



PRESS RELEASE

November 5, 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 applications primarily for the North American and European automotive marketplace, today announced its financial results for the third quarter ended September 30, 2003.

(CDN dollars in thousands except per share amounts)

	Three Months September 30		Nine Months September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales	371,505	350,068	1,121,518	1,011,065
Operating Earnings	23,010	25,943	71,123	78,077
Earnings from Continuing Operations	12,689	12,467	41,386	43,313
Diluted Earnings Per Share from Continuing Operations	0.18	0.17	0.59	0.61

Third Quarter Operating Highlights

For the third quarter, sales increased by 6.1% to \$371.5 million, compared to \$350.1 million for the same quarter last year. Higher sales were driven by increases in industrial products, higher tooling revenues, and growth in the European Automotive business as well as marine and power generation machined components.

In Europe, Linamar automotive sales increased by 9.8% as a result of an increase in content per vehicle of 13.6% to \$10.52, partially offset by a 3.3% reduction in automotive unit production. North American automotive sales decreased by 2.1% during the quarter as a result of automotive unit production being lower by 4.3%, partially offset by an increase in Linamar content per vehicle of 2.2% to \$70.38.

In the quarter, the stronger Canadian dollar had the following effect: had the exchange rate remained unchanged, North American automotive sales would have increased by 2.2%, compared to a reduction of 2.1% and, in Europe, sales would have increased by 13.7% instead of the posted gain of 9.8%.

Earnings for the quarter were \$12.7 million compared to \$12.5 million, an increase of 1.6%. In addition, gross margin before depreciation increased to 18.9% of sales or \$70.2 million, compared to 18.4% of sales or \$64.5 million in the same period last year, an increase in the dollar amount of 8.8%. The effect of the strengthening Canadian dollar on earnings is minimal because of the effect of Linamar's purchases in U.S. dollars in combination with hedging activities.

A more detailed discussion of the consolidated results for the quarter and the year to date period ended September 30, 2003 is contained in the attached management discussion and analysis ("MD&A") 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 September 30, 2003 of CDN\$0.04 per share on the common shares of the company, payable on or after December 12, 2003 to shareholders of record on November 27, 2003.

Outlook

As expected, third quarter North American original equipment manufacturers ("OEM") light vehicle and medium to heavy truck production was down by 4.3%, compared to the same period last year. Sales



volumes at General Motors Corporation, Ford Motor Company and AG Daimler-Chrysler were down by 4.7%, 18% and 7.5% respectively.

North American 2003 light vehicle production is expected to reach levels of 15.8-16.0 million units and, including medium to heavy truck production, 16.1-16.3 million units. These levels represent a year-over-year reduction in vehicles produced and, consequently, the company remains cautious concerning the North American outlook for vehicle production for the rest of 2003 and into 2004.

In Europe, third quarter unit production declined by 3.3%, compared to the same period last year. 2003 production is expected to be 15.7-15.9 million vehicles which also represents a reduction over last year's figures. Forecasted volumes for 2004 do not suggest growth in production at this time.

Despite these forecasts, Linamar's content per vehicle in both Europe and North America is increasing and the company expects overall sales growth of 8.0-9.0% for the fiscal year ending December 31, 2003.

The launch of new programs and increasing volumes on other programs, net of programs ending or experiencing lower volumes has contributed to sales growth in North America and Europe. New programs launched this year, such as the 5.4L cylinder head program, are examples of that growth. The growing business with Caterpillar Inc. in cylinder heads and cylinder liners will also contribute to growth in 2004 and beyond.

The industrial products group, consisting primarily of Skyjack Inc. ("Skyjack"), is performing as expected. Sales for the nine months ended in September are flat compared to the same period last year but the order backlog was larger at the end of the third quarter. The industrial equipment market has been severely depressed over the past three to four years. Skyjack's performance is, in part, dependent upon that market in both North America and Europe. The market is very competitive with a number of key participants competing for market share, aggressively marketing their products. Skyjack remains one of the leading companies in the elevated work platform market and is continuing to develop its European and North American markets.

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 cyclicalities, trade and labour disruptions, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, and technological developments by Linamar's competitors.

A large proportion of the company's sales are denominated in U.S. dollars and the company also purchases a significant amount of raw materials, supplies and equipment in U.S. dollars. During the last nine months, the strengthening of the Canadian dollar has the potential to have a negative impact on the financial results. The company has employed a hedging strategy to attempt to mitigate the impact but cannot be completely assured that the entire exchange effect has been offset. As a result of current levels of consumer spending on automobiles, the OEMs are constantly facing volume 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 and diversify its product base.

Linamar's operations are based primarily in Ontario, Canada where a new provincial government has recently been elected. The Liberal government's campaign platform was to remove corporate tax rate decreases which are currently in place. This rate change will negatively impact the company's effective tax rate and earnings per share.

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 September 30, 2003 (Unaudited) with comparatives as at December 31, 2002

(in thousands of dollars)

	September 30 2003	December 31 2002
	<u>\$</u>	<u>\$</u>
ASSETS		
Current Assets		
Cash	21,301	32,787
Accounts receivable	306,543	234,318
Inventories	160,517	133,735
Prepaid expenses	10,489	8,446
Current assets – discontinued operations	4,183	3,057
	<u>503,033</u>	<u>412,343</u>
Investments, at cost	-	210
Other Long-Term Assets	4,727	2,297
Goodwill and Other Intangible Assets	31,923	3,257
Capital Assets	671,815	637,429
Capital Assets – Discontinued Operations	2,547	3,183
Future Income Taxes – Discontinued Operations	1,048	1,554
	<u>1,215,093</u>	<u>1,060,273</u>
LIABILITIES		
Current Liabilities		
Unpresented cheques	15,686	4,861
Short-term bank borrowings	117,089	52,334
Accounts payable and accrued liabilities	243,143	191,022
Advance payments from customers	570	2,142
Note payable	2,157	-
Current portion of long-term debt	4,821	6,672
Income taxes payable	4,861	6,508
Current liabilities – discontinued operations	3,596	5,382
	<u>391,923</u>	<u>268,921</u>
Long-Term Debt	133,502	133,187
Deferred Gain (note 5)	26,225	-
Future Income Taxes	5,585	12,087
Non-Controlling Interests	22,112	23,157
	<u>579,347</u>	<u>437,352</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 3)	102,913	102,913
Retained Earnings	548,724	515,345
Cumulative Translation Adjustment	(15,891)	4,663
	<u>635,746</u>	<u>622,921</u>
	<u>1,215,093</u>	<u>1,060,273</u>

