POWERFUL AWARDS AND HONOURS ‘07

May 2007
Linamar Corporation’s McLaren Technologies division was named a finalist in the ‘Process’ category of the 2007 Automotive News PACE Award competition for its innovative Opti-Power™ design and production system.

July 2007
Linamar Corporation won the Outstanding Business Achievement Award from the Ontario Chamber of Commerce.

October 2007
Linamar founder Frank Hasenfratz was inducted into the Canadian Manufacturers Hall of Fame for his significant contributions to Canadian manufacturing.

October 2007
Linamar Corporation received the Canadian Manufacturers and Exporters ‘Manufacturer of the Year’ Innovation Award.
Dear shareholders

In challenging times we find the greatest opportunities. 2007 continued to be a consistent year of corporate success for Linamar despite turbulent markets. Our focus on diversification remains a strategy that has allowed us to endure economic fluctuations with the confidence to deliver tangible results.

Linamar’s strength for the past 40 years has been forged through a strategy built on minimizing risk through diversification in industry focus, customer base, geographical markets and product offering. We continue to maximize our market potential by expanding our broad international market focus and targeting opportunistic multi-billion dollar markets where our technical strengths give us a clear edge.

We derive revenue from two distinct businesses: powertrain/driveline and mobile industrial equipment products. These synergistic businesses address multiple global markets, each with their own focus for independent business cycles and customer bases. This allows us the flexibility to withstand the ebb and flow of market slowdowns on an international scale.

Our powertrain/driveline business specializes in the manufacturing of precision metallic components, modules and systems. Traditional automotive, or passenger car vehicles, represent a little less than half of our sales. Our engine, transmission and driveline modules and systems are found in a variety of vehicle applications from passenger cars to medium and heavy trucks and off road construction vehicles; as well as vehicles for the mining, agricultural and marine markets and in total represent about 70% of annual sales.

Our mobile industrial equipment business group focuses primarily on the manufacture of aerial work platforms and other types of material handling equipment, and accounts for about 30% of our annual business. This group manufactures scissor lifts, boom lifts and telehandlers for global construction markets. Our Fluid Products Division designs, develops and manufactures hydraulic cylinders and manifold systems for a variety of markets.

We target no one customer to represent more than 20% of our business, with our largest customer in 2007 actually significantly less than 20%. We target no one
powertrain platform to represent more than 5% of our sales. This insulation helps to protect us from model demand fluctuations.

We also insulate ourselves from the effects of currency fluctuation through a careful hedging strategy. We have created a natural hedge for instance around our Canadian dollar/US dollar position. In 2007, this hedge was almost perfect, with US dollar inflows exactly matching US dollar outflows, meaning no bottom line impact due to the rapid rise in the Canadian dollar for us at Linamar. This attention to areas of risk is a key factor in Linamar’s success over the years.

We believe the answer to surviving and thriving in challenging environments lies in three key areas: vigilantly maintaining competitiveness, relentlessly pursuing opportunity, and reinforcing a strong corporate culture. Our strength is in our mandate to focus on these key areas through a concentration on innovation, cost reduction, diversification and global expansion in every area of our industry. Our focus and commitment has made Linamar a leader in the diversified manufacturing industries we supply.

Linamar is proud to give back to the communities in which we live and work. One such program we are exceptionally proud of is Linamar for the Performing Arts. Developed in 2000, the program helps elementary school children develop an appreciation for the arts through the experience of professional performances in music, dance, and drama at the River Run Centre in Guelph.
Competitiveness

The first key building block of prosperity is competitiveness. Competitiveness is all about innovation, efficiency and speed. From the design table to the assembly line, every step must be an innovative, stream-lined approach to continuous production and improvements of the process itself as well as innovation in product design. We must always ask ourselves where we can add more value, what we can change in our design or in our process to solve our customer’s problems or help them achieve their goals. We must work smarter, faster, more efficiently and with better quality than our competitors to continue to win business. Evolving with the times is vital to our success.

We have built a solid reputation in design innovation through advanced manufacturing technology development and a comprehensive knowledge of what the market demands. Linamar is at the forefront of the marketplace by understanding where that market is growing.

