



**Linamar Corporation**  
287 Speedvale Avenue West  
Guelph, ON N1H 1C5

**INTERIM REPORT TO THE SHAREHOLDERS**  
**For the Twelve Months ended**  
**December 31, 2002**

GUELPH, ONTARIO – Linamar Corporation (TSX:LNR) today reported its financial results for the fourth quarter ended December 31, 2002.

**FIGURE 1: FINANCIAL SUMMARY (000's)**

	Three Months Ended		Year Ended	
	December 31, 2002	December 31, 2001	December 31, 2002	December 31, 2001
Sales	\$ 346,635	\$ 304,878	\$ 1,357,700	\$ 1,209,017
Operating Earnings	\$ 18,780	\$ 20,692	\$ 96,857	\$ 88,500
Earnings from Continuing Operations	\$ 13,690	\$ 13,619	\$ 57,003	\$ 55,665
Diluted Earnings per Share from Continuing Operations	\$ 0.20	\$ 0.19	\$ 0.81	\$ 0.80

**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2002**

This discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying consolidated financial statements and with the company's annual report for the year ended December 31, 2002 which includes the year end Management Discussion and Analysis.

The company recorded sales of \$346.6 million for the fourth quarter ending December 31, 2002, a 13.7% increase over the same quarter in 2001. Year to date sales were \$1,357.7 million, a 12.3% increase as compared to 2001. Fourth quarter results included three months sales for Skyjack Inc. of \$16.8 million and two months sales for our newest acquisition, Federal-Mogul Camshafts de Mexico S. de R.L. de C.V. ("Engicom") of \$2.5 million. The remaining increase is primarily the result of increased volumes and new program launches or extensions on existing automotive programs.

During the year, Linamar completed a comprehensive review and analysis of historical sales data to ensure sales have been appropriately classified by application and geographical region. As a result, content per vehicle has been restated as shown in Figure 2 below. This revision relates to parts that are initially shipped to a North American Original Equipment Manufacturer ("OEM"), further processed and ultimately assembled in European vehicle production or used in non-automotive applications.



**FIGURE 2: Linamar Content Per Vehicle**

	2001					2002				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
North America	\$ 59.74	\$ 56.19	\$ 64.32	\$ 60.07	\$ 59.89	\$ 61.89	\$ 60.77	\$ 68.85	\$ 65.65	\$ 64.12
Europe	\$ 5.52	\$ 6.15	\$ 7.35	\$ 6.51	\$ 6.31	\$ 6.56	\$ 7.38	\$ 9.26	\$ 6.23	\$ 7.28

Linamar's automotive sales and content per vehicle continued to grow. Overall, the Company's total automotive production sales have increased year over year by 13.5% and 11.1% quarter over quarter. For 2002, North American vehicle production increased by 5.5% while the Company's content per vehicle increased by 7.1% to \$64.12 for the year compared to \$59.89 in 2001. For the fourth quarter, North American production increased by only 1.8% but Linamar's content per vehicle increased by 9.3% to \$65.65. Vehicle production in the European market increased in the fourth quarter by 11.6% and, for the year, production remained relatively constant increasing by 0.8%. Linamar's content continued to grow in this market with an increase of 15.4% for the year to \$7.28.

Earnings from continuing operations were \$13.7 million as compared to \$13.6 million in the fourth quarter of 2001. The earnings for the quarter excluding the investment write-down of \$1.2 million, related to the dissolution of Minsor Powertrain Systems LLC ("Minsor") increased by 9.6%. On a year to date basis, earnings improved 10.6% from \$55.7 million to \$61.6 million excluding write-downs and goodwill impairments relating to Skyjack and Minsor. The write-downs and goodwill impairments relating to Skyjack are discussed later in this release

Interest expense increased in the fourth quarter compared to the fourth quarter 2001 due to the additional use of banking facilities for acquisitions done in the second half of 2002 and the interest component of a capital lease in the Eagle joint venture which is proportionately consolidated.

The selling, general and administrative expenses ("SG&A") were higher than prior year. The result of the acquired companies contributed approximately \$5.0 million to the fourth quarter expense and \$6.4 million for the year. Skyjack's full scope sales and marketing requirements contribute a greater proportion of expenses relative to sales as compared to Linamar's SG&A cost. The remaining component of the increase is due to various costs related to the company's continued strategic initiatives, wages and benefits due to an expanded internal sales force and costs associated with Weslin Rt. and Exkor Manufacturing.

