightly lower than the 2009 rate primarily due to the debt repayment in 2009.

Interest expense from short-term borrowings for Q2 2010 is higher by \$0.1 million compared to the same period in 2009, and is higher by \$0.3 million year to date 2010 compared to the same period in 2009. Interest on short-term borrowings in Q2 and year to date 2010 were:

- increased due to an increase in short-term borrowings; and
- decreased due to lower interest rates (for the year to date period).

Provision for Income Taxes

The effective tax rate for Q2 2010 was 31.3%, an increase from the 28.9% rate in the same quarter of 2009. The lower rate in Q2 2009 was the result of the calculated tax recovery based on the significant loss realized in that quarter. The Q2 2009 tax recovery was negatively impacted by minimum or flat taxes imposed in Mexico and the non-deductible nature of the McLaren intangible impairment also taken in that quarter. The small increase in Q2 2010 is due to an increase to the valuation allowance related to the US and Mexico operations.

YTD, the effective tax rate is 28.9% compared to 32.0% in 2009. In addition to the factors mentioned above, the YTD decrease is directly linked to the 2% reduction in the combined provincial and federal Canadian income tax rate, effective for 2010.

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 share¹ increased to \$12.76 per share at June 30, 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 August 11, 2010. As of August 11, 2010, there were 818,001 options outstanding under Linamar's share option plan.

¹ "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.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended September 30, 2008 through June 30, 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)	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010
Sales	\$540.4	\$476.7	\$424.9	\$378.0	\$421.1	\$451.9	\$510.7	\$568.4
Earnings (Loss) from Continuing Operations	3.4	(13.9)	(12.6)	(48.4)	(0.5)	14.6	21.6	26.6
Net Earnings (Loss)	11.5	(2.6)	(12.6)	(48.4)	(0.5)	14.6	21.6	26.6
Earnings (Loss) per Share from Continuing Operations:								
Basic	0.05	(0.21)	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41
Diluted	0.05	(0.21)	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41
Net Earnings (Loss) per Share:								
Basic	0.17	(0.04)	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41
Diluted	0.17	(0.04)	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41

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 cannot 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.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(in millions of dollars)	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Cash provided by (used in):				
Operating Activities	\$ 23.2	\$ 88.4	\$ 40.3	\$ 161.1
Financing Activities	49.1	(60.4)	74.9	(95.1)
Investing Activities	(54.8)	(18.9)	(99.6)	(59.6)
Effect of Translation Adjustment	(2.2)	3.5	(5.2)	1.4
Net Increase/(Decrease) in Cash Position	15.3	12.6	10.4	7.8
Cash Position – Beginning of Period	76.4	78.7	81.3	83.5
Cash Position – End of Period	\$ 91.7	\$ 91.3	\$ 91.7	\$ 91.3
Comprised of:				
Cash	\$ 119.2	\$ 102.2	\$ 119.2	\$ 102.2
Unpresented Cheques	(27.5)	(10.9)	(27.5)	(10.9)
	\$ 91.7	\$ 91.3	\$ 91.7	\$ 91.3

Linamar's cash position (net of unpresented cheques) at June 30, 2010 was \$91.7 million, an increase of \$0.4 million from the same quarter of 2009.

Cash provided by operating activities was \$23.2 million, \$65.2 million less than was provided in Q2 2009. In the fourth quarter of 2008 ("Q4 2008"), Linamar started its non-cash working capital reduction plans. Q2 2009 had a large reduction in non-cash working capital as a result of these plans. Q2 2010 experienced an increase in non-cash working capital as a result of the sales increases that occurred in the quarter. These same two factors also impacted the YTD periods as well. YTD Cash provided by operating activities was \$40.3 million, \$120.8 million less than was provided in Q2 2009.

During the quarter, financing activities provided \$49.1 million mainly to fund the increase in non-cash working capital requirements. YTD financing activities provided \$74.9 million which was also used mainly to fund the increase in non-cash working capital requirements.

