Linamar

PRESS RELEASE

August 13, 2003, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR), a global supplier who designs, develops and manufactures precision machined components, modules and systems for engine, transmission, chassis and industrial markets primarily for the North American and European automotive marketplace, today announced its financial results for the second quarter ended June 30, 2003.

(CDN dollars in thousands except per share amounts)

	Three Months June 30		Six Months June 30	
	2003	2002	**2003**	2002
	$	$	$	$
Sales	**373,036**	348,651	**750,013**	660,997
Operating Earnings	**25,282**	30,322	**48,113**	52,134
Earnings from Continuing Operations	**16,315**	18,363	**28,697**	30,846
Diluted Earnings Per Share from Continuing Operations	**0.23**	0.26	**0.41**	0.44

Second Quarter Operating Highlights

Sales for the second quarter increased to $373.0 million, an increase of 7.0% from the $348.7 million reported during the same period one year ago. Automotive sales were slightly lower during the quarter by 1.8% due to lower automotive production levels in North America of 8% and the strengthening Canadian dollar and the corresponding rate at which U.S. dollar sales were translated into Canadian dollars. Ignoring the exchange impact, automotive sales would otherwise have increased 3.4% in a market that was lower in North American and flat in Europe. Our content per vehicle continues to rise, reaching levels of $63.90 per vehicle for North American production and $8.06 per vehicle for European production. This content per vehicle increase is due to the ramping up of new programs and new product launches.

Earnings from continuing operations for the quarter were down 11.2% to $16.3 million compared to $18.4 million a year earlier. This results in earnings per share of $0.23 compared to $0.26 a year earlier.

A more detailed discussion of the consolidated results for the quarter and the year to date period ended June 30, 2003 is contained in the attached Management Discussion and Analysis which follows the interim consolidated financial statements and the notes thereto.

Dividends

The Board of Directors today declared a dividend in respect to the quarter ended June 30, 2003 of CDN$0.04 per share on the common shares of the company, payable on or after September 15, 2003 to shareholders of record on August 29, 2003.

Outlook

As anticipated, the second quarter North American OEM light vehicle and medium to heavy truck production was down by approximately 8% compared to the same period a year ago. In Europe, vehicle production remained virtually unchanged growing by less than 1% demonstrating that in both of these markets, growth is currently not occurring. For the year to date, North American light vehicle and medium to heavy truck production was down by approximately 4% and for that same period, European production was similar to the second quarter with growth of less than 1%. As a result, we remain conservative in our estimates of total year vehicle production. Our expectation is that light vehicle production for the year will approximate 15.9 – 16.1 million vehicles a decline over the prior year. Our expectation for vehicle production in Europe is in a similar range to North America. In spite of these industry statistics, Linamar sales will continue to grow as experienced so far this year. The strength of the Canadian dollar as compared to 2002, will continue to have a negative impact on sales for the balance of this year on a comparative basis if the rate of exchange continues at recent levels. The impact on earnings is not significant due to the company's hedging strategy.

The new program launches that have been discussed in the MD&A section of this report will continue to contribute to sales growth for the balance of the year. For example, the 5.4 L cylinder head program at Exkor is continuing to ramp-up through the remainder of this year and will reach its full production in the latter half of 2004. Similarly, the launch of other business, such as the Caterpillar programs during this year will contribute to future sales growth.

The acquisitions that were completed in the second quarter are expected to contribute to Linamar's technology and capability in a number of ways. The purchase of the Linamar Antriebstechnik ("LAT") business in Crimmitschau, Germany develops a capability in hydroforming with application to camshafts which will be a significant contributor in the long term future of Linamar Europe.

In our US operations, the launch and ramping up of the bedplate intake and exhaust manifolds at the Eagle Manufacturing Co. L.L.C. ("Eagle") operation will continue to support the growth of the sales and earnings of Linamar.

The company is also seeing the benefit of the OPEL GM Continuous Variable Transmission ("CVT") program after several delays in launch and ramping up of this program such that in the current quarter, a contribution was evident in our European business. The company continues to focus efforts on Mexican operations and anticipates that improvements in Linamar de Mexico S.A. de C.V. ("LdM") will progress for the balance of this year and into the following year.

With reference to Skyjack Inc. ("Skyjack"), the industrial equipment market has experienced a significant slow down over the past several years which has a negative impact on Skyjack sales and earnings. The efforts made to streamline the operation have progressed satisfactorily and the results for the balance of the year will depend on the performance of the capital equipment market.

Linamar's continuing efforts to acquire McLaren Performance Technologies Inc. ("McLaren") are progressing as expected. Linamar's objective with respect to this acquisition is to add product and process technology in Detroit and establish stronger relationships with OEMs to have an early access to sourcing future programs as the OEMs outsource additional business.

Risks and Uncertainties (forward looking statements)

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar.

Some risks and uncertainties may cause results to differ from current expectations. The factors which are expected to have the greatest impact on Linamar include but are not limited to (in the various economies in which Linamar operates): the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors.

Over the last six months, the company's results have been negatively impacted by the strengthening Canadian dollar relative to the U.S. dollar. The company continues to employ a hedging strategy to mitigate these risks. As a result of current levels of consumer spending on automobiles, the OEMs are constantly facing volumes challenges which are reflected in the results of Linamar through reduced volumes on some existing programs. The OEMs do, however, continue to outsource, although not at expected levels, which allows Linamar to expand its product base.

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

For further information regarding this press release, please contact: Linda Hasenfratz or Keith Wettlaufer at (519) 836-7550. Alternatively, forward e-mail requests to Andrea Bowman, Investor Relations andrea.bowman@linamar.com or visit Linamar's website at www.linamar.com.

LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

As at June 30, 2003 (Unaudited) with comparatives as at December 31, 2002
(in thousands of dollars)

	June 30 2003	December 31 2002
	$	$
ASSETS		
Current Assets		
Cash	55,272	32,787
Accounts receivable	294,718	234,318
Inventories	146,425	133,735
Prepaid expenses	7,802	8,446
Current assets – discontinued operations	3,116	3,057
	507,333	412,343
Investments, at cost	-	210
Other Long-Term Assets	4,052	2,297
Goodwill and Other Intangible Assets	17,058	3,257
Capital Assets	646,423	637,429
Capital Assets – Discontinued Operations	2,763	3,183
Future Income Taxes – Discontinued Operations	1,300	1,554
	1,178,929	1,060,273
LIABILITIES		
Current Liabilities		
Unpresented cheques	18,670	4,861
Short-term bank borrowings	109,236	52,334
Accounts payable and accrued liabilities	208,483	191,022
Advance payments from customers	707	2,142
Current portion of long-term debt	6,659	6,672
Income taxes payable	16,108	6,508
Current liabilities – discontinued operations	4,435	5,382
	364,298	268,921
Long-Term Debt	135,183	133,187
Deferred Gain (note 5)	28,902	-
Future Income Taxes	6,897	12,087
Non-Controlling Interests	20,006	23,157
	555,286	437,352
SHAREHOLDERS' EQUITY		
Capital Stock (note 3)	102,913	102,913
Retained Earnings	538,859	515,345
Cumulative Translation Adjustment	(18,129)	4,663
	623,643	622,921
	1,178,929	1,060,273

See accompanying notes

On behalf of the Board of Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

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LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the six months ended June 30, 2003 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
	$	$	$	$
Sales (note 4)	373,036	348,651	750,013	660,997
Cost of Sales and Operating Expenses Before the Following:	302,233	276,678	606,087	527,248
Amortization	23,887	22,226	47,307	44,126
Exchange loss (gain)	923	(78)	3,197	(988)
Selling, general and administrative	20,706	19,721	45,309	36,745
Equity loss (earnings) net of tax	-	(218)	-	1,732
	347,754	318,329	701,900	608,863
Operating Earnings	25,282	30,322	48,113	52,134
Other Income (Expense)				
Interest on long-term debt	(1,854)	(1,640)	(3,496)	(3,291)
Other interest expense	(598)	(485)	(1,135)	(974)
Interest earned	292	420	507	1,062
Other Income	31	227	93	298
	23,153	28,844	44,082	49,229
Provision for (Recovery of) Income Taxes				
Current	8,311	10,538	17,739	18,491
Future	(1,981)	175	(3,227)	334
	6,330	10,713	14,512	18,825
	16,823	18,131	29,570	30,404
Non-Controlling Interests	508	(232)	873	(442)
Earnings from Continuing Operations (note 4)	16,315	18,363	28,697	30,846
Results of Discontinued Operations (note 8)	465	-	465	-
Net Earnings for Period (note 9)	16,780	18,363	29,162	30,846
Basic Earnings from Continuing Operations per Share (note 9)	0.23	0.26	0.41	0.44
Diluted Earnings from Continuing Operations per Share (note 9)	0.23	0.26	0.41	0.44
Basic Earnings per Share	0.23	0.26	0.41	0.44
Diluted Earnings per Share	0.23	0.26	0.41	0.44

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the six months ended June 30, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
	$	$	$	$
Balance – Beginning of Period	524,903	479,298	515,345	469,639
Net earnings for the period	16,780	18,363	29,162	30,846
Dividend	(2,824)	(2,825)	(5,648)	(5,649)
Balance – End of Period	**538,859**	**494,836**	**538,859**	**494,836**

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LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2003 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended June 30 2003	Three Months Ended June 30 2002	Six Months Ended June 30 2003	Six Months Ended June 30 2002
	$	$	$	$
Cash Provided By (Used In)				
Operating Activities				
Earnings from continuing operations	16,315	18,363	28,697	30,846
Non-cash charges (credits) to earnings:				
Amortization of capital assets	23,887	22,226	47,307	44,126
Equity loss (earnings) net of tax	-	(218)	-	1,476
Future income taxes net of unrealised exchange loss(gain)	(724)	175	(1,970)	334
Non-controlling interests	508	(232)	873	(442)
Gain on disposal of portfolio investments	-	(111)	-	(111)
Amortization of deferred financing fees	33	33	66	66
Loss (gain) on disposal of capital assets	130	(9)	(665)	3
	40,149	40,227	74,308	76,298
Changes in non-cash working capital:				
Increase in accounts receivable	(22,401)	(12,404)	(81,161)	(47,430)
Increase in inventories	(12,695)	(1,530)	(17,499)	(1,932)
Decrease (increase) in prepaid expenses	(729)	1,859	886	2,649
Increase in income taxes payable	3,350	5,916	9,678	8,958
Increase (decrease) in accounts payable and accrued liabilities	4,534	(7,874)	36,231	4,444
Increase (decrease) in advance payments from customers	(1,182)	393	(1,435)	(1,507)
	11,026	26,587	21,008	41,480
Deferred gain (note 5)	28,902	-	28,902	-
Cash flow – continuing operations	39,928	26,587	49,910	41,480
Cash flow – discontinued operations	407	(255)	(287)	(537)
	40,335	26,332	49,623	40,943
Financing Activities				
Proceeds from short-term bank borrowings	52,260	19,382	56,902	5,117
Proceeds from long-term debt	9,818	-	10,378	367
Repayment of long-term debt	(2,082)	(11,119)	(2,082)	(11,273)
Proceeds from common share issuance (note 3)	-	-	-	14,528
Dividends to shareholder	(2,824)	(2,825)	(5,648)	(5,649)
	57,172	5,438	59,550	3,090
investing Activities				
Payments for purchase of capital assets	(35,425)	(23,900)	(67,495)	(54,783)
Proceeds on disposal of capital assets	15	102	3.289	388
Proceeds on redemption of preferred shares	-	76	210	133
Net advances to investments under significant influence	-	(9,871)	-	(9,620)
Business acquisitions (note 7)	(37,541)	-	(37,541)	-
Other	(29)	1,111	-	1,040
Discontinued operations	479	(7)	420	(108)
	(72,500)	(32,489)	(101,116)	(62,950)
	25,007	(719)	8,057	(18,917)
Effect of Translation Adjustment	1,221	(1,725)	619	(2,258)
Increase (Decrease) in Cash Position	26,228	(2,444)	8,676	(21,175)
Cash Position – Beginning of Period	10,374	18,121	27,926	36,852
Cash Position – End of Period	36,602	15,677	36,602	15,677
Comprised of:				
Cash	55,272	30,983	55,272	30,983
Unpresented cheques	(18,670)	(15,306)	(18,670)	(15,306)
	36,602	15,677	36,602	15,677

