



PRESS RELEASE

Linamar Announces First Quarter Results Linamar Posts Strong Sales and Bottom Line Growth

May 12, 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 first quarter ended March 31, 2004.

(CDN dollars in thousands except per share figures)

	Three Months Ended March 31	
	2004	2003
	\$	\$
Sales	436,936	377,203
Gross Margin	58,546	49,575
Operating Earnings ¹	34,838	22,648
Earnings from Continuing Operations	20,241	12,263
Diluted Earnings Per Share from Continuing Operations	0.29	0.17

First Quarter Operating Highlights

In the first quarter, sales increased by 15.8%, or \$59.7 million, to \$436.9 million compared to \$377.2 million in the same quarter last year. The increase was the result of strong performance in, and accelerated ramp up of new programs launched in recent periods (net of programs ending), strong sales in continuing automotive programs, the consolidation of acquisitions made in 2003 and exceptional performance in the Industrial business, primarily Skyjack Inc. (“Skyjack”).

First quarter operating earnings increased by 53.8% to \$34.8 million compared to \$22.6 million for the same quarter a year ago. The increase is the result of growth in Automotive earnings and particularly strong performance in the Industrial Segment. Geographically, earnings strengthened or improved in each of Canada, USA and Europe with considerable improvement as well in Mexico where a profitable quarter was reported overall and within each operating unit.

Net earnings for the first quarter of 2004 were \$20.2 million or 4.6% of sales compared to \$12.4 million or 3.3% of sales in the prior year. This result represents an increase of \$7.9 million or 63.5%. Earnings per share increase to \$0.29 per share compared to \$0.18 in the prior year.

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.

	Three Months Ended March 31	
	2004	2003
	\$	\$
Gross Margin	58,546	49,575
Selling, general and administrative	23,708	26,927
Operating earnings	34,838	22,648

The non-GAAP financial measure does not have standard meaning and may not be comparable to similar measures used by other issuers.



The effect of the stronger Canadian dollar against the US dollar in the first quarter of 2004 versus the first quarter of 2003 was that overall company wide sales would have increased by 20.6% assuming a constant exchange rate.

North American content per vehicle in the quarter grew by 6.7% to \$72.50 per vehicle compared to \$67.94 in the prior year. European content per vehicle grew by 12.7% to \$9.14 per vehicle compared to \$8.11 in the prior year.

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 March 31, 2004 of CDN\$0.04 per share on the common shares of the company, payable on or after June 9, 2004 to shareholders of record on May 28, 2004.

Outlook

In the first quarter, North American Original Equipment Manufacturers ("OEM") light vehicle and medium to heavy truck production was up 1.3% compared to the same period last year. In 2004, North American light vehicle production is expected to grow slightly between 0 and 1% and medium to heavy truck is forecast to grow by 5 to 10%.

In the first quarter, European vehicle production also grew by 1.3% compared to the same period last year. European production growth is expected to be flat during 2004 compared to 2003.

Considering these forecasts and taking into consideration Linamar's new program launches, new business won late last year which will launch in 2004, improved volumes on programs ramping up during 2004, and higher volumes on existing business, Linamar has revised its North American content to grow by 12 to 17%. In Europe, content growth is being negatively affected by the lack of volume on the GM CVT program but other programs have increased in volume, making up some of that gap. Consequently, content growth during 2004 is expected to be lower by 5 to 10% but continue to grow in the subsequent year.

The Industrial Products group, consisting primarily of Skyjack, achieved an exceptional sales level in the first quarter of 2004 compared to the same period in 2003, building on similar results in the fourth quarter of 2003. For the near term, this market trend appears to be continuing. Consequently, the Industrial Products group's results are expected to be positively affected by this trend. However, this market is very competitive and price pressure is 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.

