

## INTERIM REPORT

### Linamar Announces First Quarter Results

May 4 2009, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products. The company's Powertrain and Driveline focused divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 10,000 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 over \$2.2 Billion in 2008. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com)

(CDN dollars in thousands except per share figures)

	Three Months Ended March 31	
	2009	2008
	\$	\$
Sales	424,874	614,516
Gross Margin	23,754	80,378
Selling, general and administrative	22,596	30,441
Operating Earnings	1,158	49,937
Earnings from Continuing Operations	(894)	29,487
Net Earnings (Loss)	(12,612)	29,487
Diluted Earnings (Loss) per Share from Continuing Operations	(0.01)	0.43
Diluted Earnings (Loss) per Share	(0.19)	0.43

Certain unusual items affected earnings in both the first quarter of 2009 and 2008 as noted in the table below:

(in millions of dollars, except per share figures)	Three Months Ended March 31	
	2009	2008
<b>Net Earnings (Loss)</b>	\$ (12.6)	\$ 29.5
<b>Adjustments due to unusual items</b>		
<b>Taxable Items before Tax</b>		
1) Severance related to the slow down in the Automotive Industry	4.4	-
2) Ontario Capital Tax - eliminated retroactively to Jan 1, 2007	-	(4.4)
3) Program specific asset write down	-	4.7
	4.4	0.3
<b>Tax Impact</b>	(4.1)	(0.1)
	0.3	0.2
<b>Non-Taxable Items</b>		
4) Foreign Exchange loss (gain) on Hungarian Forints held in Escrow	-	(2.0)
5) Goodwill Impairments	11.7	-
	11.7	(2.0)
<b>Adjusted Net Earnings (Loss)</b>	\$ (0.6)	\$ 27.7
As a percentage of Sales	-0.1%	4.5%
Change over Prior Year	-102.2%	
Earnings per Share	(0.01)	0.40

## **First Quarter Operating Highlights**

The company's operating earnings for the first quarter of 2009 were \$5.6 million after adjusting for unusual items in the quarter. This compares to \$48.2 million adjusted operating earnings for the first quarter of 2008, a decrease of \$42.6 million:

- First quarter operating earnings for the Powertrain/Driveline segment were lower by \$29.4 million or 94.5% to a profit of \$1.7 million over the same quarter of 2008 where operating earnings were \$31.1 million.
- The operating losses for the Industrial segment were \$0.5 million in first quarter of 2009, a decrease of \$19.3 million or 102.7% over the first quarter of 2008.
- The decrease in both segments was driven by under absorption of fixed costs due to the significant volume reductions in global markets minimized by significant fixed and overhead cost reductions.

Taking into account the unusual items of the first quarters of each year, adjusted net loss for the first quarter of 2009 was \$0.6 million (\$0.01 net loss per share) versus a profit of \$27.7 million (\$0.40 net earnings per share) in the first quarter of 2008

Sales for the first quarter of 2009 were \$424.9 million, down \$189.6 million from \$614.5 million for the first quarter of 2008:

- Sales for the Powertrain/Driveline segment decreased by \$110.6 million, or 22.8% in the first quarter to \$373.5 million compared to \$484.1 million in the first quarter of 2008. The decrease was driven by significant volume reductions in global vehicle markets.
- Content per vehicle in North America increased by 52.1% to \$161.15 in comparison to the first quarter of 2008.
- Industrial segment sales decreased 60.6% or \$79.0 million for the quarter from \$130.4 million in the first quarter of 2008 to \$51.4 million in the first quarter of 2009. The sales for the first quarter of 2009 differed from the corresponding period in 2008 due to significant global volume reductions as a result of uncertainty in the market and restricted credit availability on a global basis.

The company generated \$72.8 million in operational cash flow, \$29.0 million of which was from reductions in working capital. At March 31, 2009 the amount available under the company's syndicated revolving credit facility was \$249.6 million, up \$32.3 million from December 31, 2008. On April 16, 2009 the company withdrew \$100 million from this same line with the intention to use these funds to repay the Series A Private Placement Notes (\$80 million usd) due in October 2009.

"Despite Q1 2009 being one of the most difficult economic periods to manage through in our company's history, Linamar has managed to dramatically increase market share, execute on significant cost savings and generate more than \$30 million of cash to pay down debt levels.", said Linamar CEO Linda Hasenfratz, "We have a plan, are successfully executing on such and seeing the results."

## **Dividends**

The Board of Directors today declared an eligible dividend in respect of the quarter ended March 31, 2009 of CDN\$0.03 per share on the common shares of the company, payable on or after June 5, 2009 to shareholders of record on May 26, 2009.

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

Linamar no longer provides a financial outlook.

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

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

A large proportion of the company's cash flows are denominated in foreign currencies. The movement of foreign currency exchange rates against the Canadian dollar has the potential to have a negative impact on financial results. The company has employed a hedging strategy as appropriate to attempt to mitigate the impact but cannot be completely assured that the entire exchange effect has been offset.

Other factors and risks and uncertainties that could cause results to differ from current expectations are discussed in the MD&A and include, but are not limited to: fluctuations in interest rates, environmental emission and safety regulations, governmental, environmental and regulatory policies, and changes in the competitive environment in which Linamar operates. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

## **Conference Call Information**

### *Q1 Conference Call Information*

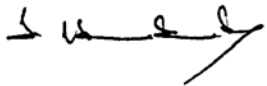
Linamar will hold a conference call on May 4, 2009 at 5:00 pm. EST to discuss its first quarter results. The numbers for this call are (416) 640-3404 (local/overseas) or (866) 322-1159 (North America) confirmation number 5141377, with a call-in required 10 minutes prior to the start of the conference call. The conference call will be chaired by Linda Hasenfratz, Linamar's Chief Executive Officer. A copy of the company's full quarterly financial statements, including the Management's Discussion & Analysis will be available on the company's website after 4 p.m. EST on May 4, 2009 and at [www.sedar.com](http://www.sedar.com) by the start of business on May 5, 2009. A taped replay of the conference call will also be made available starting at 11:00 p.m. on May 5, 2009 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Replay Passcode 5141377. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a 7 day period.