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 30, 2003 (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. These statements should be used in conjunction with the company's most recent annual financial statements. The accounting policies used in preparing these interim financial statements are consistent with those used in preparing the annual financial statements with one addition. During the quarter, Linamar introduced a policy to address customer tooling which is paid for as part of the piece price.

   Deferred Customer Tooling: Costs incurred with respect to tooling to be paid for by the customer as part of the piece price amount for subsequent parts production are expensed as incurred unless the related supply agreement provides a contractual guarantee for reimbursement or guaranteed volume levels during the term of the supply agreement. These costs are classified as deferred customer tooling charges and are amortized based on related production volumes. Revenues under these arrangements are recognized through the negotiated piece price.

3. The number of issued common shares as at June 30, 2003 was 70,603,476 and as at August 13, 2003 (December 31, 2002 – 70,603,476).

4. Segmented Sales and Earnings Information (Continuing Operations in thousands of dollars)
   In September 2002, the company announced an organizational realignment into five operating groups. As a result of the new structure, the company will now report new operational segments. Of the five groups, Transmission, Engine and Chassis are aggregated into the North American segment. Europe stands alone as a segment. The Industrial group is included with the corporate headquarters and other small operating entities which are not reportable segments.

Geographic

	Three Months Ended June 30, 2003			Six Months Ended June 30, 2003			June 30, 2003
	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Indentifiable Assets
Canada	271,448	505	17,833	553,423	2,451	34,781	775,560
United States	30,313	69	392	59,399	211	713	81,679
Mexico	25,781	-	(1,604)	52,861	-	(4,379)	111,627
Europe	45,494	2,954	(306)	84,330	5,925	(2,418)	202,885
Total	373,036		16,315	750,013		28,697	1,171,751

	Three Months Ended June 30, 2002			Six Months Ended June 30, 2002			December 31, 2002
	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Indentifiable Assets
Canada	287,239	57	19,068	548,734	293	34,753	691,892
United States	11,281	243	767	21,816	332	1,153	84,278
Mexico	23,113	-	889	45,285	-	225	102,889
Europe	27,018	2,490	(2,361)	45,162	5,259	(5,285)	173,418
Total	348,651		18,363	660,997		30,846	1,052,477

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Operational

	Three Months Ended June 30, 2003			Six Months Ended June 30, 2003			June 30, 2003
	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Indentifiable Assets
NA							
Automotive	301,139	1,269	16,995	613,718	2,677	31,261	749,736
Europe	37,227	3,306	(1,137)	71,011	6,784	(3,233)	190,356
Other	34,670	5,379	457	65,284	10,536	669	231,659
Total	373,036		16,315	750,013		28,697	1,171,751

	Three Months Ended June 30, 2002			Six Months Ended June 30, 2002			December 31, 2002
	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Sales to External Customers	Inter Segment Sales	Earnings/ (loss)	Indentifiable Assets
NA							
Automotive	317,915	9	20,195	606,435	9	33,821	701,859
Europe	27,018	2,489	(1,788)	45,162	5,259	(4,297)	167,470
Other	3,718	4,785	(44)	9,400	9,538	1,322	183,148
Total	348,651		18,363	660,997		30,846	1,052,477

5. Financial Instruments

As at December 31, 2002, the company was committed to a series of monthly forward contract to sell U.S. dollars. In the second quarter, the company placed forward contracts to buy U.S. dollars, effectively locking in the gains on the contracts in place at December 31, 2002. This transaction resulted in cash proceeds of $30.5 million. The gain has been deferred and is being amortized to income based on the terms of the original underlying contracts. The company had $25.2 million in short-term bank borrowings denominated in U.S. dollars which were also designated as hedge instruments in the quarter. Additional forward contracts for 2003 have also been placed as indicated in the table below. As these forward contracts and bank borrowings qualify for accounting as hedges, the unrealized gains and losses are deferred and recognized in the same period as the sales and expenditures which generate the net cash flows. The company has continued to place forward contract after the quarter end to cover years after 2003.