Q2 2010 investing activities used \$54.8 million and used \$99.6 million YTD mainly for the purchase of property, plant and equipment.

Operating Activities

(in millions of dollars)	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Earnings (Loss) from continuing operations	\$ 26.6	\$ (48.4)	\$ 48.2	\$ (61.0)
Non-cash charges to earnings	41.5	75.1	80.5	131.4
	\$ 68.1	\$ 26.7	\$ 128.7	\$ 70.4
Changes in non-cash working capital	(44.9)	61.7	(88.4)	90.7
Cash provided (used) from operating activities	\$ 23.2	\$ 88.4	\$ 40.3	\$ 161.1

Cash provided by continuing operations before the effect of changes in non-cash working capital increased \$68.1 million in Q2 2010 compared to \$26.7 million in Q2 2009. YTD Cash provided by continuing operations before the effect of changes in non-cash working capital increased to \$128.7 million in YTD Q2 2010 compared to \$70.4 million YTD Q2 2009.

Non-cash working capital for Q2 2010 increased \$44.9 million, compared to a \$61.7 million decrease in Q2 2009 as a result of the significant volume increases that occurred in Q2 2010. YTD non-cash working capital increased \$88.4 million, compared to a \$90.7 million decrease in YTD Q2 2009. Q2 2009 and YTD Q2 2009 had large reductions in non-cash working capital as a result of the reduction plans that were initiated in Q4 2008.

Financing Activities

(in millions of dollars)	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Proceeds from (repayments of) short-term bank borrowings	\$ 57.9	\$ 49.0	\$ 85.7	\$ 16.5
Proceeds from long-term debt	0.7	-	0.7	-
Repayment of long-term debt	(1.3)	(106.3)	(2.9)	(108.0)
(Increase)/Decrease in long-term receivables	(0.4)	0.8	(0.8)	0.3
Dividends to shareholders	(7.8)	(3.9)	(7.8)	(3.9)
Cash provided (used) from financing activities	\$ 49.1	\$ (60.4)	\$ 74.9	\$ (95.1)

Financing activities for Q2 2010 provided \$49.1 million of cash compared to \$60.4 million used in Q2 2009. YTD Financing activities provided \$74.9 million of cash compared to \$95.1 million used in YTD 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 Q2 2010, \$176.9 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.

On July 23, 2010 the company announced that it has completed a private placement of US \$130 million aggregate principal amount of senior unsecured notes ("the Notes"). The Notes are comprised of US \$130 million principal amount at a seven (7) year term bearing interest at a rate of 5.31% per annum. The net proceeds from the sale of the Notes will be used for general corporate purposes.

Investing Activities

(in millions of dollars)	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Payments for purchase of property, plant and equipment	\$ (56.2)	\$ (19.3)	\$ (101.6)	\$ (59.5)
Proceeds from disposal of property, plant and equipment	1.4	0.4	2.0	1.1
Business acquisitions	-	-	-	(1.2)
Extraordinary Item	-	-	-	-
Cash used for investing activities	\$ (54.8)	\$ (18.9)	\$ (99.6)	\$ (59.6)

Cash spent on investing activities for Q2 2010 was \$54.8 million while during Q2 2009 the total spent was \$18.9 million. YTD cash spent on investing activities was \$99.6 million compared to \$59.6 million in 2009. In 2009, capital expenditures were significantly reduced by delaying capital expenditures based on the automotive volume reductions and by reutilizing existing equipment from programs that had excess capacity at the time.

At June 30, 2010, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$121.9 million which relates to the purchase of manufacturing equipment and buildings. The majority of these commitments are due within the next twelve months.

Financing Resources

At June 30, 2010, cash on hand was \$119.2 million, with unrepresented cheques and short-term bank borrowings of \$209.6 million. At June 30, 2010, the company's syndicated revolving facility had available credit of \$176.9 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 2010.

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 June 30, 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 92 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.

Please see Note 18 of the December 31, 2009 consolidated financial statements.