Risk 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. 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 March 31, 2004 with comparatives as at December 31, 2003 (Unaudited)
(in thousands of dollars)

	March 31 2004	December 31 2003
	\$	\$
ASSETS		
Current Assets		
Cash	24,475	34,050
Accounts receivable	350,814	306,513
Inventories	159,077	165,172
Prepaid expenses	8,375	9,814
Future income taxes	5,779	10,764
Current assets – discontinued operations	3,106	3,036
	551,626	529,349
Other Long-Term Assets	22,998	14,307
Goodwill and Other Intangible Assets	34,780	34,643
Property, Plant and Equipment	754,033	716,187
Property, Plant and Equipment – Discontinued Operations	1,840	1,851
Future Income Taxes – Discontinued Operations	357	397
	1,365,634	1,296,734
LIABILITIES		
Current Liabilities		
Unpresented cheques	23,172	4,720
Short-term bank borrowings	168,421	151,998
Accounts payable and accrued liabilities	274,574	257,872
Current portion of long-term debt	18,919	23,284
Income taxes payable	5,859	9,445
Current portion of deferred gain (note 3)	16,939	15,213
Current liabilities – discontinued operations	1,944	2,366
	509,828	464,898
Long-Term Debt	152,500	152,158
Deferred Gain (note 3)	6,873	9,206
Future Income Taxes	21,776	22,038
Non-Controlling Interests	26,607	21,323
	717,584	669,623
SHAREHOLDERS' EQUITY		
Capital Stock	102,913	102,913
Retained Earnings	561,965	544,589
Contributed Surplus (note 2)	78	-
Cumulative Translation Adjustment	(16,906)	(20,391)
	648,050	627,111
	1,365,634	1,296,734

On behalf of the Board of Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31, 2004 and March 31, 2003 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended March 31	
	2004	2003
	\$	\$
Sales	436,936	377,203
Cost of Sales	349,282	304,033
Amortization	29,108	23,595
Gross Margin	58,546	49,575
Selling, general and administrative	23,708	26,927
Earnings Before the Following:	34,838	22,648
Interest on long-term debt	(1,725)	(1,642)
Other interest expense	(1,292)	(537)
Interest earned	271	215
Dilution loss	(248)	-
Other income	483	62
	32,327	20,746
Provision for (Recovery of) Income Taxes		
Current	6,715	9,364
Future	5,003	(1,246)
	11,718	8,118
	20,609	12,628
Non-Controlling Interests	368	365
Earnings from Continuing Operations	20,241	12,263
Results of Discontinued Operations	-	119
Net Earnings for the Period	20,241	12,382
Basic Earnings from Continuing Operations per Share	0.29	0.17
Diluted Earnings from Continuing Operations per Share	0.29	0.17
Basic Earnings per Share	0.29	0.18
Diluted Earnings per Share	0.29	0.18

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months ended March 31, 2004 and March 31, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended March 31	
	2004	2003
	\$	\$
Balance - Beginning of Period	544,589	515,345
Stock based compensation (note 2)	(41)	-
Balance - As restated	544,548	515,345
Net earnings for the period	20,241	12,382
Dividends	(2,824)	(2,824)
Balance - End of Period	561,965	524,903

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2004 and March 31, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended March 31	
	2004	2003
	\$	\$
Cash Provided By (Used In)		
Operating Activities		
Earnings from continuing operations	20,241	12,263
Non-cash charges (credits) to earnings:		
Amortization of property, plant and equipment	29,108	23,595
Future income taxes net of unrealized exchange loss	5,003	(1,246)
Non-controlling interests	368	365
Unrealized exchange loss on debt	(1,349)	1,212
Amortization deferred exchange gain	(3,392)	-
Loss (gain) on disposal of property, plant and equipment	277	(795)
Other	154	33
	<u>50,410</u>	<u>35,427</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(49,027)	(58,759)
Decrease (increase) in inventories	7,040	(4,733)
Decrease in prepaid expenses	1,494	1,617
Increase (decrease) in income taxes payable	(3,675)	6,264
Increase in accounts payable and accrued liabilities	12,262	30,602
	<u>18,504</u>	<u>10,418</u>
Deferred gain	2,785	-
Cash flow – continuing operations	21,289	10,418
Cash flow – discontinued operations	(418)	(580)
	<u>20,871</u>	<u>9,838</u>
Financing Activities		
Proceeds from short-term bank borrowings	14,884	4,642
Proceeds from long-term debt	2,221	560
Repayment of long-term debt	(4,829)	-
Dividends to shareholders	(2,824)	(2,824)
	<u>9,452</u>	<u>2,378</u>
Investing Activities		
Payments for purchase of property, plant and equipment	(62,261)	(32,377)
Proceeds on disposal of property, plant and equipment	122	3,580
Investment by minority shareholders	3,738	-
Other	(316)	843
Discontinued operations	(23)	-
	<u>(58,740)</u>	<u>(27,954)</u>
	<u>(28,417)</u>	<u>(15,738)</u>
Effect of Translation Adjustment	390	(1,814)
Decrease in Cash Position	(28,027)	(17,552)
Cash Position - Beginning of Period	29,330	27,926
Cash Position - End of Period	<u>1,303</u>	<u>10,374</u>
Comprised of:		
Cash	24,475	21,802
Unpresented cheques	(23,172)	(11,428)
	<u>1,303</u>	<u>10,374</u>