On behalf of the Board of Directors:

Frank Hasenfratz
Director

Linda Hasenfratz
Director



LINAMAR CORPORATION

CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales (note 4)	371,505	350,068	1,121,518	1,011,065
Cost of Sales and Operating Expenses Before the Following:	301,283	285,611	907,370	812,859
Amortization	25,675	21,628	72,982	65,754
Exchange loss (gain)	(1,209)	(2,826)	1,988	(3,814)
Selling, general and administrative	22,746	20,187	68,055	56,932
Equity loss (earnings) net of tax	-	(475)	-	1,257
	<u>348,495</u>	<u>324,125</u>	<u>1,050,395</u>	<u>932,988</u>
Operating Earnings	23,010	25,943	71,123	78,077
Other Income (Expense)				
Interest on long-term debt	(1,824)	(1,631)	(5,320)	(4,922)
Other interest expense	(670)	(524)	(1,805)	(1,498)
Interest earned	238	543	745	1,605
Write-down of deferred financing costs	-	(491)	-	(491)
Goodwill impairment	-	(2,899)	-	(2,899)
Other income	(512)	451	(419)	749
	<u>20,242</u>	<u>21,392</u>	<u>64,324</u>	<u>70,621</u>
Provision for (Recovery of) Income Taxes				
Current	6,361	8,594	24,100	27,085
Future	570	320	(2,657)	654
	<u>6,931</u>	<u>8,914</u>	<u>21,443</u>	<u>27,739</u>
	13,311	12,478	42,881	42,882
Non-Controlling Interests	622	11	1,495	(431)
Earnings from Continuing Operations (note 4)	12,689	12,467	41,386	43,313
Results of Discontinued Operations (note 8)	-	-	465	-
Net Earnings for the Period (note 9)	<u>12,689</u>	<u>12,467</u>	<u>41,851</u>	<u>43,313</u>
Basic Earnings from Continuing Operations per Share (note 9)	0.18	0.17	0.59	0.61
Diluted Earnings from Continuing Operations per Share (note 9)	0.18	0.17	0.59	0.61
Basic Earnings per Share	0.18	0.17	0.59	0.61
Diluted Earnings per Share	0.18	0.17	0.59	0.61

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the nine months ended September 30, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance - Beginning of Period	538,859	494,836	515,345	469,639
Net earnings for the period	12,689	12,467	41,851	43,313
Dividends	(2,824)	(2,823)	(8,472)	(8,472)
Balance - End of Period	<u>548,724</u>	<u>504,480</u>	<u>548,724</u>	<u>504,480</u>



LINAMAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
	\$	\$	\$	\$
Cash Provided By (Used In)				
Operating Activities				
Earnings from continuing operations	12,689	12,467	41,386	43,313
Non-cash charges (credits) to earnings:				
Amortization of capital assets	25,675	21,628	72,982	65,754
Equity loss (earnings) net of tax	-	(475)	-	1,001
Future income taxes net of unrealized exchange loss(gain)	(26)	320	(1,996)	654
Non-controlling interests	622	11	1,495	(431)
Gain on disposal of portfolio investments	-	-	-	(111)
Amortization of deferred financing fees	33	73	99	139
Unrealized exchange loss(gain) on long term debt	(702)	-	984	-
Write-down of deferred financing costs	-	491	-	491
Goodwill impairment	-	2,899	-	2,899
Loss (gain) on disposal of capital assets	223	826	(442)	829
	<u>38,514</u>	<u>38,240</u>	<u>114,508</u>	<u>114,538</u>
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	(9,979)	8,228	(90,452)	(39,202)
Increase in inventories	(14,532)	(3,594)	(32,031)	(5,526)
Decrease (increase) in prepaid expenses	(2,882)	(90)	(1,996)	2,559
Increase (decrease) in income taxes payable	(11,352)	9,984	(1,674)	18,942
Increase (decrease) in accounts payable and accrued liabilities	28,783	(13,516)	65,014	(9,072)
Decrease in advance payments from customers	(289)	(376)	(1,724)	(1,883)
	<u>28,263</u>	<u>38,876</u>	<u>51,645</u>	<u>80,356</u>
Deferred gain (note 5)	(727)	-	27,487	-
	<u>27,536</u>	<u>38,876</u>	<u>79,132</u>	<u>80,356</u>
Cash flow – continuing operations	27,536	38,876	79,132	80,356
Cash flow – discontinued operations	(1,654)	124	(1,941)	(413)
	<u>25,882</u>	<u>39,000</u>	<u>77,191</u>	<u>79,943</u>
Financing Activities				
Proceeds from short-term bank borrowings	8,104	(4,540)	65,006	577
Proceeds from long-term debt	-	-	8,692	367
Repayment of long-term debt	(4,141)	-	(6,223)	(11,273)
Proceeds from common share issuance (note 3)	-	-	-	14,528
Dividends to shareholders	(2,824)	(2,823)	(8,472)	(8,472)
	<u>1,139</u>	<u>(7,363)</u>	<u>59,003</u>	<u>(4,273)</u>
Investing Activities				
Payments for purchase of capital assets	(32,487)	(22,779)	(99,982)	(77,562)
Proceeds on disposal of capital assets	2,415	136	5,705	524
Proceeds on redemption of preferred shares	-	38	210	171
Net advances to investments under significant influence	-	-	-	(9,620)
Business acquisitions (note 7)	(26,968)	(5,552)	(64,509)	(5,552)
Other	-	(12)	-	1,028
Discontinued operations	216	(4)	636	(112)
	<u>(56,824)</u>	<u>(28,173)</u>	<u>(157,940)</u>	<u>(91,123)</u>
	<u>(29,803)</u>	<u>3,464</u>	<u>(21,746)</u>	<u>(15,453)</u>
Effect of Translation Adjustment	<u>(1,184)</u>	<u>(301)</u>	<u>(565)</u>	<u>(2,559)</u>
Increase (Decrease) in Cash Position	<u>(30,987)</u>	<u>3,163</u>	<u>(22,311)</u>	<u>(18,012)</u>
Cash Position - Beginning of Period	<u>36,602</u>	<u>15,677</u>	<u>27,926</u>	<u>36,852</u>
Cash Position - End of Period	<u>5,615</u>	<u>18,840</u>	<u>5,615</u>	<u>18,840</u>
Comprised of:				
Cash	21,301	44,731	21,301	44,731
Unpresented cheques	(15,686)	(25,891)	(15,686)	(25,891)
	<u>5,615</u>	<u>18,840</u>	<u>5,615</u>	<u>18,840</u>



LINAMAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended September 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 second 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 September 30, 2003 was 70,603,476 and as at November 5, 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	For the three months ended September 30, 2003			For the nine months ended September 30, 2003			September 30, 2003
	Sales to external customers	Inter-segment sales	Earnings/(loss)	Sales to external customers	Inter-segment sales	Earnings/(loss)	
Canada	269,999	678	15,755	823,422	3,129	50,535	768,401
United States	27,584	57	2,262	86,983	269	2,976	100,747
Mexico	30,136	-	(174)	82,997	-	(4,553)	111,260
Europe	43,786	2,431	(5,154)	128,116	8,357	(7,572)	226,907
Total	371,505		12,689	1,121,518		41,386	1,207,315

Geographic	For the three months ended September 30, 2002			For the nine months ended September 30, 2002			December 31, 2002
	Sales to external customers	Inter-segment sales	Earnings/(loss)	Sales to external customers	Inter-segment sales	Earnings/(loss)	
Canada	282,415	114	17,025	831,150	407	51,778	691,894
United States	14,730	678	(767)	36,545	1,010	387	84,278
Mexico	22,658	-	(1,843)	67,944	-	(1,619)	102,889
Europe	30,265	2,976	(1,948)	75,426	8,235	(7,233)	173,418
Total	350,068		12,467	1,011,065		43,313	1,052,479

Operational	For the three months ended September 30, 2003			For the nine months ended September 30, 2003			September 30, 2003
	Sales to external customers	Inter-segment sales	Earnings/(loss)	Sales to external customers	Inter-segment sales	Earnings/(loss)	
N.A. Automotive Systems	299,635	1,589	14,944	913,352	4,267	46,205	765,233
Europe	38,577	2,903	(4,158)	109,588	9,686	(7,391)	208,316
Other	33,293	5,142	1,903	98,578	15,676	2,572	233,766
Total	371,505		12,689	1,121,518		41,386	1,207,315

Operational	For the three months ended September 30, 2002			For the nine months ended September 30, 2002			December 31, 2002
	Sales to external customers	Inter-segment sales	Earnings/(loss)	Sales to external customers	Inter-segment sales	Earnings/(loss)	
N.A. Automotive Systems	307,838	281	15,046	914,273	289	48,866	701,861
Europe	29,512	2,976	(1,142)	74,674	8,234	(5,439)	167,470
Other	12,718	4,927	(1,437)	22,118	14,464	(114)	183,148
Total	350,068		12,467	1,011,065		43,313	1,052,479



5. Financial Instruments

As at December 31, 2002, the company was committed to a series of monthly forward contracts 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 \$30.3 million. The gain has been deferred and is being amortized to income based on the terms of the original underlying contracts. The company had \$5.0 million in short-term bank borrowings denominated in U.S. dollars which were also designated as hedge instruments at the end of 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 contracts after the quarter end to cover years after 2003.

Year		Amount Hedged		Average Exchange Rate
2003	U.S.	\$44,000,000	To Canadian dollars	1.3911
2004	U.S.	\$85,000,000	To Canadian dollars	1.4097
2005	U.S.	\$24,000,000	To Canadian dollars	1.4000
2006	U.S.	\$6,000,000	To Canadian dollars	1.4000
2003	Euro	€ 915,450	To Canadian dollars	1.5269
2004	Euro	€ 2,100,000	To Canadian dollars	1.5485
2003	GBP	£2,575,000	To Canadian dollars	2.2013
2003	GBP	£388,500	To U.S. dollars	1.6164
2004	GBP	£280,000	To Canadian dollars	2.2309

6. Cumulative Translation Adjustment

As a result of the growing independence of Weslin Autoipari RT, the company's joint venture in Hungary, management has determined that it is now appropriate to treat the operation as self-sustaining. Effective July 1, 2003, the net assets of the 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 credit to equity of \$3,657 thousand at the effective date.

Cumulative unrealized gain on initial conversion of assets to current rate method	\$	3,657
Unrealized gain for the period on translation of net assets excluding cash		1,678
Unrealized gain for the period on translation of cash		27
Balance - End of period	\$	5,362

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 September 2003, the company completed the plan of merger with McLaren Performance Technologies, Inc ("McLaren") located in Detroit, Michigan. The outstanding shares were converted to a right to receive \$0.8875 per share in cash plus acquisition costs for a total consideration of \$26.7 million.
- b) 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.
- c) In June 2003, the company completed the purchase of 96.0% of Salzgitter Antriebstechnik GmbH & Co. KG located in Crammischau, Germany for Consideration of \$24.1 million. The company will operate as Linamar Antriebstechnik GmbH ("LAT"). Certain adjustments to the purchase price allocation have been made during the quarter however, due to the 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.

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:

	McLaren \$	ILSA \$	LAT \$	Total \$
Cash	599	4,444	1,249	6,292
Other current assets	5,252	3,571	5,198	14,021
Capital assets	13,368	10,717	10,500	34,585
Other assets	675	-	-	675
Future income tax assets	2,683	3,438	-	6,121
Goodwill and other intangibles	12,469	-	16,196	28,665
Total assets acquired	35,046	22,170	33,143	90,359
Current liabilities	8,354	2,190	9,014	19,558
Total liabilities assumed	8,354	2,190	9,014	19,558
Total acquisition	26,692	19,980	24,129	70,801

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 second 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.