*Q2 Conference Call Information*

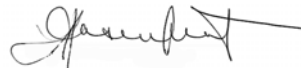
Linamar will hold a conference call on August 13, 2009 at 5:00 pm. EST to discuss its second quarter results. The numbers for this call are (416) 640-5933 (local/overseas) or (866) 399-6716 (North America) confirmation number 2594477, with a call-in required 10 minutes prior to the start of the conference 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 13, 2009 and at [www.sedar.com](http://www.sedar.com) by the start of business on August 14, 2009. A taped replay of the conference call will also be made available starting at 11:00 p.m. on August 13, 2009 for seven days. The number for replay is (647) 436-0148 or (888) 203-1112, Replay Passcode 25944777. The conference call can also be accessed by web cast at [www.linamar.com](http://www.linamar.com), by accessing the investor relations/events menu, and will be available for a 7 day period.

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



Frank Hasenfratz  
Chairman of the Board



Linda Hasenfratz  
Chief Executive Officer

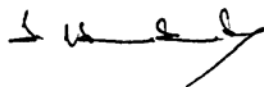
Guelph, Ontario  
May 4, 2009

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

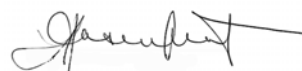
As at March 31, 2009 with comparatives as at December 31, 2008 (Unaudited)  
(in thousands of dollars)

	March 31 2009 \$	December 31 2008 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	82,623	89,535
Accounts receivable	348,514	351,515
Inventories (Note 3)	289,050	317,988
Prepaid expenses	6,534	7,627
Income taxes recoverable	29,699	28,928
Current portion of long-term receivables	1,571	871
Future income taxes	7,986	8,787
	<u>765,977</u>	<u>805,251</u>
<b>Deferred Charges</b>	1,961	1,996
<b>Long-Term Receivables</b>	2,102	2,369
<b>Goodwill and Other Intangibles</b>	49,615	61,564
<b>Property, Plant and Equipment</b>	907,151	927,264
<b>Future Income Taxes</b>	45,640	43,159
	<u>1,772,446</u>	<u>1,841,603</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unpresented cheques	3,883	6,039
Short-term bank borrowings	48,809	81,090
Accounts payable and accrued liabilities	324,587	337,903
Derivative financial instruments	14,840	15,167
Current portion of long-term debt	173,434	170,324
	<u>565,553</u>	<u>610,523</u>
<b>Long-Term Debt</b>	226,017	222,126
<b>Derivative Financial Instruments</b>	28,658	25,765
<b>Future Income Taxes</b>	67,473	66,944
<b>Non-Controlling Interests</b>	32,054	37,923
	<u>919,755</u>	<u>963,281</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital Stock (Note 4)</b>	108,215	108,215
<b>Retained Earnings</b>	835,688	848,300
<b>Contributed Surplus</b>	3,026	3,026
<b>Accumulated Other Comprehensive Loss (Note 5)</b>	(94,238)	(81,219)
	<u>852,691</u>	<u>878,322</u>
	<u>1,772,446</u>	<u>1,841,603</u>

On behalf of the Board of Directors:



Frank Hasenfratz  
**Director**



Linda Hasenfratz  
**Director**

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

For the three months ended March 31, 2009 and March 31, 2008 (Unaudited)  
(in thousands of dollars, except per share figures)

	Three Months Ended	
	2009	2008
	\$	\$
<b>Sales</b>	424,874	614,516
Cost of Sales	356,183	488,318
Amortization	44,937	45,820
Gross Margin	23,754	80,378
Selling, general and administrative	22,596	30,441
<b>Earnings Before the Following:</b>	1,158	49,937
<b>Other Income (Expense)</b>		
Interest on long-term debt	(4,973)	(4,023)
Other interest expense	(406)	(1,465)
Interest earned	276	812
Other income	422	170
	(3,523)	45,431
<b>Provision for (Recovery of) Income Taxes</b>		
Current	(1,969)	15,865
Future	(1,277)	(654)
	(3,246)	15,211
	(277)	30,220
<b>Non-Controlling Interests</b>	617	733
<b>Earnings (Loss) from Continuing Operations</b>	(894)	29,487
<b>Goodwill Impairment (Note 14)</b>	(11,718)	-
<b>Net Earnings (Loss) for the Period</b>	(12,612)	29,487
<b>Earnings (Loss) per Share (Note 10)</b>		
From Continuing Operations		
Basic	(0.01)	0.43
Diluted	(0.01)	0.43
From Net Earnings (Loss)		
Basic	(0.19)	0.43
Diluted	(0.19)	0.43

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

For the three months ended March 31, 2009 and March 31, 2008 (Unaudited)  
(in thousands of dollars)

	Three Months Ended March 31	
	2009	2008
	\$	\$
<b>Balance – Beginning of Period</b>	848,300	851,515
Net Earnings (Loss) for the Period	(12,612)	29,487
Dividends	-	(4,084)
Excess over assigned value of common shares purchased and cancelled (Note 4)	-	(33,453)
<b>Balance – End of Period</b>	<b>835,688</b>	<b>843,465</b>

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

For the three months ended March 31, 2009 and March 31, 2008 (Unaudited)  
(in thousands of dollars)

	Three Months Ended March 31	
	2009	2008
	\$	\$
<b>Net Earnings (Loss) for the Period</b>	(12,612)	29,487
<b>Other Comprehensive Earnings (Loss)</b>		
Unrealized gains (losses) on translating financial statements of self-sustaining foreign operations (Note 5)	(10,285)	26,859
Change in unrealized gains (losses) of derivative instruments designated as cash flow hedges (net of income taxes of \$1,885, 2008 - \$3,367) (Note 5)	1,087	(7,166)
Reclassification to earnings of gains (losses) on cash flow hedges (net of income taxes of \$1,717, 2008 - \$288) (Note 5)	(3,821)	598
	(13,019)	20,291
<b>Comprehensive Earnings (Loss) for the Period</b>	<b>(25,631)</b>	<b>49,778</b>

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

For the three months ended March 31, 2009 and March 31, 2008 (Unaudited)  
(in thousands of dollars)