The effective tax rate was 17.9% in the quarter compared with 32.6% in the fourth quarter 2001. The year to date rate was 35.3% compared to 33.1% for 2001. The rate for the quarter is less than the year to date due to the following items: 1) the impact of cost sharing arrangements between the Company and Weslin, its Hungarian joint venture which were recorded in the fourth quarter; 2) the recognition of the remaining future tax benefits of ILSA based on the year end assessment of Industrias de Linamar's ("ILSA") future profitability; 3) a reduction of tax provision reserves built up during 2002 based on successful Ministry of Finance audit clearance of years 1996 to 1999; and 4) the realization of the benefits of a number of tax planning initiatives finalized by the end of 2002. The company's operations in Hungary are not subject to taxes and no benefit has been recognized on the losses experienced in Mexico.

Diluted earnings per share from continuing operations for the fourth quarter were \$0.20 and \$0.81 for the year, compared to \$0.19 and \$0.60 for 2001. The effect of the Skyjack transaction was a reduction of \$0.05 related to the goodwill impairment and write off of deferred financing costs. Diluted earnings per share would have been \$0.86 for the year if not for this write-down which occurred in Q3 2002.

Linamar Corporation announced a new corporate structure on September 25, 2002. The new structure aligns the company's business into five groups: Engine, Transmission/Driveline, Chassis, Europe and Industrial. The new structure brings a focus to each of these market segments.



Cash generated from continuing operations for the quarter was \$42.2 million before working capital changes. Investing activities of \$61.2 million related to the purchase of capital assets for new programs and the acquisition of Engicom, net of amounts outstanding to be paid at quarter end.

On October 31, 2002, subsidiaries of Linamar purchased 100% of the outstanding common shares of Federal-Mogul's camshaft manufacturing operation in Saltillo, Mexico. Total consideration for the acquisition was \$15.4 million. The facility employs approximately 160 people for the manufacturing of camshafts for the North American OE market. Sales in 2003 are expected to be \$40.0 to \$45.0 million. Major customers of the operation include General Motors and DaimlerChrysler.

On September 30, 2002 a special resolution was passed by the shareholders of Skyjack Inc. to approve the amalgamation of Skyjack Inc. and 2013594 Ontario Ltd., an indirect wholly-owned subsidiary of Linamar Corporation. Linamar previously held 48.5% of Skyjack Inc., which was accounted for on an equity basis. The acquisition has been accounted for as a step acquisition. Goodwill resulting from the two steps of the transaction was initially \$6.2 million in total. Applying the values determined in the second step of \$2.13 per share and net assets of \$16.6 million results in an implied goodwill value of approximately \$3.3 million. Linamar has therefore recorded a goodwill impairment of \$2.9 million. The impact is a reduction of \$0.04 per share.

Skyjack had deferred financing costs associated with debt which has been subsequently repaid. These deferred costs of \$0.5 million had no future benefit to Linamar and were written off, affecting earnings by \$0.01 per share.

As a 100% subsidiary of Linamar Corporation, Skyjack was able to recognize future income tax benefits generated for U.S. tax purposes as a result of a tax strategy implemented subsequent to the change in control.

The total earnings impact of the Skyjack acquisition related to a combined write-down of goodwill and deferred financing costs totaling \$3.4 million or a loss of \$0.05 per share.

Accounts receivable have increased by \$16.1 million as the result of acquisitions in 2002 and the remainder of the increases due to the corresponding sales increases. Income taxes recoverable have decreased as compared to the prior year due to the receipt of tax refunds. The tax refunds were the direct result of utilization of loss carry forwards from the Corporate amalgamation that occurred at the end of 2000.

In the third quarter of 2001, the company made the decision to divest of two wholly-owned casting facilities. These operations have not been disposed of as of December 31, 2002. Management continues to actively pursue sale opportunities and has reviewed the amounts accrued for future losses. Management has determined that the current accrual is adequate to cover the losses going forward until the time of disposition. No further accruals have been made in 2002.

Linamar has disclosed pro-forma results for the stock-based compensation issued in the previous quarter. The options issued to date have no impact on the reported EPS.



## Other Matters

The company announced that its Board of Directors declared its regular quarterly dividend for the fourth quarter ended December 31, 2002 of \$0.04 per share payable on March 27, 2003 to shareholders of record on March 17, 2003.

