



PRESS RELEASE

Linamar Announces Fourth Quarter and Year End Results Linamar Posts Strong Sales Growth and Financial Results

March 10, 2004, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR) (“Linamar” or “the company”), 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 fourth quarter ended December 31, 2003.

(CDN dollars in thousands except per share amounts)

	Three Months December 31		Year Ended December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales	408,479	346,854	1,530,225	1,358,149
Gross Margin	52,768	41,949	193,341	173,409
Operating Earnings ¹	32,316	19,079	102,491	95,959
Sales Agent Termination	(23,596)	-	(23,596)	-
Earnings from Continuing Operations	(1,158)	14,015	39,535	56,537
Diluted Earnings Per Share from				
Continuing Operations	(0.02)	0.20	0.56	0.80

Fourth Quarter Operating Highlights

In the fourth quarter, sales increased by 17.8% to \$408.5 million compared to \$346.9 million in the same quarter last year. The increase was the result of the ramping up of automotive volumes on new programs launched during the year or the prior year (net of programs ending), a full quarter of acquisitions' sales compared to the prior year, and a strong sales quarter for the Industrial business, specifically Skyjack Inc. (“Skyjack”)

Fourth quarter operating earnings increased significantly by 69.4% to \$32.3 million compared to \$19.1 million for the same quarter a year ago. This increase was the result of improvements in the industrial operations where Skyjack's earnings were stronger, as well as growth in automotive earnings. In the quarter, gross margin increased to 12.9% of sales or \$52.8 million compared to 12.1% or \$41.9 million in the same quarter of last year, an increase of 0.8 percentage points or \$10.9 million. The fourth quarter of 2003 compares favourably to the third quarter of 2003 where gross margin was 11.9% of sales or \$44.3 million.

¹ Operating earnings, as used by the company throughout this press release, is a non-GAAP measure. The chief operating decision makers and management of Linamar Corporation use operating earnings in the monitoring of the performance of the business specifically at the segmented level. Operating earnings is calculated by the company as Gross Margin less Selling, General and Administrative expenses and Equity (Earnings) Loss.

	Three Months Ended		Year Ended	
	December 31 2003	December 31 2002	December 31 2003	December 31 2002
Gross Margin	52,768	41,949	193,341	173,439
Selling, general and administrative	20,452	23,265	90,850	76,588
Equity Loss (Earnings) net of Tax	-	(395)	-	892
Operating earnings	32,316	19,079	102,491	95,959



With respect to fourth quarter sales, Linamar's North American Automotive sales grew by 13.1% while North American automobile production grew by only 1.0%. Had the U.S. to Canadian dollar exchange rate remained unchanged, sales would otherwise have increased by 20.4%.

In Europe, Linamar's fourth quarter automotive sales grew by 38.6% due to the addition of the facility in Germany as well as higher sales at Weslin Autoipari RT ("Weslin") and Linamar Hungary RT ("Linamar Hungary"). This result was achieved despite a reduction in European automobile production of 7.5%.

Content per vehicle for the quarter in North America grew by 12.0% to \$73.53 and 49.8% in Europe to \$9.34 compared to the fourth quarter of 2002.

As reported in a press release on January 19, 2004, Linamar completed the termination of its sales agent agreements and recorded a one-time charge of \$23.6 million Canadian in recognition of that transaction. Linamar intends to utilize its own sales force, and expects that there will be a cost saving under this new organization structure.

During the fourth quarter, the Government of Ontario increased future income tax rates which impacted the company's future tax liability by \$3.5 million which was recognized in the quarter. Excluding the impact of the sales agent termination (net of tax) and the Ontario change in tax rates, net earnings would otherwise be approximately \$18.1 million or \$0.25 per share.

A more detailed discussion of the consolidated results for the quarter and the year to date period ended December 31, 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 December 31, 2003 of CDN\$0.04 per share on the common shares of the company, payable on or after March 31, 2004 to shareholders of record on March 22, 2004.

Outlook

In the fourth quarter, North American original equipment manufacturers ("OEM") light vehicle and medium to heavy truck production was up by 1.0% compared to the same period last year. For the 2003 year, this same vehicle production was 16.3 million units, down by 2.8% compared to the prior year.

In 2004, North American light vehicle production is expected to remain static or grow very slightly compared to 2003; medium to heavy truck is forecast to grow by 5 to 10%. In the fourth quarter, European unit production was down by 7.5% and for the year was 16.0 million units, down by 2.4%. European unit production is expected to remain constant in 2004.

Considering these forecasts, Linamar expects its automotive content to grow by 7 to 12% in North America and 5 to 10% in Europe as a result of volumes ramping up on current program launches and new program launches net of programs ending.

The Industrial Products group (Skyjack) achieved a much-improved sales level in the fourth quarter of 2003 compared to the same period in 2002. If this current market trend continues, improved performance is expected throughout 2004. It should be noted, however, that the industrial equipment market has been severely depressed for 3-4 years and continues to be impacted by a very competitive market where price pressures and competition are severe. 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 cyclical, 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. 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.

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

	December 31 2003	December 31 2002
	\$	\$
ASSETS		
Current Assets		
Cash	34,050	32,787
Accounts receivable	306,513	234,561
Inventories	165,172	134,180
Prepaid expenses	9,814	8,449
Future income taxes	10,764	-
Current assets – discontinued operations	3,036	1,872
	<u>529,349</u>	<u>411,849</u>
Investments, at cost	-	210
Other Long-Term Assets	14,307	2,297
Goodwill and Other Intangible Assets	34,643	3,257
Property, Plant and Equipment	716,187	638,569
Property, Plant and Equipment – Discontinued Operations	1,851	2,043
Future Income Taxes – Discontinued Operations	397	700
	<u>1,296,734</u>	<u>1,058,925</u>
LIABILITIES		
Current Liabilities		
Unpresented cheques	4,720	4,861
Short-term bank borrowings	151,998	52,334
Accounts payable and accrued liabilities	257,872	195,774
Current portion of long-term debt	23,284	6,672
Income taxes payable	9,445	6,508
Current portion of deferred gain (note 5)	15,213	-
Future income taxes	-	3,020
Current liabilities – discontinued operations	2,366	2,779
	<u>464,898</u>	<u>271,948</u>
Long-Term Debt	152,158	133,187
Deferred Gain (note 5)	9,206	-
Future Income Taxes	22,038	7,712
Non-Controlling Interests	21,323	23,157
	<u>669,623</u>	<u>436,004</u>
SHAREHOLDERS' EQUITY		
Capital Stock	102,913	102,913
Retained Earnings	544,589	515,345
Cumulative Translation Adjustment	(20,391)	4,663
	<u>627,111</u>	<u>622,921</u>
	<u>1,296,734</u>	<u>1,058,925</u>