	For the three months ended		For the nine months ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Net income from discontinued operations	-	-	705	-
Income tax recovery	-	-	(240)	-
Results of discontinued operations	-	-	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)		For the three months ended		For the nine months ended	
		September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Earnings from continuing operations	As reported	12,689	12,467	41,386	43,313
	Pro forma	12,685	12,463	41,374	43,291
Net earnings	As reported	12,689	12,467	41,851	43,313
	Pro forma	12,685	12,463	41,839	43,291
Earnings per share from continuing operations					
Basic	As reported	0.18	0.17	0.59	0.61
	Pro forma	0.18	0.17	0.59	0.61
Diluted	As reported	0.18	0.17	0.59	0.61
	Pro forma	0.18	0.17	0.59	0.61
Earnings per share from net earnings					
Basic	As reported	0.18	0.17	0.59	0.61
	Pro forma	0.18	0.17	0.59	0.61
Diluted	As reported	0.18	0.17	0.59	0.61
	Pro forma	0.18	0.17	0.59	0.61



MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

For the nine months ended September 30, 2003.

Overview

Linamar Corporation ("Linamar" or "company") 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.

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. Recent acquisitions position us for further growth in the future. The acquisition of Salzgitter Antriebstechnik GmbH & Co. KG (operating as Linamar Antriebstechnik GmbH ("LAT")) provides opportunity in new hydroforming technology, specifically for camshafts. The merger with McLaren Performance Technologies, Inc. ("McLaren") gives Linamar a well trained and experienced engineering firm that is used by OEMs and Tier 1 customers.

The company has approximately 9,000 employees in 33 manufacturing operations, 3 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 nine month periods ended September 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.

RESULTS OF OPERATIONS

Sales

Total sales were \$371.5 million in the quarter, an increase of \$21.4 million or 6.1%, compared to sales of \$350.1 million generated in the same quarter of 2002.

Sales for the first nine months of 2003 were \$1,121.5 million, an increase of \$110.4 million or 10.9% from \$1,011.1 million for the same period last year.

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 represented a sales increase of \$27.9 million for the quarter and \$104.7 million for the year. The stronger Canadian dollar had the effect of lowering automotive sales by \$13.0 million in the quarter and \$38.5 million for the year to date. Excluding the effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 10.0% in the quarter and 14.9% for the year to date.

Also contributing to sales growth were higher tooling sales as well as growth in marine and power generation precision machined components.

As an offset to the U.S. dollar sales in Canada, Linamar also purchases materials, supplies, and capital assets in U.S. dollars. The company follows a strategy to hedge the net U.S. dollar inflows and consequently mitigates the majority of its U.S. dollar versus Canadian dollar exchange exposure.



Vehicle Production Volumes

North American vehicle production units used by Linamar for the determination of the company's content per vehicle (see table below) included medium and heavy truck volumes. European vehicle production units exclude medium and heavy trucks.

North American vehicle production volumes for the quarter were approximately 3.8 million units, compared to 4.0 million units produced in the same period a year ago which represents a 4.3% decline.

For the three quarters of 2003, North American vehicle production was down by approximately 4.1% compared to 2002.

European vehicle production was down by 3.3% with 3.5 million units produced for the quarter compared with 3.6 million units produced in the third quarter of 2002.

For the first nine months of the year, European vehicle production was flat compared with the prior year at approximately 12.0 million units.

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 North American automotive systems segment which is based primarily on the company's location of manufacturing. 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.

Total automotive sales for North America and Europe were \$304.4 million for the quarter, compared to \$306.9 million for the same period of last year, a decline of 0.8%.

The impact of the stronger Canadian dollar accounted for approximately \$13.0 million in total automotive revenue reductions for the third quarter of 2003. If the impact of the stronger dollar is removed, total automotive revenues for the quarter would have increased \$10.5 million or 3.4%.

For the first nine months of 2003, total automotive sales were \$931.0 million, compared to \$905.7 million for the same period of 2002, an increase of 2.8%.

For the year to date, the impact of the strengthening Canadian dollar translated to reduced automotive revenues in the amount of \$38.5 million. Without this impact, automotive revenues would have increased \$63.8 million or 7.0% for the nine month period instead of the reported increase of \$25.3 million or 2.8%.

By comparison, the combined North American and European vehicle production declined by 3.8% in the quarter and by 2.4% in the first nine months of the year.

The increases in Linamar automotive revenues are the result of new programs beginning to ramp up to full production levels and new programs launched net of anticipated volume reductions and programs ending.



Content Per Vehicle

North America	Three Months Ended September			Nine Months Ended September		
	2003	2002	% Change	2003	2002	% Change
Vehicle Production Units *	3.79	3.96	-4.3%	12.24	12.76	-4.1%
Automotive Sales **	\$ 266,767	\$ 272,613	-2.1%	\$ 823,793	\$ 811,864	1.5%
Content Per Vehicle	\$ 70.38	\$ 68.85	2.2%	\$ 67.29	\$ 63.64	5.7%

Europe	Three Months Ended September			Nine Months Ended September		
	2003	2002	% Change	2003	2002	% Change
Vehicle Production Units *	3.51	3.63	-3.3%	11.96	12.03	-0.6%
Automotive Sales **	\$ 36,930	\$ 33,573	10.0%	\$ 105,242	\$ 92,164	14.2%
Content Per Vehicle	\$ 10.52	\$ 9.26	13.6%	\$ 8.80	\$ 7.66	14.9%

* Vehicle Production Units are shown in millions of units

** Automotive Sales are shown in thousands of dollars

In the third quarter, North American automotive sales declined by 2.1% over the same period of 2002 to \$266.8 million. In the same time period, the North American vehicle production units were down 4.3%. Content per vehicle was \$70.38, compared to \$68.85 for the same quarter in 2002, an increase of 2.2%

In the first nine months of 2003, North American automotive sales increased by \$11.9 million or 1.5% to \$823.8 million when compared to 2002, due to content per vehicle increasing by 5.7% to \$67.29 per vehicle, and North American vehicle production units decreased by 4.1% in the same period.

