2010 MANAGEMENT DISCUSSION & ANALYSIS

Linamar Corporation

December 31, 2010 and December 31, 2009
(in thousands of dollars)

LINAMAR CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2010

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "company") should be read in conjunction with its consolidated financial statements for the Year Ended December 31, 2010 and related notes thereto.

This MD&A has been prepared as at March 9, 2011.

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

OVERALL CORPORATE PERFORMANCE

Overview of the Business

Linamar Corporation (TSX:LNR) is a diversified global manufacturing company of highly engineered products powering vehicles, motion, work and lives. The company is made up of 4 key divisions – Manufacturing, Driveline, Industrial Commercial Energy (ICE) and Skyjack, all world leaders in the design, development and production of highly engineered products. The company's Manufacturing and Driveline divisions focus on precision metallic components, modules and systems for engine, transmission and driveline systems designed for passenger vehicle markets. The ICE group concentrates on similar products for on and off highway vehicle, energy and other industrial markets. The company's Skyjack division is noted for their innovative, high quality mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 12,500 employees in 39 manufacturing locations, 5 R&D centers and 13 sales offices in 11 countries in North America, Europe and Asia, Linamar generated sales of more than $2.2 Billion in 2010. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com.

Overall Corporate Results

The following table sets out certain highlights of the company's performance in 2010 and 2009:

(in millions of dollars, except content per vehicle numbers)	Three Months Ended December 31 2010	2009	+/-	%	Year Ended December 31 2010	2009	+/-	%
Sales	$ 593.7	$ 451.9	$ 141.8	31.4%	$ 2,229.2	$ 1,675.9	$ 553.3	33.0%
Gross Margin	56.1	31.5	24.6	78.1%	235.2	47.7	187.5	393.1%
Operating Earnings	27.1	7.8	19.3	247.4%	131.1	(50.5)	181.6	359.6%
Earnings (Loss) from Continuing Operations attributable to shareholders of the company (1)	19.2	14.6	4.6	31.5%	88.4	(46.9)	135.3	288.5%
Net Earnings (Loss) attributable to shareholders of the company (1)	$ 19.2	$ 14.6	$ 4.6	31.5%	$ 88.4	$ (46.9)	$ 135.3	288.5%
Unusual Items (2)	1.0	(3.9)	4.9	125.6%	(2.3)	48.0	(50.3)	(104.8%)
Net Earnings (Loss) - Adjusted (2)	$ 20.2	$ 10.7	$ 9.5	88.8%	$ 86.1	$ 1.1	$ 85.0	7727.3%
Earnings (Loss) per Share - Adjusted (2)	0.31	0.17	0.1	58.8%	1.33	0.02	1.3	6500.0%
Content per Vehicle – North America (3)	$130.46	$119.56	$ 10.90	9.1%	$ 125.55	$ 127.47	$ (1.92)	(1.5%)
Content per Vehicle – Europe (3)	$ 8.84	$ 6.73	$ 2.11	31.4%	$ 8.04	$ 6.88	$ 1.16	16.9%
Content per Vehicle – Asia Pacific (3)	$ 2.38	$ 2.38	$ -	0.0%	$ 2.45	$ 2.03	$ 0.42	20.7%

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

[1] The definition of Earnings (Loss) from Continuing Operations and Net Earnings (Loss) was updated in Q3 2010 with the early adoption of the CICA Handbook Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidated Financial Statements ("Section 1601") and Section 1602, Non-Controlling Interest ("Section 1602"). Please see the "Recent Accounting Changes and Effective Dates" section of the this analysis for more information.
[2] **"Unusual Items"**, **"Net Earnings (Loss) – Adjusted"** and **"Earnings (Loss) per Share – Adjusted"** are Non-GAAP measures and do not appear in the company's consolidated financial statements and are provided as the company believes these Non-GAAP measures provides more useful information to the reader in understanding the company's results.
[3] Content per Vehicle calculations reflect updated allocations of automotive sales in certain quarters of 2009 and 2010. These allocations have no effect on the company's financial statements for those periods. Please see the "Automotive Sales and Content per Vehicle" section of this analysis for more information.

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

(in millions of dollars, except per share figures)	Three Months Ended December 31 2010	Three Months Ended December 31 2009	Year Ended December 31 2010	Year Ended December 31 2009
Net Earnings (Loss) attributable to shareholders of the company	$ 19.2	$ 14.6	$ 88.4	$ (46.9)
Adjustments due to unusual items				
Taxable Items before Tax				
1) Capital asset impairments due to market conditions	-	2.8	-	49.1
2) Severance related to the global economic slow down	-	-	-	12.1
3) Closure announcement of Invar	-	6.4	-	6.4
4) Access equipment contract converted from previous period sale to a rental contract	-	2.5	-	2.5
5) Change in key accounting estimates	5.9	(6.3)	5.9	(6.3)
6) Exchange gains on $130 million USD Private Placement Notes	(4.5)	-	(9.1)	-
	1.4	5.4	(3.2)	63.8
Tax Impact	(0.4)	(1.6)	0.9	(21.3)
	1.0	3.8	(2.3)	42.5
Non-Taxable Items				
7) Goodwill impairments	-	-	-	11.7
8) Intangible asset impairments	-	-	-	1.5
9) Rate changes on future income taxes in Canada	-	(3.7)	-	(3.7)
10) Utilization of previously unrecognized tax losses	-	(4.0)	-	(4.0)
Adjusted Net Earnings (Loss) attributable to shareholders of the company	$ 20.2	$ 10.7	$ 86.1	$ 1.1
As a percentage of Sales	3.4%	2.4%	3.9%	0.1%
Change over Prior Year	88.8%		7727.3%	
Adjusted Earnings (Loss) per Share	$ 0.31	$ 0.17	$ 1.33	$ 0.02

1) In the second quarter of 2009, ("Q2 2009"), the company assessed the recoverability of the carrying cost of its property, plant and equipment based largely on the bankruptcy filings of General Motors and Chrysler, the reduced production volumes that existed in the quarter and the expectation that volumes will remain suppressed in 2009. As a result, the company identified asset groups, on specific programs, where the carrying value was impaired and write downs were recorded.
2) During 2009, the company incurred certain expenses related to the release of employees as the company adjusted to new sales volumes.
3) On December 3, 2009, Linamar announced the closure of Invar Manufacturing Corporation ("Invar"), located in Batawa Ontario and accordingly, has recognized charges in the fourth quarter of 2009 ("Q4 2009") mainly related to severance and termination benefits. The orderly wind down of Invar was completed in the second quarter of 2010 ("Q2 2010").
4) In Q4 2009, the company reassessed a previous sale at Skyjack Inc., and changed the accounting to reflect a rental contract. This has the effect of reducing sales by $9.5 million and operating earnings by $2.5 million in the period.
5) Upon reviewing Linamar's key accounting estimates, it was determined that three key estimates needed revision:
   - the estimation of general stores inventory was understated by $18.5 million in Q4 2009;
   - the company assessed the level of inventory on hand which resulted in an increase in inventory provisions in the fourth quarter of 2010 ("Q4 2010") of $5.9 million (Q4 2009 - $6.0 million) for slow moving inventory and for inventory where the cost was in excess of the net realizable value; and
   - the estimated useful life of certain capital assets was revised based on the expected future usage of the assets in question and as a result, additional amortization of $6.2 million was charged in Q4 2009.
6) The weakening US dollar against the Canadian dollar in the quarter resulted in a foreign exchange gain on the translation of the USD $130 million of private placement senior unsecured notes ("the Notes") that were announced on July 23, 2010.
7) Goodwill impairments – refer to the applicable section of this MD&A for details on this item.
8) The company determined in Q2 2009 that the intangible assets of the McLaren reporting unit were fully impaired as a result of the impairment test done at the time.
9) The one-time income tax reduction recognized in Q4 2009 as a result of the Ontario corporate income tax rate reduction announced in the March 2009 Ontario budget and substantively enacted into law on December 15, 2009.
10) The utilization of previously unrecognized tax losses in Q4 2009, relative to 2008, specifically in the UK and Asia Pacific. The utilization of these previously unrecognized tax losses are not unusual in practice but they are unusual in magnitude and their impact on the results of the quarter.

BUSINESS SEGMENT REVIEW

The company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects how the chief decision makers of the company manage the business. The following should be read in conjunction with Note 24 to the company's consolidated financial statements for the year ended December 31, 2010.