On behalf of the Board of Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director



LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the year ended December 31, 2003 with comparatives for the year ended December 31, 2002 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
Sales (note 7)	408,479	346,854	1,530,225	1,358,149
Cost of Sales	327,719	280,046	1,235,403	1,093,519
Amortization	27,992	24,859	101,481	91,221
Gross Margin	52,768	41,949	193,341	173,409
Selling, general and administrative (note 10)	20,452	23,265	90,850	76,588
Equity loss (earnings) net of tax	-	(395)	-	862
Earnings Before the Following:	32,316	19,079	102,491	95,959
Interest on long-term debt	(1,713)	(1,960)	(7,033)	(6,882)
Other interest expense	(1,514)	(646)	(3,437)	(2,144)
Interest earned	279	269	1,024	1,874
Write-down of significantly influenced investment	-	(1,215)	-	(1,215)
Write-down of deferred financing costs	-	-	-	(491)
Goodwill impairment	-	-	-	(2,899)
Sales agent termination	(23,596)	-	(23,596)	-
Other income	961	642	542	1,391
	6,733	16,169	69,991	85,593
Provision for (Recovery of) Income Taxes				
Current	6,124	(615)	29,851	26,064
Future	2,523	3,424	(134)	4,078
	8,647	2,809	29,717	30,142
	(1,914)	13,360	40,274	55,451
Non-Controlling Interests	(756)	(655)	739	(1,086)
Earnings(Loss) from Continuing Operations	(1,158)	14,015	39,535	56,537
Results of Discontinued Operations (note 3)	(152)	(325)	1,006	466
Net Earnings(Loss) for the Period	(1,310)	13,690	40,541	57,003
Basic Earnings(Loss) from Continuing Operations				
per Share (note 4)	(0.02)	0.20	0.56	0.80
Diluted Earnings(Loss) from Continuing Operations				
per Share (note 4)	(0.02)	0.20	0.56	0.80
Basic Earnings(Loss) per Share (note 4)	(0.02)	0.20	0.57	0.81
Diluted Earnings(Loss) per Share (note 4)	(0.02)	0.20	0.57	0.81

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31, 2003 with comparatives for the year ended December 31, 2002 (Unaudited)
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
Balance - Beginning of Period	548,724	504,480	515,345	469,639
Net earnings(loss) for the period	(1,310)	13,690	40,541	57,003
Dividends	(2,825)	(2,825)	(11,297)	(11,297)
Balance - End of Period	544,589	515,345	544,589	515,345



LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2003 with comparatives for the year ended December 31, 2002 (Unaudited)
(in thousands of dollars)

	Three Months Ended December 31		Year Ended December 31	
	2003	2002	2003	2002
Cash Provided By (Used In)	\$	\$	\$	\$
Operating Activities				
Earnings (loss) from continuing operations	(1,158)	14,015	39,535	56,537
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	27,992	24,859	101,481	91,221
Equity loss (earnings) net of tax	-	(395)	-	606
Future income taxes net of unrealized exchange loss	1,562	3,407	665	3,728
Non-controlling interests	(756)	(655)	739	(1,086)
Write-down of significantly influenced investment	-	1,215	-	1,215
Unrealized exchange loss on debt	1,170	-	2,154	-
Amortization deferred exchange gain	(3,068)	-	(6,033)	-
Goodwill impairment	-	-	-	2,899
Loss (gain) on disposal of property, plant and equipment	(422)	(269)	(864)	560
Other	33	33	132	552
	25,353	42,210	137,809	156,232
Changes in non-cash working capital:				
Decrease (increase) in accounts receivable	(7,579)	56,068	(97,453)	16,722
Increase in inventories	(2,213)	(7,653)	(34,250)	(13,227)
Decrease (increase) in prepaid expenses	984	1,579	(1,408)	4,300
Increase in income taxes payable	4,994	4,377	2,947	24,421
Increase (decrease) in accounts payable and accrued liabilities	(5,745)	(28,940)	56,262	(24,009)
	15,794	67,641	63,907	164,439
Deferred gain (note 5)	-	-	30,452	-
Cash flow – continuing operations	15,794	67,641	94,359	164,439
Cash flow – discontinued operations	57	(935)	(76)	(1,239)
	15,851	66,706	94,283	163,200
Financing Activities				
Proceeds (repayment) from short-term bank borrowings	32,807	(2,771)	97,813	(2,194)
Proceeds from long-term debt	38,704	25,408	47,396	25,775
Repayment of long-term debt	(2,222)	(14,397)	(8,444)	(25,670)
Proceeds from common share issuance	-	-	-	14,528
Dividends to shareholders	(2,825)	(2,825)	(11,297)	(11,297)
Other	-	(146)	-	(146)
	66,464	5,269	125,468	996
Investing Activities				
Payments for purchase of property, plant and equipment	(58,412)	(45,080)	(159,000)	(139,193)
Proceeds on disposal of property, plant and equipment	967	3,472	6,672	3,996
Net advances to investments under significant influence	-	-	-	(9,620)
Business acquisitions (note 2)	-	(19,329)	(64,509)	(24,881)
Other	-	(118)	210	1,081
Discontinued operations	-	(46)	-	(158)
	(57,445)	(61,101)	(216,627)	(168,775)
	24,870	10,874	3,124	(4,579)
Effect of Translation Adjustment	(1,155)	(1,788)	(1,720)	(4,347)
Increase (Decrease) in Cash Position	23,715	9,086	1,404	(8,926)
Cash Position - Beginning of Period	5,615	18,840	27,926	36,852
Cash Position - End of Period	29,330	27,926	29,330	27,926
Comprised of:				
Cash	34,050	32,787	34,050	32,787
Unpresented cheques	(4,720)	(4,861)	(4,720)	(4,861)
	29,330	27,926	29,330	27,926



LINAMAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2003 (Unaudited)

1. Management prepared these interim consolidated financial statements in accordance with Canadian generally accepted accounting principles using the historical cost basis of accounting and approximation and estimates based on professional judgments. These interim consolidated 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. These statements should be used in conjunction with the company's most recent annual consolidated financial statements. The accounting policies used in preparing these interim consolidated financial statements are consistent with those used in preparing the annual consolidated financial statements with one addition. During the second quarter, the company 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 included in other long-term assets, and are amortized based on related production volumes. Revenues under these arrangements are recognized through the negotiated piece price.