Under a portfolio purchase agreement signed in 2004, the company regularly sells certain long-term receivables. Although title is transferred and no entitlement or obligated repurchase agreement is in place before maturity, the company remains exposed to certain risks of default on the amount of proceeds from the receivables under securitization, less recourse in the form of the underlying physical asset. Under the agreement, receivables are sold on a fully serviced basis so that the company continues to administer the collection of such receivables. The company receives no fee for administration of the collection of such receivables.

Guarantees

Linamar is a party to certain financial guarantees and contingent liabilities as discussed in Notes 3, 18, 19, and 21 of the December 31, 2009 consolidated financial statements.

Transactions with Related Parties

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements in the aggregate amount of \$nil (Q2 2009 - \$0.30 million) paid to a company owned by the spouse of an officer and director. Included in YTD sales is \$0.01 million (Q2 2009 - \$nil) related to equipment and services sold to the same company. Included in YTD cost of sales are maintenance costs of \$0.09 million (Q2 2009 - \$0.03 million) paid to the same company. The maintenance and construction costs

represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities.

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.

Current and Proposed Transactions

On July 2, 2010, the company announced that it purchased a further 2,469,728 of the outstanding ordinary shares of Linamar Hungary NYRT ("Linamar Hungary") at a price of HUF 2,570 per share (approximately CAD 11.74 per share) in cash. The purchase was completed between Linamar and several of the larger shareholders of Linamar Hungary. Linamar now owns approximately 8,497,178 Linamar Hungary shares, representing approximately 99.0% of the outstanding Linamar Hungary shares. Linamar is actively pursuing the remaining 1% ownership of Linamar Hungary.

On July 7, 2010, the company announced that its Linamar Automotive Systems Swansea Company, located in Swansea, Wales will initiate consultations with the Unite trade union at the plant on proposals to cease manufacturing and transfer production elsewhere. Consultations on such proposals in the UK are typically for a 90 day period. The announcement comes as a result of extensive review into the prospects of the operations located in Swansea. Regrettably, the review has concluded, subject to consultation, that there is no viable future for the operation.

RISK MANAGEMENT

FINANCIAL AND CAPITAL MANAGEMENT RISK

Capital and Liquidity Risk

The amount of financial resources available to invest in a company's growth is dependent upon its size and willingness to utilize debt and issue equity. The company has fewer financial resources than some of its principal competitors. If the company deviates from its growth expectations, it may require additional debt or equity financing. There is no assurance that the company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development.

The company's current credit facility and Private Placement Notes Series B, require the company to comply with certain financial covenants, including the following:

Revolving credit facility key covenants:

- (1) Net Funded Debt¹ ("NFD") to EBITDA² must be not more than 2.5 for the trailing four quarters on a rolling basis; and
- (2) EBITDA must be not less than 3.0 times interest expense for the trailing four quarters on a rolling basis.

	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010
NFD/EBITDA	1.4	1.5	1.6	1.8	1.8	1.4	1.3	1.2
Interest Coverage	14.1	12.8	11.4	8.0	8.1	9.5	12.1	16.6

Private Placement Notes key covenants:

- (1) Book value of Consolidated Shareholders' Equity³ must be not less than \$450.0 million; and
- (2) Consolidated Debt⁴ to Consolidated Capitalization⁵ must be not greater than 50%

(in millions of dollars)	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010
Consolidated Shareholders' Equity	908.6	878.3	852.7	816.8	798.2	807.6	818.5	825.3
Consolidated Debt to Consolidated Capitalization	37.9%	38.4%	37.8%	34.6%	33.7%	29.9%	30.7%	34.1%

¹ "Net Funded Debt" is defined in the credit facility agreement and means, in summary, all indebtedness of the consolidated company net of cash and cash equivalents.

² "EBITDA" is defined in the credit facility agreement and means, in summary, Net Income of the consolidated company before deduction of interest expense, taxes, depreciation, amortization and non-cash extraordinary items less any cash payments on previously provided extraordinary items made during such period, determined on a consolidated basis in accordance with GAAP.