Fuel efficiency and emission control are increasing concerns for both consumers and OEM automotive manufacturers. Linamar’s ingenuity in the design of a new cylinder head, optimizing fuel and air flow while minimizing emissions by between 12 and 15%, proves that we understand our target. Our hydro-formed camshaft, manufactured in our German facility, reduces the weight of the camshaft significantly, resulting in improved fuel efficiency as well.

All-wheel drive (“AWD”) technology is increasingly being utilized in cars, crossover vehicles and small SUV’s. Linamar’s recently acquired Power Transfer Unit business creates AWD in the vehicle and allows us to tap into this growing market. This business, in addition to our many new 6 speed transmission and V6 engine program launches also has the side benefit of helping to balance out our segment concentration away from a stronger weighting in light trucks and SUV’s and into more smaller cars.

Linamar subscribes to a LEAN philosophy of management. From the corporate offices to the manufacturing plants, we share a belief in the evolution of improvement and the elimination of the unnecessary through the engagement and input of every one of our employees. Lean principles of management and thinking are what drive our efficiency. This basically boils down to doing a great job of three things: planning, purchasing and labour cost.
Linamar’s strength for the past 40 years has been forged through a strategy built on minimizing risk through diversification in industry focus, customer base, geographical markets and product offering.
A carefully thought out plan drives a flawless launch and also ensures we have done the best job possible of optimizing equipment and manpower and thoroughly vetting the latest tooling and processing technologies.

Solid purchasing is quite simply at the heart of any profitable business. Thorough understanding of the costs of the products we are buying, careful consolidation of the buy to maximize leverage and expert negotiation mean we are always working to reduce costs and maximize profit.

The last piece of efficiency is careful management of labour costs to ensure they are more economical than our competitors. Process innovation and ingenuity play a very important role here. Work smarter, not harder, is our mantra.

Opportunity

Identifying and then doing a good job of exploiting opportunity is the second key building block to prosperity.

Our world is evolving rapidly, and that means new opportunities for us at Linamar here in North America and on a global basis. Change creates opportunity, whether that change results from new technologies, new challenges in the market or new players. Finding opportunity during times of change enables a company to grow in strength and focus.

Taking advantage of opportunity boils down to three things: developing a solid strategy, focusing on an opportunistic market, and then doing a great job of quoting and selling business.

We are excited by the vast opportunities in the multi billion dollar markets we are focused on in both our powertrain/driveline and mobile industrial equipment businesses.

The powertrain/driveline market has some very substantial areas of opportunity. Take the gear market as an example, currently a more than US$ 40 billion market globally. Linamar is one of the largest independent producers of automotive gears in North America. Cylinder head modules are another huge area of opportunity for us with a global market of close to US$ 30 billion. Linamar is the largest producer of machined cylinder heads in the world today. Clearly we are very well positioned to
take advantage of these lucrative market opportunities.

Our industrial market potential will grow from US$ 1.5 billion to more than US$ 8.5 billion within the next several years due to our very successful product diversification strategy. Our traditional scissor lift business, an opportunistic and growing US$ 1.5 billion market itself is complemented by market potentials of more than US$ 3.5 billion each in our new boom lifts and telehandler products. With the same customer base, this new market potential can be accessed through existing distribution channels with existing personnel, making this expansion a very cost effective one.

Opportunities in Europe and China continue to create new business potential for Linamar. Our Wuxi plant, located in western China, has already won enough business to more than fill the 200,000 square feet built early last year and an addition has been recently launched for this plant. In Europe, we enjoyed a record year for new business wins, doubling targeted levels of new contracts. It is great to see the foundation we have spent several years building in Europe starting to accelerate from a growth perspective.