LINAMAR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2004 (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 quarter, the company began to amortize to earnings the estimated fair value of the options granted after January 1, 2002 over their remaining vesting period.

Stock Based Compensation: Effective January 1, 2004, the company adopted the revised Canadian Institute of Chartered Accountants Handbook Section 3870 "Stock-based compensation and other stock-based payments" ("CICA 3870"). The company has adopted the fair value method of accounting for stock-based compensation and recognizes a compensation expense for all stock options granted to employees and directors. The company only issues stock options to employees, including directors. The fair value of the options issued in the year is determined using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the vesting period.

Prior to January 1, 2004, the company disclosed the pro-forma net income and earnings per share, as if the fair value based accounting method had been used to account for stock-based compensation.

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

The fair value of the stock options granted since January 1, 2002 was 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

Beginning January 1, 2004 the company has adopted revised CICA 3870 retroactively and has chosen not to restate prior periods as permitted under the revised Handbook Section. The effect of the restatement was the setup of contributed surplus in the amount of \$78 for the fair value of options granted after January 1, 2002 and a reduction in the balance of opening retained earnings by \$41 as the cumulative effect of the change on prior periods for the amount that would have been expensed. As at March 31, 2004, \$4 was recorded as the compensation cost for the quarter.

3. 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 of 2003, the company placed forward contracts to buy U.S. dollars, effectively locking in the gains on the contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. During the first quarter of 2004 the company has locked in additional gains of \$2.8 million. The gains have been deferred and are 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. The company has continued to place forward contracts after the quarter end.

Year	Amount Hedged - Buy (Sell)	Currency	Average Exchange Rate
2004	U.S. \$(56,000,000)	For Canadian dollars	1.4017
2005	U.S. \$(24,000,000)	For Canadian dollars	1.4000
2006	U.S. \$(6,000,000)	For Canadian dollars	1.4000
2004	Euro €1,050,000	With Canadian dollars	1.5485
2004	GBP £222,000	With U.S. dollars	2.0869
2004	GBP £(5,880,000)	For Canadian dollars	2.3500

4. Segmented Sales and Earnings Information (Continuing Operations in thousands of dollars)

Geographic	For the three months ended March 31, 2004		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
Canada	327,972	609	30,968
United States	37,360	1,719	2,995
Mexico	28,465	-	1,220
Europe	43,139	1,918	(345)
Total	436,936		34,838

	For the three months ended March 31, 2003		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
Canada	282,203	1,946	25,694
United States	29,085	703	932
Mexico	27,079	-	(2,644)
Europe	38,836	3,059	(1,334)
Total	377,203		22,648

Operational	For the three months ended March 31, 2004		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
N.A. Automotive Systems	339,266	1,764	33,874
Europe	37,454	1,918	(2,811)
Other	60,216	6,023	3,775
Total	436,936		34,838

	For the three months ended March 31, 2003		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$
N.A. Automotive Systems	312,819	1,408	30,547
Europe	33,784	3,478	(1,304)
Other	30,600	5,155	(6,595)
Total	377,203		22,648

5. Related Party Transactions (in thousands of dollars)

Included in the purchase of property, plant and equipment are the construction of buildings, building additions and building improvements in the aggregate amount of \$32 by a company owned by the spouse of a director. Included in cost of sales, are maintenance costs of \$129 by the same company.

These transactions have been recorded at the exchange amount.