North American automotive sales benefited from the ramping up of a number of new programs. Three significant programs that contributed to the increase in the quarter were the Caterpillar Inc. ("CAT") ACERT head program, the Ford Motor Company ("Ford") 5.4 L cylinder head program and the International Truck and Engine Corporation ("International") bedplate exhaust and intake manifold programs. The CAT and International programs are used on medium and heavy truck applications. In addition to these programs, the connecting rod program for the General Motors Corporation ("GM") GEP 6.5L diesel engine for application in Hummer vehicles and a stator support for Ford accounted for further increases in sales during the first nine months in 2003.

In the third quarter of 2003, European automotive sales were \$36.9 million compared to \$33.6 million in 2002, an increase of 10.0% in contrast to a market decline of 3.3%. Content per vehicle grew to \$10.52, an increase of 13.6% over the comparative period in 2002 of \$9.26.

Year to date 2003, European automotive sales increased by 14.2% over the same period of 2002 to \$105.2 million dollars with production vehicle units also remaining relatively flat at approximately 12.0 million units.

The increase in automotive sales for both the quarter and the first nine months of the year are the result of new contracts awarded and new programs ramping up towards full production volumes. Linamar Hungary RT (formerly Mezőgép RT, "Linamar Hungary"), has seen the continuous variable transmission ("CVT") program and its Denso Corporation ("Denso") plate housing continue to increase in volume 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. In addition, LAT, Linamar's new camshaft plant utilizing hydroforming technology, acquired in June, has contributed to the sales growth in the quarter.

Automotive tooling sales for the nine months increased over the prior year by \$5.9 million or 34.4% to \$22.9 million. This increase is primarily due to two new programs; the launch of a new overhead rocker



arm assembly for Detroit Diesel Corporation ("DDC") and a new program for the ZF Friedrichshafen AG CFT30 CVT transmission which is scheduled to start production in the second quarter of 2004. The DDC overhead assembly is being produced in Canada for the North American medium and heavy duty 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 \$24.1 million to \$33.4 million as a result of the 2002 acquisition of Skyjack. For the year to date, growth in industrial products was \$85.1 million. In June 2001, Linamar acquired 48% of Skyjack, however, the operations were not consolidated until becoming 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 21.9% of its sales for the first nine months of 2003. Skyjack sales are included in the Operational Segment of "Other".

Small engine sales continued to decline by 24.6% or \$5.9 million for the first nine months of 2003 as the related product lines continue to be strategically de-emphasized. These sales are included in the Operational Segment of North American automotive systems but are not included in content per vehicle calculations.

Gross Margin

Overall, gross margin before amortization improved to 18.9% for the quarter, compared to 18.4% for the corresponding period last year but has decreased from 19.6% for the first nine months of 2002 to 19.1% for the first nine months of 2003. For comparison, gross margin in the second and first quarters of 2003 and the fourth quarter of 2002 were 19.0%, 19.4% and 19.3% respectively.

The quarterly change in margin is largely due to the continuation of the change in automotive programs from consigned to purchased material and the addition of higher material content on machining and assembly programs. For example, a new assembly job for CAT at the company's Roctel facility has a higher material content than a typical machining contract. The inclusion of Skyjack, which experiences higher material content compared to the core machining business, also had the affect of reducing the gross margin percentage. The cam shaft facility in Germany which was acquired in June 2003 also has a higher material content than a typical Linamar machining facility. The newest facility in the Linamar machining family, Camtac, has had prototype sales which have a relatively lower material content than a typical production sale but other costs somewhat offset these costs.

Linamar's 'state-of-the-art' Exkor facility is progressing through a very long ramp up to full production levels. The facility is highly automated and, consequently, the cost structure is quite different with higher material content, low labour and higher manufacturing costs. The improvement in the gross margin for the quarter relates in part to the impact of the lower labour rate and increased sales at Exkor which more than offsets the material component increases discussed above.

The slight decline in the year to date margin over 2002 relates to the impact of the material changes as discussed above. The company expects the material impact to lessen over the next year.

Depreciation and Amortization

Depreciation and amortization charges as a percentage of sales increased from 6.2% in the third quarter of 2002 to 6.9% in the third quarter of 2003, or \$25.7 million and \$21.6 million respectively. As a percentage of assets employed, depreciation and amortization costs remained consistent for the same period in 2002 and 2003 at 4.6% and 4.7% respectively.

On a year to date basis at September 2003 these costs were consistent at 6.5% of sales compared to 2002, despite the increase of \$7.2 million from \$65.8 million to \$73.0 million from September 2002 as compared to 2003. The increase is due in part to the addition of Skyjack in September of 2002,



accumulating a year to date total of \$2.0 million in amortization for 2003. The acquisition in November, 2002, of Engicom accounts for an increase in costs of \$2.5 million year to date 2003. The dollar value of assets in production has increased over September 2002 by \$104.6 million as more programs come online for production. Amortization as a percentage of assets in use has decreased in 2003 to 13.0% from 14.4% in 2002. The decrease in percentage of assets in use is due to the addition of several new facilities at Linamar during the last six months. Removing the impact of acquisitions during the year, the utilization rates are consistent with last year.

The newest greenfield plant, Camtac, began production in the new building, bringing \$18.8 million of assets into use in September of 2003. Linamar's three acquisitions have brought significant new assets; however, due to the timing of consolidation, the amortization rates are quite low as a percentage of those assets. Linamar's latest acquisition, McLaren, brought with it \$12.5 million in capital assets and testing equipment. Similarly, LAT, purchased in June 2003, has added a further \$9.3 million. For the year, the impact of both the new facilities and ramp ups of newer programs are expected to bring the rate of amortization up slightly from the current year to date rate of 6.5% of sales to 6.6%.