	Three Months Ended	
	2009	March 31 2008
	\$	\$
<b>Cash Provided By (Used In)</b>		
<b>Operating Activities</b>		
Earnings (Loss) from continuing operations	(894)	29,487
Non-cash charges (credits) to earnings:		
Amortization of property, plant and equipment	43,589	44,376
Amortization of other intangible assets	1,348	1,444
Future income taxes	(1,277)	(654)
Non-controlling interests	617	733
Unrealized exchange (gain) loss on debt	(271)	(677)
Net loss on disposal of property, plant and equipment	(95)	386
Capital asset impairment	-	4,739
Stock-based compensation	-	562
Other	794	972
	<u>43,811</u>	<u>81,368</u>
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	15,588	(63,349)
(Increase) decrease in inventories	25,282	(6,645)
(Increase) decrease in prepaid expenses	1,175	(2,180)
Increase (decrease) in income taxes payable	(731)	(14,124)
Increase (decrease) in accounts payable and accrued liabilities	(12,342)	33,561
Cash flow – continuing operations	<u>72,783</u>	<u>28,631</u>
Cash flow – discontinued operations	-	(41)
	<u>72,783</u>	<u>28,590</u>
<b>Financing Activities</b>		
Proceeds from (repayments of) short-term bank borrowings	(32,574)	(32,916)
Repayment of long-term debt	(1,734)	(2,004)
Repurchase of shares (Note 4)	-	(37,834)
Decrease (increase) in long-term receivables	(420)	1,095
Dividends to shareholders	-	(4,084)
	<u>(34,728)</u>	<u>(75,743)</u>
<b>Investing Activities</b>		
Payments for purchase of property, plant and equipment	(40,167)	(35,722)
Proceeds of disposal of property, plant and equipment	699	883
Business acquisitions (Note 13)	(1,227)	-
	<u>(40,695)</u>	<u>(34,839)</u>
	<u>(2,640)</u>	<u>(81,992)</u>
<b>Effect of Translation Adjustment</b>	(2,116)	1,805
<b>Increase (Decrease) in Cash Position</b>	(4,756)	(80,187)
<b>Cash Position - Beginning of Period</b>	83,496	103,745
<b>Cash Position - End of Period</b>	<u>78,740</u>	<u>23,558</u>
<b>Comprised of:</b>		
Cash	82,623	48,314
Unpresented cheques	(3,883)	(24,756)
	<u>78,740</u>	<u>23,558</u>

**LINAMAR CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2009 and March 31, 2008 (Unaudited)

**1. Significant Accounting Policies**

Management prepared these interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") using the same accounting policies and methods of their application as the most recent annual consolidated financial statements, except as noted below. These interim consolidated financial statements do not include all the information and footnotes as required in the annual consolidated financial statements and as such should be read in conjunction with the company's most recent audited annual consolidated financial statements. These interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants ("CICA") Handbook.

*Changes in accounting policies*

Effective January 1, 2009, the company adopted the CICA Handbook Section 3064 - Goodwill and Intangible Assets ("CICA 3064"). CICA 3064 replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. CICA 3064 section applies to fiscal periods beginning on or after October 1, 2008 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

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

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

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

	Three Months Ended March 31	
	2009	2008
	\$	\$
Foreign Exchange Gain/(Loss)	4,088	3,710

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

	March 31, 2009	December 31, 2008
	\$	\$
Raw materials	160,447	176,310
Work-in-process	56,340	57,089
Finished goods	72,263	84,590
	289,050	317,988

In the quarter ending March 31, 2009 the company recognized a reversal of prior write-downs of slow moving and obsolete material of \$536 in comparison to a \$563 write down in the same quarter last year. Lower of cost or market adjustments are made on a regular basis and have no material effect on the financial statements.

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

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

The company renewed its normal course issuer bid on January 29, 2008, expiring January 30, 2009, which permitted the company to acquire up to 5,084,699 of its outstanding common shares and expired on January 30, 2009. The company has repurchased 5,084,600 shares for total consideration of \$65,533 subsequent to January 31, 2008.

On February 5, 2009, the company renewed its normal course issuer bid. The current bid permits the company to acquire up to 3,791,858 of its outstanding common shares and expires on February 8, 2010. As of March 31, 2009 the company has not repurchased any shares under this bid. The company has 64,701,876 common shares issued and outstanding as of March 31, 2009 with no options outstanding.

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

	Three Months Ended March 31	
	2009	2008
	\$	\$
<b>Balance – Beginning of Period</b>	(81,219)	(79,985)
Other comprehensive earnings (loss) for the period	(13,019)	20,291
<b>Balance – End of Period</b>	<b>(94,238)</b>	<b>(59,694)</b>

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

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

	Three Months Ended March 31	
	2009	2008
	\$	\$
Government sponsored	4,063	5,887
Company sponsored	2,059	2,977

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

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

As at March 31, 2009, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$75,500. Of this amount, \$65,882 relates to the purchase of manufacturing equipment and \$7,869 relates to general contracting and construction costs in respect of plant construction. All of these commitments are due within the next twelve months.

8. **Related Party Transactions** (in thousands of dollars)

Included in the purchase of property, plant and equipment are the construction of buildings, building additions and building improvements in the aggregate amount of \$643 paid to a company owned by the spouse of an officer and director. In addition, the company has a commitment of \$611 to the same entity. Included in cost of sales, are maintenance costs of \$39 paid to the same company. The maintenance and construction costs and the commitment represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Included in sales is \$6 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.

9. **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 do require the company to maintain a minimum book value of shareholders' equity of \$450,000. Linamar is in compliance with this covenant. Book value of shareholders' equity as at March 31, 2009 was \$852,691 (2008 - \$878,322).

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.

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

	Three Months Ended March 31	
	2009 \$	2008 \$
Earnings from Continuing Operations	(894)	29,487
Net Earnings for the Period	(12,612)	29,487
Weighted average common shares	64,701,876	69,081,003
Earnings Per Share from Continuing Operations		
Basic	(0.01)	0.43
Diluted	(0.01)	0.43
Earnings Per Share from Net Earnings		
Basic	(0.19)	0.43
Diluted	(0.19)	0.43

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 earnings from continuing operations, net earnings and assets. The company's three largest customers account for 23.8%, 13.0% and 9.7% (2008 – 14.2%, 12.3%, and 9.5%) of total segmented sales and are all part of the Powertrain/Driveline segment.

Geographic	Three Months Ended March 31	
	2009 \$	2008 \$
Sales to external customers		
Canada	265,100	411,605
United States	38,129	68,214
Asia Pacific	6,958	5,315
Mexico	39,626	52,078
Europe	75,061	77,304
Total	424,874	614,516

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

Operational	Three months ended March 31, 2008			
	Sales to external customers \$	Inter- segment sales \$	Operating earnings (loss) \$	Assets from Continuing Operations \$
Powertrain/Driveline	484,148	10,528	31,177	1,471,378
Industrial	130,368	109	18,760	360,697
Total	614,516		49,937	1,832,075

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

The company has guaranteed the lease payments of Eagle Manufacturing LLC for the full term of the lease which ends in 2011. As at the quarter end, the maximum potential amount of future payments is \$12,637 over the remaining lease term, of which \$11,618 is recorded in capital leases.