2. Acquisitions (in thousands of dollars)

- 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 U.S. \$0.8875 per share in cash plus acquisition costs for total consideration of \$26.7 million CDN.
- 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 Crimmitschau, 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 may be subject to further adjustments. Any subsequent adjustments to the purchase price will be an adjustment to goodwill.

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

	(a)	(b)	(c)	Total
	McLaren	ILSA	LAT	
	\$	\$	\$	\$
Cash	599	4,444	1,249	6,292
Other current assets	5,252	3,572	5,198	14,022
Property, plant and equipment	13,368	12,036	10,500	35,904
Other assets	675	-	-	675
Future income tax assets (liabilities)	1,949	2,118	(2,510)	1,557
Goodwill	11,719	-	9,976	21,695
Intangible - Trade name	1,485	-	-	1,485
Intangible - Customer contract	-	-	8,730	8,730
Total assets acquired	35,047	22,170	33,143	90,360
Current liabilities	8,355	2,190	9,014	19,559
Total liabilities assumed	8,355	2,190	9,014	19,559
Cash consideration	26,692	19,980	24,129	70,801



3. Discontinued Operations (in thousands of dollars)

Effective September 28, 2001, Linamar adopted a formal plan to divest the company's wholly owned in-house casting operations, which management considered was subject to significantly different business risks than the precision machining segment. During the quarter, management repealed the plan to sell the assets of one of the in-house casting operations. The prior and current year balance sheets and income statements have been restated to reflect the reintegration of the operation into continuing operations. The remaining business continues to operate until the disposal plan is completed. Divestiture will be in the form of a sale as a going concern or alternatively, as an asset disposal. The results from discontinued operations have been reported separately within these financial statements. During the year, 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 estimate of the loss from discontinued operations is based on management's best estimates and assumptions with respect to a variety of items including proceeds to be realized on assets to be disposed of and retained assets, if any. There is a risk that the assumptions and resulting estimates may change with the passage of time and the availability of additional information and facts. Changes to the estimate of the loss on disposal will be recognized as a gain or loss on discontinued operations during the period that such changes are determinable. No gain or loss was recognized in 2003 and 2002.

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

	Three months ended December 31		Year ended December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
Net income (loss) from discontinued operations	(230)	(352)	1,524	898
Income tax (recovery) expense	(78)	(27)	518	432
Results of discontinued operations	(152)	(325)	1,006	466

4. Stock Based Compensation (in thousands of dollars, except per share figures)

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. Linamar's net earnings and earnings per share would have been reduced to the pro forma amounts indicated below had compensation expense for the share options issued in 2002 been determined based on the fair value at the grant dates. The fair value of the stock options previously granted were determined using the Black-Scholes option pricing model based on the following underlying assumptions:

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



Pro Forma Results

		For the three months ended		Year ended	
		December 31		December 31	
		2003	2002	2003	2002
		\$	\$	\$	\$
Earnings from continuing operations	As reported	(1,158)	14,015	39,535	56,537
	Pro forma	(1,162)	14,011	39,519	56,512
Net earnings	As reported	(1,310)	13,690	40,541	57,003
	Pro forma	(1,314)	13,686	40,525	56,978
Earnings per share from continuing operations					
Basic	As reported	(0.02)	0.20	0.56	0.80
	Pro forma	(0.02)	0.20	0.56	0.80
Diluted	As reported	(0.02)	0.20	0.56	0.80
	Pro forma	(0.02)	0.20	0.56	0.80
Earnings per share from net earnings					
Basic	As reported	(0.02)	0.20	0.57	0.81
	Pro forma	(0.02)	0.20	0.57	0.81
Diluted	As reported	(0.02)	0.20	0.57	0.81
	Pro forma	(0.02)	0.20	0.57	0.81

5. Financial Instruments

As at December 31, 2002, the company was committed to a series of monthly forward contracts to buy and sell U.S. dollars, Euros, and British Pounds. In the second quarter, the company placed forward contracts to buy U.S. dollars, effectively locking in the gains on the U.S. dollar 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. Additional forward contracts have been placed as indicated in the table below. As these forward contracts 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.

Year	Amount Hedged - Buy (Sell)		Currency	Average Exchange Rate
2004	U.S.	\$(144,000,000)	For Canadian dollars	1.4062
2005	U.S.	\$(24,000,000)	For Canadian dollars	1.4000
2006	U.S.	\$(6,000,000)	For Canadian dollars	1.4000
2004	Euro	€2,100,000	With Canadian dollars	1.5485
2003	GBP	£388,500	With U.S. dollars	2.0869
2004	GBP	£(1,480,000)	For Canadian dollars	2.2003

6. Cumulative Translation Adjustment (in thousands of dollars)

During the year, management determined that it was appropriate to treat certain foreign subsidiaries and joint ventures as self-sustaining. Adjustments arising from the translation are deferred and recorded as a separate component of shareholders' equity.



As a result of the growing independence of Linamar de Mexico S.A. de C.V. and Weslin Autoipari RT, management has determined that it is now appropriate to treat these operations as self-sustaining. Effective January 1, 2003 and July 1, 2003 respectively, the net assets of the operations were translated using the current rate method. This change has been applied prospectively, resulting in a charge to equity of \$1,519 and a credit to equity of \$3,657 respectively at the effective date.

	Year Ended	
	December 31 2003 \$	December 31 2002 \$
Balance - Beginning of year	4,663	(205)
Cumulative unrealized loss on initial conversion of Linamar de Mexico S.A. de C.V. assets to current rate method	(1,519)	-
Cumulative unrealized gain on initial conversion of Weslin Autoipari RT assets to current rate method	3,657	-
Unrealized gain (loss) for the year on translation of net assets excluding cash	(25,472)	9,215
Unrealized loss for the year on translation of cash	(1,720)	(4,347)
Balance - End of year	<u>(20,391)</u>	<u>4,663</u>

7. Segmented Sales and Operating 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 is reporting new operational segments. Of the five groups, Transmission, Engine and Chassis are aggregated into the North American Automotive Systems segment. Substantially all automotive revenue is derived from sales to major North American manufacturers. Europe stands alone as a segment and is primarily in the automotive business. The Industrial group, which is primarily comprised of the self-propelled scissor lift platform, is included with the corporate headquarters and other small operating entities which are not quantifiable reportable segments. The comparative segmented information has been restated following the above change in composition of segments.