			Three Months Ended December 31 2010			Three Months Ended December 31 2009
(in millions of dollars)	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	$ 558.9	$ 34.8	$ 593.7	$ 437.6	$ 14.3	$ 451.9
Operating Earnings (Loss)	38.1	(11.0)	27.1	28.8	(21.0)	7.8
Unusual Items	(0.1)	1.5	1.4	(3.4)	8.8	5.4
Operating Earnings (Loss) - Adjusted	38.0	(9.5)	28.5	25.4	(12.2)	13.2

			Year Ended December 31 2010			Year Ended December 31 2009
(in millions of dollars)	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
Sales	$ 2,076.0	$ 153.2	$ 2,229.2	$ 1,514.6	$ 161.3	$ 1,675.9
Operating Earnings (Loss)	159.5	(28.4)	131.1	(10.1)	(40.4)	(50.5)
Unusual Items	(4.4)	1.2	(3.2)	53.8	11.5	65.3
Operating Earnings (Loss) - Adjusted	155.1	(27.2)	127.9	43.7	(28.9)	14.8

Powertrain/Driveline Highlights

			Three Months Ended December 31				Year Ended December 31	
(in millions of dollars)	2010	2009	+/-	%	2010	2009	+/-	%
Sales	$ 558.9	$ 437.6	$ 121.3	27.7%	$2,076.0	$1,514.6	$ 561.4	37.1%
Operating Earnings (Loss)	38.1	28.8	9.3	32.3%	159.5	(10.1)	169.6	1679.2%
Unusual Items:								
Capital asset impairments due to market conditions	-	2.8	(2.8)		-	49.1	(49.1)	
Severance related to the global economic slow down	-	-	-		-	9.4	(9.4)	
Closure announcement of Invar	-	6.4	(6.4)		-	6.4	(6.4)	
Change in key accounting estimates	4.1	(12.6)	16.7		4.1	(12.6)	16.7	
Exchange gains on $130 million USD Private Placement Notes	(4.2)	-	(4.2)		(8.5)	-	(8.5)	
Intangible asset impairments	-	-	-		-	1.5	(1.5)	
	(0.1)	(3.4)	3.3		(4.4)	53.8	(58.2)	
Operating Earnings (Loss) - Adjusted	38.0	25.4	12.6	49.6%	155.1	43.7	111.4	254.9%

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by $121.3 million, or 27.7% in Q4 2010 compared with Q4 2009.

The sales increase in Q4 2010 was impacted by:

- significant levels of maturing volumes and newly launched programs from the company's substantial book of launch business; and
- higher sales driven by moderately increased consumer demand in the US and Asia.

The sales for Powertrain/Driveline increased by $561.4 million, or 37.1% in 2010 compared with 2009. The same factors that impacted Q4 2010 also impacted the annual results, noting global vehicle volume growth was a more substantial factor in the annual comparison than in the quarterly comparison.

Q4 2010 operating earnings for Powertrain/Driveline were higher by $9.3 million or 32.3% over Q4 2009. The Powertrain/Driveline segment experienced the following in Q4 2010:

- improved margins as production volumes increased on mature and launching new programs;
- increase in inventory provisions for slow moving inventory and for inventory where the cost was in excess of the net realizable value.
- weakening US dollar against the Canadian dollar in the quarter resulted in a foreign exchange gain on the translation of the US $130 million of private placement senior unsecured notes that were announced on July 23, 2010;

and with the following Q4 2009 impact:

- the change in estimate related to the value of general stores inventory;
- the closure announcement of Invar;
- the change in the estimated useful life of certain capital assets; and
- the capital asset impairment that were recognized.

The 2010 operating earnings for Powertrain/Driveline increased by $169.6 million or over 1600% compared with 2009. The same factors that impacted Q4 2010 also impacted the annual results. The following additional factors impacted the annual operating earnings increase:

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

Industrial Highlights

			Three Months Ended December 31				Year Ended December 31	
(in millions of dollars)	2010	2009	+/-	%	2010	2009	+/-	%
Sales	$ 34.8	$ 14.3	$ 20.5	143.4%	$ 153.2	$ 161.3	$ (8.1)	(5.0%)
Operating Earnings (Loss)	(11.0)	(21.0)	10.0	47.6%	(28.4)	(40.4)	12.0	29.7%
Unusual Items:								
Severance related to the global economic slow down	-	-	-		-	2.7	(2.7)	
Access equipment contract converted from previous period sale to a rental contract	-	2.5	(2.5)		-	2.5	(2.5)	
Change in key accounting estimates	1.8	6.3	(4.5)		1.8	6.3	(4.5)	
Exchange gains on $130 million USD Private Placement Notes	(0.3)	-	(0.3)		(0.6)	-	(0.6)	
	1.5	8.8	(7.3)		1.2	11.5	(10.3)	
Operating Earnings (Loss) - Adjusted	(9.5)	(12.2)	2.7	22.1%	(27.2)	(28.9)	1.7	5.9%

The Industrial segment ("Industrial") product sales increased 143.4% or $20.5 million to $34.8 million in Q4 2010 from Q4 2009. The sales increase was due to:

- significant increases in demand in the access equipment markets

and with the following Q4 2009 impact:

- the reassessment of a previous sale at Skyjack Inc., to reflect a rental contract.

2010 Sales for Industrial decreased by $8.1 million, or 5.0% compared with 2009. The sales decrease was due to:

- moderate increases in demand in the access equipment markets; being partially offset by:
- significant decreases in the agricultural equipment markets serviced by the European Fabrication; and
- decreases in the Consumer Products Division.

Operating losses in Q4 2010 decreased $10.0 million over Q4 2009 to a loss of $11.0 million. The reduction in Industrial operating losses was predominantly driven by:

- improved margins on the increased volumes in the access equipment market;
- reduced margins as a result of continued investment in fixed labour and overhead costs in Skyjack Inc. to support the future growth in the market;
- ignoring the foreign exchange gains on the Notes, the weakening US dollar against other currencies in the quarter compared to the same period in 2009 has resulted in a foreign exchange loss in Q4 2010 that was larger in magnitude than the foreign exchange loss in Q4 2009.

and with the following Q4 2009 impact:

- the reassessment of a previous sale at Skyjack Inc., to reflect a rental contract; and
- increase in inventory provisions for slow moving inventory and for inventory where the cost was in excess of the net realizable value.

The 2010 operating losses for Industrial decreased by $12.0 million or 29.7% compared with 2009. The same factors that impacted Q4 2010 also impacted the annual results. The following additional factors impacted annual operating earnings increase:

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

AUTOMOTIVE SALES AND CONTENT PER VEHICLE[1]

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

As vehicle production continues to expand in Asia Pacific, the company decided to state Asia Pacific content per vehicle based on all China, India, Japan, South Korea and Thailand production effective September 2009. In prior years, content per vehicle was expressed in terms of China, Japan and South Korea production only. The 2009 comparative figures have been adjusted accordingly.

In addition to automotive OEMs, the company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the company estimates the automotive portion of the sales for inclusion in its content per vehicle calculations. In reviewing its calculation of content per vehicle in the fourth quarter of 2009, the company identified certain sales estimates that required updating to better reflect the automotive sales in certain quarters of 2007, 2008 and 2009. These allocations have no effect on the company's financial statements for those periods. Please see the annual MD&A for the year ended December 31, 2009 for a discussion on the updated estimates for 2007, 2008 and 2009. In 2010, a significant customer which previous to 2010 serviced both the automotive and non-automotive markets, stopped servicing the automotive market. As such the company has updated its automotive sales estimates accordingly. For informational purposes, the tables below present content per vehicle calculations with the automotive sales allocations for 2009 and 2010, updated where applicable.

				Three Months Ended December 31				Year Ended December 31
North America	2010	2009	+/-	% Change	2010	2009	+/-	% Change
Vehicle Production Units [2]	3.04	2.82	0.22	7.8%	12.20	8.84	3.36	38.0%
Automotive Sales [3]	$ 396.6	$ 337.6	$ 59.0	17.5%	$1,531.9	$1,126.8	$ 405.1	36.0%
Content Per Vehicle	$ 130.46	$ 119.56	$ 10.90	9.1%	$ 125.55	$ 127.47	$ (1.92)	(1.5%)
Europe								
Vehicle Production Units [2]	4.82	4.65	0.17	3.7%	18.74	17.00	1.74	10.2%
Automotive Sales [3]	$ 42.6	$ 31.3	$ 11.3	36.1%	$ 150.8	$ 117.0	$ 33.8	28.9%
Content Per Vehicle	$ 8.84	$ 6.73	$ 2.11	31.4%	$ 8.04	$ 6.88	$ 1.16	16.9%
Asia Pacific								
Vehicle Production Units [2]	9.40	8.19	1.21	14.8%	34.91	27.21	7.70	28.3%
Automotive Sales [3]	$ 22.3	$ 19.5	$ 2.8	14.4%	$ 85.4	$ 55.1	$ 30.3	55.0%
Content Per Vehicle	$ 2.38	$ 2.38	$ -	0.0%	$ 2.45	$ 2.03	$ 0.42	20.7%

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

[2] Vehicle production units are derived from industry sources and are shown in millions of units. North American vehicle production units used by Linamar for the determination of the company's content per vehicle include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks and the off-road (heavy equipment) market. All vehicle production volume information is as regularly reported by industry sources. Industry sources release vehicle production volume estimates based on the latest information from the Automotive Manufacturers and update these estimates as more accurate information is obtained. Effective for 2010, Linamar will, on a quarterly basis, update Content per Vehicle for the current fiscal year in its MD&A as these volume estimates are revised by the industry sources. The Content per Vehicle figures in this MD&A reflect the volume estimates that were published closest to the quarter end date by the industry sources. These updates to vehicle production units have no effect on the company's financial statements for those periods. Refer to the "Summary of Content per Vehicle by Quarter" section of this analysis for the update for each quarter of the current fiscal year.

