



## INTERIM REPORT

### Linamar Announces Fourth Quarter Results Linamar's Continued Growth Driving Record Sales and Earnings

March 9, 2006, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR) (“Linamar” or “the company”), a global supplier who designs, develops and manufactures precision machined components, modules and systems for engine, transmission, chassis and industrial applications primarily for the North American, European and Asia Pacific automotive marketplace, today announced its financial results for the fourth quarter ended December 31, 2005.

(CDN dollars in thousands except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sales	<b>523,455</b>	474,224	<b>2,161,410</b>	1,844,187
Gross Margin	<b>70,865</b>	60,456	<b>278,674</b>	235,596
Operating Earnings <sup>1</sup>	<b>44,308</b>	35,696	<b>176,015</b>	144,715
Earnings from Continuing Operations	<b>26,385</b>	24,245	<b>101,024</b>	90,404
Net Earnings	<b>25,402</b>	24,245	<b>100,041</b>	92,513
Diluted Earnings per Share				
from Continuing Operations	<b>0.37</b>	0.34	<b>1.43</b>	1.28
Diluted Earnings per Share	<b>0.36</b>	0.34	<b>1.41</b>	1.31

#### Fourth Quarter Operating Highlights

In the fourth quarter, sales increased by 10.4% to \$523.4 million compared to \$474.2 million in the same quarter last year.

With respect to fourth quarter sales, Linamar's North American Automotive sales grew by 6.0% as North American automobile production increased by 5.1% over the fourth quarter of 2004. Contributing to the increase were the CAT heavy duty programs, various blocks and heads, Eaton differential case and DCX differential case programs as well as general volume increases with GM in Mexico.

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

	Three Months Ended December 31		Year Ended December 31	
	2005	2004	2005	2004
	\$	\$	\$	\$
Gross margin	<b>70,865</b>	60,456	<b>278,674</b>	235,596
Selling, general and administrative	<b>26,557</b>	24,760	<b>102,659</b>	90,881
Operating earnings	<b>44,308</b>	35,696	<b>176,015</b>	144,715

Under Canadian generally accepted accounting principles (“GAAP”), this financial measure does not have a standardized meaning and, therefore is unlikely to be comparable to similar measures presented by other issuers.



In Europe, Linamar's fourth quarter automotive sales declined by 3.9%, primarily due to reduced sales for the Honeywell turbo housing as a result of customer program changes and conclusion of the DCX injector tube program. This result was achieved as European automobile production decreased by 16.7%. The impact of the reduced sales was a decrease of fourth quarter operating results to a loss of \$1.5 million as compared to 2004 earnings of \$2.4 million.

Content per vehicle for the quarter in North America grew to \$89.54, and European content grew to \$7.71 compared to fourth quarter 2004. Asia Pacific registered content of \$0.07.

The Industrial segment experienced higher sales volumes than 2004, resulting in fourth quarter sales of \$70.9 million. This quarter is consistent with a strong market this year for aerial work platforms. Operating earnings for the fourth quarter for this segment improved in 2005 to \$11.0 million as compared to \$3.5 million in 2004.

On a geographic segmented basis, Canadian sales achieved a level of \$403.1 million, an increase of \$29.7 million, over the fourth quarter of 2004. Sales in the quarter were positively impacted by the expanded CAT heavy duty volumes, Skyjack aerial work platforms, volume increases for various programs for Allison and the launch of the Ford 6 speed program. Operating earnings improved to \$38.4 million from \$33.0 million in the fourth quarter of 2004 as plants achieved improved efficiencies due to program launches from late 2004 coming into full production.

The U.S. segmented sales for the fourth quarter increased to \$38.2 million or 21.7% over the fourth quarter of 2004. Increases were due to the Skyjack new unit program and certain cylinder head and bed plate programs. Segmented operating earnings improved to \$7.1 million from \$1.3 million in fourth quarter 2004 as a result of the noted volume increases.

The Mexican segment experienced higher sales during the fourth quarter at \$41.0 million as compared to \$32.1 million in fourth quarter 2004. Newer programs such as the Eaton 8.6 differential case were launched during 2004 and volume increases continued throughout 2005. Volume increases for a variety of GM programs plus the addition of Bosch lines contributed to the sales increase. This segment reversed losses experienced in fourth quarter 2004 of \$1.0 million to an operating profit of \$1.9 million, an improvement of \$2.9 million. The primary contributors to this change were increased volumes and resultant improved efficiencies as programs launched in early 2005 came into full production.

European sales in the fourth quarter were \$41.0 million, a 27.7% increase from 2004. The increase was mainly due to increased Skyjack sales in the United Kingdom. Also contributing to the increased sales was several small programs in Hungary despite being offset by the program changes for the Honeywell turbo housing. Operating earnings of \$2.4 million demonstrated in the fourth quarter of 2004 reversed to a loss of \$1.7 million. This segment has been negatively impacted by a series of one time SG&A costs.

In the quarter, gross margin improved to 13.5% or \$70.9 million compared with 12.7% or \$60.5 million in the same quarter of last year. The improvement arises from a combination of automotive programs reaching maturity in 2005 and increased sales of industrial products over 2004. Amortization was 7.0% of sales as compared to 6.9% for the fourth quarter of last year. This is indicative of the new programs starting production but which are not yet at full capacity by the end of the year.