6. 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:

	Three Months Ended	
	March 31 2004	March 31 2003
Government sponsored	3,961	3,689
Company sponsored	1,946	1,870

7. 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	
	March 31	March 31
	2004	2003
Foreign Exchange Gains (Losses)	845	(2,256)

8. 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 quarter end the maximum potential amount of future payments is \$16,433 over the remaining lease term.

The company has a commitment for its 50% joint venture interest in Weslin Industries Inc. and other companies in the form of a bank guarantee for a maximum potential future payment of \$3,490 and \$2,320 respectively.

The company has various other guarantees for a maximum potential future payment of \$1,742 over various terms of 4 to 5 years. The company has estimated 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.

9. 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 March 31, 2004, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$108,514.

10. Comparative Figures

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter Ended March 31, 2004

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "company") should be read in conjunction with its consolidated financial statements and related notes thereto as well as the annual MD&A for the year ended December 31, 2003. This MD&A has been prepared as at May 11, 2004.

This MD&A has been prepared by reference to the new MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators.

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

In this MD&A, reference is made to operating earnings which is not a measure of financial performance under Canadian generally accepted accounting principles ("GAAP"). Operating earnings is calculated by the company as Gross Margin less Selling, General and Administrative expenses. The company has included information concerning operating earnings because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as an evaluation of the company's financial performance. This indicator is not necessarily comparable to similarly titled measures used by other companies and should not be construed as alternatives to net earnings or cash flows from operating activities as determined in accordance with Canadian GAAP nor as a measure of liquidity.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

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

The following table sets out certain highlight's of the company's performance for the first quarter of 2004 and 2003:

(in thousands of dollars, except content per vehicle)

	March 31, 2004	March 31, 2003
Sales	\$436,936	\$377,203
Gross Margin	58,546	49,575
Net Earnings from Continuing Operations	20,241	12,263
Content per Vehicle – North America	\$72.50	\$67.94
Content per Vehicle – Europe	9.14	8.11

Overall Corporate Results

In the first quarter, sales increased by 15.8%, or \$59.7 million, to \$436.9 million compared to \$377.2 million in the same quarter last year. The increase was the result of strong performance in, and accelerated ramp up of new programs launched in recent periods (net of programs ending), strong sales in continuing automotive programs, the consolidation of acquisitions made in 2003 and exceptional performance in the Industrial business, primarily Skyjack Inc. ("Skyjack").

First quarter operating earnings increased by 53.8% to \$34.8 million compared to \$22.6 million for the same quarter a year ago. The increase is the result of growth in Automotive earnings and particularly strong performance in the Industrial Segment. Geographically, earnings strengthened or improved in each of Canada, USA and Europe with considerable improvement as well in Mexico where a profitable quarter was reported overall and within each operating unit.

Net earnings for the first quarter of 2004 were \$20.2 million or 4.6% of sales compared to \$12.4 million or 3.3% of sales in the prior year. This result represents an increase of \$7.9 million or 63.5%. Earnings per share increase to \$0.29 per share compared to \$0.18 in the prior year.

Sales <i>(in thousands of dollars)</i>	March 31, 2004	March 31, 2003
Canada	\$327,972	\$282,203
US	37,360	29,085
Mexico	28,465	27,079
Europe	43,139	38,836
Total external sales	\$436,936	\$377,203

Canadian sales were \$328.0 million for the first quarter of 2004, an increase of \$45.8 million or 16.2%, compared to sales of \$282.2 million for the 2003 quarter. The increase in sales is due to a combination of acquisitions in 2003 being fully consolidated in 2004, 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 \$8.5 million for the quarter. The stronger Canadian dollar had the effect of lowering automotive sales by approximately \$16.7 million for the year. Excluding the

estimated effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 20.6% for the quarter.

US sales increased \$8.3 million from \$29.1 million in the comparable quarter in 2003 to \$37.4 million in 2004. The increase in sales is due to volume increases in Skyjack, the inclusion of acquisitions from 2003, and a general improvement in overall market conditions. Mexican operations increased \$1.4 million to \$28.5 million due to overall volume increases. Europe realized sales of \$43.1 million or \$4.3 million over the comparative quarter of 2003 with results from the company's acquisition in LAT accounting for the largest portion of the increase and the company's share in the Weslin joint venture accounting for most of the remainder.