[3] Automotive sales are shown in millions of dollars.

North American automotive sales increased $59.0 million or 17.5% to $396.6 million in a market which saw an overall increase in vehicle production of 7.8%. As a result, content per vehicle in Q4 2010 increased by 9.1% to $130.46 from $119.56.

European automotive sales increased by $11.3 million or 36.1% to $42.6 million as compared to Q4 2009. Vehicle production volumes increased 3.7% and as a result, content per vehicle increased 31.4% to $8.84 from $6.73 in Q4 2009.

Asia Pacific automotive sales increased $2.8 million or 14.4% which is in line with the growth of the market. As a result, the content per vehicle remained flat in comparison to Q4 2009.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial data relating to the company's year ended December 31, 2010, 2009 and 2008 prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and reported in Canadian dollars. This financial data should be read in conjunction with the company's audited consolidated financial statements for these years:

(in millions of dollars, except per share amounts)	2010	2009	2008
Sales	$ 2,229.2	$ 1,675.9	$ 2,257.0
Earnings (Loss) from Continuing Operations attributable to shareholders of the company	88.4	(46.9)	51.0
Discontinued Operations, net of Income Tax Effect	-	-	0.4
Net Earnings (Loss) attributable to shareholders of the company	88.4	(46.9)	70.4
Unusual Items [1]	(2.3)	48.0	20.3
Net Earnings (Loss) - Adjusted [1]	86.1	1.1	90.7
Total Assets	1,807.6	1,555.6	1,835.6
Total Long-term Liabilities	403.7	275.8	314.8
Cash Dividends declared per share	0.24	0.12	0.24
Earnings Per Share From Continuing Operations:			
Basic	$ 1.37	$ (0.73)	$ 0.76
Diluted	1.36	(0.73)	0.76
Earnings Per Share From Net Earnings:			
Basic	$ 1.37	$ (0.73)	$ 1.05
Diluted	1.36	(0.73)	1.05

The unusual items in the above table were previously discussed in this Analysis for 2010 and 2009. The unusual items for 2008 consisted of the following items:

- In 2008, the company assessed the recoverability of the carrying costs of its property, plant and equipment based on the production volumes that existed at the time and the expectation that volumes would remain suppressed in 2009. As a result, the company identified assets, on specific programs, where the carry value was impaired and the appropriate write down was taken.
- During 2008, the company incurred certain expenses related to the release of employees as the company adjusted to new sales volumes.
- 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 was written down to its fair value.
- 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.

[1] "Unusual Items", "Net Earnings (Loss) – Adjusted" and "Earnings (Loss) per Share – Adjusted" are Non-GAAP measures and do not appear in the company's consolidated financial statements and are provided as the company believes these Non-GAAP measures provides more useful information to the reader in understanding the company's results.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended December 31 2010	2009	Year Ended December 31 2010	2009
Sales	$593.7	$451.9	$2,229.2	$1,675.9
Cost of sales	496.8	372.2	1,838.9	1,449.9
Amortization	40.8	48.2	155.1	178.3
Gross Margin	$56.1	$31.5	$235.2	$47.7
Gross Margin Percentage	9.4%	7.0%	10.6%	2.8%

Gross margin percentage increased to 9.4% in Q4 2010 from 7.0% for Q4 2009. Cost of sales as a percentage of sales increased slightly to 83.7% for Q4 2010 compared to 82.4% for the same quarter of 2009.

Cost of sales increased as a percentage of sales during Q4 2010 as a result of the items discussed earlier in this analysis such as:
- improved margins as production volumes increased on mature and launching new programs.

and with the following Q4 2009 impact:
- the change in estimate in related to the value of general stores inventory;
- the capital asset impairments that were recognized; and
- the closure announcement of Invar.

Q4 2010 amortization decreased to 6.9% of sales as compared to 10.7% in Q4 2009. The percentage decrease is attributable to the sales increases that occurred in the quarter and the change in the estimated useful life of certain capital assets in Q4 2009.

2010 Gross Margin increased to 10.6% from 2.8% in 2009. Cost of sales as a percentage of sales decreased to 82.5% for 2010 compared to 86.5% for 2009.

The 2010 cost of sales decreased as a percentage of sales as a result of the same issues that impacted Q4 2010. Additionally, the annual results were also impacted by:
- capital asset impairments recognized in Q2 2009 and included in the 2009 results that did not recur in 2010; and
- expenses relating to the release of employees as the company adjusted to new sales volumes that did not recur in 2010.

2010 amortization decreased to 7.0% of sales as compared to 10.6% in 2009. The percentage decrease is attributable to:
- the sales increases that occurred in 2010; and
- lower amortization expense in 2010 due to the lower net book value of property, plant and equipment as a result of the impairments recognized in 2009; and
- the change in the estimated useful life of certain capital assets in Q4 2009.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31 2010	2009	Year Ended December 31 2010	2009
Selling, general and administrative	$29.0	$23.7	$104.1	$98.2
SG&A Percentage	4.9%	5.2%	4.7%	5.9%

Selling, general and administrative ("SG&A") costs increased to $29.0 million in Q4 2010 when compared to Q4 2009 and to $104.1 million when comparing 2010 to 2009. Included in SG&A costs for the Q4 quarter were the following impacts:
- weakening US dollar against the Canadian dollar in the quarter resulted in a foreign exchange gain on the translation of the US $130 million of private placement senior unsecured notes that were announced on July 23, 2010;
- ignoring the foreign exchange gains on the Notes, the weakening US dollar against other currencies in the quarter compared to the same period in 2009 has resulted in a foreign exchange loss in Q4 2010 compared to a foreign exchange gain in Q4 2009;
- an investment in fixed labour and overhead costs to support the launches and future growth in the markets; and
- the addition of two new facilities (the new Arizona facility and the new German facility).

Included in the 2010 SG&A costs are the same impacts as the quarter but with the following additional items:

- intangible asset impairments recognized in Q2 2009 and included in the 2009 results did not recur in 2010; and
- the SG&A portion of 2009 expenses relating to the release of employees as the segment adjusted to new sales volumes that did not recur in 2010.

For Q4 2010 SG&A costs as a percentage of sales were 4.9% in Q4 2010 and 5.2% in Q4 2009. On an annual basis, SG&A costs were 4.7% in 2010 and 5.9% in 2009. The improvements in the percent of sales figures is a result of the sales increases in the respective Q4 and annual periods over the same periods in 2009.

Expenses and Other Income

	Three Months Ended December 31		Year Ended December 31	
(in millions of dollars)	2010	2009	2010	2009
Operating Earnings (Loss)	$27.1	$7.8	$131.1	($50.5)
Other Income (Expense)				
Net Interest Expense	(4.5)	(3.1)	(15.2)	(17.3)
Other Income	0.6	1.6	1.8	3.1
Provision for (Recovery of) Income Taxes	4.0	(7.9)	28.8	(30.2)
Goodwill Impairments	-	-	-	(11.7)
Earnings (Loss) from Continuing Operations	$19.2	$14.2	$88.9	($46.2)
Net Earnings (Loss)	$19.2	$14.2	$88.9	($46.2)
Non-Controlling Interests	-	0.4	(0.5)	(0.7)
Earnings (Loss) from Continuing Operations attributable to shareholders of the company	$19.2	$14.6	$88.4	($46.9)
Net Earnings (Loss) attributable to shareholders of the company	$19.2	$14.6	$88.4	($46.9)

Interest

Interest on long-term debt during Q4 2010 increased $0.5 million over Q4 2009, to $4.2 million. Interest on long-term debt in the quarter was:

- increased due to the July 2010 issuance of $130 million USD private placement notes; and
- decreased due to the ineffective portion of interest rate swap entered into during Q4 2008.

The consolidated effective interest rate for Q4 2010 decreased to 4.7% as compared to 6.3% in Q4 2009. Without the impact of the ineffective portion of the interest rate swap the effective rate would have been 5.1%, unchanged from the adjusted rate of 5.1% in Q4 2009.

The interest on long-term debt decreased $2.7 million in 2010 over the same period in 2009. 2010 was impacted by the same factors that impacted the quarter and was further reduced by:

- the June 2009 repayment of the $80 million USD Series A private placement notes; and
- the maturity of the $60 million interest rate swap in Q4 2009.