Exchange

The company experienced exchange losses during the nine month period ended September 30, 2003 of \$2.0 million as compared to a gain of \$3.8 million in 2002. Linamar Hungary holds Euro denominated debt which affords a much lower interest rate than funds borrowed in Hungarian Forints. However, as the Hungarian Forint has weakened in value against the Euro, the company has experienced exchange losses. Those losses partially reversed in the third quarter. Effective October 1, 2003, this loan has been designated as a hedge of Linamar Hungary's Euro based receivables which continue to grow with volumes on the sales to Denso. The Mexican subsidiaries have receivables denominated in U.S. dollars in excess of U.S. dollar liabilities. With the weakening Peso, the Mexican operations have experienced gains related to these accounts.

During 2003, the operations of Weslin Autoipari Rt. ("Weslin") and Linamar de Mexico S.A. de C.V. ("LdM") have been treated as self-sustaining, with the impact of exchange on these operations now being reported in the cumulative translation adjustment account in the equity section of the financial statements.

The third quarter of 2003 shows a decline in the exchange gain as compared to the same quarter in 2002. The loss in 2002 related mainly to the September acquisition of Skyjack. Before the September 2002 acquisition, Skyjack was restricted in the use of forward contracts through the terms of certain financing agreements. There was a gain in the value of the U.S. dollar in September of 2002, creating a gain on the U.S. based receivables held by Skyjack. Since that time, U.S. cash flows from Skyjack have been included in the utilization of forward contracts held by the company as part of its hedging strategy.

Selling, General & Administrative Expenses

Selling, general & administrative ("SG&A") costs have increased as a percentage of sales from 5.8% in the third quarter of 2002 to 6.1% in the third quarter of 2003. This represents an increase to \$22.7 million from \$20.2 million for the same period last year.

On a year to date basis, SG&A costs are 6.1% of sales, or \$68.1 million, as compared to 5.6%, or \$56.9 million for 2002, a change of \$11.2 million. Core Linamar facilities (excluding Skyjack) had SG&A costs of \$55.8 million year to date, compared to \$55.1 million for 2002, a decrease of 0.1% as a percentage of sales (5.4% versus 5.5% in 2002). This represents a cost savings of \$1.1 million at current year to date sales levels due to active efforts to reduce administrative costs within the organization.

A driving factor behind the SG&A increase is the organization's expansion into the Industrial market with the addition of Skyjack's operations in September of 2002. The retail nature of this operation requires more marketing and sales efforts than core Linamar automotive machining and assembly activities. At September 2003, Skyjack had year to date SG&A expenses totaling \$12.2 million, excluding exchange. Selling, general and administrative costs for Linamar are expected to remain consistent at 6.1-6.3% of sales for the year.



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 leases at the company's joint venture Eagle Manufacturing, LLC ("Eagle"). Eagle has entered into a series of capital leases to support the launch of significant new programs ramping up over the past year. Linamar also has a syndicate in place for the Canadian portion of its long term debt. The interest rate has been fixed at 5.4% on this debt through the use of an interest rate swap. The interest on long term debt year to date has increased \$0.4 million as compared to 2002 also due to the capital leases now in place for a full year.

Other interest expense is higher by \$0.1 million for the quarter and \$0.3 million year to date due to the increased level of utilization of short term debt acquired initially during the second half of 2002 related to the acquisition of Skyjack and Engicom S. de R.L. de C.V. ("Engicom"). The company also made further acquisitions at the end of June 2003. Funds used for the purchase of LAT, the remaining 45% of Torreon International Holdings, Inc. ("Torreon"), the parent company of Industrias de Linamar S.A. de C.V. ("ILSA"), and the acquisition of McLaren contributed to the increased level of interest on short term borrowings. Interest earned is lower for the quarter and year to date as excess funds have continually been used to draw down short term borrowings.

Other

During 2002, the company held an equity ownership in two organizations. The amounts reflected for the third quarter and year to date of 2002 represent the earnings in Minsor Powertrain Systems LLC ("Minsor") net of the losses incurred by Skyjack until it was fully acquired by the company in September 2002. The company exited its ownership in Minsor in December 2002.

As a result of the second step acquisition of Skyjack in September 2002, the company recognized an impairment in the carrying value of goodwill as it related to the initial purchase of 48.5% of Skyjack in June of 2001. The third quarter of 2003 represents the anniversary of the acquisition of Skyjack. The current goodwill associated with the acquisition has been reviewed for further impairment. Currently, management feels there is no further impairment.

Income By Segment

Operational

For the third quarter, sales for the North American automotive segment show a decrease of \$8.2 million. The impact of the declining U.S. dollar is estimated to be a reduction of \$11.7 million for the quarter, indicating an increase otherwise of about \$3.5 million on a consistent exchange rate basis. The largest impact for the quarter has been the ramp up of the 5.4L cylinder head program for the new Ford F150, produced at the Exkor facility in Windsor. The company also has sales for Engicom and Camtac in the current quarter which are new in 2003. Some declines were seen in the expected, but delayed, reduction of Cummins, Inc. ("Cummins") product sales.

The nine month year to date North American automotive sales at September is \$913.4 million as compared to \$914.3 million for 2002. The U.S. dollar decline is estimated to have an impact of \$36.0 million for the nine months. The impacts discussed above for the quarter are indicative of the trends so far this year. In addition, sales to International have increased significantly over last year for the bedplate and intake and exhaust manifolds. The CAT cylinder head assembly job at Roctel has also increased sales for 2003. This job has a substantial material content reflected in the sales value.

Earnings for the quarter were relatively consistent with the prior year. For the year, earnings are down slightly in the segment to \$46.2 million from \$48.9 million for 2002. Invar Manufacturing has faced launch issues with the Honeywell International, Inc. ("Honeywell") AVNT centre housing over the past year. The issues in this program are being resolved. Offsetting the declines were improved results in LdM and the ramp up of production at the Exkor facility.