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) include medium and heavy truck volumes. European vehicle production units exclude medium and heavy trucks.

North American vehicle production volumes for the first quarter of 2004 were approximately 4.2 million units or an increase of 1.3% over the units produced in same 2003 period.

European vehicle production was also up slightly by 1.3% with approximately 4.3 million units produced in the quarter compared with the first quarter of 2002.

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 are differences in the figures as reported under the North American automotive systems segment. This segment 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 segment.

Total automotive sales for North America and Europe were \$346.8 million for the first quarter of 2004, compared to \$319.1 million in 2003, an increase of 8.7%. The impact of the stronger Canadian dollar accounted for approximately \$16.7 million in total automotive revenue reductions for the quarter. If the estimated impact of the stronger dollar is removed, total automotive revenues for the year would have increased 13.9%. By comparison, the combined North American and European vehicle production increased slightly by 1.3% in the first quarter of 2004 against production in 2003.

The increases in Linamar automotive revenues are the result of programs ramping up to full production levels, new programs launched net of anticipated volume reductions and programs ending, as well as strong volumes on existing programs.

Content per Vehicle	March 31,	March 31,	
<i>North America</i>	2004	2003	% Change
Vehicle Production Units *	4.2	4.2	1.3%
Automotive Sales **	\$307,097	\$284,204	8.1%
Content Per Vehicle	\$72.50	\$67.94	6.7%
<i>Europe</i>			% Change
Vehicle Production Units*	4.3	4.2	1.3%
Automotive Sales**	\$38,938	\$34,122	14.1%
Content Per Vehicle	\$9.14	\$8.11	12.7%

* Vehicle Production Units are shown in million of units

** Automotive Sales are shown in thousands of dollars

For the first quarter of 2004, North American automotive sales increased by 8.1% over 2003 to \$307.1 million. North American vehicle production units were up 1.3%. Content per vehicle for the quarter was \$72.50, compared to \$67.94 for the first quarter of 2003, an increase of 6.7%.

North American automotive sales benefited from continued growth in a number of new and existing programs. Significant programs that contributed in the quarter were the Caterpillar Inc. ("CAT") ACERT head program, the Detroit Diesel Corporation ("DDC") overhead assembly, the Ford Motor Company ("Ford") 5.4 L cylinder head program, the connecting rod program for the General Motors Corporation ("GM") Gen IV engine and two new GM 3.8L connecting rod programs for normally aspirated and super charged engines.

To date in 2004, European automotive sales increased 14.1% from \$34.1 million in 2003 to \$38.9 million, a significant gain in contrast to small market growth of 1.3%. Content per vehicle continued to grow to \$9.14, from \$8.11, an increase of 12.7% over the first quarter of 2003.

The increase in European automotive sales relate to a number of factors. LAT, Linamar's new camshaft plant, acquired in June 2003, utilizes hydroforming technology and has contributed to sales growth in the quarter. Linamar Hungary RT ("Linamar Hungary") has seen the Denso Corporation ("Denso") plate housing continue to increase in volume along with volumes on the Robert Bosch GmbH ("Bosch") common rails. Weslin Autoipari RT ("Weslin") has seen its manifold programs for Honeywell International, Inc. ("Honeywell") Garrett and Peak projects continue to ramp up along with the turbine housings produced for another Tier 1 customer.

Automotive tooling sales for the quarter were consistent with 2003 at \$6.6 million. Tooling during the quarter is in support of the Eaton Corporation ("Eaton") differential case, DamlierChrysler AG ("DCX") front and rear flange programs, as well as cylinder heads for GM.

Other Sales

The largest area of sales growth for the 2004 quarter continues to be the sales of industrial products, which grew by \$29.6 million to \$60.2 million mainly attributable to Skyjack elevating platform sales levels. The majority of Skyjack's sales are in the North American market with the European market representing 10.9% in the first quarter of 2004. Skyjack sales are included in the "Other" operational segment.

Small engine sales remained consistent for the first quarter of 2004 as compared to 2003. The related product lines continue to be strategically de-emphasized. These sales are included in the North American automotive systems operational segment but are not included in content per vehicle calculations.