Year	Amount Hedged		Average Exchange Rate
2003	U.S. $130,000,000	To Canadian dollars	1.4224
2003	€1,000,000	To Hungarian Forints	273.7700
2004	€7,000,000	To Hungarian Forints	279.1300

6. Cumulative Translation Adjustment

As a result of the growing independence of Linamar de Mexico S.A. de C.V., management has determined that it is now appropriate to treat the operation as self-sustaining. Effective January 1, 2003, the net assets of this operation were translated using the current rate method. Adjustments arising from the translation are deferred and recorded as a separate component of shareholders' equity. This change has been applied prospectively, resulting in an initial charge to equity of $1,519 thousand at the effective date.

7. Acquisitions

a) In June 2003, the company purchased the remaining 45% of Torreon International Holding Inc. which owns 100% of Industrias de Linamar SA de CV ("ILSA") located in Torreon Mexico in exchange for cash consideration of $20.0 million. The purchase has been accounted for as a step acquisition.

b) In June 2003, the company completed the purchase of 96.0% of Salzgitter Antriebstechnik GmbH & Co. KG located in Crimmitschau, Germany for Consideration of $24.1 million. The company will operate as Linamar Antriebstechnik GmbH ("LAT"). Due to the timing of the close and complexities associated with this transaction, the purchase price allocation is subject to further adjustments pending the finalization of the valuation of goodwill, other intangibles and certain liabilities.

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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:

	ILSA	LAT	Total
	$	$	$
Cash	4,444	2,124	6,568
Other current assets	3,571	2,978	6,549
Capital assets	10,717	10,548	21,265
Future income tax assets	3,438	-	3,438
Goodwill and other intangibles	-	13,802	13,802
Total assets acquired	22,170	29,452	51,622
Current liabilities	2,190	5,323	7,513
Total liabilities	2,190	5,323	7,513
Total cash consideration	19,980	24,129	44,109

8. 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. During the quarter, management reviewed and revised the original estimates made with respect to the eventual proceeds on disposition, the expected results of operations until disposition and recorded the settlement of certain contingencies.

The results from discontinued operations have been reported separately within these interim financial statements.

	Three Months Ended June 30		Six Months Ended June 30	
	2003	2002	2003	2002
	$	$	$	$
Net income from discontinued operations	705	-	705	-
Income tax recovery	(240)	-	(240)	-
Results of discontinued operations	465	-	465	-

9. 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 previously 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 $0.16 per share per year

(in thousands of dollars except per share figures)

		Three Months Ended June 30		Six Months Ended June 30	
		2003	2002	2003	2002
		$	$	$	$
Earnings from continuing operations	As reported	16,315	18,363	28,697	30,846
	Pro forma	16,311	18,345	28,689	30,828
Net earnings	As reported	16,780	18,363	29,162	30,846
	Pro forma	16,776	18,345	29,154	30,828
Earnings per share from continuing operations					
Basic	As reported	0.23	0.26	0.41	0.44
	Pro forma	0.23	0.26	0.41	0.44
Diluted	As reported	0.23	0.26	0.41	0.44
	Pro forma	0.23	0.26	0.41	0.44
Earnings per share from net earnings					
Basic	As reported	0.23	0.26	0.41	0.44
	Pro forma	0.23	0.26	0.41	0.44
Diluted	As reported	0.23	0.26	0.41	0.44
	Pro forma	0.23	0.26	0.41	0.44

10. Subsequent Event

Linamar Corporation and McLaren Performance Technologies, Inc. entered into an agreement and plan of merger on August 1st, 2003. Under the Merger Agreement, each share of McLaren Performance common stock outstanding at the time of the merger (other than any shares held by Linamar and its affiliates) will be converted into the right to receive U.S. $0.8875 per share in cash.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERAIONS AND FINANCIAL POSTIION
For the six months ended June 30, 2003.

Linamar Corporation ("Linamar") designs, develops and manufactures precision machined components, modules and assemblies for Brakes, Engine, Steering and suspension, and Transmission and driveline applications ("B.E.S.T.") for sale primarily to original equipment manufacturers ("OEMs") and Tier 1 customers for the North American and European car and light to heavy truck markets. Linamar's business includes industrial products that utilize the company's core competencies of precision machining and assembly. Linamar also produces agricultural implements in Hungary for world wide use.

The company has approximately 8,900 employees in 33 manufacturing operations, 2 research and development centres and 6 sales offices in Canada, United States, Mexico, Europe and Asia.

The following management's discussion and analysis ("MD&A") of the consolidated operating results and financial position of Linamar for the three and six month periods ended June 30, 2003 and 2002 should be read in conjunction with the accompanying unaudited interim consolidated financial statements and notes thereto and with the annual audited consolidated financial statements for the years ended December 31, 2002 and 2001.

Overview

Linamar's core purpose is to do what we do best better, to the benefit of all stakeholders. We do this by ensuring that Linamar achieves customer satisfaction with all products that we produce, financial satisfaction for investors and employee satisfaction for those that are part of the Linamar team.

Linamar continues to focus on being a full service supplier to the automotive industry. This is evident in our sales growth of 7.0% over the prior year quarter and 13.5% for the first six months of 2003. Recent acquisitions position us for further growth in the future. The acquisition of LAT provides opportunity in new hydroforming technology, specifically for camshafts. Subsequent to the quarter end, Linamar signed a merger agreement with McLaren as a major step towards the acquisition of that company which will give Linamar a well trained and experienced engineering firm that is used by OEMs and Tier I customers.