The company expects a slight decline in North American light vehicle production levels in 2003. In Europe, the company expects decreases to continue through the first part of 2003 but improve in the latter half of the year. However, changes in current world events could result in more significant declines in vehicle production levels. As a result, the company expects moderate sales growth in 2003 with improved earnings as new programs ramp up to full volume

Linamar designs, develops and manufactures precision machined components, modules and assemblies for brakes, engine, steering and suspension, and transmission applications (B.E.S.T.) for sale to original equipment manufacturers and Tier 1 customers for the North American and European car and light to heavy truck markets.

The company has approximately 8,800 employees in 32 manufacturing operations in Canada, United States, Mexico and Hungary.

Linamar will hold a conference call to discuss this press release on Wednesday, March 5, 2003 at 5:00 p.m. EST. The number for this call is (888) 295-1311 (local/overseas), with call-in required 10 minutes prior to the start of the conference call. The conference call will be chaired by Linda Hasenfratz, Linamar's President and CEO. This call will also be available via web cast at [www.linamar.com](http://www.linamar.com) (under Investor Relations). A taped replay of the conference call will also be made available from 7:00 p.m. on March 5, 2003. The numbers for the replay are (800) 642-1687, reference number 8789913.

For further information regarding this release please contact Linda Hasenfratz, President & CEO or Keith Wettlaufer, Chief Financial Officer at Linamar Corporation (519) 836-7550.

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

Frank Hasenfratz  
**Chairman of the Board**

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

Linda Hasenfratz  
**President & CEO**

Guelph, Ontario  
March 5, 2003



**LINAMAR CORPORATION  
CONSOLIDATED BALANCE SHEETS**

As at December 31, 2002 (Unaudited) with comparatives as at December 31, 2001  
(in thousands of dollars)

	December 31 2002	December 31 2001
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and short-term investments	32,787	43,263
Accounts receivable	234,318	208,352
Inventories	133,735	99,718
Prepaid expenses	8,446	8,218
Income taxes recoverable	-	8,873
Current assets – discontinued operations	3,057	5,515
	<u>412,343</u>	<u>373,939</u>
Investments, at cost	210	1,421
Other Long-Term Assets	2,297	474
Investments in and Advances to Companies		
Subject to Significant Influence (note 5)	-	27,497
Goodwill (note 6)	3,257	-
Capital Assets (note 9)	637,429	550,334
Capital Assets – Discontinued Operations	3,183	3,459
Future Income Taxes – Discontinued Operations	1,554	5,502
	<u>1,060,273</u>	<u>962,626</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unpresented cheques	4,861	6,411
Short-term bank borrowings	52,334	45,239
Accounts payable and accrued liabilities	191,022	182,413
Advance payments from customers	2,142	3,833
Current portion of long-term debt	6,672	10,298
Income taxes payable	6,508	-
Current liabilities – discontinued operations	5,382	6,264
	<u>268,921</u>	<u>254,458</u>
Long-Term Debt	133,187	108,321
Future Income Taxes	12,087	20,811
Non-Controlling Interests	23,157	21,217
	<u>437,352</u>	<u>404,807</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 3)	102,913	88,385
Retained Earnings	515,345	469,639
Cumulative Translation Adjustment	4,663	(205)
	<u>622,921</u>	<u>557,819</u>
	<u>1,060,273</u>	<u>962,626</u>

On behalf of the Board of Directors:

Frank Hasenfratz  
**Director**

Linda Hasenfratz  
**Director**



**LINAMAR CORPORATION**

**CONSOLIDATED STATEMENTS OF EARNINGS**

For the year ended December 31, 2002 (Unaudited)  
(in thousands of dollars, except per share figures)