Gross Margin <i>(in thousands of dollars)</i>	March 31, 2004	March 31, 2003
Sales	\$436,936	\$377,203
Cost of sales	349,282	304,033
Amortization	29,108	23,595
Gross margin	\$58,546	\$49,575
Gross margin percentage	13.4%	13.1%

Gross margin was 13.4% for the first quarter of 2004, comparable to 13.1% for 2003. This increase was achieved in spite of the higher material content on many machining and assembly programs added over the past 1-2 years. Programs such as cylinder heads and blocks, rocker arm assemblies and connecting rods carry a higher material content where the casting is purchased. Skyjack, which experiences higher material content compared to Linamar's core precision machining business, also had the affect of reducing the gross margin percentage. In the first quarter of 2004, sales levels for Skyjack have increased significantly, improving labour utilization and overhead absorption.

One of the factors contributing to the higher margin is improved efficiency and better utilization of labour. For example, as new facilities have ramped up over the last twelve months from low sales in the first quarter of 2003 to more typical production levels in the first quarter of 2004, these operations use more automation thereby reducing labour cost.

Amortization charges as a percentage of sales increased from 6.3% of sales to 6.7% of sales over the first quarter or \$29.1 million as compared to \$23.6 million. The first quarter of 2004 is more comparable with the fourth quarter of 2003 where amortization was 6.9% of sales. As new programs such as the CAT and Ford cylinder head programs and the new DCX shaft program ramp up, more production capacity is added. Amortization is expected to increase marginally as a percent of sales over 2004 as there are many capital intense, long running programs scheduled for start-up or ramp up during the year.

Operating Earnings <i>(in thousands of dollars)</i>	March 31, 2004	March 31, 2003
Gross margin	\$58,546	\$49,575
Less		
Selling, general and administrative	23,708	26,927
Operating Earnings	\$34,838	\$22,648

Selling, general and administrative (“SG&A”) costs, excluding currency exchange impacts, decreased from \$24.7 million in the first quarter of 2003 to \$24.6 million in 2004. With this small decrease, SG&A has improved as a percentage of sales at 5.6% for the first quarter of 2004 and 6.5% for the same quarter of 2003. The Skyjack operation requires more marketing and sales efforts than Linamar automotive machining and assembly activities due to the extensive marketing and distributing activity thereby adding additional cost to the overall SG&A. Improvements in SG&A resulted from the company realizing the lower costs associated with the new in-house sales organization.

The company experienced exchange gains during the quarter of \$0.8 million as compared to a loss of \$2.3 million in 2003. Linamar Hungary holds Euro denominated debt which affords a much lower interest rate than funds borrowed in Hungarian Forints. New and growing business at Linamar Hungary is also Euro-based. As the Hungarian Forint has strengthened in value against the Euro in 2004, the company has experienced corresponding exchange gains. In the first quarter of 2003, the Forint had weakened against the Euro. The Hungarian currency strategy anticipates the future move to the use of the Euro. 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 company placed forward contracts to buy U.S. dollars, effectively locking in the gains on the forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. During the first quarter of 2004, the company has locked in additional gains of \$2.8 million. The gains have been deferred and are being amortized to revenue based on the terms of the original underlying contracts.

INCOME BY SEGMENT

The following should be read in conjunction with note 19 to Linamar’s consolidated financial statements for the financial year ended December 31, 2003 and note 4 of the interim financial statements.

Operational

Sales for the North American automotive segment reflect an increase of \$26.4 million or 8.4% from \$312.8 million to \$339.3 million for the first quarter of 2004. The effect of the declining U.S. dollar against the Canadian dollar and the Mexican Peso is estimated to be a reduction of \$16.7 million for the quarter, indicating a potential increase of \$43.1 million on a consistent exchange rate basis. The programs with the largest impact for the year have continued to be the ramp up of the connecting rod programs for GM, the cylinder head production for CAT, and the 5.4L cylinder head program for the Ford F150. The CAT cylinder head assembly activity has also increased sales for the quarter. Sales related to International Truck and Engine Corporation (“International”) and certain Ford programs have decreased as anticipated for cylinder heads over the first quarter in 2003.