The company has various other guarantees for a maximum potential future payment of \$21,760 over various terms of 4 to 5 years. The company has estimated recourse, in the form of equipment, in the amount of \$10,133.

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

On January 30, 2009, the company acquired the remaining 40% interest in Eagle Manufacturing II, LLC, a machining facility in Florence, Kentucky. The joint venture was established in June 1998, with the original ownership interest of 60% owned by Linamar and 40% owned by Navistar. This acquisition was accounted for using the purchase method with the results of operations included in these financial statements from the effective date of acquisition. Total consideration for the acquisition of the remaining 40% interest has amounted to \$1,518 as of the end of the quarter. Due to the timing of the close and complexities associated with this transaction, the purchase price allocation is subject to further adjustments pending the finalization of the value of certain assets.

**14. Goodwill Impairment**

Historically, the annual goodwill impairment analysis is completed in the fourth quarter of each year. In the fourth quarter of 2008, the company determined that goodwill could potentially be impaired with respect to the McLaren reporting unit. 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 has been determined that the carrying amount of this reporting unit exceeds 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. Fair value must be determined with reference to the most current forecasts, and in light of the high level of volatility and uncertainty of the global vehicles markets, these forecasts are constantly changing. Furthermore this reporting unit, which aggregates a number of components within the Powertrain/Driveline operating segment comprises a significant portion of the Company's overall operations and as such it took some time to reasonably determine the implied fair value of goodwill as if the Company had acquired this very large reporting unit as at year end. The Company completed the impairment test of the McLaren reporting unit during the first quarter of 2009 and it was determined that the goodwill attributable to this reporting unit was fully impaired. As a result, an impairment charge of \$11,718 was recorded in the first quarter of 2009.

**14. Comparative Figures**

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

# LINAMAR CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*For the Quarter Ended March 31, 2009*

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "company") should be read in conjunction with its consolidated financial statements for the quarter ended March 31, 2009 and related notes thereto.

This MD&A has been prepared as at May 4, 2009.

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

### **OVERALL CORPORATE PERFORMANCE**

#### **Overview of the Business**

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products. The company's Powertrain and Driveline focused divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets. The company's Industrial division is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 10,000 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 over \$2.2 Billion in 2008. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com)

#### **Overall Corporate Results**

The following table sets out certain highlights of the company's performance in first quarter of 2009 and 2008:

<i>(in millions of dollars, except content per vehicle numbers)</i>	Three Months Ended			
	2009	2008	+/-	%
Sales	\$424.9	\$614.5	(\$189.6)	(30.9%)
Gross Margin	23.8	80.3	(56.5)	(70.4%)
Operating Earnings (Loss)	1.2	49.9	(48.7)	(97.6%)
Earnings (Loss) from Continuing Operations	(0.9)	29.5	(30.4)	(103.1%)
Net Earnings (Loss)	(12.6)	29.5	(42.1)	(142.7%)
Content per Vehicle – North America	\$161.15	\$105.28	\$55.87	53.1%
Content per Vehicle – Europe	\$5.93	\$8.80	(\$2.87)	(32.6%)
Content per Vehicle – Asia Pacific	\$1.48	\$1.10	\$0.38	34.5%

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

Certain unusual items affected earnings in both the first quarter of 2009 and 2008 as noted in the table below:

(in millions of dollars, except per share figures)	Three Months Ended March 31	
	2009	2008
<b>Net Earnings (Loss)</b>	\$ (12.6)	\$ 29.5
<b>Adjustments due to unusual items</b>		
<b>Taxable Items before Tax</b>		
1) Severance related to the slow down in the Automotive Industry	4.4	-
2) Ontario Capital Tax - eliminated retroactively to Jan 1, 2007	-	(4.4)
3) Program specific asset write down	-	4.7
	<u>4.4</u>	<u>0.3</u>
<b>Tax Impact</b>	<u>(4.1)</u>	<u>(0.1)</u>
	0.3	0.2
<b>Non-Taxable Items</b>		
4) Foreign Exchange loss (gain) on Hungarian Forints held in Escrow	-	(2.0)
5) Goodwill Impairments	11.7	-
	<u>11.7</u>	<u>(2.0)</u>
<b>Adjusted Net Earnings (Loss)</b>	<u>\$ (0.6)</u>	<u>\$ 27.7</u>
As a percentage of Sales	-0.1%	4.5%
Change over Prior Year	-102.2%	
Earnings per Share	(0.01)	0.40

1) During the first quarter of 2009, the company incurred certain expenses related to the release of employees as the company adjusted to new sales volumes.

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

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

4) On February 26, 2007, the company announced its public purchase offer for the balance of the outstanding shares of its consolidated subsidiary Linamar Hungary Nyrt. The offer expired in May of 2007. During the offer period, the company purchased 981,727 of the shares that it did not already own for \$16.7 million to bring its ownership total to 70.1%. On January 22, 2008, the company announced the repatriation of the remaining funds that were held in escrow in Hungary that were intended for the purchase. The money was repatriated at the same exchange rate at which it was placed in escrow which resulted in a foreign exchange gain in the first quarter of 2008. Currently, the company owns 70.3% of Linamar Hungary Nyrt.

5) The Company completed the fourth quarter 2008 impairment test of the McLaren reporting unit during the first quarter of 2009. 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 the first quarter of 2009. Refer to the Goodwill Section of this analysis for more details.

## BUSINESS SEGMENT REVIEW

The company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are different by the products that each produces and reflect how the chief decision makers of the company manage the business. The following should be read in conjunction with note 25 to Linamar's consolidated financial statements for the financial year ended December 31, 2008.