	Three Months Ended December 31		The Year Ended December 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Sales (note 4)</b>	346,635	304,878	1,357,700	1,209,017
<b>Cost of Sales and Operating Expenses Before the Following:</b>	279,817	241,350	1,092,676	960,562
Amortization	25,215	22,429	90,969	91,775
Selling, general and administrative	23,218	17,786	76,336	61,243
Equity loss (income)	(395)	2,621	862	6,937
	<u>327,855</u>	<u>284,186</u>	<u>1,260,843</u>	<u>1,120,517</u>
<b>Operating Earnings</b>	18,780	20,692	96,857	88,500
<b>Other Income (Expense)</b>				
Interest on long-term debt	(1,960)	(253)	(6,882)	(365)
Other interest expense	(646)	(819)	(2,144)	(6,577)
Interest earned	269	359	1,874	2,317
Write-down of significantly influenced investment	(1,215)	-	(1,215)	-
Write-down of deferred financing costs	-	-	(491)	-
Goodwill impairment	-	-	(2,899)	-
Other income	642	97	1,391	545
	<u>15,870</u>	<u>20,076</u>	<u>86,491</u>	<u>84,420</u>
<b>Provision for (Recovery of) Income Taxes</b>				
Current	(531)	2,670	26,554	24,677
Future	3,366	3,881	4,020	3,306
	<u>2,835</u>	<u>6,551</u>	<u>30,574</u>	<u>27,983</u>
	13,035	13,525	55,917	56,437
<b>Non-Controlling Interests</b>	(655)	(94)	(1,086)	772
<b>Earnings from Continuing Operations (note 4)</b>	13,690	13,619	57,003	55,665
<b>Results of Discontinued Operations</b>	-	-	-	(13,748)
<b>Net Earnings for the Period (note 8)</b>	<u>13,690</u>	<u>13,619</u>	<u>57,003</u>	<u>41,917</u>
<b>Basic Earnings from Continuing Operations per Share (note 8)</b>	0.20	0.20	0.81	0.80
<b>Diluted Earnings from Continuing Operations per Share (note 8)</b>	0.20	0.19	0.81	0.80
<b>Basic Earnings per Share</b>	0.20	0.20	0.81	0.61
<b>Diluted Earnings per Share</b>	0.20	0.19	0.81	0.60

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

For the year ended December 31, 2002 (Unaudited)  
(in thousands of dollars)

	Three Months Ended December 31		The Year Ended December 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Balance - Beginning of Period</b>	504,480	458,792	469,639	438,806
Net earnings for the period	13,690	13,619	57,003	41,917
Dividends	(2,825)	(2,772)	(11,297)	(11,084)
<b>Balance - End of Period</b>	<u>515,345</u>	<u>469,639</u>	<u>515,345</u>	<u>469,639</u>



**LINAMAR CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the year ended December 31, 2002 (Unaudited)  
(in thousands of dollars)

	Three Months Ended December 31		Year ended December 31	
	2002	2001	2002	2001
<b>Cash Provided By (Used In)</b>				
	\$	\$	\$	\$
<b>Operating Activities</b>				
Earnings from continuing operations	13,690	13,619	57,003	55,665
Non-cash charges (credits) to earnings:				
Amortization of capital assets	25,215	22,429	90,969	91,775
Equity loss (income) after tax (note 5)	(395)	2,621	606	6,285
Future income taxes	3,366	3,881	4,020	3,306
Non-controlling interests	(655)	(94)	(1,086)	772
Write-down of significantly influenced investment	1,215	-	1,215	-
Gain on disposal of portfolio investments	-	-	(111)	-
Deferred financing fees amortization	33	-	172	-
Write-down of deferred financing costs	-	-	491	-
Goodwill impairment	-	-	2,899	-
Loss (gain) on disposal of capital assets	(269)	(2,612)	560	(3,175)
	<u>42,200</u>	<u>39,844</u>	<u>156,738</u>	<u>154,628</u>
Changes in non-cash working capital:				
Decrease in accounts receivable	56,195	12,725	16,993	6,913
Increase in inventories	(7,488)	(7,178)	(13,014)	(7,005)
Decrease in prepaid expenses	1,577	2,921	4,136	3,730
Decrease (increase) in income taxes recoverable	3,971	(6,922)	22,913	848
Increase (decrease) in accounts payable and accrued liabilities	(29,361)	8,062	(21,878)	3,083
Increase (decrease) in advance payments from customers	192	2,932	(1,691)	(310)
Cash flow – continuing operations	<u>67,286</u>	<u>52,384</u>	<u>164,197</u>	<u>161,887</u>
Cash flow – discontinued operations	<u>(497)</u>	<u>1,821</u>	<u>(910)</u>	<u>(4,716)</u>
	<u>66,789</u>	<u>54,205</u>	<u>163,287</u>	<u>157,171</u>
<b>Financing Activities</b>				
Repayment of short-term bank borrowings	(2,771)	(96,038)	(2,194)	(117,119)
Proceeds from long-term debt	25,408	101,329	25,775	104,792
Repayment of long-term debt	(14,397)	(140)	(25,670)	(1,644)
Proceeds from common share issuance (note 3)	-	-	14,528	6,395
Dividends to shareholders	(2,825)	(2,772)	(11,297)	(11,084)
Other	(146)	(162)	(146)	(162)
	<u>5,269</u>	<u>2,217</u>	<u>996</u>	<u>(18,822)</u>
<b>Investing Activities</b>				
Payments for purchase of capital assets	(45,074)	(36,329)	(139,192)	(138,053)
Proceeds on disposal of capital assets	3,472	3,710	3,996	12,019
Proceeds on sale of future tax assets	-	2,399	-	2,399
Proceeds on redemption of preferred shares	57	248	228	248
Net advances to investments under significant influence	-	66	(9,620)	(11,353)
Business acquisitions (note 6)	(19,329)	-	(24,881)	(22,049)
Other	(262)	(17)	767	113
Discontinued operations	(48)	2	(160)	(624)
	<u>(61,184)</u>	<u>(29,921)</u>	<u>(168,862)</u>	<u>(157,300)</u>
	10,874	26,501	(4,579)	(18,951)
<b>Effect of Translation Adjustment</b>	(1,788)	559	(4,347)	2,113
<b>Increase (Decrease) in Cash Position</b>	<u>9,086</u>	<u>27,060</u>	<u>(8,926)</u>	<u>(16,838)</u>
<b>Cash Position - Beginning of Period</b>	<u>18,840</u>	<u>9,792</u>	<u>36,852</u>	<u>53,690</u>
<b>Cash Position - End of Period</b>	<u>27,926</u>	<u>36,852</u>	<u>27,926</u>	<u>36,852</u>
<b>Comprised of:</b>				
Cash & short-term investments	32,787	43,263	32,787	43,263
Unpresented cheques	(4,861)	(6,411)	(4,861)	(6,411)
	<u>27,926</u>	<u>36,852</u>	<u>27,926</u>	<u>36,852</u>