Global diversification is a solid opportunity that Linamar is pursuing aggressively. 30% of our powertrain/driveline business wins in 2007 were in regions outside of the North American marketplace when only 13% of powertrain sales are in those regions today, a growth factor of 3. Our Skyjack mobile industrial equipment business outside of North America grew from 13% of sales in 2006 to 21% of sales in 2007. Our philosophy is fairly simple: target customers wherever possible from within. By marketing products to customers within the continent or preferably the country of the country where we manufacture we are able to optimize our logistics costs and maximize our customer relationships. This philosophy is proving itself in all markets, including North America, particularly for the powertrain business.

Product focus on emerging markets such as the eco-enhancement products we are developing to help improve our environment are also an exciting growth opportunity. We have been working on projects ranging from highly efficient electric motors designed to power lawnmowers to external combustion engines for use with solar dish energy collection systems and feel very optimistic about prospects in both these areas.
We believe the answer to surviving and thriving in challenging environments lies in three key areas: vigilantly maintaining competitiveness, relentlessly pursuing opportunity, and reinforcing a strong corporate culture.
Culture

The last building block to prosperity is company culture. How we do business is as important as where we do business. Linamar corporate culture is the key to our unified strength. Vision Linamar summarizes our commitment. It is the standard of where we’ve come from and where we are going, setting the bar for what we will achieve. Every member of our corporate team understands our philosophy and we maintain a consistent approach to ensuring this unique culture is promoted throughout our organization.

Our goal is to be a $10 billion business by the year 2020. This is attainable through a clear understanding of our core values: balanced decision-making, an entrepreneurial focus, a great work ethic, respect for our people, responsiveness to both our customer and employee needs, and our successful innovation of new products and systems. Linamar is an organization where hard work and focused goals ensure that everyone is a stakeholder in our success.

Our leaders are people with passion, who are good planners who can execute those plans. They are people with edge and acumen in decision making, who are great communicators and care about their people and their responsibilities.

The combination of these leaders who lead through demonstration of our values, day in and day out, creates a culture focused on results, growth and prosperity.

The future of our world-class organization lies within our people and our leaders, present and future. Our commitment to developing and nurturing a competent, capable organization remains vital to our strategy for success.

We expect the coming year of 2008 to continue to offer opportunities and challenges that we are prepared to meet head on with our commitment to competitiveness, opportunity and culture. With our proven track record in each area there are no limits to how we can grow.

Linda Hasenfratz
Chief Executive Officer
Growth

Our sales of $2.31 billion in 2007 was a modest increase over 2006 but represented a great achievement for Linamar. This achievement was critical and demonstrates our success in spite of the recent slowdown in the last few years in the North American auto parts business.

In the face of the market downturn we concentrated our attention on the development of lean initiatives like value analysis and value engineering that will deliver productivity gains to fuel our longer-term growth. As a result we continued to develop stronger relationships with our customers.

In spite of the market conditions that we faced last year, we achieved some of the greatest successes in the history of the company.

These successes come as the direct result of our focus in four significant areas:

- Our commitment to building diversity into our organization
- The investments we have made in developing world-leading skills in design and engineering
- The continuous improvement and cost reduction of our operating processes
- The ongoing development of our employees

In 2007 we recorded $774 million in new business wins. The quality of these new business wins has improved. Our contracts were larger in scale while the financial returns were consistent with what we have achieved in the past.

Over the past few years McLaren Performance Technologies played a significantly expanded role in Linamar’s new business development process. By enhancing product engineering and designing capabilities in advance of bids going out for quote, McLaren Performance Technologies is able to provide new technology ideas for input into our customer’s requirements. This not only improves Linamar’s competitive position in the bidding process, but also gives our customers value-added design specifications that improve performance. Working closely with McLaren Performance Technologies attributed to our significant success in new
business wins last year, and is living proof that our strategy of focussing on value-added solutions is paying off.