The company operates in four geographic segments of Canada, United States, Mexico, and Europe.

The company accounts for inter-segment sales and transfers at current market rates. The company ensures that the measurement and policies are consistently followed among the company's reportable segments for earnings from continuing operations, net earnings, and assets.



Geographic	For the three months ended December 31, 2003			Year ended December 31, 2003			December 31, 2003
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Identifiable assets
	\$	\$	\$	\$	\$	\$	\$
Canada	306,575	542	40,597	1,130,225	3,671	117,478	869,339
United States	29,035	4,489	3,269	116,018	11,106	8,763	88,751
Mexico	28,006	-	(2,920)	111,003	-	(7,184)	103,361
Europe	44,863	1,403	(8,630)	172,979	9,997	(16,566)	229,999
Total	408,479		32,316	1,530,225		102,491	1,291,450

	For the three months ended December 31, 2002			For the year ended December 31, 2002			December 31, 2002
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Identifiable assets
	\$	\$	\$	\$	\$	\$	\$
Canada	273,428	886	29,220	1,104,808	1,293	110,849	693,725
United States	21,399	6,032	133	57,944	7,042	116	84,278
Mexico	22,097	-	(4,698)	90,041	-	(4,045)	102,889
Europe	29,930	2,127	(5,576)	105,356	10,362	(10,961)	173,418
Total	346,854		19,079	1,358,149		95,959	1,054,310

Operational	For the three months ended December 31, 2003			Year ended December 31, 2003			December 31, 2003
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Identifiable assets
	\$	\$	\$	\$	\$	\$	\$
N.A. Automotive Systems	333,908	1,370	35,737	1,247,488	5,637	126,418	830,155
Europe	34,225	1,816	(7,924)	143,813	11,503	(15,809)	203,708
Other	40,346	6,391	4,503	138,924	22,066	(8,118)	257,587
Total	408,479		32,316	1,530,225		102,491	1,291,450

	For the three months ended December 31, 2002			For the year ended December 31, 2002			December 31, 2002
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Identifiable assets
	\$	\$	\$	\$	\$	\$	\$
N.A. Automotive Systems	301,206	696	31,446	1,215,709	986	129,021	699,857
Europe	24,959	2,833	(3,324)	99,632	11,068	(8,038)	167,470
Other	20,689	4,504	(9,043)	42,808	18,970	(25,024)	186,983
Total	346,854		19,079	1,358,149		95,959	1,054,310

8. Related Party Transactions

Included in the purchase of capital assets are the construction of buildings, building additions and building improvements in the aggregate amount of \$11.3 million (December 31, 2002 - \$0.6 million) by a company owned by the spouse of a director. Included in cost of sales, are maintenance costs of \$0.3 million (December 31, 2002 - \$0.3 million) by the same company. Included in cost of sales, are lease costs of \$Nil (December 31, 2002 - \$0.2 million) related to property leased from a company owned by two directors. The property was purchased by the company on August 7, 2002 at a cost of \$4.0 million. The valuation of the property was determined by an independent party.

These transactions have been recorded at the exchange amount.



9. Pension Costs (in thousands of dollars)

The company has various contributory and non-contributory defined contribution pension plans which cover most employees. Current service pension costs are charged to earnings as they accrue. The following was expensed during the quarter and year:

	Three Months Ended		Year Ended	
	December 31 2003	December 31 2002	December 31 2003	December 31 2002
	\$	\$	\$	\$
Government sponsored	2,475	2,298	12,979	11,866
Company sponsored	1,782	1,802	7,170	6,743

10. Foreign Exchange (in thousands of dollars)

Included as part of Selling, General and Administrative expenses are gains (losses) resulting from foreign exchange as follows:

	Three Months Ended		Year Ended	
	December 31 2003	December 31 2002	December 31 2003	December 31 2002
	\$	\$	\$	\$
Foreign exchange gains (losses)	956	168	(1,032)	3,982

11. Guarantees (in thousands of dollars)

The company has guaranteed the lease payments of Eagle Manufacturing LLC, a joint venture, for the full term of the lease which ends in 2010. The company is receiving a guarantee fee during the lease term. As at the year end the maximum potential amount of future payments is \$13,867 over the remaining lease term.

The company has a commitment for its 50% joint venture interest in Weslin Industries Inc. in the form of a bank guarantee for a maximum potential future payment of \$3,413.

The company has various other guarantees to customers for a maximum potential future payment of \$1,742 over various terms of 4 to 5 years. The company has recourse, in the form of property, plant and equipment, to recover a portion of the guarantee payable from customers if balances remain unpaid in the amount of \$1,407.

12. Contingent Liabilities and Commitments (in thousands of dollars)

The company is involved in certain lawsuits and claims. Management believes that adequate provisions have been recorded in the accounts. Although it is not possible to estimate the potential costs and losses, if any, management is of the opinion that there will not be any significant additional liability other than amounts already provided for in these financial statements.

As at December 31, 2003, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$66,752 (December 31, 2002 - \$80,816).

The company is committed under certain long-term operating leases. Future minimum lease payments under these operating leases are as follows:

	\$
Year ending December 31, 2004	2,420
2005	2,486
2006	1,649
2007	818
2008	371
Thereafter	146



13. Subsequent Events (in thousands of dollars)

During the year, certain officers and directors of the company exercised their options of Linamar Hungary RT subject to government regulatory approval from the Court of Registry in Hungary. Subsequent to the year end, registration was completed resulting in cash proceeds of \$3,603 and a dilution of the company's ownership in the subsidiary from 62.8% to 58.6%. A dilution loss of \$240 resulted in the transaction. No further options were outstanding subsequent to this transaction.

Subsequent to the year end, Wescast Industries Inc. has notified Linamar of its desire to sell its interest in the Weslin joint venture to Linamar. Negotiations between the parties are ongoing and the outcome of these negotiations cannot be predicted at this time.

14. Comparative Figures

Certain comparative figures have been reclassified in accordance with the current year and quarter's presentation



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

For the year ended December 31, 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 and construction equipment 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.

The company has approximately 9,400 employees in 33 manufacturing operations, 3 research and development centres and 6 sales offices in Canada, United States, Mexico, Europe and Asia.

As reported in a press release on January 19, 2004, Linamar completed the termination of its sales agent agreements and recorded a one-time charge of \$23.6 million Canadian in recognition of that transaction. Linamar intends to utilize its own sales force, and expects that there will be a cost saving under this new organization structure.