The consolidated effective interest rate for 2010 decreased to 5.2% from 5.4% for the same period in 2009. Without the impact of the ineffective portion of the interest rate swap the effective rate would have been 5.0% which is relatively unchanged from the adjusted 2009 rate of 5.1%. The debt repayment and maturity in 2009 had offsetting impacts on the effective interest rate for 2009 and the stronger Canadian dollar in 2010 offset the impact of new USD Private Placement Note issuance in Q3 2010 therefore leaving the 2010 effective interest rate at a similar level as 2009.

Interest expense from short-term borrowings for Q4 2010 has not changed significantly as compared to the same period in 2009, and is higher by $0.2 million year to date 2010 compared to the same period in 2009. Interest on short-term borrowings in Q4 and year to date 2010 were:

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

Provision for Income Taxes

The effective tax rate for Q4 2010 was 17.1%, a significant change from the negative 124.7% rate in the same quarter of 2009. The low rate in Q4 2010 was largely due to the effect of previously unused tax losses and tax offsets, primarily from the UK. In addition, there was a 2% reduction in the 2010 combined provincial and federal Canadian income tax rate plus a favorable mix of foreign tax rates relative to the Canadian rate. The quarterly rate was negatively affected by an increase to the valuation allowance related to the Mexico operations and for prior year tax reassessments.

The 2010 effective tax rate is 24.4% compared to 46.7% in 2009. The decrease in 2010 is directly linked to the 2% reduction in the combined provincial and federal Canadian income tax rate, the effect of the previously unused tax losses and the effect of the overall mix of foreign tax rates. This reduction is partially offset by the increased valuation allowance discussed above. The tax recovery in 2009 was at a higher rate due to the mix of operating profits recognized in countries with lower tax rates coupled with operating losses recognized at the higher Canadian and U.S. tax rates.

Goodwill Impairments

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

EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Book value per share[1] increased to $13.21 per share at December 31, 2010, as compared to $12.48 per share at December 31, 2009.

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

OUTSTANDING SHARE DATA

The company is authorized to issue an unlimited number of common shares, of which 64,701,876 common shares were outstanding as of March 9, 2011. As of March 9, 2011, there were 1,787,001 options outstanding and 30,999 options still available to be granted under the company's share option plan.

On August 27, 2010, 787,002 options were granted with an average exercise price of $19.32 per option. 262,334 of the options vested 50% on date of grant with the remaining vesting on the next anniversary date of grant. The remaining 524,668 options vested 10% on the date of grant with an additional 10% vesting on each of the next nine consecutive anniversary dates of grant. All 787,002 options were unexercised at the end of the year.

On August 26, 2009, 999,999 options were granted with an average exercise price of $12.89 per option. 333,333 of the options vested 50% on date of grant with the remaining vesting on the next anniversary date of grant. The remaining 666,666 options vested 10% on the date of grant with an additional 10% vesting on each of the next 9 consecutive anniversary dates of grant. All 999,999 options were unexercised at the end of the year.

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

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2009 through December 31, 2010. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

(in millions of dollars, except per share figures)	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010
Sales	$424.9	$378.0	$421.1	$451.9	$510.7	$568.4	$556.3	$593.7
Earnings (Loss) from Continuing Operations attributable to shareholders of the company	(12.6)	(48.4)	(0.5)	14.6	21.6	26.6	21.0	19.2
Net Earnings (Loss) attributable to shareholders of the company	(12.6)	(48.4)	(0.5)	14.6	21.6	26.6	21.0	19.2
Earnings (Loss) per Share from Continuing Operations:								
Basic	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41	0.32	0.30
Diluted	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41	0.32	0.30
Net Earnings (Loss) per Share:								
Basic	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41	0.32	0.30
Diluted	(0.19)	(0.75)	(0.01)	0.22	0.33	0.41	0.32	0.30

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Three Months Ended December 31		Year Ended December 31	
(in millions of dollars)	2010	2009	2010	2009
Cash provided by (used in):				
Operating Activities	$ 112.8	$ 72.5	$ 196.4	$ 298.2
Financing Activities	(51.0)	(61.9)	95.1	(166.0)
Investing Activities	(95.9)	(30.2)	(288.3)	(130.6)
Effect of Translation Adjustment	(2.3)	(0.8)	(5.6)	(3.8)
Net Increase/(Decrease) in Cash Position	(36.4)	(20.4)	(2.4)	(2.2)
Cash Position – Beginning of Period	115.3	101.7	81.3	83.5
Cash Position – End of Period	$ 78.9	$ 81.3	$ 78.9	$ 81.3
Comprised of:				
Cash	$ 89.8	$ 98.0	$ 89.8	$ 98.0
Unpresented Cheques	(10.9)	(16.7)	(10.9)	(16.7)
	$ 78.9	$ 81.3	$ 78.9	$ 81.3

The company's cash position (net of unpresented cheques) at December 31, 2010 was $78.9 million, a decrease of $2.4 million compared to December 31, 2009.

Cash provided by operating activities was $112.8 million, $40.3 million more than was provided in Q4 2009. Cash provided by operating activities was $196.4 million in 2010, $101.8 million less than was provided in 2009 mainly due to changes in non-cash working capital.

During the quarter, financing activities used $51.0 million mainly to fund the repayment of short-term bank borrowings. Financing activities in 2010 provided $95.1 million which was also used mainly to fund the increase in non-cash working capital over 2009 and the purchase of property, plant and equipment.

Q4 2010 investing activities used $95.9 million and used $288.3 million in 2010 mainly for the purchase of property, plant and equipment.

Operating Activities

(in millions of dollars)	Three Months Ended December 31 2010	2009	Year Ended December 31 2010	2009
Net Earnings (Loss)	$ 19.2	14.2	$ 88.9	$ (46.2)
Non-cash charges to earnings	38.9	45.8	153.9	217.6
	$ 58.1	$ 60.0	$ 242.8	$ 171.4
Changes in non-cash working capital	54.7	12.5	(46.4)	126.8
Cash provided (used) from operating activities	$ 112.8	$ 72.5	$ 196.4	$ 298.2

Operations before the effect of changes in non-cash working capital provided $58.1 million in cash during Q4 2010 compared to $60.0 million in cash during Q4 2009. For 2010 Operations before the effect of changes in non-cash working capital provided $242.8 million in cash compared to $171.4 million in cash during 2009.

Non-cash working capital for Q4 2010 decreased $54.7 million, compared to a $12.5 million decrease in Q4 2009. In 2010, non-cash working capital increased $46.4 million, compared to a $126.8 million decrease in 2009. In the fourth quarter of 2008, the company started its non-cash working capital reduction plans. 2009 had a large reduction in non-cash working capital as a result of these plans. In addition, 2010 non-cash working capital has increased as a result of the significant volume increases that occurred during the year.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2010	2009	Year Ended December 31 2010	2009
Proceeds from (repayments of) short-term bank borrowings	$ (46.6)	$ 4.2	$ (22.2)	$ 15.3
Proceeds from long-term debt	0.2	-	139.7	-
Repayment of long-term debt	(0.9)	(61.0)	(5.7)	(170.7)
(Increase)/Decrease in long-term receivables	0.2	(3.2)	(1.2)	(2.8)
Dividends to shareholders	(3.9)	(1.9)	(15.5)	(7.8)
Cash provided (used) from financing activities	$ (51.0)	$ (61.9)	$ 95.1	$ (166.0)

Financing activities for Q4 2010 used $51.0 million of cash compared to $61.9 million used in Q4 2009. Financing activities provided $95.1 million of cash in 2010 compared to $166.0 million used in 2009.

Effective November 9, 2006, the company renewed its five-year revolving credit facility in the amount of $520 million. This facility was to mature on November 9, 2011 but effective March 4, 2011, the company early renewed its revolving credit facility for a four-year term in the amount of $600 million. At the end of 2010, $284.4 million in credit was available under the facility.

In 2009, the company continued its dividend policy with payments made quarterly at a rate of $0.03 per share. In the fourth quarter of 2009, the company amended the dividend policy with payments to be made quarterly at a rate of $0.06 per share with respect to dividends payable on or after April 15, 2010. In Q4 2010, the company further amended the dividend policy with payments to be made quarterly at a rate of $0.08 per share with respect to dividends payable on or after April 15, 2011 to shareholders of record on April 1, 2011.

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

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2010	2009	Year Ended December 31 2010	2009
Payments for purchase of property, plant and equipment	$ (98.1)	$ (30.4)	$ (264.3)	$ (130.7)

Proceeds from disposal of property, plant and equipment	2.2	0.2	5.0	1.3
Business acquisitions	-	-	(29.0)	(1.2)
Cash used for investing activities	$ (95.9)	$ (30.2)	$ (288.3)	$ (130.6)

Cash spent on investing activities for Q4 2010 was $95.9 million while during Q4 2009 the total spent was $30.2 million. Cash spent on investing activities was $288.3 million for 2010 compared to $130.6 million in 2009. In 2009, capital expenditures were significantly reduced by delaying capital expenditures based on the automotive volume reductions and by reutilizing existing equipment from programs that had excess capacity at the time. In 2010, capital expenditures were significantly higher due to the capital expenditures that were delayed in 2009 and due to the significant increase in program launches in 2010 over 2009.