European sales in the quarter increased \$9.1 million to \$38.6 million from \$29.5 million in 2002. For the year, sales have increased to \$109.6 million from \$74.7 million in 2002. During the quarter, sales increases were experienced at Weslin on parts produced for Borg Warner Inc. and Honeywell. The Denso program in Linamar Hungary improved the sales as well. The agriculture sales at Linamar Hungary were consistent on the quarter with prior year levels. The additional sales from the company's latest European acquisition, LAT, were \$2.5 million for the quarter. The same programs showing growth in the quarter are consistent with the growth for the year to date, increasing the segment sales to date.

European loss for the quarter was \$4.2 million as compared to \$1.1 million for 2002. For the nine months ended in September, the loss was \$7.4 million as compared to \$5.4 million in 2002. The new operation, LAT, has contributed to the decline in earnings, offset by operational and volume improvements at Linamar Hungary.

Sales for the Other segment have increased \$20.6 million to \$33.3 million for the quarter and \$76.5 million for the year to \$98.6 million. The increase relates to the full consolidation of Skyjack commencing in September of 2002.

Earnings in Other have improved in the third quarter as compared to 2002 by \$3.3 million and \$2.7 million for the nine months ended in September. In the third quarter of 2002, an impairment of goodwill of \$2.9 million was charged to earnings as a result of the second step purchase in which 100% of Skyjack was acquired. Removing the impact of the write down, the results in this segment have continued to improve due to the focused efforts to streamline the Skyjack operations.

Geographical

Canadian sales for the quarter were down \$12.4 million to \$270.0 million. For the year to date, the results were a decrease of \$7.7 million to \$823.4 million. The impact of the strengthening dollar is estimated to be \$11.7 million for the quarter and \$36.0 million for the nine months ended in September. Growth was seen in the 5.4L cylinder head produced for the new Ford F150 at Exkor. Skyjack also contributed to the quarter as they were only fully consolidated at the time of acquisition in September 2002. New business awarded by CAT also began to ramp-up during the quarter. These increases were offset by anticipated contract ends such as programs for Cummins.

The year to date results have been driven by similar factors as the current quarter.

The earnings for the Canadian segment declined \$1.2 million to \$50.5 million for the period ended in September. The quarter declined \$1.3 million as compared to the same quarter in 2002. Earnings for both the quarter and year to date have been impacted by a write down of goodwill related to Skyjack in 2002. In 2003, earnings in this segment have been impacted by the losses on the Honeywell AVNT centre housing and the anticipated contract end of a high volume Delphi Automotive Systems Corporation steering housing. As an offset, the ramp up at Exkor is starting to contribute to the earnings in this segment.

The sales in the U.S. segment increased to \$12.9 million and \$50.4 million for the quarter and year to date respectively. The increase relates to new program launches at Eagle for the International bedplate and intake and exhaust manifold. Skyjack's U.S. operations have also been fully consolidated since September 2002.

Earnings have improved \$3.0 million in the quarter and \$2.6 million for the year to date as a result of cost improvements in Skyjack and the benefit of higher volumes on the Eagle programs.

Sales for Mexico have improved in the third quarter by \$7.5 million. The company's latest Mexican acquisition, Engicom, has generated most of the sales improvement for the quarter. For the year, the sales have improved \$15.1 million. Engicom has also contributed to the year to date as an offset to the reduced sales experienced at ILSA as a result of the Renault engine volume decline.

Earnings in this segment have improved in the quarter by \$1.7 million for the quarter to about break even; however, for the year to date, the results have declined by \$2.9 million. The decline in the year to date



results is due to the settlement of the quality issue at ILSA with Renault. LdM has significantly improved its operating results with a focused effort on quality systems and LEAN initiatives. The quarter was impacted by the same elements as the year to date with the addition of earnings from Engicom which are flat for the year to date.

Third quarter sales in Europe are \$43.8 million, an increase of \$13.5 million over the same quarter in 2002. For the nine months ended September, sales are \$128.1 million, an improvement of \$52.7 million over sales of \$75.4 million for the 2002 period. Sales have improved both for the quarter and year to date through the full consolidation of Skyjack's European operations and the growing volumes on programs such as the Denso plate housing and GM CVT produced at Linamar Hungary. The company's newest European facility, LAT, which was purchased in June of 2003, has contributed to the growth during the current quarter.

Earnings in this segment have not experienced the same level of growth as sales. The loss for the quarter increased by \$3.2 million which is directly attributed to LAT. While some losses are expected in the future, the level is expected to be less. For the period ended September 30, 2003, the total European loss was \$7.6 million which is consistent with the comparative period in 2002. Offsetting the losses experienced at LAT for the third quarter were improvements in the earnings of Skyjack through the continued efforts to gain operational efficiencies in the European market place. Linamar Hungary also improved earnings through the improvement in volumes on programs such as the GM CVT and new Denso plate housing program.

Net Income and Earnings per Share

The effective tax rate for the quarter was 34.2%, a decrease from a quarterly effective rate of 41.7% in 2002. The year to date rate for 2003 is 33.3% as compared to 39.3% for 2002. The rate change reflects the improved results of operations which are not taxable, mainly Linamar Hungary and Weslin which are on Hungarian tax holidays. The company's LdM facility has improved as well, reporting lower losses than the prior year. In the third quarter of 2002, the write downs of goodwill and deferred financing costs associated with the Skyjack acquisition drove the rate for the quarter up to an usually high rate as they are expenses not subject to a tax impact. This resulted in a higher year to date level as well.

Net income from continuing operations for the quarter increased slightly to \$12.7 million, compared to \$12.5 million for the corresponding period last year. For the nine months ended in September, earnings were \$41.4 million as compared to \$43.3 million for the same period in 2002.

Basic earnings per share and from continuing operations for the quarter were \$0.18. This represents an increase from the corresponding period last year of \$0.01. For the period ended in September, the basic earnings per share and from continuing operations were \$0.59, down \$0.02 from last year's \$0.61.

FINANCIAL CONDITION, LIQUIDITY AND FINANCIAL RESOURCES

Linamar's cash position (net of unrepresented cheques) at September 30, 2003 was \$5.6 million, compared to \$36.6 million at the end of the second quarter and \$27.9 million at December 31, 2002. The decrease of \$31.0 million in the quarter is a result of cash provided by continuing operations and proceeds on the issuance of short term bank borrowings. These increases were offset by cash used for the repayment of long term debt and the continuing investments in capital expenditures and business acquisitions.