During the fourth quarter of 2003, the company reassessed its position regarding the two discontinued foundries. It was decided to retain Diversa Cast as a continuing operation. During the year, the operations of the foundry were integrated with an adjacent machining facility. The engineering and management teams of the two facilities, being amalgamated into one team, have made improvements in the foundries results and improved the ability of the company to design for better manufacturability. Standard Induction is still being held for disposal by sale. The reported results have been changed to reflect the re-classification of Diversa Cast to continuing operations. All comparative figures have been adjusted as required.

The following management's discussion and analysis ("MD&A") of the consolidated operating results and financial position of Linamar for the three months and years ended December 31, 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 \$408.5 million in the quarter, an increase of \$61.6 million or 17.8%, compared to sales of \$346.8 million generated in the same quarter of 2002.

Sales for 2003 reached a new record at \$1,530.2 million, an increase of \$172.1 million or 12.7% from \$1,358.1 million for 2002.

The increase in sales is a combination of 2002 acquisitions 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 \$21.0 million for the quarter and \$125.6 million for the year. Current year acquisitions added \$8.7 million of revenue in the quarter and \$14.8 million year to date. The company's newest green field facility launched during 2003 generated sales for the quarter of \$9.3 million and \$17.3 million for the year – a very strong start for a new facility.



Two facilities in a longer start-up phase, Exkor Manufacturing ("Exkor") and Weslin Autoipari RT ("Weslin"), are starting to reach normal operating levels, contributing sales growth of \$12.0 million in the quarter and \$39.6 million for the year. The stronger Canadian dollar had the effect of lowering sales by \$21.1 million in the quarter and \$60.9 million for the year to date. Excluding the effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 23.9% in the quarter and 17.2% for the year to date.

Also contributing to sales growth were higher tooling sales as well as growth in marine and power generation 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 4.0 million units, consistent with the units produced in the same period a year ago.

For the year, North American vehicle production was down by approximately 2.8% compared to 2002.

European vehicle production was down by 7.4% with approximately 4.0 million units produced for the quarter compared with approximately 4.3 million units produced in the fourth quarter of 2002.

For the year, European vehicle production declined slightly by 2.4% as compared with the prior year at approximately 16.0 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 on the company's location of manufacturing. These differences are the result of products being manufactured on 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 \$332.6 million for the quarter, compared to \$287.9 million for the same period of last year, an increase of 15.6%.

The impact of the stronger Canadian dollar accounted for approximately \$20.4 million in total automotive revenue reductions for the fourth quarter of 2003. If the impact of the stronger dollar is removed, total automotive revenues for the quarter would have increased \$65.1 million or 22.6%.

For 2003, comparative automotive sales were \$1,261.6 million, compared to \$1,191.9 million for the same period of 2002, an increase of 5.8%.

For the year, the impact of the strengthening Canadian dollar translated to reduced automotive revenues in the amount of \$58.9 million. Without this impact, automotive revenues would have increased \$128.6 million or 10.8% as compared to the reported increase of \$69.7 million or 5.8%.

By comparison, the combined North American and European vehicle production declined by 3.5% in the quarter and by 2.7% for the year.



The increases in Linamar automotive revenues are the result of programs ramping 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 December			Year Ended December		
	2003	2002	% Change	2003	2002	% Change
Vehicle Production Units *	4.01	3.97	1.0%	16.26	16.73	-2.8%
Automotive Sales **	\$ 295,098	\$ 260,841	13.1%	\$ 1,118,891	\$ 1,072,705	4.3%
Content Per Vehicle	\$ 73.53	\$ 65.65	12.0%	\$ 68.83	\$ 64.12	7.4%

Europe	Three Months Ended December			Year Ended December		
	2003	2002	% Change	2003	2002	% Change
Vehicle Production Units *	4.02	4.34	-7.4%	15.97	16.37	-2.4%
Automotive Sales **	\$ 37,492	\$ 27,050	38.6%	\$ 142,734	\$ 119,214	19.7%
Content Per Vehicle	\$ 9.34	\$ 6.23	49.9%	\$ 8.94	\$ 7.28	22.7%

* Vehicle Production Units are shown in millions of units

** Automotive Sales are shown in thousands of dollars

In the fourth quarter, North American automotive sales increased by 13.1% over the same period of 2002 to \$295.1 million. In the same time period, the North American vehicle production units remained constant. Content per vehicle was \$73.53, compared to \$65.65 for the same quarter in 2002, an increase of 12.0%

For 2003, North American automotive sales increased by \$46.2 million or 4.3% to \$1,118.9 million when compared to 2002, due to content per vehicle increasing by 7.4% to \$68.83 per vehicle, and North American vehicle production units decreasing by 2.8% in the same period.

North American automotive sales continued to benefit 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, the Gen IV connecting rod, and a stator support for Ford accounted for further increases in sales during 2003. Engicom S. de R.L. de C.V. ("Engicom" – formerly Federal Mogul Camshafts de Mexico S. de R.L. de C.V.), purchased at the end of 2002, also contributed a full year of sales.

In the fourth quarter of 2003, European automotive sales were \$37.5 million compared to \$27.1 million in 2002, an increase of 38.6% in contrast to a market decline of 7.4%. Content per vehicle grew to \$9.34, an increase of 49.9% over the comparative period in 2002 of \$6.23.

For 2003, European automotive sales increased by 19.7% over the same period of 2002 to \$142.7 million with production vehicle units declining 2.4% to approximately 16.0 million units.

The increase in automotive sales for both the quarter and the year are the result of new contracts awarded and new programs ramping up towards full production volumes. Linamar Hungary RT ("Linamar Hungary" - formerly Mezőgép RT), 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 continue to ramp up along with the turbine housings produced for a Tier I customer. In addition, Linamar Antriebstechnik GmbH & Co. K.G. ("LAT" – formerly Salzgitter Antriebstechnik GmbH & Co. K.G.), Linamar's new camshaft plant utilizing hydroforming technology acquired in June, has contributed to the sales growth in the quarter.

Tooling sales for the year increased slightly over the prior year by \$4.4 million or 13.2% to \$37.7 million. Tooling sales for the fourth quarter of 2003 were \$14.4 million in support of new programs set to launch during 2004. The tooling for 2003 is primarily in support of new programs; the launch of a new overhead rocker arm assembly for Detroit Diesel Corporation ("DDC"), a GM side cover, a Ford block program, a DaimlerChrysler AG ("DCX") carrier 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. The side cover, block and carrier programs are scheduled for launch in the first and second quarters of 2004.