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

At December 31, 2010, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $162.3 million which relates to the purchase of manufacturing equipment and buildings. All of these commitments are due within the next twelve months.

Financing Resources

At December 31, 2010, cash on hand was $89.8 million, with unpresented cheques and short-term bank borrowings of $85.0 million. At December 31, 2010, the company's syndicated revolving facility had available credit of $284.4 million.

Contractual Obligations

The following table summarizes contractual obligations by category and the associated payments for the next five years.

	Payment Due by Period (in millions of dollars)						
	Total	2011	2012	2013	2014	2015	Thereafter
Long-Term Debt Principal, Excluding Capital Leases	$344.2	($0.4)	($0.1)	$2.6	$52.7	$159.4	$130.0
Capital Lease Obligations[1]	5.1	2.3	1.3	1.5	-	-	-
Operating Leases	21.5	6.9	4.7	3.8	2.7	2.1	1.3
Purchase Obligations[2]	162.3	162.3	-	-	-	-	-
Total Contractual Obligations	$533.1	$171.1	$5.9	$7.9	$55.4	$161.5	$131.3

[1] "Capital Lease Obligations" includes the interest component in accordance with the definition of minimum lease payments under Canadian GAAP.
[2] "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

Foreign Currency Activities

The company 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, the company employs hedging programs, where rate-appropriate, through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. The company 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. The company 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 December 31, 2010, 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 of unrealized gains and losses are included in other comprehensive earnings, net of taxes. The gains and losses will be recognized in net earnings in the same period as the transaction which generates the cash flows.

The company is also committed to a long-dated forward contract to buy U.S. dollars. This forward exchange contract qualifies for accounting as a fair value hedge and any fair value unrealized gains and losses are included in net earnings.

Please see Note 8 of the December 31, 2010 consolidated annual financial statements.

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. The company currently leases approximately 96 trucks and 190 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 this Analysis. Should the arrangements 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 21 of the December 31, 2010 consolidated financial statements.

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

Guarantees

The company is a party to certain financial guarantees and contingent liabilities as discussed in Notes 2, 20 and 21 of the December 31, 2010 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 $1.8 million (2009 - $0.9 million) paid to a company owned by the spouse of an officer and director. Included in cost of sales is maintenance costs of $0.4 million (2009 - $0.3 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 estimated fair value. Other transactions have been recorded at the exchange amount.

Current and Proposed Transactions

On July 7, 2010, the company announced that its Linamar Automotive Systems Swansea Company ("LASSco"), located in Swansea, Wales would initiate consultations with the Unite trade union at the plant on proposals to cease manufacturing and transfer production elsewhere. This came as a result of an extensive review into the prospects of the operations located in Swansea. Regrettably, the review concluded that there was no viable future for the operation. During Q3 2010, the company and the Unite trade union completed consultations and entered into a Closure Agreement for the cessation of manufacturing by the end of 2010 and an orderly wind-down of the plant thereafter. In Q4 2010, the manufacturing at LASSco ended as planned which had no material impact on the financial statements of the company.

On February 15, 2011, the company announced that it acquired the certain assets of the Famer Group, a privately-owned French manufacturer of powertrain components for the off-highway market. The Famer Group comprises of 3 business units: Famer Industrie, which specializes in large engine component machining, located in St. Romain in Gier; Famer Rivoire, specializing in gear finishing technology, located in St. Etienne, France; and Famer Transmission, focused on transmission component manufacturing, located in Montfaucon. Under the terms of the agreement, Linamar also will acquire the current Famer employees and management team.

RISK MANAGEMENT

Operational Risk

Dependence on Certain Customers

The company's Powertrain/Driveline segment is a world leader in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle markets. As a result, the company typically has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The sales cycle is extended longer than one year for most transactions. Any disruption in the company's relationships with these major customers or any decrease in revenue from these major customers, as a consequence of current or future conditions or events in the economy or markets in general or in the automotive (including medium/heavy duty trucks) industry in particular, could have a material adverse effect on the company's business, financial condition, or results of operations. For 2010, the company's four largest Powertrain/Driveline customers accounted for 64.5% of consolidated revenue (69.2% of revenue for the Powertrain/Driveline operational segment).

Typically, sales are similarly concentrated for the Industrial operational segment as product distribution is largely through major rental companies. Due to the global economic slowdown that occurred in 2009 and continued in 2010, the regular concentration of sales to major rental companies did not occur and had a material adverse effect on the company's results of operations. As a consequence, 2010 sales to the two largest Industrial customers were 0.7% of consolidated revenue (10.7% of revenue for the Industrial operational segment). Any disruption in the company's relationships with, or any further decrease in revenues from these major industrial customers, as a consequence of current or future conditions or events in the economy or markets in general or in the company's Industrial operational segment in particular, could have a material adverse effect on the company's business, financial condition or results of operations as the global economy recovers.

Sources and Availability of Raw Materials

The primary raw materials utilized by the precision machining operations are iron and aluminum castings and forgings, which are readily obtained from a variety of suppliers in North America for the Canadian, U.S. and Mexican operations. The company is not dependent on any one supplier. Occasionally, raw material is consigned to the company by its customers and any disruption in supply is the responsibility of that customer. The European segment sources its raw materials primarily from Europe. The company is continuing its efforts to locate and develop strategic suppliers in Asia to deliver parts to the company's North American facilities for further manufacturing and to create opportunities to supply the rapidly growing Asian automotive sector. During the year the company continued to source some of its requirements from Asia. This effort will continue as Linamar's presence in Asia increases.

Raw materials supply factors such as allocations, pricing, quality, timeliness of delivery, transportation and warehousing costs may affect the raw material sourcing decisions of Linamar and its plants. When appropriate and available, the company may negotiate long-term agreements with raw material suppliers to ensure continued availability of certain raw materials on favourable terms. Such contracts, due to their terms, would not be considered derivatives for accounting purposes. In the event of significant unanticipated increase in demand for the company's products and the supply of raw materials, the company may in the future be unable to manufacture certain products in a quantity sufficient to meet its customers' demand in any particular period.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards. Accordingly, the company believes that its future success depends on its ability to launch new programs as well as enhance or develop current and future products at competitive prices and in a timely manner. The company's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the company's results of operations. For the development and production of products, the ability for the company to compete successfully will depend on its ability to acquire and retain competent trades people, management, and product development staff that allow the company to quickly adapt to technological change and advances in processes. In addition, there can be no assurance that products or technologies developed by others will not render the company's products uncompetitive or obsolete.

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.

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The company's current credit facility, Private Placement Notes Series B due October 2014 (the "Private Placement Notes (2014)") and Private Placement Notes due July 2017 (the "Private Placement Notes (2017)"), require the company to comply with certain financial covenants, including the following:

Revolving credit facility key covenants:

(1) Net Funded Debt[1] ("NFD") to EBITDA[2] must be not more than 2.75 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.

	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010
NFD/EBITDA	1.6	1.8	1.8	1.4	1.3	1.2	1.3	1.3
Interest Coverage	11.4	8.0	8.1	9.5	12.1	16.6	17.3	17.2

Private Placement Notes (2014) key covenants:

(1) Book value of Consolidated Shareholders' Equity[3] must be not less than $450.0 million; and

(2) Consolidated Debt[4] to Consolidated Capitalization[5] must be not greater than 50%

(in millions of dollars)	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010
*Consolidated S*hareholders' Equity	852.7	816.8	798.2	807.6	818.5	825.3	856.0	854.8
Consolidated Debt to Consolidated Capitalization	37.8%	34.6%	33.7%	29.9%	30.7%	34.1%	36.7%	34.1%

Private Placement Notes (2017) key covenants:

(1) Net Funded Debt[1] to EBITDA[2] must be not more than 2.75 for the trailing four quarters on a rolling basis; and

(2) EBITDA must be not less than 2.5 times interest expense for the trailing four quarters on a rolling basis.

(in millions of dollars)	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010
NFD/EBITDA	-	-	-	-	-	-	1.3	1.3
Interest Coverage	-	-	-	-	-	-	17.3	17.2

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, 2018 after being extended in 2010. 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.

Acquisition and Expansion Risk

The company may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the company will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the company's business, results of operations and financial

[1] "Net Funded Debt" is defined in the respective agreement (the credit facility agreement or the Private Placement Note (2017) agreement) as applicable and means, in summary, all indebtedness of the consolidated company net of cash and cash equivalents.

[2] "EBITDA" is defined in the respective agreement (the credit facility agreement or the Private Placement Note (2017) agreement) as applicable 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 Canadian GAAP.