**LINAMAR CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2002 (Unaudited)**

1. Management prepared these interim financial statements in accordance with generally accepted accounting principles using the historical cost basis of accounting and approximation and estimates based on professional judgments. These interim financial statements contain all adjustments that management believes are necessary for a fair presentation of the Company's financial position, results of operations and changes in cash flows.
2. The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the annual financial statements. These statements should be used in conjunction with the Company's most recent annual financial statements.
3. The number of issued common shares as at December 31, 2002 and as at February 28, 2003 was 70,603,476 (December 31, 2001 - 69,302,476). During the first quarter, options for 1,301,000 common shares were exercised generating proceeds of \$14.5 million. The company granted 20,000 stock options on May 2nd, 2002 to a key employee at an exercise price of \$11.87. These share options vest at a rate of 20% per year beginning on the date of issuance.
4. Segmented Sales and Earnings Information (Continuing Operations in thousands of dollars)

	For the Three Months Ended December 31, 2002			For the Year Ended December 31, 2002		
	Sales to Customers	Inter-Segment	Earnings/(Loss)	Sales to Customers	Inter-Segment	Earnings/(Loss)
	Outside the Company	Sales		Outside the Company	Sales	
Canada	273,209	886	23,985	1,104,358	1,293	75,764
United States	21,399	6,032	(2,169)	57,944	7,042	(1,783)
Mexico	22,098	-	(4,094)	90,041	-	(5,713)
Europe	29,929	2,128	(4,032)	105,356	10,362	(11,265)
<b>Total</b>	<b>346,635</b>		<b>13,690</b>	<b>1,357,699</b>		<b>57,003</b>

  

	For the Three Months Ended December 31, 2001			For the Year Ended December 31, 2001		
	Sales to Customers	Inter-Segment	Earnings/(Loss)	Sales to Customers	Inter-Segment	Earnings/(Loss)
	Outside the Company	Sales		Outside the Company	Sales	
Canada	252,606	1,181	14,919	1,010,744	3,727	50,515
United States	9,811	73	787	45,296	305	983
Mexico	23,692	-	1,323	92,430	4	10,696
Europe	18,769	1,380	(3,410)	60,547	7,447	(6,529)
<b>Total</b>	<b>304,878</b>		<b>13,619</b>	<b>1,209,017</b>		<b>55,665</b>

5. Investments in and Advance to Companies subject to Significant Influence  
 In February 2001, Linamar invested U.S. \$0.2 million and with its partner established a new U.S. minority company, Minsor Powertrain Systems LLC (based in Michigan), of which Linamar holds a 49% interest. During the current quarter, the Company has fully provided for the investment in the partnership resulting in a write-down of \$1.2 million.  
  