³ "Consolidated Shareholders' Equity" is defined in the Private Placement Notes and means, in summary, the amount of the capital stock accounts plus the surplus in retained earnings of the company and its designated Restricted Subsidiaries on a consolidated basis in accordance with GAAP.

⁴ "Consolidated Debt" is defined in the Private Placement Notes and means, in summary, all liabilities for borrowed money including capital leases, guarantees and letters of credit for the consolidated company.

⁵ "Consolidated Capitalization" is defined in the Private Placement Notes and means, in summary, the Consolidated debt plus Consolidated Shareholders' Equity less the capital of any unrestricted subsidiaries.

The investment agreement between the company and the Ontario government (Ontario Automotive Investment Strategy – “OAI”) provides for a conditional grant of up to \$44.5 million. The grant 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, 2015. There is no assurance the company can meet the terms of this agreement and the company therefore may be subject to the clawback provision.

Other company credit facilities and instruments become due from time to time. There can be no assurance of the company’s ability to continue to comply with its financial covenants, to appropriately service its debt or to obtain continued commitments from debt providers or additional equity capital given current or future conditions or events in the economy or markets in general or in the company’s Powertrain/Driveline and Industrial segments in particular.

Please see the December 31, 2009 annual MD&A details for a complete 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, 2009 annual MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the company’s internal control over financial reporting during the quarter ended June 30, 2010, which has materially affected, or is reasonably likely to materially affect, the company’s internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

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

Please see the annual MD&A for the year ended December 31, 2009 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 financial statements for the quarter ended June 30, 2010 that are hereby incorporated by reference herein for information pertaining to accounting changes effective in 2010 and for information on issued accounting pronouncements that will be effective in future fiscal years.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Accounting Standards Board (AcSB) of Canada confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for fiscal years commencing on or after January 1, 2011 with full retrospective application. IFRS use a conceptual framework similar to Canadian GAAP but there may be significant differences on recognition, measurement and disclosures. Linamar’s adoption of IFRS will be effective for the interim and annual financial statements beginning on the changeover date of January 1, 2011, with retrospective presentation of the 2010 comparative results. IFRS 1 *First Time Adoption of IFRS*, allows for certain one-time optional exemptions to the retrospective requirement where its application could prove to be too difficult or would result in a cost that would outweigh any benefits to users. This standard also includes mandatory exceptions where the retrospective application is deemed to be inappropriate.

Project Plan

Linamar’s IFRS conversion efforts are based on a 4-Phase Project Plan with a dedicated Project Team.

- Phase 1, a high-level diagnostic and impact assessment of the effects of the transition, is complete. The key elements and deliverables of this phase included a high level gap analysis, a draft project plan, and high level assessments of IFRS 1 options, disclosure requirements, financial system considerations, and training requirements.
- Phase 2 of the Project continues to progress as planned and includes:
 - A detailed assessment of conversion issues highlighted in Phase 1 along with the training of staff on the new standards’ requirements. During this phase, Work Groups assisted with the detailed assessment and analysis of conversion issues, consideration of IFRS 1 options and the impact of IFRS accounting policy choices on all areas of the business including impacts on internal controls over financial reporting. The Steering Committee, comprised of senior management from business units, treasury, tax, and corporate finance, plays an active role in reviewing Work Group recommendations and ensuring the project continues to move forward as planned.

- An Information Technology (“IT”) project was initiated to make changes to key financial systems to allow for dual reporting in the general ledgers and improvements to fixed asset sub ledgers to better track impairments and any potential reversal of impairments. The IT project has completed the design, and testing stages and the implementation stage is near completion.
- Phase 2 was substantially complete at the end of the first quarter of 2010. The assessment of income taxes had been on hold until the International Accounting Standards Board (“IASB”) determined if it was to release a new income tax standard prior to the date of transition. The IASB has delayed its income tax project until after the date of transition. Linamar has completed its assessment of the income tax standard in the second quarter of 2010.
- Phase 3, the design solution, requires the creation and/or modification of accounting policies and internal controls, and the creation of “mock up” financial statements, note disclosures and interim reports including an opening IFRS balance sheet. Phase 3 is planned to be completed in the third quarter of 2010. Currently, Linamar has completed the compilation of draft IFRS compliant accounting policies and is in the process of finalizing the opening balance sheet impacts.
- During the implementation in Phase 4 leading up to the changeover date, new IFRS updates will continue to be monitored for relevance to Linamar, accounting policy and IFRS 1 choices will be finalized, comparative information will be restated, and the testing and approvals will be completed. Phase 4 is planned to be completed in the fourth quarter of 2010.