[3] "Consolidated Shareholders' Equity" is defined in the Private Placement Notes (2014) 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 Canadian GAAP.

[4] "Consolidated Debt" is defined in the Private Placement Notes (2014) and means, in summary, all liabilities for borrowed money including capital leases, guarantees and letters of credit for the consolidated company.

[5] "Consolidated Capitalization" is defined in the Private Placement Notes (2014) and means, in summary, the Consolidated debt plus Consolidated Shareholders' Equity less the capital of any unrestricted subsidiaries.

condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. The failure of the company to manage its acquisition or expansion strategy successfully could have a material adverse effect on the company's business, results of operations and financial condition.

Foreign Currency Risk

Linamar's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure to foreign currency risk, Linamar employs hedging programs as appropriate, primarily through the use of forward contracts. The contracts are purchased based on the projected foreign cash flows from operations.

The company uses forecasted future cash flows of foreign currencies to determine the residual foreign exchange exposure. The purpose of the company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. Typically, 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 company has an interest rate swap extending beyond the term of the current revolving credit facility resulting in the recording of an ineffective hedge for accounting purposes as previously noted in the "Expenses and Other Income" Section in the MD&A. The company fully anticipates refinancing the underlying debt upon maturity and therefore considers this to be non-speculative. The company's financial instruments are referenced in Note 8 of the consolidated financial statements for the year ended December 31, 2010 which are hereby incorporated by reference herein.

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 December 31, 2010, the accounts receivable from the company's three largest customers amounted to 27.9%, 10.7% and 6.1% of accounts receivable (December 31, 2009 - 22.3%, 12.4% and 6.6%).

Interest Rate Risk

Interest rate swap agreements are used as part of the company's program to manage the fixed and floating interest rate mix of the company's total debt portfolio and related overall cost of borrowing. The company designates its interest rate hedge agreements as hedges of the underlying debt and reports any gains and losses in accumulated other comprehensive loss. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps. Please see Note 8 of the consolidated financial statements for the year ended December 31, 2010 which are hereby incorporated by reference herein.

Seasonality, Industry Growth, and Competition

Historically, earnings in the second quarter are positively impacted by the high selling season for both the general lift platform and agricultural businesses. Vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the Original Equipment Manufacturers ("OEM's"). Since the company's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level at this time. The company takes advantage of summer shutdowns for maintenance activities that would otherwise disrupt normal production schedules. Production volumes in the month of December are usually negatively affected by the holiday season.

Through its Powertrain/Driveline businesses, Linamar principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Outsourcing of brake components and assemblies, engine components, and powertrain components by the OEM's has increased.

Management believes there is more powertrain and driveline work performed in-house by the OEM's than is currently outsourced, and therefore there is large potential for growth. However, because of various factors affecting the OEM's, such as the level of consumer spending on automobiles, labour contracts, and other economic factors, the OEM's are constantly facing volume changes and decisions on whether to outsource work or not; such changes and decisions are reflected in Linamar's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Through its Skyjack subsidiary, the company engages in the production and sale of aerial work platforms and telehandlers. There is a relatively defined sales cycle in this industry segment, as it is closely related to, and affected by, product life cycle and the construction sector. Therefore, the risks and fluctuations in the construction industry in the countries that Skyjack operates in also affect Skyjack's sales.

The precision machining industry in North America is characterized by a large number of manufacturers. As a result, manufacturers such as Linamar tend to have a relatively small share of the North American market. Nonetheless, Linamar believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the company's consolidated sales.

The company faces numerous sources of competition, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. As Linamar's North American customers have faced increased cost pressures, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for Linamar.

Other competition in metal machining and assembly work comes from high precision machining companies which typically have several manufacturing locations and substantial capital resources to invest in equipment for high volume, high precision, and long-term contracts. Several of these companies are heavily involved in the automotive industry and are suppliers to major OEMs.

Linamar believes that there are a large number of independent suppliers which have the capability to produce some or all of the components, modules and systems which Linamar currently produces. In addition, some of these competitors are larger and may have access to greater resources than Linamar, but the company believes that none of them are dominant in the markets in which Linamar operates. The basis for supplier selection by OEMs is not typically determined solely by price, but would also typically include such elements as quality, service, historical performance, timeliness of delivery, proprietary technologies, scope of in-house capabilities, existing agreements, responsiveness and the supplier's overall relationship with the OEM, as well as being influenced by the degree of available and unutilized capacity of resources in the OEM's manufacturing facilities, labour relations issues and other factors. The number of competitors that OEMs solicit to bid on any individual product has, in certain circumstances, been significantly reduced and management expects that further reductions will occur as a result of the OEMs' stated intention to deal with fewer suppliers and to award those suppliers longer-term contracts.

Foreign Business Risk

The company's operations in Europe, Mexico, China and South Korea, are subject to general business risks that do not exist in Canada or the United States. The political climate and government policies are less stable and less predictable in these countries. As well, Hungary, Mexico, China and South Korea do not currently have the same economic infrastructure as exists in Canada or the United States.

Operations outside the United States and Canada subject Linamar to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of public health threats such as H1N1 Flu, Severe Acute Respiratory Syndrome or Avian Flu, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relations situations.

Insurance

The company's business subjects it to the risk that it may incur product liability claims, warranty or recall claims, as well as business interruption claims. No assurance can be given that the insurance coverage or insurance coverage limits of the company would be adequate to protect it against any claims for product liability claims, warranty or recall claims, or business interruption claims that may arise. The company may require additional insurance coverage in these areas as the company advances its involvement with product design and development. This insurance is expensive and may not be available on acceptable terms, or at all. Any uninsured or underinsured product liability claims, warranty or recall claims, or business interruption claims could have a material adverse effect on the company's financial condition, results of operations and prospects.

Dependence on Key Personnel

Loss of certain members of the executive team or key technical leaders of the company could have a disruptive effect on the implementation of the company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The company may be unable to retain its key employees or attract, assimilate, train or retain other necessary qualified employees, which may restrict its growth potential.

Regulatory Risk

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad have been changing since the collapse of Enron Corporation in the United States and the subsequent introduction of strengthened securities and governance laws such as the Sarbanes-Oxley Act. Canada has implemented similar laws. The company has complied with Canadian Securities Administrators ("CSA") National Instruments 52-109, and 52-110, among others.

Tax Laws

The tax laws in Canada and abroad are continuously changing. Recently, corporate tax rates in Canada have been decreasing. There is no assurance that rates will continue to decrease in Canada or remain unchanged in other countries. The company's operations in Hungary, via a tax credit system, are subject to an effective tax holiday but there can be no assurance that this effective holiday will continue up to or beyond its anticipated end date. In addition to Hungary, the company currently has tax losses and credits in Canada, Mexico, China, the UK, Germany and the U.S. that, given unforeseen changes in tax laws, may not continue indefinitely. Finally, the company's expansion into Asia via China and South Korea subjects the company to new tax regimes that may change based on political or social conditions.

Emission Standards

Recent changes in emission standards in the U.S. in certain states, such as California, may affect the future sale of certain automotive products. Even though the company continues to implement changes to certain products via specifications from customers, there can be no assurance that the company will be able to keep pace with these changes. The introduction of the experimental fuel cell automobile by all major automotive manufacturers may affect the products and processes the company employs, the effect of which is currently undetermined. Canada, and other countries where the company's products are sold, have implemented or intend to implement the Kyoto Protocol, which sets limits for emission standards. The effect of this standard has not been fully analyzed by the automotive industry and its full effect on the financial stability of the company and its customers is as yet undetermined.

Environmental Matters

Linamar's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the company conducts business. Linamar has established an Environment Committee of senior management to oversee Linamar's environmental programs and to ensure that Linamar complies with applicable environmental laws. As well, the company has regular environmental compliance audits performed to check that wastes are disposed of in accordance with such laws. Thirty-one of Linamar's manufacturing facilities meet the ISO 14001 standard. All other facilities are working towards qualifying under ISO 14001. To date, environmental laws and regulations have not had a material effect on Linamar's operations or financial condition. Linamar has made, and will continue to make, significant expenditures in connection with environmental matters. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations. Senior management is not aware of any material environmental liability facing the company at this time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA") requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of he period covered by the relevant annual filings have been disclosed by the issuer.

As of December 31, 2010, the company's management evaluated the effectiveness of the company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The company's management, inclusive of the CEO and the CFO, does not expect that the company's disclosure controls and procedures will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the company's disclosure controls and procedures are effective in providing reasonable, not absolute assurance that the objectives of our disclosure control system have been met.