Other Sales

The largest area of sales growth for the quarter, as compared to 2002, was the sales of industrial products which grew by \$22.1 million to \$40.2 million as a result of the 2002 acquisition of Skyjack. For the year to date, growth in industrial products was \$107.1 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 25.0% of its sales for 2003. Skyjack sales are included in the Operational Segment of "Other".

Small engine sales continued to decline by 20.0% or \$6.3 million for 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 improved to 12.9% for the quarter, compared to 12.1% for the corresponding period last year. For the year 2003, gross margin before depreciation has improved to 12.6% and is now comparable to the 2002 level of 12.8%. For comparison, gross margin in the first, second and third quarters of 2003 were 13.1%, 12.5% and 11.9% respectively.

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. In 2004, this facility will be moving to consigned material. As a result, material content is expected to decline due to the high content in 2003 in this facility. The newest facility in the Linamar machining family, Camtac Manufacturing ("Camtac"), has moved from prototyping to production, improving the margins in the plant as the labour is now better utilized with increased volumes combined with improving processes, effectively reducing the material content.

The change in margin is largely due to the continuation of the change in a mix of automotive programs to higher material content on both machining and assembly programs. For example, a new assembly job for CAT at the company's Roctel Manufacturing ("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 but lower labour content, also had an effect. The camshaft facility in Germany which was acquired in June 2003 also has a higher material content than a typical Linamar machining facility. 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 company expects the material impact to lessen over the next year.



Amortization

Depreciation and amortization charges as a percentage of sales decreased from 7.2% in the fourth quarter of 2002 to 6.9% in the fourth quarter of 2003. As a percentage of assets employed, depreciation and amortization costs declined slightly as compared to the same period in 2002 at 4.7% to 4.4% respectively. During the fourth quarter, equipment was purchased but will start production in early 2004. Significant investments have been made for new programs launching for Ford (4.6L & 6.8L cylinder heads), Robert Bosch GmbH ("Bosch") (pump housing), and CAT (cylinder heads).

Year to date, amortization costs improved slightly for 2003 to 6.6% of sales compared to 2002 at 6.7%, despite the increase in amortization of \$10.3 million from \$91.2 million to \$101.5 million from 2002 as compared to 2003. The dollar value of assets in production has increased over 2002 by \$112.2 million as more programs come online for production. Amortization as a percentage of assets in use has decreased in 2003 to 15.6% from 17.0% in 2002 as a result of asset additions related to programs launching early in 2004. The decrease in percentage of assets in use is also impacted by the addition of new facilities at Linamar throughout the year.

The newest green field plant, Camtac, began production in the new building, bringing \$52.0 million of equipment into use during the year. Linamar's three acquisitions have brought significant new assets; however, due to the timing of the acquisitions, the amortization rates are quite low as a percentage of those assets. Linamar's latest acquisition, McLaren Technologies, Inc. ("McLaren"), brought with it \$12.4 million in capital assets and testing equipment. Similarly, LAT, purchased in June 2003, has added a further \$17.3 million.

Exchange

The company experienced exchange losses during 2003 of \$1.0 million as compared to a gain of \$4.0 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. 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.

In contrast, during 2002, gains were experienced in both Mexico and Hungary.

During 2003, the operations of 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.

Selling, General & Administrative Expenses

Selling, general & administrative ("SG&A") costs have improved as a percentage of sales from 6.7% in the fourth quarter of 2002 to 5.2% in the fourth quarter of 2003. This represents a decrease in costs to \$21.4 million from \$23.4 million for the same period last year.

On a year to date basis, SG&A costs are 5.9% of sales, or \$89.8 million, as compared to 5.9%, or \$80.6 million for 2002, a change of \$9.2 million. Core Linamar facilities (excluding Skyjack) had SG&A costs of \$75.1 million for the year, compared to \$72.4 million for 2002, a decrease of 0.01% as a percentage of sales (5.3% versus 5.4% in 2002). This represents a cost savings of \$1.4 million based on 2003 sales levels.

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. Skyjack significantly reduced the level of SG&A expenditures in the fourth quarter through the



streamlining of North American and European operations. At December 2003, Skyjack had year to date SG&A expenses totaling \$14.7 million, excluding exchange.

Selling, general and administrative costs for Linamar exceeded expectations to remain consistent at 6.1% to 6.3% of sales for the year. For 2004, SG&A should show continuing improvements due to the cost savings associated with the termination in 2003 of external sales forces and the building of an internal service group.

Segmented Results – Sales and Earnings from Operations

Operational

For the fourth quarter, sales for the North American automotive segment show an increase of \$32.7 million over 2002. The impact of the declining U.S. dollar is estimated to be a reduction of \$18.9 million for the quarter, indicating an increase otherwise of about \$51.6 million on a consistent exchange rate basis. The largest impact for the quarter continues to be the ramp up of the 5.4L cylinder head program for the new Ford F150, produced at the Exkor facility in Windsor. The GM 3.8L connecting rod and Hummer cylinder head have also contributed. 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.

North American automotive sales for 2003 are \$1,247.5 million as compared to \$1,215.7 million for 2002. The U.S. dollar decline is estimated to have an impact of \$54.9 million for the year. 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.

Operating earnings for the quarter improved over the prior year to \$35.7 million as compared to \$31.4 million in 2002. For the year, earnings decreased slightly at \$126.4 million as compared to \$129.0 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. A disappointing impact on earnings this year related to the swing in earnings to a loss at Industrias de Linamar S.A. de C.V. ("ILSA"). ILSA's major customer, Renault, experienced engine failures in the market place. All shipments and production were halted by Renault until the failures were resolved. Offsetting the declines were improved results in LdM, the results of the bedplate ramp-up at Eagle Manufacturing LLC ("Eagle"), improved pricing in the small non-automotive engines and the ramp up of production at the Exkor facility.

European sales in the quarter increased \$9.2 million to \$34.2 million from \$25.0 million in 2002. For the year, sales have increased to \$143.8 million from \$99.6 million in 2002. During the quarter, sales increases were experienced at Weslin on parts produced for Borg Warner Inc. and Honeywell. The new Denso program in Linamar Hungary improved the sales as well. Additional sales from the company's latest European acquisition, LAT, were \$3.5 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 operating loss for the quarter was \$7.9 million as compared to \$3.3 million for 2002. For the year, the operating loss was \$15.8 million as compared to \$8.0 million in 2002. The new operation, LAT, has contributed approximately \$5.7 million to the decline in operating earnings, offset by operational and volume improvements at Linamar Hungary.