(in millions of dollars)	2009			Three Months Ended March 31			2008		
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	\$ 373.5	\$ 51.4	\$ 424.9	\$ 484.1	\$ 130.4	\$ 614.5			
Operating Earnings (Loss)	1.7	(0.5)	1.2	31.1	18.8	49.9			

### Powertrain/Driveline Highlights

(in millions of dollars)	2009		Three Months Ended March 31		2008	+/-	%
Sales	\$ 373.5		\$ 484.1		\$ (110.6)		(22.8%)
Operating Earnings (Loss)	1.7		31.1		(29.4)		(94.5%)

Sales for the Powertrain/Driveline Segment ("Powertrain/Driveline") decreased by \$110.6 million, or 22.8% in the first quarter of 2009 compared with the first quarter of 2008.

The sales decrease in the first quarter was impacted by:

- significant volume reductions in the Global Vehicle Markets.

The decrease was offset by:

- the acquisition of the driveline plant in Swansea, Wales ("the Swansea Plant") from Visteon in the third quarter of 2008;
- the ramping up of key programs that were in the start-up phase in 2008 including 6 speed transmissions; and
- higher sales from the Asian operations.

First quarter operating earnings for Powertrain/Driveline were lower by \$29.4 million or 94.5% over the same quarter of 2008.

The Powertrain/Driveline segment experienced the following in the first quarter:

- improved margins as a result of increased focus on cost reductions;
- improved results in Asia from the sales growth; and
- a program specific asset write down in the first quarter of 2008.

These improvements were more than offset by:

- under absorption of fixed costs due to the significant volume reductions in the Global Vehicle Markets;
- expenses relating to the release of employees as the company adjusted to new sales volumes;
- elimination of the Ontario capital tax in the first quarter of 2008 retroactive to January 1, 2007; and
- in the first quarter of 2008, the segment's portion of the foreign exchange gain on the Hungarian Forints held in Escrow.

## Industrial Highlights

(in millions of dollars)	Three Months Ended			
	2009	March 31 2008	+/-	%
Sales	\$ 51.4	\$ 130.4	\$ (79.0)	(60.6%)
Operating Earnings (Loss)	-0.5	18.8	(19.3)	(102.7%)

The Industrial Segment ("Industrial") product sales decreased 60.6% or \$79.0 million to \$51.4 million in the first quarter of 2009.

The sales decrease was due to:

- significant volume reductions due to uncertainty in the market and restricted credit availability.

The sales decrease was offset partially by:

- additional sales relating to the telehandler product lines; and
- increased sales in the European Fabrication division and the Consumer Products division.

Operating earnings decreased \$19.3 million or 102.7% over the first quarter of 2008 to a loss of \$0.5 million. The decrease in Industrial operating earnings has been predominantly driven by:

- under absorption of fixed costs due to the volume reductions;
- expenses relating to the release of employees as the company adjusted to new sales volumes;
- lower margins on new boom and telehandler sales still in the ramp-up phase;
- launch costs related to the continued start up of the energy market business;
- elimination of the Ontario capital tax in the first quarter of 2008 retroactive to January 1, 2007; and
- in the first quarter of 2008, the segment's portion of the foreign exchange gain on the Hungarian Forints held in Escrow.

The operating earnings decrease was partially offset by:

- improved results due to the higher sales at the European Fabrication division; and
- improved results in the Consumer Products Division.

## Automotive Sales and Content per Vehicle<sup>1</sup>

Automotive sales in the following discussion are determined by the final vehicle production location and, as such, there are differences in the figures as reported under the geographic segment disclosure, which is based primarily on the company's location of manufacturing and includes both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the production vehicle units for each continent.

As vehicle production continues to expand in Eastern Europe, the company decided to state European content per vehicle based on all European production effective March 2008. In prior years, content per vehicle was expressed in terms of Western European production only.

	Three Months Ended		% Change
	2009	March 31 2008	
<i>North America</i>			
Vehicle Production Units <sup>2</sup>	1.81	3.58	(49.4%)
Automotive Sales <sup>3</sup>	\$ 291.4	\$ 377.1	(22.7%)
<b>Content Per Vehicle</b>	<b>\$ 161.15</b>	<b>\$ 105.28</b>	<b>53.1%</b>
<i>Europe</i>			
Vehicle Production Units <sup>2</sup>	4.26	5.70	(25.3%)
Automotive Sales <sup>3</sup>	\$ 25.3	\$ 50.2	(49.6%)
<b>Content Per Vehicle</b>	<b>\$ 5.93</b>	<b>\$ 8.80</b>	<b>(32.6%)</b>
<i>Asia Pacific</i>			
Vehicle Production Units <sup>2</sup>	4.60	5.48	(16.1%)
Automotive Sales <sup>3</sup>	\$ 6.8	\$ 6.0	13.3%
<b>Content Per Vehicle</b>	<b>\$ 1.48</b>	<b>\$ 1.10</b>	<b>34.5%</b>

North American automotive sales decreased \$85.7 million or 22.7% to \$291.4 million in a market which saw an overall decrease in vehicle production of 49.4%. As a result, content per vehicle increased by 53.1% to \$161.15 from \$105.28 in the first quarter of 2008.

European automotive sales decreased by \$24.9 million to \$25.3 million as compared to the first quarter of 2008. Vehicle production volumes decreased 25.3% and content per vehicle decreased 32.6% to \$5.93 from \$8.80 in the first quarter of 2008.

Content per vehicle for Asia Pacific continues at its anticipated low level, during the start-up phase but still increased by 34.5% to \$1.48 from \$1.10 in a market that was down 16.1% in terms of vehicle production for the first quarter of 2009.

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

<sup>2</sup> Vehicle production units are shown in millions of units. North American vehicle production units used by Linamar for the determination of the company's content per vehicle include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks and the off-road (heavy equipment) market. All volume information is as regularly reported by industry sources.

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

## Gross Margin

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Sales	\$424.9	\$614.5
Cost of sales	356.2	488.4
Amortization	44.9	45.8
<b>Gross Margin</b>	<b>\$23.8</b>	<b>\$80.3</b>
<b>Gross Margin Percentage</b>	<b>5.6%</b>	<b>13.1%</b>

Gross margin percentage decreased to 5.6% for the first quarter from 13.1% for the same quarter in 2008. Cost of sales as a percentage of sales increased to 83.8% for the first quarter of 2009 compared to 79.5% for the same quarter of 2008.

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

- under absorption of fixed costs due to the significant volume reductions in Global Vehicle Markets as well as rapid declines in the Access Equipment Market supplied by Skyjack; and
- expenses relating to the release of employees as the company adjusted to new sales volumes.

These negative impacts were minimized by an aggressive overhead and fixed cost reduction program executed in the quarter.