For the quarter, operating earnings are up slightly in North America to \$33.9 million from \$30.5 million for 2003. Some programs have come to their anticipated end and the facilities are in the process of switching over to new generations or programs. Launch issues with the Honeywell AVNT centre housing over the past year are largely resolved. Mexico posted solid profits during the first quarter of 2004 due to improvements in production processes, controlling consumable costs and reducing scrap levels.

Earnings improvements in other operations of the company are also attributed to the new connecting rod and cylinder head programs.

European sales to date in 2004 increased \$3.7 million to \$37.5 million from \$33.8 million in 2003. Agricultural sales declined in the quarter as compared to the prior year. GM suspended production of the CVT program, gains were seen in the sales to Denso, Newage AVK-SEG Ltd. ("Newage"), and Ford Europe through both Linamar Hungary and Weslin. The additional sales from the company's 2003 European acquisition, LAT, also accounted for a portion of the quarterly gain.

European operating loss for the quarter was \$2.8 million as compared to \$1.3 million for 2003. LAT has contributed to a large majority of the decline in earnings, offset by operational and volume improvements at Linamar Hungary.

Sales for the "Other" segment increased \$29.6 million to \$60.2 million to date in 2004. The increase relates to the significantly higher sales levels of Skyjack's elevating platforms as the market for its product has seen a strong demand beginning in the fourth quarter of 2003 and has continued through this first quarter of 2004.

Operating earnings in the "Other" segment improved in the quarter from a loss of \$6.6 million in the first quarter of 2003 to an income of \$3.8 million in 2004 – an increase of \$10.4 million. This segment has seen continued growth due to the improved market conditions. The focused efforts of Skyjack operations to reduce costs and alter the manufacturing strategy from one of a complete component manufacturer to a design, assembly key component manufacturing, and marketing and distribution strategy have also contributed.

Geographical

Canadian sales for 2004 were up \$45.8 million to \$328.0 million. Skyjack contributed to the quarter with increased sales due to a large customer order and overall improving market conditions. Cylinder head machining and assembly contracts awarded by CAT in 2003 and the 5.4L cylinder head program for Ford positively impacted the quarter as did the GM connecting rod programs. These increases were offset by anticipated completion of contracts.

The operating earnings for the Canadian segment to date for 2004 increased \$5.3 million to \$31.0 million as compared to 2003. Many of the Canadian facilities have continuously improved their operating performance by focusing on certain cost category improvements and lean manufacturing initiatives. In addition, facilities have analyzed specific programs not achieving desired levels of performance such as the Honeywell turbine housing programs, and implemented specific actions to improve results. These initiatives, coupled with better volumes on existing business and accelerated launches, have contributed to the earnings growth.

When comparing the fourth quarter of 2003 to the first quarter of 2004, operating earnings decreased from \$40.6 million to \$31.0 million. In the fourth quarter of 2003, the company recognized gains on forward contracts that hedged US dollar sales, that otherwise would have occurred in the first quarter of 2004, to comply with the existing foreign exchange accounting rules in 2003. In addition, operating earnings generated by Skyjack vary geographically, depending on where the sales and earnings occurred. In the fourth quarter of 2003 such sales and earnings were higher in Canada compared to other jurisdictions in contrast to the first quarter of 2004 where earnings were lower. Also, reductions in accounts receivable reserves taken in Canada in the fourth quarter improved earnings but were largely offset by a charge in Mexico to accrue for the downsizing of the workforce.

The sales in the U.S. segment increased \$8.3 million to \$37.4 million for the first quarter of 2004. The net increase relates to the addition of McLaren Performance Technologies, Inc. ("McLaren") in 2003.

Operating earnings in this segment have improved \$2.1 million for the quarter to \$3.0 million as a result of sales increases and continuing cost improvements in Skyjack's Iowa manufacturing facility.

Sales for Mexico have improved in 2004 by \$1.4 million to \$28.5 million for the quarter. Volumes of the Renault engine have returned to a consistent level compared to the prior year and the Industrias de Linamar S.A. de C.V. ("ILSA") facility has launched programs for cylinder liners, heads and blocks.