Sales for the "Other" segment have increased \$19.6 million to \$40.3 million for the quarter and \$96.1 million for the year to \$138.9 million. The increase relates to the full consolidation of Skyjack commencing in September of 2002.



Operating Earnings in "Other" have improved in the last quarter as compared to 2002 by \$13.5 million and \$16.9 million for the year. The results in this segment improved due to the focused efforts to streamline the Skyjack operations.

Geographical

Canadian sales for the quarter were up \$33.2 million to \$306.6 million. For the year, the results were an increase of \$25.4 million to \$1,130.2 million. Growth continued 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 began to ramp-up during the third 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.

Canadian segment earnings increased \$6.7 million to \$117.5 million for the year. The fourth quarter registered an improvement of \$11.4 million as compared to the same quarter in 2002. In 2003, operating earnings in this segment have been impacted by the losses on the Honeywell AVNT centre housing and, as expected, the contract end of a high volume Delphi Automotive Systems Corporation steering housing. It should be noted that, as new programs prepare for launch in 2004, certain costs increase in preparation for production. Linamar's policy is to expense all start-up costs. As an offset, the ramp up at Exkor is starting to contribute to the earnings in this segment. This segment also benefited from non-automotive small engine price increases.

The sales in the U.S. segment increased by \$7.6 million and \$58.1 million for the quarter and year 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.

Operating earnings for the U.S. have improved \$3.1 million in the quarter to \$3.3 million and \$8.6 million to \$8.8 million for the year as a result of cost improvements in Skyjack and largely due to the benefit of higher volumes on the Eagle bedplate and manifold programs.

Sales for Mexico have continued to improve in the fourth quarter by \$5.9 million over 2002. The company's latest Mexican acquisition, Engicom, has generated most of the sales improvement for the quarter offsetting the declines experienced at ILSA as compared to sales levels in the fourth quarter of 2002. For the year, sales have improved \$21.0 million to \$111.0 million for 2003. Engicom has also contributed to the year to date with significant increases in sales levels as an offset to the reduced sales experienced at ILSA as a result of the Renault engine volume decline.

Operating earnings in the Mexican segment have improved in the quarter by \$1.8 million for the quarter to an operating loss of \$2.9 million; for the year, the results have declined by \$3.1 million to a loss of \$7.2 million. The decline in 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 profitable as compared to losses in 2002.

Fourth quarter sales in Europe are \$44.9 million, an increase of \$14.9 million over the same quarter in 2002. For the year, sales are \$173.0 million, a growth of \$67.6 million over sales of \$105.4 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.

Operating earnings in this segment have not experienced the same level of growth as sales. The operating loss for the quarter, as compared to 2002, increased by \$3.1 million. The change in earnings is directly attributed to LAT. While some losses are expected in the future, the level is expected to be less. For the year, the total European operating loss was \$16.6 million which is a decline of \$5.6 million as



compared to 2002. Offsetting the losses experienced at LAT for the fourth 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.

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 U.S. joint venture. 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 had been fixed at 5.4% on this debt through the use of an interest rate swap. In December 2003, the company entered into a cross-currency interest rate swap for a portion of the company's long-term debt to take advantage of lower U.S. denominated interest rates. The interest on long term debt year to date has increased \$0.2 million as compared to 2002, also due to the capital leases now in place for a full year.

Other interest expense is higher by \$0.9 million for the quarter and \$1.3 million year to date due to the increased level of short term debt during the second half of 2002 related to the acquisition of Skyjack and 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 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

In December 2003, the company terminated the Representation Agreements with its two remaining sales agents in Detroit and proceeded with the growth of its internal sales organization. Linamar agreed to pay \$18.2 million U.S. (\$23.6 million Canadian) as a settlement of all future commissions otherwise payable. The change will allow a more direct relationship with customers and strengthen the Linamar brand while also reducing the costs associated with sales and marketing activities for the automotive area of the company. Of the total settlement, \$6.7 million U.S. has been paid with the balance to be paid out over 36 months.

During 2002, the company held an equity ownership interest in two organizations. The amounts reflected for the fourth quarter of 2002 and the year represent the allowance for the equity interest 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 terminated its ownership interest in Minsor, providing fully for the investment, 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. September 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 Taxes

The effective tax rate reflected for the quarter is 128.4 %, compared with a rate of 17.4% in 2002. The higher rate reflects the impact of tax rate increases enacted by the Government of Ontario in the quarter. The changes pertain to tax rates in future years, resulting in a cumulative increase to the company's future tax liability of \$3.5 million and a corresponding increase in the tax expense for the quarter.

The year to date tax rate for 2003 is 42.5% as compared to 35.2% for 2002. During 2002 certain asset tax benefits were recognized related to ILSA. During 2003, this facility was negatively impacted by an unexpected production issue. The Renault engine for which components and assemblies are supplied by ILSA, failed in vehicles. While the source of the failure was not determined, production and shipments



were ceased for a period of time. Production for Renault has subsequently resumed at lower volumes. However, the company has been awarded a further one year extension to the end of 2005 for blocks only. As a result of the unexpected results, certain assets taxes recognized in 2002 were subsequently written off as the company was unable to utilize them with the disappointing results in 2003 at the facility.

The tax rate is also impacted by the losses generated by operations in Hungary and Mexico. The Hungarian operations are subject to a tax holiday during the first ten years of operation. No tax benefits have been recognized with respect to either Hungarian or Mexican losses.

Net Income and Earnings per Share

Net income from continuing operations, for the quarter declined \$15.2 million to a loss of \$1.2 million, compared to \$14.0 million for the corresponding period last year. The earnings in the quarter were impacted significantly by a one time impact of \$23.6 million related to the termination of the representative sales agents and the additional future taxes of \$3.5 million associated with the Ontario Government's change to corporate income tax rates. Removing these one time impacts, net income for the quarter has improved to \$18.1 million as compared to \$14.0 million in 2002.

Removing the impact of the representative sales agent termination cost and one time tax rate change, the results for the year are an improvement of \$2.3 million for a total income from continuing operations of \$58.8 million as compared to \$56.5 million for 2002.