First quarter amortization increased to 10.6% of sales as compared to 7.5% in the same quarter in 2008. The percentage increase in amortization is mainly attributable to the significant volume reductions that occurred in the quarter.

## Selling, General and Administration

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Selling, general and administrative ("SG&A")	\$22.6	\$30.4
SG&A Percentage	5.3%	4.9%

Selling, general and administrative ("SG&A") costs decreased \$7.8 million in the first quarter of 2009 to \$22.6 million when compared to the same quarter of 2008. As a percentage of sales, SG&A costs were 5.3% in the first quarter of 2009 and 4.9% in the first quarter of 2008.

This decrease is primarily due to cost reductions related to wages, benefits and other fixed costs to adjust SG&A costs to new sales volumes in both the Powertrain and Industrial segments.

These cost reductions were partially offset by the addition of costs from the acquisition of the Swansea Plant in the third quarter of 2008.

## Expenses and Other Income

(in millions of dollars)	Three Months Ended	
	March 31	
	2009	2008
Operating Earnings (Loss)	\$1.2	\$49.9
Other Income (Expense)		
Net Interest Expense	(5.1)	(4.7)
Other Income	0.4	0.2
Provision for (Recovery of) Income Taxes	(3.2)	15.2
Non-Controlling Interests	(0.6)	(0.7)
<b>Earnings (Loss) from Continuing Operations</b>	<b>(\$0.9)</b>	<b>\$29.5</b>
Goodwill Impairments	(11.7)	-
<b>Net Earnings (Loss)</b>	<b>(\$12.6)</b>	<b>\$29.5</b>

### Interest

Interest on long-term debt during the first quarter increased \$1.0 million over the same quarter in 2008, to \$5.0 million. This resulted from an increase in long-term debt as the company converted short-term debt through interest rate swaps in the fourth quarter of 2008. Additionally, interest on long-term debt increased due to a weaker Canadian Dollar in the first quarter of 2009 compared to the first quarter of 2008 on the company's U.S. dollar interest expenses. The consolidated effective interest rate was higher in the first quarter of 2009 at 5.2% as compared to 4.9% in 2008 also due to the weaker Canadian Dollar. The weaker Canadian Dollar impact was minimized by the lower fixed interest rate charged through the interest rate swaps on the new long-term debt converted in the fourth quarter of 2008.

Average short-term borrowings were lower in the current quarter due to the above noted interest rate swaps that occurred in the fourth quarter of 2008. Short-term borrowings has benefited from lower interest rates in the current quarter compared to rates in the same quarter in 2008. Interest expense from short-term borrowings for the first quarter of 2009 is lower by \$1.1 million compared to the same period in 2008.

### Provision for Income Taxes

The effective tax rate for the first quarter of 2009 was 92.2% resulting in a tax recovery of \$3.2 million in the quarter. The effective tax rate in the same quarter of 2008 was 33.5% with a corresponding tax expense of \$15.2 million. The increased rate in 2009 is attributable to a favorable mix of foreign tax rates relative to the Canadian rate. The impact of this foreign rate differential is magnified because of the relatively low 2009 first quarter pretax loss.

### Non-Controlling Interests

Non-Controlling Interests decreased by \$0.1 million from \$0.7 million loss in the first quarter of 2008 to a \$0.6 million loss in the same quarter of 2009.

### Goodwill Impairments

Historically, the annual goodwill impairment analysis is completed in the fourth quarter of each year. In the fourth quarter of 2008, the company determined that goodwill could potentially be 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 has been determined that the carrying amount of this reporting unit exceeds 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. Fair value must be determined with reference to the most current forecasts, and in light of the high level of volatility and uncertainty of the

global vehicles markets, these forecasts are constantly changing. Furthermore this reporting unit, which aggregates a number of components within the Powertrain/Driveline operating segment comprises a significant portion of the Company's overall operations and as such it took some time to reasonably determine the implied fair value of goodwill as if the Company had acquired this very large reporting unit as at year end. The Company completed the impairment test of the McLaren reporting unit during the first quarter of 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 the first quarter of 2009.

With respect to Hungary, the Company made a reasonable estimate of the goodwill impairment by determining the implied fair value of goodwill in the same manner as if the Company had acquired the reporting unit at year end. Based on this it was determined that the goodwill attributable to this reporting unit was fully impaired and as a result a charge of \$5.1 million was recorded against the goodwill in the fourth quarter of 2008.

## Shareholders' Equity

Book value per share<sup>1</sup> decreased to \$13.18 per share at March 31, 2009, as compared to \$13.57 per share at December 31, 2008.

## OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 64,701,876 common shares were outstanding as of May 4, 2009. As of March 4, 2009, there were no options outstanding under Linamar's share option plan.

## SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended June 30, 2007 through March 31, 2009. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

(in millions of dollars, except per share figures)	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009
Sales	\$624.4	\$581.6	\$528.2	\$614.5	\$625.4	\$540.4	\$476.7	\$424.9
Earnings (Loss) from Continuing Operations	31.3	25.9	25.1	29.5	32.0	3.4	(8.8)	(0.9)
Net Earnings (Loss)	31.3	25.9	25.4	29.5	32.0	11.5	(2.6)	(12.6)
Earnings (Loss) per Share from Continuing Operations								
Basic	0.45	0.37	0.36	0.43	0.48	0.05	(0.14)	(0.01)
Diluted	0.45	0.37	0.36	0.43	0.48	0.05	(0.14)	(0.01)
Net Earnings (Loss) per Share								
Basic	0.45	0.37	0.36	0.43	0.48	0.17	(0.04)	(0.19)
Diluted	0.45	0.37	0.36	0.43	0.48	0.17	(0.04)	(0.19)

The quarterly results of the company are impacted by the seasonality of certain operational units. Earnings in the second quarter are positively impacted by the high selling season for both the aerial work platform, other

<sup>1</sup> "Book Value Per Share", as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company's net assets. For more information refer to the Non-GAAP Measures section of this MD&A

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

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

### **Cash Flows**

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Cash provided by (used in):		
Operating Activities	\$ 72.8	\$ 28.6
Financing Activities	(34.7)	(75.7)
Investing Activities	(40.8)	(34.8)
Effect of Translation Adjustment	(2.1)	1.8
Net Increase/(Decrease) in Cash Position	(4.8)	(80.1)
Cash Position – Beginning of Period	83.5	103.7
Cash Position – End of Period	\$ 78.7	\$ 23.6
Comprised of:		
Cash	\$ 82.6	\$ 48.3
Unpresented Cheques	(3.9)	(24.7)
	\$ 78.7	\$ 23.6

Linamar's cash position (net of unpresented cheques) at March 31, 2009 was \$78.7 million, a increase of \$55.1 million from the same quarter of 2008.