Linamar has provided and will continue to provide throughout 2010, training and communication to key financial staff and stakeholders. The training thus far has covered several areas including a high level overview of IFRS requirements, specific and applicable IFRS standards, IFRS accounting policies, and IT system changes which accommodate parallel Canadian GAAP and IFRS dual reporting.

In addition to continuing to report Linamar’s project progress and expected effects of IFRS as they become known through the MD&A, the IFRS project plan includes the following activities through the remainder of 2010:

- Assessment of the impact of IFRS conversion on business activities including debt covenants, capital requirements, foreign currency and hedging activities and compensation arrangements;
- Formal communications to investors and shareholders to relay impacts to financial statements and business activities in more detail and to more clearly define those changes to financial statements resulting from the IFRS conversion from those resulting from a change in Linamar’s business;
- Testing of internal controls over financial reporting that are affected by the IFRS transition and to ensure compliance to the IFRS accounting policies;
- Review of disclosure controls and procedures to ensure the accuracy and completeness of information required to be disclosed in the financial statements and other required filings; and
- Monitoring of new IFRS updates resulting from IASB projects for relevance to Linamar.

Results of the Detailed GAAP Assessment

To date, Linamar has identified the following major areas with potential differences between current accounting policies and those required or expected to be applied in preparing IFRS financial statements as outlined below. Accounting policy choices and IFRS 1 options selected are preliminary at this time and will be disclosed throughout 2010 as they are reviewed and approved by the Steering Committee and Audit Committee. Any remaining potential accounting differences not discussed below are being analyzed and will be disclosed further in 2010 as they become known.

Revenue Recognition

Revenue contracts including those dealing with customer tooling and services were analyzed in conjunction with IAS 11 Construction Contracts and IAS 18 Revenue. Linamar’s current revenue accounting treatment for contracts for the sale of goods and customer tooling and services was found to be in compliance with IFRS and with similar companies reporting under IFRS. As a result, the company does not expect any impacts to financial statements under IFRS in relation to revenue recognition.

Property, Plant and Equipment (“PP&E”)

Canadian GAAP requires the separation of components with different useful lives when separable and practicable, whereas IFRS which is more explicit requires separation based on its cost relative to the total cost of the asset. The detailed assessment showed that no changes to current component accounting should be required under IFRS.

Asset Retirement Obligation (“ARO”)

Unlike Canadian GAAP, IFRS uses the term decommissioning in place of ARO for legal or constructive obligations to dismantle, remove and restore items of PP&E. Under Canadian GAAP, the discount rate used to estimate the liability is not updated to current market discount rates, while under IFRS, the rate is updated at each reporting period. Linamar does not anticipate any significant impacts on the consolidated financial statements resulting from this difference.

Sale of Receivables

The criterion for derecognition of long-term receivables under Canadian GAAP is different from IFRS as Canadian GAAP focuses mainly on surrendering control over the transferred assets while IFRS focuses on the transfer of substantive risks and rewards. A change will be required to Linamar’s opening balance sheet with respect to certain long-term receivables which Linamar sells and which, under IFRS, the transfer of substantive risks and rewards does not occur. Linamar is currently in the process of determining the impact to the opening balance sheet by not derecognizing such receivables.