Even though vehicle production declined in North America and was flat in Europe, North American content per vehicle continued to grow with the ramp-up of the Caterpillar ACERT head program, Ford 5.4L cylinder head program and the International bedplate exhaust and intake manifold program. In Europe, the CVT program is continuing to increase production volumes and our joint venture in Hungary with Wescast Industries Inc., Weslin Autopari RT ("Weslin"), is ramping up production and will continue with a number of product launches scheduled for later this year.

Our balance sheet continues to be strong which allows us to capitalize on market opportunities, if and when they become available. Linamar has been able to finance acquisitions through existing available debt facilities, cash on hand and internally generated funds from operations and maintain its healthy balance sheet in the process.

RESULTS OF OPERATIONS

Vehicle Production Volumes

North American vehicle production units used by Linamar for the determination of the Company's content per vehicle included medium and heavy trucks volumes. European vehicle production units exclude medium and heavy trucks. North American vehicle production volumes for the quarter were approximately 4.3 million units compared to 4.6 million units produced in the same period a year ago which represents an 8% decline. For the first half of 2003, North American vehicle production was down by approximately 4% compared to 2002.

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European vehicle production was up by slightly less than 1% with 4.3 million units produced for the quarter compared with 4.2 million units produced in the second quarter of 2002. For the first six months of the year, European vehicle production was flat compared with the prior year at approximately 8.4 million units.

Sales

Total sales were $373.0 million in the quarter, an increase of $24.4 million or 7.0% compared to sales of $348.7 million generated in the same quarter of 2002. Sales for the first two quarters of 2003 were $750.0 million, an increase of 13.5% from $661.0 million for the first two quarters of the prior year. Excluding the effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 11.6% in the quarter and 17.3% for the year to date. The increase in sales is a combination of acquisitions in 2002 being fully consolidated in 2003, net new business awarded and net volume increases on existing programs offset by the impact of the stronger Canadian dollar. Prior year acquisitions accounted for $40 million of the increase for the quarter and $77 million for the year. The stronger Canadian dollar had the effect of lowering automotive sales by $16.3 million in the quarter and $25.5 million for the year to date.

Automotive Sales

Automotive sales in the following discussion are based on content per vehicle determined by the final vehicle production location and as such there will be differences in the figures as reported under the N.A. Automotive systems segment. These differences are the result of products being sold directly to one continent but 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. Currently, the differences in the reporting are not material.

For the first six months of 2003, total automotive sales were $626.7 million compared to $598.8 million for the same period of 2002, an increase of 4.7%. Total automotive sales were $307.6 million for the quarter compared to $313.4 million for the same period of the prior year, a decline of 1.8%. This is in comparison to the total North American and European vehicle production which declined by 3.7% in the quarter and by 1.8% in the first six months of the year. However, the impact of the stronger Canadian dollar accounted for approximately $16.3 million in revenue reductions for the second quarter of 2003 and $25.5 million in revenue reductions for the first two quarters of 2003. If the impact of the stronger dollar is removed, automotive revenues for the quarter would have increased by $10.5 million for a total increase of 3.4% and would have increased $53.4 million or a total increase of 8.9% for the six month period. These adjusted increases in revenues are the result of new programs beginning to ramp up to full production levels and new programs launched net of volume reductions and programs ending.

In the first two quarters of 2003, North American automotive sales increased by $17.8 million or 3.3% to $557.0 million when compared to 2002 and North American vehicle production units also weakened by 3.9% in the same period. This resulted in our content per vehicle increasing by 7.5% to $65.90 per vehicle. In the second quarter, North American automotive sales declined by 3.2% over the same period of 2002 to $272.8 million. In the same time period, the North American vehicle production units decreased by 8%. Content per vehicle was $63.90 compared to $60.77 for the same quarter in 2002, an increase of 5.2%. North American automotive sales were impacted by the ramping up of a number of new programs. Three significant programs that contributed to the increase in the quarter were the Caterpillar ACERT head program, the Ford 5.4 L cylinder head program and the International bedplate program. The Caterpillar and International programs are used on medium and heavy truck applications. In addition to these programs, the connecting rod program for the GM GEP 6.5L Diesel engine for application in Hummer vehicles and a spot buy of a Stator support for Ford accounted for further increases in sales during the first 6 months in 2003.

In the second quarter of 2003, European automotive sales were $34.2 million compared to $31.0 million in 2002 which corresponds to an increase of 10.1% based 0n a flat market. Content per vehicle grew to $8.06 which represents an increase of 9.2% over the prior year of $7.38. Year to date 2003, European automotive sales increased by 16.6% over the same period of 2002 to $68.3 million dollars with production vehicle units also remaining flat at 8.4 million units. The increase in automotive sales for both the quarter and the first six months of the year are the result of new business being awarded and new programs ramping up towards full production volumes. Linamar Hungary RT (formerly Mezogep RT, “Linamar Hungary”), has seen the CVT program and its Denso plate housing continue to ramp up during these periods. Weslin has also seen its manifold programs for Garrett and Peak continue to ramp up along with the turbine housings produced for another Tier I customer.

Automotive tooling sales for the 6 months increased over the prior year by $4.7 million or 57.5% to $12.9 million. This increase is primarily due to the launch of a new overhead rocker arm assembly for Detroit Diesel Corporation. This assembly is being produced in Canada for the North American truck market and will be ramping up over the next few quarters.

Other Sales

The largest area of sales growth for the quarter as compared to 2002 was the sales of industrial products which grew by $33.6 million to $35.7 million as a result of the acquisition of Skyjack Inc. (“Skyjack”). For the year to date, growth in Industrial Products was $61.0 million. In June 2002, Linamar acquired 48% of Skyjack, however, the operations were not consolidated until the company became a wholly-owned subsidiary in September of 2002. The majority of Skyjack’s sales are in the North American market with the European market representing 23.7% of its sales for the first six months of 2003. Skyjack sales are included in the operational segment of “Other”.