For the year, the decline in the cash position is the result of three acquisitions, the continued investment in manufacturing equipment, the cash received on the cancellation of certain forward contracts and the cash generated by continuing operations.



Operating Activities

Cash provided by continuing operations, before the effect of changes in non-cash working capital, remained relatively consistent with the third quarter of last year at \$38.5 million in 2003 to \$38.2 million in 2002. Cash provided by continuing operations was \$79.1 million for the first nine months, down slightly from \$80.4 million in the same period last year. The 2003 results include the receipt of cash proceeds of \$30.5 million on U.S. forward contracts crystallized in the second quarter of 2003. Incremental investments in non-cash working capital for the quarter were \$10.2 million (\$62.9 million year to date), compared to a small generation of \$0.6 million (\$34.2 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 and commercial nature of the Skyjack business and ramp up of new programs such as the Ford 5.4L cylinder head program at Exkor.

Financing Activities

Cash provided by financing activities for the three months and nine months ended were \$1.1 million and \$59.0 million respectively for the current fiscal period. Last year, the cash used by financing activities for the same periods were \$7.4 million and \$4.3 million respectively.

The increase in short-term bank borrowings during the third quarter is primarily the result of the McLaren acquisition, which required cash of \$26.1 million CDN. During the second quarter, the LAT acquisition required € 13.6 million and the share buyout of Torreón was a cause for a cash outflow of \$14.2 million USD. The acquisitions were funded through a combination of U.S. dollar cash flows and certain U.S. dollar borrowings. The amounts borrowed in U.S. dollars for the second quarter acquisitions were repaid in August with the U.S. funds required for McLaren repaid subsequent to the end of the quarter. As a result of the U.S. cash being used for acquisitions and not for the settlement of forward contracts to generate Canadian dollars, other short term borrowings were advanced in Canadian funds for operating needs.

In the third quarter of 2002, short term borrowings in Linamar Hungary were repaid and replaced with longer term Euro-based debt at lower interest rates.

During the third quarter of 2003, Skyjack repaid in full the outstanding government Industrial Revenue Bond. Further outflows related to Linamar Hungary's scheduled repayments on long term debt and the capital lease payments for manufacturing equipment used by Eagle.

For the year to date, additional long term debt was acquired through further capital leases for the new programs coming online in the company's joint venture, Eagle. Repayments related to scheduled terms for the Skyjack Industrial Revenue Bonds, Linamar Hungary Euro loans and all of the capital leases at Eagle.

In 2002, stock options were exercised for proceeds of \$14.5 million.

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

Investing Activities

For the three month period ended September 30, 2003, cash spent on investing activities totaled \$56.8 million; for the same period in 2002, the total spent was \$28.2 million. The significant increase in cash spent on investing activities for the three month period ended September 30, 2003, over 2002 was due to business acquisitions completed in the third quarter of 2003, totaling a cash outflow of \$27.0 million. In September 2003, the company purchased the outstanding share capital of McLaren, located in Detroit, Michigan, in exchange for cash consideration of \$10.6 million U.S. Net of cash on hand and assumption of debt, the total outflow related to the acquisition was \$26.1 million CDN.

While business acquisitions accounted for 47.5% or \$27.0 million of the total cash outflow for investing activities, purchases of capital assets accounted for \$32.5 million of the outflow for the third quarter of



2003. In the second quarter of 2002, Linamar began construction on Camtac, a new facility focusing on the production of cylinder heads for CAT. The construction accounted for \$2.6 million of the capital asset purchases for the third quarter of 2003, while equipment purchases for the ramp up to production accounted for \$5.5 million. Further additions are related to ramp ups and new product lines in various facilities, most notably due to the Denso line at the company's Hungarian facilities, and the GM 3.8 litre connecting rod and the Allison Transmissions, General Motors Corporation, small valve body in facilities in Guelph.

Year to date at September, the total investing activities amounts for 2002 and 2003 were \$91.1 million and \$157.9 million respectively. The significant increase in cash spent on investing activities for this period over 2002 was due to acquisitions completed in the second and third quarters of 2003, totaling a cash outflow of \$64.5 million year to date. In June 2003, Linamar acquired the remaining 45% of Torreon and completed the acquisition of 96% of the shares of a German company, Salzgitter Antriebstechnik LAT, for total cash outflow for these two transactions of \$37.5 million.

Purchases of capital assets amounted to \$100.0 million of cash outflows related to investing activities, year to date. Total expenditures related to Linamar's new Camtac facility amount to \$28.1 million, year to date. Further increases in capital expenditures relate to production ramp ups and the addition of new lines at various facilities.

For the current year, cash flows for capital expenditures are expected to reach \$165.0-\$175.0 million from capital purchases.

Financing Resources

At September 30, 2003, cash on hand was \$21.3 million with unrepresented cheques and short-term bank borrowings of \$132.8 million. The syndicated facility had available credit on the revolver of \$61.3 million. The amount of available credit on the primary credit facility improved to \$69.8 million subsequent to the quarter end after available cash on hand was applied. Long-term debt on the non-revolving piece is due December, 2006. Of the consolidated long-term debt, only 3.6% of the \$138.0 million is due and payable in the next 12 months.

Shareholder's Equity

Share capital and book value per share has grown slightly to \$9.00 per share at September 30, 2003, as compared to \$8.82 per share at December 31, 2002. Earnings net of dividends contributed \$9.8 million for the quarter and a total of \$33.4 million year to date to retained earnings. The decrease in the cumulative translation adjustment of \$20.6 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 and Mexican Peso have also weakened significantly over the last nine 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.

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 cyclicalities, 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 nine 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 and diversify its product base.

Linamar's operations are based primarily in Ontario, Canada where a new provincial government has recently been elected. The Liberal government has expressed a desire to remove corporate tax rate decreases which are currently in place. This rate change will negatively impact the company's effective tax rate and earnings per share.

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.