Impairments

Impairment testing of PP&E is based on a two-step approach under current Canadian GAAP when circumstances indicate that the carrying value may not be recoverable. The first step requires a comparison of the carrying amount of the asset(s) to the expected

undiscounted cash flows for the asset(s). If the carrying amount is not recoverable then the second step compares the fair value of the asset(s) to the carrying value of the asset(s) to determine if there is an impairment loss. IFRS however, uses a one-step approach if any indication of impairment exists which compares the recoverable amount of the asset with the carrying value of the asset. The recoverable amount is the higher of the fair value and value-in-use which is calculated using discounted cash flows.

In addition, IAS 36 *Impairment of Assets* requires, under certain circumstances, the reversal of previous impairments which is not allowed under current Canadian GAAP.

Goodwill impairment testing will be conducted at a more granular level known as the "cash generating unit" under IFRS as compared to the testing at a "reporting unit" level for Canadian GAAP.

Linamar does not expect any material changes to the results of its impairment tests for PP&E previously performed under Canadian GAAP when it transitions to IFRS. Linamar is, however, still in the process of finalizing the impact, if any, to the financial statements.

Share-based Payments

Under Canadian GAAP, a company can elect to recognize graded vesting stock options as separate arrangements or as a pool and determine the fair value using the average life of the options. The total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award. Under IFRS, the option to pool the graded vesting stock options does not exist and as such IFRS requires that each installment (i.e. tranche) is accounted for as a separate arrangement with different vesting periods.

Linamar is currently in the process of determining the impact of this change to the financial statements for stock options issued after November 7, 2002 which had not vested as at January 1, 2010. The company does not expect any material impacts to the financial statements as a result of transitioning to IFRS.

Hedging

Unlike Canadian GAAP, IFRS does not permit the use of the short-cut or critical terms match methods for the assessment and measurement of effectiveness in a hedging relationship. Ineffectiveness must be measured at each reporting period throughout the life of the hedging relationship.

Linamar is currently in the process of determining the impact of this change to the consolidated financial statements.

Foreign Currency Translation

Under Canadian GAAP, Linamar separates self-sustaining operations from integrated operations. The non-monetary assets of self-sustaining operations are translated at the current rate whereas the non-monetary assets of integrated operations are translated at historic rates. Unlike Canadian GAAP, IFRS does not distinguish between the types of foreign operations (i.e. integrated vs. self-sustaining) and requires that non-monetary assets for all entities are translated at the current rate at the balance sheet date.

Linamar is in the process of analyzing the impacts of this difference on the consolidated financial statements.

Income Taxes

Both Canadian GAAP and IFRS follow the liability method of accounting for income taxes, where tax liabilities and assets are recognized on temporary differences. However, an accounting difference has been identified relating to deferred income tax resulting from the difference between the historical exchange rate and the current exchange rate translation on the cost of non-monetary assets or liabilities of integrated foreign operations. IAS 12 requires recognition of this deferred tax but Canadian GAAP prohibits its recognition.

Linamar has completed its assessment of the differences between Canadian GAAP and IFRS for income taxes. The company is now in the process of analyzing the impact of IAS 12 *Income Taxes* on the consolidated financial statements.

Presentation Reclassifications

Cumulative Translation Adjustment

As elected under IFRS 1, Linamar will reset all cumulative translation gains and losses to zero with the offset to be recorded in opening retained earnings at the date of transition. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS shall be excluded from the gain or loss on disposal.

Non-controlling interests

Under Canadian GAAP, non-controlling interests are shown separately from shareholders' equity and are disclosed within the statement of earnings. Under IFRS, non-controlling interests in the balance sheet are classified within equity and presented as an allocation of net profit or loss in the income statement. An adjustment to the opening balance sheet will be required on January 1, 2010.

Deferred Income Tax

Under Canadian GAAP, income tax assets and liabilities are classified as current and non-current, depending on the classifications of the assets or liabilities to which they relate. Under IFRS, deferred tax is not classified into current and non-current. On transition, Linamar must reclassify current future income tax assets/liabilities as non-current deferred tax assets/liabilities.