Linamar also experienced growth of $1.5 million or 10.1% in agricultural products manufactured by Linamar Hungary for the first two quarters of 2003 as compared to the same period of 2002. Agricultural product sales are included in the operational segment for Europe.

Both the industrial and agriculture businesses experienced higher sales during the spring and summer due to the seasonality of the products.

Small engine sales continued to decline by 25.1% or $4.1 million for the first six months of 2003 as the related product lines continue to be strategically de-emphasized. These sales are included in the operational segment of N.A. Automotive systems.

Gross Margin

Overall, gross margin before amortization was 19.0% for the quarter, compared to 20.6% for the corresponding period last year and has decreased from 20.2% for the first six months of 2002 to 19.2% for the first six months of 2003. For comparison, Gross Margin in the first quarter of 2003 and the fourth quarter of 2002 were 19.4% and 19.3% respectively.

The quarter over quarter decrease in the second quarter margin is largely due to the continuation of the change in automotive programs from consigned to purchased material and higher material content for programs ramping up at our Exkor and Camtac facilities. Also, a new assembly job for Caterpillar at Roctel has a higher material content than a typical machining contract. The inclusion of Skyjack, which experiences higher material content compared to the machining business, also had the affect of reducing the gross margin percentage.

The year to date year over year decrease is a result of the above noted comments.

Selling, General & Administrative Expenses

Selling, general & administrative costs excluding amortization and exchange gains and losses are down 0.1 percentage points of sales from 5.7% in the second quarter of 2002 to 5.6% in the second quarter of 2003. Absolute dollar values have increased to $20.7 million, from $19.7 million for the same period last year. These costs on a year to date basis are 6.0% of sales, or $45.3 million, compared to 5.6%, or $36.7 million for 2002, a change of $8.6 million.

Linamar is disclosing exchange gains and losses separately. The exchange loss during the second quarter related to Linamar Hungary. Two thirds of the exchange loss for the year to date is also due to the weakening Hungarian Forint vs. their Euro denominated loan. We expect to finalize the accounting treatment of Euro loans as a hedge against Euro sales during the third quarter.

The primary factor causing the increase in selling general and administrative expense is the organization's expansion into the Industrial market with the addition of Skyjack operations in September of 2002. The retail nature of these operations requires more marketing and sales efforts than other Linamar plants. At June 2003, Skyjack had year to date selling, general and administrative expenses totaling $8.4 million. Core Linamar facilities (net of Skyjack) reflect selling, general and administrative costs of $36.9 million year to date, compared to $36.7 million for 2002, a decrease of 0.4% as a percentage of sales excluding Skyjack (5.3% versus 5.7% in 2002). SG&A costs are lower because of lower professional fees and outside services, lower amortization of prepaid sales commissions, and a recovery of bad debt provisions. Selling, general and administrative costs for Linamar as a whole are expected to remain consistent for the remainder of the year.

To support the core precision machining business, Linamar has been expanding its worldwide sales force and in particular its representation in Europe through sales offices. Some increases in certain administrative expenses in areas of employee compensation and travel will occur.

In September of 2002, Linamar announced a new group structure. To date for 2003, this change has resulted in some increase in selling, general and administrative costs over 2002. These costs are mainly related to wages and benefits for personnel in each group, including the President, Director of Human Resources, Director of Finance and Director of Business Development. Selling, general and administrative costs for Linamar as a whole are expected to remain consistent for the remainder of the year.

Depreciation and Amortization

Depreciation and amortization charges as a percentage of sales remained consistent from the second quarter of 2002 to the second quarter of 2003 at 6.4%, or $22.2 million, and 6.4%, or $23.9 million, respectively. On a year to date basis, these costs were down 0.4% to 6.3% from 6.7% of sales in 2002 while the dollar value increased from $44.1 million in 2002 to $47.3 million in 2003. The absolute change year to date over June 2002 of $3.2 million is due in part to the addition of Skyjack in September of 2002, the addition of Engicom S. de. R.L. de C.V. ("Engicom"), and the ramping up of programs at Exkor, Eagle, Weslin, Roctel, and Camtac. The latter 2 plants relate to new Caterpillar programs.

The dollar value of assets in use has increased over June 2002 by $112.0 million and amortization as a percentage of assets in use has decreased in 2003 from 10.1% in 2002 to 8.6%. The increase in assets in use is due mainly to acquisitions, with the Skyjack purchase in September of 2002 adding $21.0 million in assets in use at June 2003. A further $16.6 million increase is due to the acquisition of Engicom. In June of 2003, Linamar purchased the remaining 45% of Torreon International Holding Inc., ("Torreon"), increasing assets in use by $10.9 million. The newest start up plant, Camtac, increased assets in use by $13.2 million up to June 2003. The remaining increase of utilized assets can be attributed to the ramp ups in the Ford 5.4 L cylinder head program at Exkor; and Eagle, where a sale leaseback transaction has been capitalized for Canadian accounting purposes. For the year, new program launches and continuing ramp ups are expected to bring the rate of amortization up slightly from the current year to date rate to approximately 6.6%.