Cash provided by operating activities was \$ 72.8 million, \$44.2 million more than was provided in the same quarter of 2008 due to lower levels of working capital being utilized.

During the quarter, financing activities used \$34.7 million, primarily due to the repayment of short term bank borrowings.

2009 investing activities used \$40.8 million mainly for the purchase of property, plant and equipment.

### **Operating Activities**

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Earnings (Loss) from continuing operations	\$ (0.9)	\$ 29.5
Non-cash charges to earnings	44.7	51.9
	\$ 43.8	\$ 81.4
Changes in non-cash working capital	29.0	(52.8)
Cash flow – continuing operations	\$ 72.8	\$ 28.6
Cash flow – discontinued operations	-	-
<b>Cash provided (used) from operating activities</b>	<b>\$ 72.8</b>	<b>\$ 28.6</b>

Cash provided by continuing operations, before the effect of changes in non-cash working capital was a 46.2% decrease to \$ 43.8 million in the first quarter of 2009 compared to \$81.4 million in the same quarter in 2008.

Non-cash working capital for the first quarter decreased \$29.0 million, compared to a \$52.8 million increase in the first quarter of 2008.

## Financing Activities

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Proceeds from (repayments of) short-term bank borrowings	\$ (32.6)	\$ (32.9)
Proceeds from long-term debt	-	-
Repayment of long-term debt	(1.7)	(2.0)
Proceeds from common share issuance	-	-
Repurchase of shares	-	(37.8)
Decrease/(Increase) in long-term receivables	(0.4)	1.1
Dividends to shareholders	-	(4.1)
<b>Cash provided (used) from financing activities</b>	<b>\$ (34.7)</b>	<b>\$ (75.7)</b>

Financing activities for the first quarter of 2009 used \$34.7 million of cash compared to \$75.7 million used in the same of quarter of 2008.

Net Debt<sup>1</sup> at March 31, 2009 was \$365.6 million, an improvement of \$18.4 million over levels at December 31, 2008 of \$384.0 million.

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 first quarter of 2009, \$249.6 million in credit was available under the facility.

In October 2009, the series A tranche of Private Placement Notes, in the principal amount of \$80 million usd (\$105.9 million cad) will mature. The company is investigating a number of alternatives to refinance the Private Placement Notes. Given the current condition of financial markets, consideration is being given to refinancing the Private Placement Notes using the syndicated revolving credit facility.

In 2008, the company continued its dividend policy with payments made quarterly at a rate of \$0.06 per share. In the fourth quarter of 2008, the company has amended the dividend policy with payments to be made quarterly at a rate of \$0.03 per share with respect to dividends payable on or after April 15, 2009.

Long term receivables regularly arise in the industrial products marketplace. In order to manage the associated cash flow, the company periodically securitizes portions of the receivable balance. During the first quarter of 2009, the company's long term receivables decreased from the prior year by \$0.4 million.

## Investing Activities

<i>(in millions of dollars)</i>	Three Months Ended March 31	
	2009	2008
Payments for purchase of property, plant and equipment	\$ (40.3)	\$ (35.7)
Proceeds from disposal of property, plant and equipment	0.7	0.9
Business acquisitions	(1.2)	-
Extraordinary Item	-	-
<b>Cash used for investing activities</b>	<b>\$ (40.8)</b>	<b>\$ (34.8)</b>

Cash spent on investing activities for the first quarter was \$40.8 million while during the same period last year the total spent was \$34.8 million.

At March 31, 2009, outstanding commitments for capital expenditures under purchase orders and contracts amounted to \$73.8 million which relates to the purchase of manufacturing equipment and buildings. All of these commitments are in respect of 2009.

<sup>1</sup> "Net Debt" is defined as Short-term bank borrowings, Current portion of long-term debt and Long-term debt net of Cash

## **Financing Resources**

At March 31, 2009 cash on hand was \$82.6 million, with unrepresented cheques and short-term bank borrowings of \$52.7 million. At March 31, 2009, the company's syndicated revolving facility had available credit of \$249.6 million.

On April 16, 2009 the company withdrew \$100 million cad from the syndicated revolving credit facility and is currently holding the amount in short term investments. The company intends to use these funds to repay the series A tranche of Private Placement Notes due in October 2009.

## **Contractual Obligations**

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

## **Foreign Currency Activities**

Linamar pursues a strategy of balancing its foreign currency cash flows, to the largest extent possible, in each region in which it operates. The company's foreign currency outflows for the purchases of materials and capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. To manage the residual exposure, Linamar employs hedging programs, where rate-appropriate, through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations. The company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. Linamar is exposed to credit risk from potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with relationship banks in our credit facility. Despite these measures, significant long-term movements in relative currency values could affect the company's results of operations. Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries and, accordingly, results of operations could be further affected by a significant change in the relative values of the Canadian dollar, U.S. dollar, Euro, British pound, Hungarian forint and Mexican peso.

At March 31, 2009, the company was committed to a series of forward contracts to sell U.S. dollars. These forward contracts qualify for accounting as cash flow hedges and the fair value unrealized gains and losses are included in other comprehensive earnings, net of taxes. The gains and losses will be recognized in net earnings in the same period as the transaction which generates the cash flows.

The company was also committed to two long-dated forward contracts to buy U.S. dollars. These forward exchange contracts qualify for accounting as fair value hedges and under the new standards, any fair value unrealized gains and losses are included in net earnings.

Please see note 21 of the consolidated financial statements, which is hereby incorporated by reference herein.

## **Off Balance Sheet Arrangements**

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. The company currently leases approximately 88 trucks and 194 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, 2008 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 7 of the interim consolidated financial statements that are hereby incorporated by reference herein.

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

## **Guarantees**

Linamar is a party to certain financial guarantees and contingent liabilities as discussed in notes 5, 10, 13, and 23 of the December 31, 2008 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 \$0.6 million paid to a company owned by the spouse of an officer and director. In addition, the company has a commitment of \$0.6 million to the same entity. Included in cost of sales is maintenance costs of \$ 0.04 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.