Earnings per share from continuing operations for the quarter was a loss of \$0.02. Removing the impact of the sales termination costs and the tax rate change, the earnings per share would have been \$0.25 for the quarter. This represents an increase from the corresponding period last year of \$0.05. For the year, earnings per share from continuing operations was \$0.56. However, removing the one time fourth quarter impacts, the earnings per share would have been \$0.83 an increase of \$0.03 from last year's \$0.80.

FINANCIAL CONDITION, LIQUIDITY AND FINANCIAL RESOURCES

Linamar's cash position (net of unpresented cheques) at December 31, 2003 was \$29.3 million, compared to \$5.6 million at the end of the third quarter and \$27.9 million at December 31, 2002. The increase of \$23.7 million in the quarter is a result of cash provided by continuing operations, proceeds on the issuance of short term bank borrowings and the proceeds on the expanded long term portion of the Canadian banking syndicate. These increases were offset by cash used for capital expenditures.

For the year, cash position is consistent with 2002. The cash generated by the cancellation of certain forward contracts, cash generated by continuing operations, increased long term borrowings on the Canadian syndicate and proceeds on short term bank borrowings were offset by the payment of dividends, three acquisitions, and the continued investment in manufacturing equipment.

Operating Activities

Cash provided by continuing operations, before the effect of changes in non-cash working capital for the fourth quarter was \$25.4 million in 2003 as compared to \$42.2 million in 2002. Cash provided by continuing operations was \$94.4 million for the year, down from \$164.4 million in 2002. 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 \$9.6 million (\$73.9 million for the year), compared to a generation of \$25.4 million (\$8.2 million for the year) in 2002. This increased investment compared to last year resulted primarily from increases in accounts receivable and inventory levels associated with the ramp up of new programs such as the Ford 5.4L cylinder head program at Exkor, the CAT cylinder head at Camtac and the assembly programs at Eston Manufacturing for the Hummer cylinder head along with the CAT cylinder head assembly at Roctel. The new programs are very material intense. The assembly programs and the high material content in the cylinder head increases



the required working capital investment by the company. In 2004, Exkor will move to consigned material, reducing some of the impact the material components have made on the company's working capital position.

Financing Activities

Cash provided by financing activities for the three months and year ended were \$66.5 million and \$125.5 million respectively. Last year, the cash from financing activities for the same periods were \$5.3 million and \$1.0 million respectively.

The increase in short-term bank borrowings during the fourth quarter is primarily the result of the initial payment towards the sales agent termination settlement. Of the \$23.6 million settlement obligation, \$6.7 million U.S. was paid in December with a note payable over the next 36 months taken back for the balance. Significant payments were also made towards capital investment required to support the launch of new programs early in 2004. The machines have been received for installation in December. The end of the fourth quarter also sees customers holding payments until January to maximize their cash position.

The increase over the year is attributed to the third quarter McLaren acquisition, which required cash of \$26.1 million. During the second quarter, the acquisition of LAT required \$22.9 million and the share buyout of Torreon was a cause for a cash outflow of \$15.5 million. 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. The U.S. funds required for McLaren were repaid during the fourth quarter. As a result of the U.S. cash being used for acquisitions, other short term borrowings were advanced in Canadian funds for operating needs.

During the fourth quarter, the Canadian operations renewed and increased the long term portion of the banking syndicate. The agreement requires the facility to be fully drawn at all times so a further advance of \$18.0 million was taken on December 24, 2003.

In the fourth quarter of 2002, short term borrowings in Canada were repaid with cash from operations. The short term borrowings, originally advanced in the third quarter of 2002, were used for the purchase of Engicom.

For the year, additional long term debt was acquired through further capital leases for the new programs coming online in the company's joint venture, Eagle along with the increased Canadian syndicate.

The repayments of long term debt related to scheduled terms for the Skyjack Industrial Revenue Bonds, Linamar Hungary Euro loans and the capital leases at Eagle. In 2002, long term debt held by Skyjack on acquisition was repaid subsequent to becoming a wholly owned subsidiary of Linamar.

In 2002, Linamar Corporation stock options were exercised for proceeds of \$14.5 million. No options were exercised during 2003.

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 December 31, 2003, cash spent on investing activities totaled \$57.4 million; for the same period in 2002, the total spent was \$61.1 million. In 2002, Linamar acquired Engicom at the end of the year. During the fourth quarter of 2003 significant investment has been made in capital assets required for the launch of significant new programs in 2004 such as a Ford V10 cylinder head, Bosch turbo housing, expansion of manufacturing space at Linamar Hungary and continuing growth with CAT.

Total investing activities amounts for 2002 and 2003 were \$168.8 million and \$216.6 million respectively. The significant increase in cash spent on investing activities for this year over 2002 was due to



acquisitions completed in the second and third quarters of 2003, totaling a cash outflow of \$64.5 million as compared to \$24.9 million in 2002. During September 2002, Linamar acquired the remaining 52% of Skyjack Inc and in October, 100% of Engicom. In June 2003, Linamar acquired the remaining 45% of Torreon and completed the acquisition of 96% of the shares of a German company, LAT, for total cash outflow for both transactions of \$38.4 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 29.8% or \$64.5 million of the total cash outflow for investing activities, purchases of capital assets accounted for \$159.0 million of the outflow for 2003. In the second quarter of 2002, Linamar began construction on Camtac, a new facility focusing on the production of cylinder heads for CAT. Total expenditures related to Linamar's new Camtac facility and manufacturing equipment amount to \$62.6 million, in 2003, of which \$13.9 million represents accruals at the end of the year. Further additions in the first three quarters of the year are related to ramp ups and new product lines in various facilities, most notably the Denso line at the company's Hungarian facilities, the GM 3.8 litre connecting rod and the small valve body for Allison Transmission, General Motors Corporation ("Allison").

Financing Resources

At December 31, 2003, cash on hand was \$34.1 million with unrepresented cheques and short-term bank borrowings of \$156.7 million. The syndicated facility had available credit on the revolver of \$51.0 million. In December 2003, the syndicate was renewed and the non-revolving element expanded to \$120.0 million. Long-term debt on the non-revolving piece is due December, 2006. Of the consolidated long-term debt, 13.3% of the \$175.4 million is due and payable in the next 12 months.

Shareholder's Equity

Share capital and book value per share has grown slightly to \$8.88 per share at December 31, 2003, as compared to \$8.82 per share at December 31, 2002. Earnings net of dividends reduced the book value by \$4.1 million for the quarter with a contribution of \$29.2 million for the year to retained earnings. The decrease in the cumulative translation adjustment of \$25.1 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.

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 year, 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.

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.