IFRS 1 Considerations

On the transition date January 1, 2010, Linamar is required to convert its opening financial position to IFRS in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). Linamar is also required to restate its comparative financial statements for annual and interim periods to reflect IFRS requirements. IFRS 1 grants optional exemptions from the requirements of other IFRSs where the cost of complying with them would be likely to exceed the benefits to users of financial statements. This IFRS also requires mandatory exceptions which prohibit retrospective application of IFRS in some areas. The optional exemptions listed below are preliminary elections made by Linamar which will be finalized closer to the conversion date. Other optional exemptions not being considered to be elected are not listed.

Mandatory Exceptions:

1. **Estimates** – Hindsight is not used to create or revise estimates. The estimates previously made by the company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any difference in accounting policies.
2. **Derecognition of financial assets and financial liabilities** – IFRS 1 requires the application of derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") prospectively for transactions occurring on or after January 1, 2004. However, retrospective application of derecognition requirements in IAS 39 may be chosen by the entity provided the information was obtained at the time of initially accounting for those transactions.

Linamar is planning to apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2004.

3. **Hedge accounting** – Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its transition date are reflected as hedges in the Company's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting will be fair valued and recorded in the statement of financial position as a non-hedging derivative financial instrument.
4. **IAS 27 – Consolidated and Separate Financial Statements** ("IAS 27") - In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations ("IFRS 3") retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively.

As Linamar is planning to elect to apply IFRS 3 prospectively, the Company is also planning to elect to apply IAS 27 prospectively.

Optional Exemptions Applied:

1. **Business combinations** – IFRS 1 provides the option to apply IFRS 3 Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date.

The Company is planning to elect not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date; therefore, such business combinations will not be restated. Any goodwill arising on such business combinations before the transition date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions. Further, the Company is planning not to early adopt IFRS 3 Revised and instead will adopt that standard upon its effective date which, for the Company, will be January 1, 2010.

2. **Share-based payment** – *IFRS 2 Share-based Payment* ("IFRS 2") encourages application of its provisions to equity instruments that were granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date.

The Company is planning to elect to avail itself of the exemption provided under IFRS 1 and will apply IFRS 2 to all equity instruments granted after November 7, 2002 that had not vested by its transition date. Further, the Company will apply IFRS 2 for all liabilities arising from share-based payment transactions that existed at the date of transition.

3. **Leases** – *IFRIC 4 Determining whether an Arrangement contains a Lease* ("IFRIC 4") requires the assessment of whether an arrangement contains a lease to be performed at the inception of the arrangement. A first-time adopter may, instead, choose to apply IFRIC 4 on the basis of facts and circumstances existing at the date of transition (i.e. prospective application).

Linamar is planning to elect to apply the transitional provisions in IFRIC 4.

4. **Currency translation differences** – Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), from the date a subsidiary or equity method investee was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date.

In accordance with IFRS 1, Linamar is planning to elect to reset all cumulative translation gains and losses to zero in opening retained earnings at the date of transition. Accordingly, retrospective restatement of foreign currency translation adjustments will not be performed.

5. **Investments in subsidiaries, jointly controlled entities and associates** – IFRS 1 provides an option to measure its investments in subsidiaries, jointly controlled entities and associates either at:

- a) cost determined in accordance with IAS 27, or
- b) deemed cost which will be:
 - i. its fair value (determined in accordance with IAS 39) at the transition date, or
 - ii. the previous GAAP carrying amount at that date.

Linamar is planning to elect to measure its investments in subsidiaries, jointly controlled entities and associates at the previous GAAP carrying amount on the date of transition.

6. **Borrowing costs** – IAS 23, *Borrowing Costs* (“IAS 23”), requires an entity to capitalize the borrowing costs related to all qualifying assets for which the commencement date for capitalization is on or after January 1, 2009 with early adoption permitted. IFRS 1 allows an entity to choose an effective date which is the latter of January 1, 2009 or the date of transition to IFRSs.

Linamar is planning to elect to choose an effective date of January 1, 2010.