Our Industrial Group launched its new boom product in 2006 and continued to grow this area of the business through 2007. Our strategy with booms is similar to that of our scissor lift product. The boom will offer a simple robust design, which provides durability and ease of serviceability. With the addition of the boom, the Industrial Group now offers a full lineup of aerial work platforms. In addition, we plan to deploy our scissor lift product with the boom product to increase sales in both North America and Europe.
In addition, in August of 2007 Skyjack purchased Carelift Technologies which furthers our diversification strategy in the industrial market with a product very complementary to our existing offering, a high mount style telehandler. The telehandler is similar to a rough terrain forklift but has a telescopic arm, like a boom lift. Key markets include non residential and residential construction, with crane applications an emerging market. Key customers include rental houses as is the case with our AWP products. The market is large: US$ 3.2 billion globally today growing to over US$ 3.5 billion with the next 5 years, with most of the growth coming from North America. It is one of the most vibrant growth areas in the industrial market at the moment. We are very excited about this acquisition, which fits perfectly with Skyjack’s strategy of growing their product offering to existing customers and therefore utilizing an existing extremely effective distribution system already in place. We are also proud to be taking on the ZoomBoom brand name, well recognized as a high quality product in the industry.

On the automotive side, we purchased Automotive Components Holdings’ Power Transfer Unit (PTU) business in Nuevo Laredo, Mexico in August 2007. This acquisition is also very exciting for us as it clearly moves Linamar into the area of designed system supply; a realization of a strategy we have been working towards over the past few years. The PTU market is growing as AWD becomes a more popular option for cars, small SUV’s and cross-over vehicles. It is an opportune time for a new entrant to this market. With only 35% of the plant space occupied by the program in place, we have plenty of room for expansion as we leverage the talented group in this new plant.

Internationally this past year we continued to focus on our engineering and sales capabilities in both the European and Asian markets. Our 200,000 square-foot plant in Wuxi, China, an industrial city near Shanghai, came on-line in 2006 and is now fully operational. Growth for the dynamic Asian market has come quickly, with new business wins for Wuxi more than filling our available space. An addition has already been initiated to house business won and leaves room for additional growth.

**Lean**

2007 was another solid year for operational improvements utilizing our Linamar Production System. The system has been in place in all of our plants globally for over five years, and through the use of tools such as 5S, Value Stream Mapping, Error
Proofing and Kanban, we have been able to track our waste reduction progress and demonstrate what that means for our customers. All of our employees are motivated to reduce costs wherever they see the opportunity.

Our Cost Attack Teams (CAT) and Purchasing Council link and leverage the entire company, while leaving the entrepreneurship and purchasing decisions at the plant level. Through working with our suppliers using their VA/VE ideas we achieved cost reductions of over $28 million in 2007. Not only did we recognize significant savings through these programs, but also we have strengthened the company’s position with our suppliers for the coming years.

One of the most significant initiatives we undertook this past year was the implementation of the Linamar Playbook. The vision for our global operating system was to develop, deploy and maintain a global playbook, to drive growth through operational consistency and increasing customer, employee and financial satisfaction. The Linamar Playbook allows us to have a common and consistent set of tools to help the company operate all of its businesses. It details the global standards for how we run our business. The Playbook consists of several “Game Plans” or functional areas, with a set series of “Plays” or how-to guides, grouped into the three Stepping Stool legs of customer, employee and financial. It is the central tool for operating our businesses.

**Capability**

Linamar continues to be a leader in our industry regarding the continuous development of our employees.

A central part of our company’s culture continues to be the Stepping Stool Operating System, which is our three-legged approach to building satisfaction with our customers, employees and investors. Over the past few years our employee performance results have improved by more than 10% annually. Our employees are compensated based on this improvement; the more we improve as a company, the greater their reward.

This past year we once again presented the ‘Power to Perform’ awards. As mentioned last year, these awards go to employees who demonstrate world class initiative and ideas for improvement representing our core values, our leadership behaviours or our core ideas of Growth, Lean and Capable. We encourage our
employees to exemplify leadership behaviours as part of their daily work habits. This includes demonstrating energy and passion for their work, being precise in the planning and execution of everything they do, while caring about their fellow employee and communicating effectively with them. At the same time we expect them to approach decision making in a balanced way; while fostering an entrepreneurial spirit to thrive, being respectful of our people, responsive to customers, innovative and ingenious and have a great work ethic. These are the attitudes and characteristics our training programs instill in our future leaders.