Interest

During the quarter, interest on long-term debt increased by $0.2 million over the same period last year primarily due to the capital lease that the company's joint venture, Eagle entered into in September 2002. Other interest expense is higher for the quarter and year to date due to the increased level of utilization of short term debt in the second half of 2002 related to the acquisition of Skyjack and Engicom. The impact of the acquisitions of LAT, and the purchase of the remaining 45% of Torreon did not significantly impact borrowing costs in the second quarter as the timing of the acquisitions occurred at the end of the quarter. Interest earned is lower for the quarter and year to date as excess funds have been used to decrease the amount of short term borrowings, which ultimately results in overall lower borrowing costs.

Income By Segment

Operational

In the second quarter, North American Automotive systems segment earnings were down 15.8% to $17.0 million from $20.2 million for the corresponding period in 2002. During the quarter, startups, volume reductions and low engine production in Mexico were the primary causes of lower earnings.

Europe has shown a $0.7 million improvement in earnings for the quarter compared to 2002. This is the result of increased production in both Weslin and Linamar Hungary, the latter due on the CVT program and higher agricultural sales.

Geographical

Canadian facilities had reduced income in the second quarter of $17.8 million compared to $19.1 million for the corresponding period last year. This reduction is due to programs ending and startup costs of new programs and new facilities such as Camtac and Exkor. This impact is also reflected in the year to date results.

Earnings in the United States facilities were slightly lower during the quarter compared to the same quarter in the prior year due to lower earnings at Skyjack's US operations.

Mexican sales and earnings were negatively impacted by the Renault engine design and manufacturing issue at Industrias de Linamar S.A. de C.V. ("ILSA") and the consequential accrual of an additional $1.0 million in severance costs related to a work force reduction.

Europe experienced improvements in Weslin during the quarter and in Linamar Hungary where the CVT program has progressed from a ramp up in 2002 to a higher level of production in 2003.

Net Income and Earnings per Share

The effective tax rate for the quarter was 27.3%, a decrease from a quarterly effective rate of 37.1% in 2002. The year to date rate for 2003 is 32.9% as compared to 38.2% for 2002. The rate change reflects the improved results of operations which are not taxable; mainly Linamar Hungary and Weslin. The company's Linamar de Mexico S.A. de C.V. ("LdM") facility has improved as well, reporting lower losses than the prior year.

Net income from continuing operations for the quarter decreased 11.4% to $16.3 million compared to $18.4 million for the corresponding period last year.

Basic earnings per share and from continuing operations for the quarter were $0.23. This represents a decrease from the corresponding period last year of $0.03. For the year, the basic earnings per share and from continuing operations are at $0.41, down $0.03 from last year's $0.44.

FINANCIAL CONDITION, LIQUIDITY AND FINANCIAL RESOURCES

Linamar's cash position (net of unpresented cheques) at June 30, 2003 was $36.6 million compared to $10.4 million at the end of the first quarter and $27.9 million at December 31, 2002. The increase of $26.2 million in the quarter is a result of cash provided by continuing operations, including cash from the deferred gain on forward exchange contracts, proceeds on the issuance of short term bank borrowings, and net proceeds from long-term debt. These increases were offset by cash used for continuing investments in capital expenditures and business acquisitions.

Operating Activities

Cash provided by continuing operations, before the effect of changes in non-cash working capital, remained unchanged from the second quarter of last year at $40.2 million. Cash provided by continuing operations was $49.9 million for the first six months, up from $41.5 million in the same period last year. This was due to the receipt of cash proceeds of $30.5 million on US$ forward contracts crystallized in the quarter. Incremental investments in non-cash working capital for the quarter were $29.1 ($53.3 million year to date), compared to $13.6 million ($34.8 million year to date) in the same period last year. This increased investment compared to last year resulted primarily from increases in accounts receivable and inventory levels associated with the seasonal nature of the Skyjack business and ramp up of new programs such as the Ford 5.4L cylinder head program.

Investing Activities

For the three month period ended June 30, 2003, cash spent on investing activities totaled $72.5 million; for the same period for 2002 the total spent was $32.5 million. Year to date, the amounts for 2002 and 2003 were $63.0 million and $101.0 million respectively. The increase in cash spent on investing activities for the three and six month periods ended June 30, 2003 over 2002 are due to business acquisitions completed in the second quarter of 2003, totaling a cash outflow of $37.5 million.

In June 2003, the company purchased the remaining 45% of Torreon which owns 100% of ILSA located in Torreon, Mexico in exchange for cash consideration of $20.0 million Canadian. Net of cash on hand the total outflow related to the acquisition was $15.5 million.

Also in June, the company completed the acquisition of 96% of the shares of a German company, LAT for total consideration of $24.1 million; net of cash on hand the total outflow was $22.0 million. Due to the timing and complexity of this transaction, the purchase price adjustments are still being finalized. Valuations need to be performed with respect to certain licenses, patents and working capital. Adjustments will be made as the information required becomes available to management. The LAT acquisition provided an opportunity for Linamar to take advantage of the innovative technology used to manufacture hydroformed camshafts, a process which is endorsed by technology leaders such as BMW and Audi. This technology provides Linamar with an excellent opportunity to build business with existing clients and draw on a new client base.

While business acquisitions accounted for 52% of the total cash outflow for investing activities, purchases of capital assets accounted for the remaining 48% of the outflow or $35.4 million for the second quarter of 2003 and $67.5 million year to date. In March 2003, Linamar announced plans to build a new facility in Guelph, Ontario to focus on the production of cylinder heads for Caterpillar. The construction of the 200,000 square foot facility resulted in the expenditure of $4.4 million in the second quarter of 2003, while equipment purchases for the ramp up to production accounted for $6.7 million. In the first quarter of 2003 equipment purchases for the new facility made up a further $7.0 million of the $32.4 million in capital asset expenditures, while the building accounted for an additional $3.6 million. Total expenditures related to the Camtac facility amount to $21.7 million year to date. Further additions are related to ramp ups and new product lines in various plants, most notably the Denso line at the company's Hungarian facilities, the GM 3.8 L connecting rod and the Allison valve body in various Guelph facilities.