NON-GAAP MEASURES

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

Operating Earnings

(in millions of dollars)	Three Months Ended		Six Months Ended	
	2010	June 30 2009	2010	June 30 2009
Gross Margin	\$69.3	(\$36.3)	\$123.6	(\$12.5)
Selling, general and administrative	26.9	26.7	49.6	49.4
Operating Earnings	\$42.4	(\$63.0)	\$74.0	(\$61.9)

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.

Book Value per Share

This measure, as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company’s net assets. Book value per share is calculated by the company as Shareholders’ Equity divided by shares outstanding at year-end.

(in millions of dollars except share and per share figures)	June 30 2010	December 31 2009
Shareholders’ Equity	\$825.3	\$807.6
Shares outstanding at the end of the period	64,701,876	64,701,876
Book value per share	\$12.76	\$12.48

Debt to Total Capitalization

This measure, as used by the chief operating decision makers and management, indicates the company’s reliance on debt and its financial flexibility. This measure is not the same as the measure previously discussed in terms of the company’s debt covenants. Debt to total capitalization is calculated by the company as the sum of Short-term bank borrowings, Current portion of long-term debt, and Long-term debt divided by the sum of this total and Shareholders’ Equity.

(in millions of dollars)	June 30 2010	December 31 2009
Short-term bank borrowings	\$182.1	\$96.0
Current portion of long-term debt	3.0	4.9
Long-term debt	218.7	219.5
Total Debt	\$403.8	\$320.4
Shareholders’ Equity	\$825.3	\$807.6
Debt to Total Capitalization	32.9%	28.4%

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of Jun 30, 2010	Three Months Ended		Year to Date	
	Mar 31, 2010	Jun 30, 2010	Mar 31, 2010	Jun 30, 2010
<i>North America</i>				
Vehicle Production Units	2.96	3.14	2.96	6.11
Automotive Sales	\$ 372.3	\$ 414.4	\$ 372.3	\$ 786.6
Content Per Vehicle	\$ 125.70	\$ 131.76	\$ 125.70	\$ 128.82
<i>Europe</i>				
Vehicle Production Units	4.80	4.56	4.80	9.35
Automotive Sales	\$ 32.5	\$ 36.6	\$ 32.5	\$ 69.1
Content Per Vehicle	\$ 6.78	\$ 8.03	\$ 6.78	\$ 7.39
<i>Asia Pacific</i>				
Vehicle Production Units	8.70	8.46	8.70	17.16
Automotive Sales	\$ 19.6	\$ 23.1	\$ 19.6	\$ 42.7
Content Per Vehicle	\$ 2.25	\$ 2.73	\$ 2.25	\$ 2.49
Estimates as of Mar 31, 2010				
	Mar 31, 2010		YTD Mar 31, 2010	
<i>North America</i>				
Vehicle Production Units	2.85		2.85	
Automotive Sales	\$ 372.3		\$ 372.3	
Content Per Vehicle	\$ 130.73		\$ 130.73	
<i>Europe</i>				
Vehicle Production Units	4.27		4.27	
Automotive Sales	\$ 32.5		\$ 32.5	
Content Per Vehicle	\$ 7.62		\$ 7.62	
<i>Asia Pacific</i>				
Vehicle Production Units	7.79		7.79	
Automotive Sales	\$ 19.6		\$ 19.6	
Content Per Vehicle	\$ 2.52		\$ 2.52	
Change in Estimates from Prior Quarter				
	Mar 31, +/-		YTD Mar 31, +/-	
<i>North America</i>				
Vehicle Production Units	0.11		0.11	
Automotive Sales	\$ -		\$ -	
Content Per Vehicle	\$ (5.03)		\$ (5.03)	
<i>Europe</i>				
Vehicle Production Units	0.53		0.53	
Automotive Sales	\$ -		\$ -	
Content Per Vehicle	\$ (0.84)		\$ (0.84)	
<i>Asia Pacific</i>				
Vehicle Production Units	0.91		0.91	
Automotive Sales	\$ -		\$ -	
Content Per Vehicle	\$ (0.26)		\$ (0.26)	

OUTLOOK

Since 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.