Looking Ahead

We expect the year of 2008 will continue to offer both opportunities and challenges. We are confident that the values that are at the core of Linamar, values that have served us well, will continue to guide us as we capitalize on the opportunities that lie ahead.

We have prioritized several specific initiatives for the coming year that will support our growth and allow us to further expand our worldwide operations.

- The development of our advanced manufacturing technology centre in Ontario for training and R&D.
- Development of our leadership, internship and mentorship programs: as well as development of a positive and effective career planning tool for our employees.
- Continued development of our global purchasing capabilities.
- Focus and integration of our process and product development.
- Continued collaboration with our customers to increase value for them and Linamar.

Jim Jarrell
President and Chief Operating Officer
We are confident that the values that are at the core of Linamar, values that have served us well, will continue to guide us as we capitalize on the opportunities that lie ahead.
Opti-Power is an end-to-end design, development and manufacturing process that takes esoteric, high-performance technology from the world of motor racing and offers it for OEM mass production at a normal production price. Customers can differentiate their products without the increased complexity and cost of traditional add-on performance-enhancing technologies.
The global automotive market is changing rapidly to address the issues of fuel conservation, reduced emissions, adoption of new electronic and "green technologies", and cost competitiveness.

As the market requires cleaner and more economical engines to power these new vehicles, Linamar is at the forefront of those efforts as a strategic partner to the world's foremost car, truck and engine manufacturers.
Linamar’s world-class gear design and manufacturing capability gives us core expertise for key components that are at the heart of high-performance transmission and driveline systems.
As some markets shift towards more car-based cross-over vehicles, Linamar is ideally situated to enjoy growth with our Power Transfer Units (PTU). The PTU is the heart of all-wheel drive systems for cross-over vehicles, as well as car and small SUV platforms.

As this increasingly popular market segment evolves over the next several years, Linamar will enjoy strong business growth from this product line and its ancillary components and systems in North American and global markets.
The growing Off-Road, Wind Power and Energy industrial markets provide Linamar with an opportunity to distinguish ourselves from our competition and showcase our world-class process, materials, and manufacturing expertise honed by years of leadership in the fast-moving automotive industry.
As the world looks to develop new energy sources, Linamar is providing the enabling manufacturing technologies to bring new industrial sustainable energy products to market.
Skyjack’s mobile industrial equipment products and hydraulic fluid products are an example of Linamar’s ability to undertake the complete design, development, and manufacturing of sophisticated and highly-engineered systems and to bring a fully-realized product line to market.
With the introduction of the Skyjack boom lift line and the acquisition of a telehandler business in 2007, Skyjack has a complete lineup of mobile industrial equipment products and will capitalize on its leadership position in the market to drive further growth. This growth has been accommodated by an expansion of facilities in 2008 to increase its manufacturing capabilities.

The Skyjack product line is one of the most globally recognized brands of industrial equipment and is synonymous with the phrase ‘scissor lift’. Quality and reliability are the hallmarks that have given Skyjack a solid reputation as the manufacturer of the best scissor lifts in the world. Skyjack products are manufactured, sold and supported worldwide.
Linamar will focus on product and process innovation in advanced tooling, fixture and gauging analysis and development, advanced automation development, product testing and R&D in our new technology and training centre in Guelph. In 2008 Linamar’s employee training will be enhanced with the addition of a supplier development centre, enhanced apprenticeship and technical skills training, and a comprehensive leadership development program.
Linamar’s McLaren Performance Technologies specializes in the design, development, integration, and validation of powertrain systems.

Cell 10 (pictured above) is a state-of-the-art combustion air transient test cell, capable of developing engines up to 1300 HP and 1200 RPM. It is one of only 5 in the world.
Linamar is proud to support the communities in which we live. Every year, the company supports local charities and events as a way to give back to the communities in which employees live, work and play.

Since the company’s inception, Linamar has been a large supporter of the communities it operates in. Over the past 10 years, the company has donated more than $1 million to promote local community events that help raise money for neighborhood groups and organizations in the towns and cities we call home.