Internal Control over Financial Reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

As of December 31, 2010, the company's management evaluated the effectiveness of the company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the company's internal control over financial reporting is effective in providing reasonable, not absolute assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Changes in Internal Controls over Financial Reporting

There were no changes in the company's internal control over financial reporting during the year ended December 31, 2010, which has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

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

Impairment of Goodwill and Other Intangibles

Management, on an annual basis, must assess for impairment of goodwill and intangible assets not subject to amortization. The company must also assess all intangible assets for impairment when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for goodwill and other intangibles is a "critical accounting estimate" because management is required to make significant forward looking assumptions. Also, different estimates that could be used or changes in estimates from period to period may have a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. The company uses a discounted cash flow method to assess the fair value of goodwill and other intangible assets. Fair value is evaluated on a annual basis or when events or circumstances change. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of the length and extent of the current economic conditions that are impacting the overall global economy and specifically the automotive and construction industries.

As at December 31, 2010, goodwill and other intangibles of $37.7 million (2009 – $42.4 million) was recorded on the consolidated balance sheet of the company. The amount of goodwill and other intangibles acquired during the current year and prior year was nil. Amortization against goodwill and intangibles totalled $3.1 million in the year (2009 – $5.0 million). There were no impairment charges with respect to goodwill and other intangibles on the company's consolidated statements of earnings for 2010 (2009 – $13.2 million).

Future Income Tax Assets and Liabilities

Future income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a future income tax asset. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided. The company considers this allowance a "critical accounting estimate" as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period and may have a material impact on the company's consolidated financial statements. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The company has and continues to use tax planning strategies to realize future tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the company may materially affect the consolidated financial statements.

As at December 31, 2010, the valuation allowance against the tax benefit of tax credits (excluding the Hungarian tax credits) and loss carry forwards as well as other assets with tax value in excess of book value is $16.5 million (2009 – $14.6 million). The valuation allowance is reflected in the net future income tax liability from continuing operations balance of $3.3 million (2009 – $1.2 million asset) on the consolidated balance sheets of the company.

Impairment of Long-Lived Assets

Management assesses for impairment of long-lived assets when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for long-lived assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions when events or circumstances indicating impairment arise. Also, different estimates that could have been used or changes in estimates from period to period may have a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. Recoverability is assessed by comparing the carrying amount first to the estimated undiscounted future cash flows. An impairment loss is measured when the carrying amount of the long lived asset exceeds its fair value which can be determined using the discounted future cash flows the long-lived assets are expected to generate. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. During the year, the company did not realized an impairment of long-lived assets (2009 – $49.6 million).

Stock-Based Compensation

Management estimates the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period. The fair value of the options issued each year, if applicable, is determined using the Black-Scholes option pricing model. The company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward looking assumptions. The varying inputs on which the Black-Scholes option pricing model is based can result in significantly different results and there may be a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. Uncertain changes in expected stock volatility, the change in expected dividend yields, the expected option term, and changes in assumptions used to form a risk free rate during the expected option term may affect the value derived for stock-based compensation.

Note 17 of the consolidated financial statements for the year ended December 31, 2010, which are hereby incorporated by reference herein, provides additional information on the company's stock based compensation.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Effective July 1, 2010, the company has elected to early adopt as of January 1, 2010 the CICA Handbook Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidated Financial Statements ("Section 1601") and Section 1602, Non-Controlling Interest ("Section 1602"). These Handbook Sections are converged with International Financial Reporting Standards. In accordance with the transitional provisions, these Handbook Sections were applied on a prospective basis, from January 1, 2010 with the exception of the presentation and disclosure requirements for non-controlling interests which were applied retrospectively. The adoption of these Handbook Sections did not have a significant impact on the company's consolidated financial statements other than the presentation of non-controlling interests.

Refer to Note 1 to the consolidated financial statements for the year ended December 31, 2010 that are hereby incorporated by reference herein for information pertaining to accounting changes effective in 2010 and for information on issued accounting pronouncements that will be effective in future fiscal years.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Project Plan

The company's IFRS conversion efforts are based on a 4-Phase Project Plan with a dedicated Project Team.

- Phase 1, a high-level diagnostic and impact assessment of the effects of the transition, is complete. The key elements and deliverables of this phase included a high level gap analysis, a draft project plan, and high level assessments of IFRS 1 options, disclosure requirements, financial system considerations, and training requirements.

- Phase 2 of the Project includes:
  - A detailed assessment of conversion issues highlighted in Phase 1 along with the training of staff on the new standards' requirements which has been completed. During this phase, Work Groups assisted with the detailed assessment and analysis of conversion issues, consideration of IFRS 1 options and the impact of IFRS accounting policy choices on all areas of the business including impacts on internal controls over financial reporting. The Steering Committee, comprised of senior management from business units, treasury, tax, and corporate finance, played an active role in reviewing Work Group recommendations and ensuring that the project continues to move forward as planned.
  - An Information Technology ("IT") project was completed to make changes to key financial systems to allow for dual reporting in the general ledgers and improvements to fixed asset sub ledgers to better track impairments and any potential reversal of impairments.

- Phase 3, the design solution, requires the creation and/or modification of accounting policies, consideration of internal controls affected, and the creation of "mock up" financial statements, note disclosures and interim reports including an opening IFRS balance sheet. IFRS accounting policies, financial statement templates and note disclosures have been drafted and will be modified as required during the remaining time until the first IFRS financial statements are published for Q1 2011. The opening balance sheet and quarterly adjustments for 2010 are in the final stages of review.

- During the implementation in Phase 4 leading up to the first interim IFRS financial statements, accounting policy and IFRS 1 choices will be finalized, comparative information will be restated, and the testing and approvals will be completed. Phase 4 is in the final stages of completion.

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

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

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

Results of the Detailed Gap Assessment

Recognition and Measurement

To date, the company has identified the following major areas as outlined below with differences between current accounting policies and those required or expected to be applied in preparing IFRS financial statements. Accounting policy choices and IFRS 1 options selected have been reviewed by the Steering Committee and Audit Committee and are preliminary at this time. Impacts and accounting policy choices reflect the company's current assumptions, estimates and expectations and are not considered complete or final at this time.

Revenue Recognition

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

Property, Plant and Equipment ("PP&E")

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

Asset Retirement Obligation ("ARO")

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

Sale of Receivables

The criterion for derecognition of long-term receivables under Canadian GAAP is different from IFRS as Canadian GAAP focuses mainly on surrendering control over the transferred assets while IFRS focuses on the transfer of substantive risks and rewards. A change will be required to the company's opening balance sheet with respect to certain long-term receivables which the company sells and which, under IFRS, the transfer of substantive risks and rewards does not occur. This impact is expected to increase both accounts receivable and accounts payable.

Impairments

Impairment testing of PP&E is based on a two-step approach under current Canadian GAAP when circumstances indicate that the carrying value may not be recoverable. The first step requires a comparison of the carrying amount of the asset(s) to the expected undiscounted cash flows for the asset(s). If the carrying amount is not recoverable then the second step compares the fair value of the asset(s) to the carrying value of the asset(s) to determine if there is an impairment loss. IFRS however, uses a one-step approach if any indication of impairment exists which compares the recoverable amount of the asset with the carrying value of the asset. The recoverable amount is the higher of the fair value and value-in-use which is calculated using discounted cash flows.

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

Goodwill impairment testing is conducted at a more granular level known as the "cash generating unit" under IFRS as compared to the testing at a "reporting unit" level for Canadian GAAP. This difference is not expected to have a material impact for the company.

The company does not expect any material changes to the results of its impairment tests for PP&E previously performed under Canadian GAAP when it transitions to IFRS.

Share-based Payments

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

The company has determined that there will be an impact to the financial statements for stock options issued after November 7, 2002 which had not vested as at January 1, 2010. At transition, this impact is not expected to be material and is expected to reduce retained earnings and increase contributed surplus. During 2010, the impact is expected to increase selling, general and administrative expenses and contributed surplus.

Hedging

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

The company has determined that there is an immaterial impact at transition. However during 2010 and 2011, this difference is expected to impact debt, accumulated other comprehensive income, foreign exchange expense, interest expense and future income taxes.

Foreign Currency Translation

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

The company has determined that the difference will decrease property, plant and equipment and decrease retained earnings at transition. During 2010 and 2011, there will be an impact to property, plant and equipment, depreciation expense, foreign exchange expense and cumulative translation adjustments.

Presentation Reclassifications

Cumulative Translation Adjustment

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

Non-Controlling Interests

Effective July 1, 2010, the company has elected to early adopt as of January 1, 2010 the CICA Handbook Section 1582, Business Combinations ("Section 1582"), Section 1601, Consolidated Financial Statements ("Section 1601") and Section 1602, Non-Controlling Interest ("Section 1602"). These Handbook Sections are converged with IFRS and a result of the early adoption, there are no presentation differences at transition.

Deferred Income Tax

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

Income Taxes

The classification of the tax effect on the elimination of the unrealized profit or loss on intercompany transfer of inventory results in an accounting difference between Canadian GAAP and IFRS. Canadian GAAP does not permit the recognition of a temporary difference arising between the tax basis of assets in the buyer's tax jurisdiction and its cost as reported in the consolidated financial statements. Canadian GAAP requires any taxes paid or recovered as part of the transfer to be recorded as current tax payable or receivable until the gain or loss is recognized by the consolidated entity. IFRS requires the temporary difference to be recorded as a deferred tax asset or liability. The impact results in a reduction to income tax payable and an increase to deferred income tax liability.