For the current year, the company expects to spend between $140 – 160 million in capital purchases. If opportunities for new or expanded business arise, these levels may change.

Financing Activities

Cash provided by financing activities for the three months and six months ended were $57.2 million and $59.6 million respectively for the current fiscal year. Last year the cash provided by financing activities for the same periods were $5.4 million and $3.1 million respectively.

The significant increase in short-term bank borrowings during our second quarter is primarily the result of two acquisitions. The LAT acquisition was purchased for € 13.6 million and the share buyout of Torreon was a cause for a cash outflow of $14.2 million USD, both funded by short term borrowings. The amounts borrowed for both of these purposes were repaid in August, 2003.

Short term borrowings for the same time period last year were less significant. Of the $19.4 million increase during the second quarter of last year, $12.8 million was a result of short term borrowings to cover operations at the end of the month due to the timing of our expenditures and receipts. This was paid down in full in July, 2002. In addition, $11.3 million (€ 7.4 million) of short term borrowings were used by Linamar Hungary to repay long term debt of HUF 1,699 million which carried a higher rate of interest.

In the current quarter, the proceeds from long term debt of $9.8 million were the result of additional capital leases added to the Eagle lease agreement of $7.9 million which has been in place since December 2002. Linamar Hungary also had a small increase of $1.2 million in their long term debt balance. Repayments of long term debt for the quarter included the annual principal reduction of $0.4 million USD on Skyjack's Industrial Revenue Bond and the quarterly installment of 17.0 million HUF on Linamar Hungary's Government Loans. In addition, repayments during the quarter of $0.9 million ($0.6 million after accounting for the accrued interest) reduced the capital leases held by Eagle.

The company continues its dividend policy with payments made quarterly on 70,603,467 common shares at a rate of $0.04 per share.

Financing Resources

At June 30, 2003 we had cash and short-term investments on hand of $55.3 million with unpresented cheques and short-term bank borrowings of $127.9 million. Our syndicated facility had available credit on the revolver of $65.6 million. The amount of available credit on our primary credit facility improved to $101.3 million subsequent to the quarter end after available cash on hand was applied. Our long-term debt on the non-revolving piece is not due until December, 2006. Of the consolidated long-term debt, only 4.7% of the $141.8 million is due and payable in the next 12 months.

Shareholder's Equity

Share capital and book value per share remained consistent at June 30, 2003 as compared to December 31, 2002. Earnings net of dividends contributed $14.0 million for the quarter and a total of $23.5 million year to date to retained earnings. The decrease in the cumulative translation adjustment of $22.8 million since December 31, 2002 represents the unrealized foreign exchange loss on Linamar's net investment in its self-sustaining foreign subsidiaries. This change is a result of the strengthening Canadian dollar relative to the U.S. dollar. The Hungarian Forint has also weakened significantly over the last six months.

Foreign Currency Activities

Linamar typically negotiates sales contracts and purchases materials, equipment and labour in the currency resident in the region in which Linamar's specific operations are located. 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, Linamar employs hedging programs primarily through the use of foreign exchange forward 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 and anticipated costs, which may be paid in foreign currencies. Linamar is exposed to credit risk from the potential default by counterparties on its foreign exchange contracts and attempts to mitigate this risk by dealing only with Canadian chartered banks. Despite these measures, significant long-term movements in relative currency values could affect Linamar's results of operations. Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries, and accordingly, Linamar's results of operations could be further affected by a significant change in the relative values of the Canadian dollar, U.S. dollar, Euro, Hungarian Forint and Mexican Peso.

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Other Matters

As of August 1, 2003, Linamar and McLaren Performance Technologies, Inc. ("McLaren") have entered into an agreement and plan of merger. Under the agreement, each share of McLaren stock outstanding at the time of the merger, with the exception of shares held by Linamar and its affiliates will be converted into the right to receive $0.8875 U.S. per share in cash. McLaren is an engineering firm that provides a variety of services including engineering, testing, and analysis capability for Tier 1 and OEM customers. McLaren has a test facility in Michigan which has 16 dyno cells which are used in a wide range of testing requirements for automotive applications. McLaren also has a machining operation in Windsor which supplies machined heads, blocks and modules to automotive customers.

Management has determined that it is now appropriate to treat the operations of the company's joint venture, Weslin as self-sustaining. Effective July 1, 2003, the net investment of this operation will be translated using the current rate method with exchange adjustments arising from translation deferred and recorded as a separate component of shareholders' equity. The reliance on the parent companies has been significantly reduced during the 2003 year. Based on the growing independence and dedicated Weslin management team, the treatment of the operation is appropriate as self-sustaining.

Risks and Uncertainties (forward looking statements)

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar.

Some risks and uncertainties may cause results to differ from current expectations. The factors which are expected to have the greatest impact on Linamar include but are not limited to (in the various economies in which Linamar operates): the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors.

Over the last six months, the company's results have been negatively impacted by the strengthening Canadian dollar relative to the U.S. dollar. The company continues to employ a hedging strategy to mitigate these risks. As a result of current levels of consumer spending on automobiles, the OEMs are constantly facing volumes challenges which are reflected in the results of Linamar through reduced volumes on some existing programs. The OEMs do, however, continue to outsource, although not at expected levels, which allows Linamar to expand its product base.

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