Local area hospitals rely on donations from large companies such as Linamar to support access to new equipment and services for our community. The company, in conjunction with the Hasenfratz family, recently donated $1 million to The Foundation of Guelph General Hospital’s MRI & More campaign. New services, funded through this campaign, include MRI scans, the establishment of an emergency mental health unit and improved services.
Family has always been a key element of Linamar’s culture and as such, we encourage our employees to get out into the community and be a part of their neighbourhoods. Our kids are also an important part of our employees’ lives. For the past five years Linamar has been a major sponsor of many local area sports clubs including youth soccer.

Two years ago Linamar partnered with the Royal Ontario Museum (ROM) to establish the Guelph School Visits Bursary Fund which provides free admission for Guelph area students visiting the ROM. In 2006, a 1,000 square-foot studio was opened for workshops, demonstrations, and hands-on creative experiences for the thousands of students who participate in the ROM’s School Visits Program.
POWERFUL RESULTS

SHAREHOLDERS' EQUITY
Cdn. (millions) 02-07

SALES
Cdn. (millions) 02-07

EARNINGS FROM CONTINUING OPERATIONS
Cdn. (millions) 02-07
## Operations (millions of dollars)

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<tr>
<th></th>
<th>December 31 2007</th>
<th>December 31 2006</th>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>2,313.6</td>
<td>2,262.1</td>
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<tr>
<td><strong>Operating Earnings</strong></td>
<td>172.2</td>
<td>158.1</td>
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<tr>
<td><strong>Earnings from Continuing Operations</strong></td>
<td>109.0</td>
<td>105.3</td>
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<tr>
<td><strong>Payments for purchase of property, plant and equipment</strong></td>
<td>185.5</td>
<td>183.4</td>
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## Financial Position

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<tr>
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<th>December 31 2007</th>
<th>December 31 2006</th>
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<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,813.8</td>
<td>1,616.1</td>
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<tr>
<td><strong>Working Capital</strong></td>
<td>342.7</td>
<td>251.1</td>
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<tr>
<td><strong>Property Plant and Equipment - Continuing Operations</strong></td>
<td>899.9</td>
<td>880.7</td>
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<tr>
<td><strong>Long-Term Debt</strong></td>
<td>329.1</td>
<td>281.1</td>
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<tr>
<td><strong>Shareholders' Equity</strong></td>
<td>890.6</td>
<td>839.7</td>
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## Per Share

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<tr>
<th></th>
<th>December 31 2007</th>
<th>December 31 2006</th>
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<tr>
<td><strong>Diluted Earnings Per Share</strong></td>
<td></td>
<td></td>
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<tr>
<td>From Continuing Operations</td>
<td>1.56</td>
<td>1.48</td>
</tr>
<tr>
<td>From Net Earnings</td>
<td>1.52</td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Annual Dividends Paid</strong></td>
<td>0.24</td>
<td>0.24</td>
</tr>
<tr>
<td><strong>Book Value Per Share</strong></td>
<td>12.75</td>
<td>12.02</td>
</tr>
<tr>
<td><strong>Return on Shareholders’ Equity</strong></td>
<td>12.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td><strong>Debt to Total Capitalization</strong></td>
<td>31.7%</td>
<td>27.1%</td>
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Certain information regarding Linamar set forth in this document, including management’s assessment of the Company’s future plans and operation may constitute forward-looking statements. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results may differ materially from these anticipated in the forward-looking statements due to factors such as customer demand and timing of buying decisions, product mix, competitive products and pricing pressure. In addition, uncertainties and difficulties in domestic and foreign financial markets and economies could adversely affect demand from customers. These factors, as well as general economic and political conditions, may in turn have a material adverse effect on the Company’s financial results. The Company 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.

1Please see Management’s Discussion and Analysis for these non-GAAP measures.
Linamar is a global manufacturer of highly engineered product solutions for the global vehicle and industrial markets. Our 37 plants are organized into 5 groups: Engine, Transmission/Driveline, Europe, Asia Pacific and Industrial. Our Powertrain/Driveline R&D capability is powered by the Engineering Team of McLaren Performance Technologies.