Overall fourth quarter operating earnings increased by 24.1% to \$44.3 million as compared to \$35.7 million for the same quarter of 2004. This increase was the result of higher sales in every geographic segment and improved efficiencies noted particularly in Canada, the United States and Mexico. SG&A costs were slightly higher in the fourth quarter at 5.3% of sales or \$27.6 million as compared to 5.2% of sales or \$24.8 million in the same quarter of 2004.



## **Dividends**

The Board of Directors today declared a dividend in respect to the quarter ended December 31, 2005 of CDN\$0.06 per share on the common shares of the company, payable on or after March 31, 2006 to shareholders of record on March 22, 2006.

## **Outlook**

In 2006, Linamar anticipates continuing uncertainty in the automotive market, particularly with respect to the North American OEMs and, as a result, expects only moderate growth in sales and earnings. The company is expecting to launch new programs, as well as see existing programs achieve their anticipated levels of production in 2006. Growth in content per vehicle for 2006 for both North America and Europe is forecasted at 0-5%. While the Asia Pacific market is expected to grow in 2006, it will continue in start-up and is not expected to be profitable in 2006.

These expectations assume consistent levels of North American and European automobile production, no unforeseen changes in the existing business base, and are subject to overall economic conditions and world political events and factors. A key factor in the company's future results is the effect of economic fluctuations in the automotive industry and specifically vehicles produced for the markets in which Linamar participates. Variations in these factors can have a significant impact on the industry and Linamar.

In the company's industrial products business, which is comprised mainly of Linamar's Skyjack operations, the market is expected to remain highly competitive throughout 2006 as a series of large projects commence construction. This may be offset partially by an expected cooling off in the residential market during the same period. Growth in the European construction market is expected to gain momentum, allowing Skyjack further market penetration in that region. Continued growth of the overall business is also based upon the re-introduction of booms expected in 2006. Industrial sales are expected to increase 12-17% in 2006. These results may not be realised if the residential market decline exceeds expectations.

The stronger Canadian dollar has the impact of lowering sales and to the extent that the company purchases material or supplies in U.S. dollars, this effect is substantially reduced. Equipment is also purchased in U.S. dollars; when the Canadian dollar strengthens, the equipment cost is reduced as is depreciation over future years. Since Linamar's business is capital intensive, U.S. dollar purchases have a notable positive impact on earnings over future periods. The company continues to employ a hedging strategy where appropriate for net U.S. dollar positive cash flows. The stronger Canadian dollar is also reducing price competitiveness for Canadian dollar denominated sales.

Linamar believes that its strategy to focus on the engine, transmission and chassis components of the automobile represents a significant opportunity for growth as products in these applications are expected to be the next major area of outsourcing by the Original Equipment Manufacturers ("OEMs") over the next 10 to 20 years. Other aspects of the vehicles such as interiors, seating, and structural components have already experienced greater levels of outsourcing. In addition, management believes future trends include more involvement by suppliers in component and module design, a move towards global vehicle platforms and supply base consolidation.

The company believes that it is uniquely positioned with its core competencies in precision machining and manufacturing processes, and its range of precision machined and assembled automotive and non-automotive products. To build on this strong business base, Linamar intends to continue to develop the organization and its capabilities by enhancing its existing expertise to produce every machined component in the vehicle. Linamar's strategy is to establish and develop a market leadership position in key components and assemblies, enhancing its design, development and testing expertise, and researching opportunities in product and process innovation.



Other principal challenges and risks that the company faces moving forward are the slow pace of outsourcing by the OEMs in the powertrain segment, the market share shift to the Japanese automakers, the shortage of qualified technical people in the labour pool, low cost country outsourcing (such as China) and technologies that eliminate the need for machining.

In addition, the automotive industry continues to decrease the supply base mainly due to the actions of the OEMs. The OEMs are actively trying to reduce their supply base to become more manageable. Through this reduction, there have been considerable consolidations or acquisitions of smaller suppliers. These consolidations provide Linamar with additional opportunities to expand automotive the sales base.

Strategies employed to address market challenges include focusing, through Linamar's sales and marketing organization and technical resources, on strategic sales products and processes to meet customer and product sales levels. Linamar is making significant capital expenditures (as illustrated in 2005) on various new programs that target key products and expand into assemblies and modules. Expansion into China and Korea is also an important aspect of Linamar's growth strategy.

### **Risk and Uncertainties (forward looking statements)**

Certain information provided by Linamar in these unaudited interim financial statements, MD&A and other documents published throughout the year that are not recitation of historical facts may constitute forward looking statements. The words "estimate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Persons reading this report are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some risks and uncertainties may cause results to differ from current expectations. The factors which are expected to have the greatest impact on Linamar include but are not limited to (in the various economies in which Linamar operates): the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors.

A large proportion of the company's sales are denominated in U.S. dollars and the company also purchases a significant amount of raw materials, supplies and equipment in U.S. dollars. The strengthening of the Canadian dollar has the potential to have a negative impact on financial results. The company has employed a hedging strategy to attempt to mitigate the impact but cannot be completely assured that the entire exchange effect has been offset.

As a result of current levels of consumer spending on automobiles, the OEMs are constantly facing volume challenges which are reflected in the results of Linamar through reduced volumes on some existing programs. The OEMs do, however, continue to outsource, although not at expected levels, which allows Linamar to expand and diversify its product base.

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.



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

A handwritten signature in black ink, appearing to read "F. Hasenfratz".

Frank Hasenfratz  
Chairman of the Board

A handwritten signature in black ink, appearing to read "L. Hasenfratz".

Linda Hasenfratz  
Chief Executive Officer

Guelph, Ontario  
March 9, 2006