 On June 4 2001, Linamar acquired 4,018,757 common shares of Skyjack Inc., a Canadian company which manufactures self-propelled scissor-type elevating work platforms for consideration of \$22.1 million, representing 48.5% of the outstanding common shares of Skyjack Inc. As disclosed in note 6, in September 2002, the Company acquired the remaining 51.5% of Skyjack Inc.
6. Business Acquisitions
  - a) In September 2002, the Company purchased the remaining 51.5% of Skyjack Inc. in exchange for consideration of \$10.6 million. The purchase has been accounted for as a step acquisition. The two step transaction resulted in a goodwill impairment charge to earnings of \$2.9 million and remaining goodwill of \$3.3 million. The goodwill is not deductible for income tax purposes.
  - b) In October 2002, the Company acquired 100% of the outstanding shares in Federal Mogul Camshafts de Mexico S. de R. L. de C.V., located in Saltillo, Mexico in exchange for consideration of \$15.4 million.



All the acquisitions have been accounted for as purchases with the results of operations included in these financial statements from the effective date of acquisition. Details of the net assets acquired are as follows:

	(a)	(b)	Total
Cash	-	228	228
Other current assets	25,631	4,937	30,568
Capital assets	13,395	16,099	29,494
Other long term assets	883	-	883
Goodwill	2,036	-	2,036
Future income taxes	5,204	-	5,204
Total assets acquired	<u>47,149</u>	<u>21,264</u>	<u>68,413</u>
Current liabilities	23,936	5,897	29,833
Long-term debt	12,610	-	12,610
Total liabilities assumed	<u>36,546</u>	<u>5,897</u>	<u>42,443</u>
Total acquisitions costs	<u>10,603</u>	<u>15,367</u>	<u>25,970</u>
Consideration given:			
Cash	10,133	14,976	25,109
Payable over the next year	470	391	861
	<u>10,603</u>	<u>15,367</u>	<u>25,970</u>

#### 7. Discontinued Operations

Effective September 28, 2001, Linamar adopted a formal plan to divest the company's wholly owned in-house casting operations, which management considers is subject to significantly different business risks than the precision machining segment. These businesses will continue to operate until the disposal plan is completed. Divestiture will be in the form of a sale as a going concern or alternatively, as an asset disposal. The results from discontinued operations have been reported separately within these interim financial statements. Prior year's comparative amounts have also been reclassified. Summarized financial information for the discontinued operations are as follows (in thousands of dollars):

	Year ended	
	December 31	
	2002	2001
	\$	\$
Sales	<u>19,607</u>	
Results of operations prior to September 28, 2001	-	(8,160)
Income tax recovery	<u>2,856</u>	<u>(5,304)</u>
Net loss from discontinued operations **		(12,796)
Income tax recovery	-	4,352
	-	<u>(8,444)</u>
Results of discontinued operations	<u>-</u>	<u>(13,748)</u>

\*\* includes a write down of capital assets of \$ 7,459

#### 8. Stock Based Compensation

The Company applies the intrinsic value based method of accounting for stock-based compensation awards granted to employees. Accordingly, no compensation expense has been recognized for its share option plan. The Company's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below had compensation expense for the share option plan been determined based on the fair value at the grant dates. The fair value of the stock options granted during the quarter were determined using the Black-Scholes option pricing model based on the following underlying assumptions:

- 4 year risk free interest rate of 4.6%
- Average expected life of 4 years
- Average expected volatility of 36.5%
- Expected dividends of \$ .16 per share per year

		(in thousands of dollars except per share figures)	
		Three months ended	Year ended
		December 31, 2002	December 31, 2002
Net income	As reported	13,690	57,003
	Pro forma	13,686	56,978
Basic earnings per share	As reported	0.20	0.81
	Pro forma	0.20	0.81
Diluted earnings per share	As reported	0.20	0.81
	Pro forma	0.20	0.81



9. Related Party Transactions

Included in the purchase of capital assets are the construction of buildings, building additions and building improvements in the aggregate amount of \$0.6 million (2001 - \$7.0 million) by a Company owned by the spouse of a director. Included in cost of sales, are maintenance costs of \$0.3 million (2001 - \$0.1 million) by the same Company. Included in cost of sales, are lease costs of \$0.2 million (2001 - \$0.4 million) related to property leased from a Company owned by two directors. The property was purchased by the Company on August 7, 2002 at a cost of \$4.0 million. The valuation of the property was determined by an independent party.

The Company loaned \$10.0 million to a director for the purchase of 891,000 shares at \$11.17 a share under the Company's share option plan. The market value of the shares at the time of the loan was \$13.35 per share. The loan was outstanding for 7 days and repaid in full with interest at commercial rates on January 15, 2002.

These transactions have been recorded at the exchange amount.