## **PROPOSED TRANSACTIONS**

On January 30, 2009, Linamar Corporation completed the acquisition of its joint venture partner's interest in Eagle Manufacturing LLC, a machining facility in Florence, Kentucky. Prior to this, Linamar held a 60% interest in the joint venture. Due to the timing of the closing, the purchase price allocation has not been performed. The cash consideration for the acquisition is \$1.2 million but is subject to further adjustments as transaction costs have not been finalized.

## **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 A and B, require the company to comply with certain financial covenants, including the following:

Revolving credit facility key covenants:

- (1) Net Funded Debt<sup>1</sup> (“NFD”) to EBITDA<sup>2</sup> 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.

	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009
NFD/EBITDA	1.1	1.4	1.1	1.2	1.2	1.4	1.5	1.6
Interest Coverage	17.3	17.7	16.3	15.9	15.6	14.1	12.8	11.4

Private Placement Notes key covenants:

- (1) Book value of Consolidated Shareholders’ Equity<sup>3</sup> must be not less than \$450.0 million; and
- (2) Consolidated Debt<sup>4</sup> to Consolidated Capitalization<sup>5</sup> must be not greater than 50%

(in millions of dollars)	Jun 30, 2007	Sep 30, 2007	Dec 31, 2007	Mar 31, 2008	Jun 30, 2008	Sep 30, 2008	Dec 31, 2008	Mar 31, 2009
Consolidated Shareholders’ Equity	868.5	869.7	890.6	899.0	937.2	908.6	878.3	852.7
Consolidated Debt to Consolidated Capitalization	32.2%	38.5%	36.0%	34.8%	34.1%	37.9%	38.4%	37.8%

Series A of the Private Placement Notes are due in October 2009. There can be no assurance that they can be refinanced under satisfactory terms or at all.

The investment agreement between the company and the Ontario government (Ontario Automotive Investment Strategy – “OAIS”) 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.

### Credit Risk

A substantial portion of the company’s accounts receivable are with large customers in the automotive, truck and industrial sectors and are subject to credit risks normal to those industries. At March 31, 2009, the accounts receivable from the company’s three largest customers amounted to 13.0%, 8.6% and 6.9% of accounts receivable (December 31, 2008 - 13.2%, 8.8% and 7.1%).

Please see the December 31, 2008 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, 2008 annual MD&A.

<sup>1</sup> “**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.

<sup>2</sup> “**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.

<sup>3</sup> “**Consolidated Shareholder’s 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.

<sup>4</sup> “**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.

<sup>5</sup> “**Consolidated Capitalization**” is defined in the Private Placement Notes and means, in summary, the Consolidated debt plus Consolidated Shareholder’s Equity less the capital of any unrestricted subsidiaries.

## **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 March 31, 2009, 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, 2008 for a discussion of critical accounting estimates for the Impairment of Goodwill and Other Intangibles, Future Income Tax Assets and Liabilities, Impairment of Long-Lived Assets, and Stock-Based Compensation. There were no significant changes in the assumptions used and balances of these critical accounting estimates during the quarter.

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

Refer to Note 1 to the interim consolidated financial statements that are hereby incorporated by reference herein for information pertaining to accounting changes effective in 2009 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. The International Accounting Standards Board (IASB) has the authority to set IFRSs and to approve interpretations of those standards. The IASB's decision to replace individual national GAAPs with IFRSs was made in response to the need for clear, consistent and comparable financial information for companies like Linamar with an increasingly global presence. IFRSs use a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the changeover date.

Linamar's adoption of IFRSs 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. Standard IFRS 1, First Time Adoption of IFRS, allows for certain 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 in which the retrospective application is deemed to be inappropriate.

To date, Linamar has completed Phase I of the IFRS conversion project which is a high-level diagnostic and impact assessment of the effects of the transition. The key elements and deliverables of Phase 1 include a high level gap analysis, a draft project plan along with high level assessments of IFRS 1 options, disclosure requirements, IT initiatives, and training requirements. Allocation of resources to the Project Team, whose responsibility will be to facilitate a detailed assessment based on the findings in Phase 1, design solutions

and implement the approved IFRS options, is almost complete. It is currently not possible to fully determine the impact to the consolidated financial statements and any potential business impacts, as accounting standards and related interpretations continue to change.

Over the next two years, Linamar will execute the project plan over the next 3 phases which will address the impact of IFRS application on accounting and reporting, IT systems and processes, training and other areas of the business. Phase 2, a detailed assessment facilitated by fieldwork, requires an assessment of each reporting entity's IFRS status, a gathering and analysis of data, and a detailed analysis of accounting and disclosure gaps by entity and on a consolidated basis while taking into consideration the requirements of IFRS 1. Phase 3, the design solution, requires technical accounting research and analysis, approval of options for IFRS application, the creation and/or modification of accounting policies and internal controls, and the creation of "mock up" financial statements and interim reports including an opening IFRS balance sheet. During implementation in Phase 4 leading up to the changeover date, new IFRS updates will continue to be monitored for relevance to Linamar, accounting choices will be finalized, comparative information will be restated, and the testing and approvals completed.

## **NON-GAAP MEASURES**

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

### **Operating Earnings**

Operating earnings, as used by the chief operating decision makers and management, monitors the performance of the business specifically at the segmented level. Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses and equity loss, if any.

(in millions of dollars)	Three Months Ended	
	March 31	
	2009	2008
Gross Margin	\$23.8	\$80.3
Selling, general and administrative	22.6	30.4
Operating Earnings (Loss)	\$1.2	\$49.9

### **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)	March 31	December 31
	2009	2008
Shareholders' Equity	\$852.7	\$878.3
Shares outstanding at the end of the period	64,701,876	64,701,876
Book value per share	\$13.18	\$13.57

## 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)	March 31 2009	December 31 2008
Short-term bank borrowings	\$48.8	\$81.1
Current portion of long-term debt	173.4	170.3
Long-Term Debt	226	222.1
Total Debt	\$448.2	\$473.5
Shareholders' Equity	\$852.7	\$878.3
Debt to Total Capitalization	34.5%	35.0%

## OUTLOOK

Effective the second quarter of 2006, the company determined it was not appropriate to provide outlook guidance.

## FORWARD LOOKING INFORMATION

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this MD&A and elsewhere in the Annual Report include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicalities, 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.