Provisions

Unlike Canadian GAAP, IFRS requires provisions to be separated from liabilities. IAS 37 defines a provision as a liability of uncertain timing and amount. Provisions are recognized on the basis of a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably. On transition, the company must separate provisions from accounts payable and accrued liabilities either on the face of the balance sheet or in the notes.

IFRS 1 Considerations

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

Mandatory Exceptions:

1. Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by the company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

2. Derecognition of financial assets and financial liabilities – IFRS 1 requires the application of derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39") prospectively for transactions occurring on or after January 1, 2004. However, retrospective application of derecognition requirements in IAS 39 may be chosen by the entity provided the information was obtained at the time of initially accounting for those transactions.

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

3. Hedge accounting – Hedge accounting can only be applied prospectively from the transition date to transactions that satisfy the hedge accounting criteria in IAS 39 at that date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. As a result, only hedging relationships that satisfied the hedge accounting criteria as of its transition date are reflected as hedges in the company's results under IFRS. Any derivatives not meeting the IAS 39 criteria for hedge accounting will be fair valued and recorded in the statement of financial position as a non-hedging derivative financial instrument.

4. IAS 27 – Consolidated and Separate Financial Statements ("IAS 27") - In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations ("IFRS 3") retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively.

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

Optional Exemptions Applied:

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

   The company is planning to elect not to retrospectively apply IFRS 3 to business combinations that occurred prior to its transition date; therefore, such business combinations will not be restated. Any goodwill arising on such business combinations before the transition date will not be adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

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

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

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

   The company is planning to elect to apply the optional exemption under IFRS 1.

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

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

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

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

6. Deemed cost exemption – IFRS 1 provides the option to value certain item(s) of property, plant and equipment upon transition to IFRS at fair value or a previous GAAP revaluation if the value at the date of the revaluation is broadly comparable to fair value or depreciated cost in accordance with IFRS.

   The company is planning to elect to apply the deemed cost exemption to certain items of property, plant and equipment that were revalued under Canadian GAAP.

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)	2010	2009	2008	2007	2006
Gross Margin	$235.2	$47.7	$229.6	$288.2	$270.0
Selling, general and administrative	104.1	98.2	126.0	116.0	111.6
Operating Earnings (Loss)	$131.1	($50.5)	$103.6	$172.2	$158.4

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 Equity attributable to shareholders of the company divided by shares outstanding at year-end.

(in millions of dollars except share and per share figures)	2010	2009	2008	2007	2006
Equity attributable to shareholders of the company	$854.8	$807.6	$878.3	$890.6	$839.7
Shares outstanding at year-end	64,701,876	64,701,876	64,701,876	69,824,276	69,838,276
Book value per share	$13.21	$12.48	$13.57	$12.75	$12.02

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 equity attributable to shareholders of the company.

December 31 (in millions of dollars)	2010	2009	2008	2007	2006
Short-term bank borrowings	$74.1	$96.0	$81.1	$143.8	$30.4
Current portion of long-term debt	1.8	4.9	170.3	4.8	12.2
Long-Term Debt	346.9	219.4	222.1	324.4	268.9
Total Debt	$422.8	$320.3	$473.5	$473.0	$311.5
Equity attributable to shareholders of the company	$854.8	$807.6	$878.3	$890.6	$839.7
Debt to Total Capitalization	33.1%	28.4%	35.0%	34.7%	27.1%

Return on Shareholders' Equity

This measure, as used by the chief operating decision makers and management, indicates the yearly return for shareholders. Return on shareholders' equity is calculated by the company as the earnings from continuing operations divided by shareholders' equity.

December 31 (in millions of dollars)	2010	2009	2008	2007	2006
Earnings from Continuing Operations	$88.9	($46.2)	$51.0	$109.0	$105.3
Equity attributable to shareholders of the company	$854.8	$807.6	$878.3	$890.6	$839.7
Return on Equity attributable to shareholders of the company	10.4%	(5.7%)	5.8%	12.2%	12.5%

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SUMMARY OF CONTENT PER VEHICLE BY QUARTER

(in millions except content per vehicle)

Estimates as of			Three Months Ended					Year to Date
Dec 31, 2010	Mar 31,	Jun 30,	Sep 30,	Dec 31,	Mar 31,	Jun 30,	Sep 30,	Dec 31,
North America	2010	2010	2010	2010	2010	2010	2010	2010
Vehicle Production Units	2.96	3.15	3.05	3.04	2.96	6.11	9.16	12.20
Automotive Sales	$ 357.2	$ 399.0	$ 379.0	$ 396.6	$ 357.2	$ 756.2	$ 1,135.2	$ 1,531.9
Content Per Vehicle	$ 120.71	$ 126.66	$ 124.19	$ 130.46	$ 120.71	$ 123.78	$ 123.92	$ 125.55
Europe								
Vehicle Production Units	4.81	4.98	4.13	4.82	4.81	9.79	13.92	18.74
Automotive Sales	$ 32.5	$ 36.6	$ 39.0	$ 42.6	$ 32.5	$ 69.1	$ 108.2	$ 150.8
Content Per Vehicle	$ 6.76	$ 7.35	$ 9.45	$ 8.84	$ 6.76	$ 7.06	$ 7.77	$ 8.04
Asia Pacific								
Vehicle Production Units	8.71	8.36	8.45	9.40	8.71	17.07	25.51	34.91
Automotive Sales	$ 19.6	$ 23.1	$ 20.4	$ 22.3	$ 19.6	$ 42.7	$ 63.1	$ 85.4
Content Per Vehicle	$ 2.25	$ 2.76	$ 2.42	$ 2.38	$ 2.25	$ 2.50	$ 2.47	$ 2.45

Estimates as of						Year to Date
Sep 30, 2010	Mar 31,	Jun 30,	Sep 30,	Mar 31,	Jun 30,	Sep 30,
North America	2010	2010	2010	2010	2010	2010
Vehicle Production Units	2.96	3.15	2.97	2.96	6.11	9.08
Automotive Sales	$ 372.3	$ 414.4	$ 399.5	$ 372.3	$ 786.6	$ 1,186.1
Content Per Vehicle	$ 125.76	$ 131.75	$ 134.43	$ 125.76	$ 128.85	$ 130.68
Europe						
Vehicle Production Units	4.82	5.00	3.89	4.82	9.81	13.70
Automotive Sales	$ 32.5	$ 36.6	$ 39.0	$ 32.5	$ 69.1	$ 108.2
Content Per Vehicle	$ 6.76	$ 7.33	$ 10.04	$ 6.76	$ 7.05	$ 7.90
Asia Pacific						
Vehicle Production Units	8.69	8.36	8.23	8.69	17.05	25.28
Automotive Sales	$ 19.6	$ 23.1	$ 20.4	$ 19.6	$ 42.7	$ 63.1
Content Per Vehicle	$ 2.25	$ 2.76	$ 2.48	$ 2.25	$ 2.50	$ 2.50

Change in Estimates from						Year to Date
Prior Quarter	Mar 31,	Jun 30,	Sep 30,	Mar 31,	Jun 30,	Sep 30,
North America	+/-	+/-	+/-	+/-	+/-	+/-
Vehicle Production Units	-	-	0.08	-	-	0.08
Automotive Sales	$ (15.1)	$ (15.4)	$ (20.5)	$ (15.1)	$ (30.4)	$ (50.9)
Content Per Vehicle	$ (5.05)	$ (5.09)	$ (10.24)	$ (5.05)	$ (5.07)	$ (6.76)
Europe						
Vehicle Production Units	(0.01)	(0.02)	0.24	(0.01)	(0.02)	0.22
Automotive Sales	$ -	$ -	$ -	$ -	$ -	$ -
Content Per Vehicle	$ -	$ 0.02	$ (0.59)	$ -	$ 0.01	$ (0.13)
Asia Pacific						
Vehicle Production Units	0.02	-	0.22	0.02	0.02	0.23
Automotive Sales	$ -	$ -	$ -	$ -	$ -	$ -
Content Per Vehicle	$ -	$ -	$ (0.06)	$ -	$ -	$ (0.03)

OUTLOOK

Since 2006, the company determined it was not appropriate to provide outlook guidance.

FORWARD LOOKING INFORMATION

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this MD&A and elsewhere in the Annual Report include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, world political events, pricing concessions and cost absorptions, delays in program launches, the company’s dependence on certain engine and transmission programs and major OEM customers, currency exposure, technological developments by Linamar’s competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates.

The foregoing is not an exhaustive list of the factors that may affect Linamar’s forwarding looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Linamar’s forward-looking statements. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.