Operating earnings in this segment to date in 2004 have improved by \$3.9 million in 2003 to earnings of \$1.2 million. The facilities have improved operating performance, most notably at Linamar de Mexico S.A. de C.V. Coupled with stable production levels of existing business and increasing volumes of new programs, all facilities in Mexico are operating at profitable levels.

In the first quarter of 2004, sales in Europe were \$43.1 million, an increase of \$4.3 million over 2003. GM suspended the CVT programs; however, gains were seen in the sales to other customers at Linamar Hungary and the joint venture, Weslin. The additional sales from the company's 2003 European acquisition, LAT, also contributed to the sales growth.

Operating earnings in this segment have improved in the first quarter of 2004. Offsetting the losses experienced at LAT for 2004 were improvements in the earnings of Skyjack through increased sales volumes and the continued efforts to gain operational efficiencies in the European market place. Linamar Hungary also improved operating earnings through increased volumes on programs other than the CVT program.

Net Earnings and Balance Sheet Data *(in thousands of dollars, except per share amounts)*

The following quarterly financial data has been derived from and should be read in conjunction with Linamar's audited consolidated financial statements for the financial years ended December 31, 2003 and 2002.

	March 31, 2004	March 31, 2003
Sales	\$436,936	\$377,203
Gross Margin	58,546	49,575
Operating income	34,838	22,648
Net interest expense	(2,746)	(1,964)
Dilution loss	(248)	-
Other income	483	62
Income taxes	(11,718)	(8,118)
Non-controlling interest	(368)	(365)
Earnings from continuing operations	\$20,241	\$12,263
Results from discontinued operations	-	119
Net earnings	\$20,241	\$12,382
Earnings Per Share From Continuing Operations		
Basic	\$0.29	\$0.17
Diluted	0.29	0.17
Earnings Per Share From Net Earnings		
Basic	\$0.29	\$0.18
Diluted	0.29	0.18
Total Long Term Liabilities	\$207,756	\$163,381
Cash Dividends declared per share	\$0.04	\$0.04
Total Assets	\$1,365,634	\$1,088,506

Net Income and Earnings per Share

The effective tax rate for the 2004 quarter was 36.2%, a decrease from the effective rate of 39.1% in 2003. The 2004 rate reflects the impact of increases enacted by the new Government of Ontario in the fourth quarter of 2003. The effective tax rate was also impacted by the operations in Mexico and Hungary. The Hungarian operations enjoy the benefit of a tax holiday through a tax credit system which management expects to continue until 2011. No tax benefits have been recognized with respect to either

Hungarian or Mexican losses during 2004. As these operations improve, the effective tax rate will decrease.

Net income from continuing operations for the quarter was \$20.2 million as compared to \$12.3 million in 2003. Net Income growth is a result of the sales growth experienced as new programs come on line net of lower selling expenses.

For the quarter, earnings per share from continuing operations were \$0.29, an increase of \$0.12 from \$0.17 in 2003.

Interest

During the quarter, interest on long-term debt increased by \$0.1 million over quarter one of 2003 primarily due to the capital leases at 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 twelve months. Linamar also has a syndicated credit facility in place for the Canadian portion of its long term debt.

Other interest expense is higher by \$0.8 million, despite a slight decline in the applicable rate for the quarter, due to the increased level of utilization of short term debt acquired. Currently, significant investment is being made in production equipment for the launch of new programs. The largest investment to date in 2004 is for the DCX differential case line starting in 2004 at one of the company's Guelph locations. Funds were used in 2003 for the purchase of LAT, the remaining 45% of 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 year as excess funds have continually been used to draw down short term borrowings.

Other

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 2003, management repealed the plan to sell the assets of one of the in-house casting operations, Diversa Cast Manufacturing ("Diversa Cast"). The prior year balance sheet and income statements have been reclassified to reflect the reintegration of the operation into continuing operations.

Summary of Quarterly Results of Operations

The following table sets forth unaudited information for each of the nine quarters ended March 31, 2002 through March 31, 2004. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

Quarter ends are in millions of dollars except per share comments as follows:

	Mar 31, 2002	Jun 30, 2002	Sep 30, 2002	Dec 31, 2002	Mar 31, 2003	Jun 30, 2003	Sep 30, 2003	Dec 31, 2003	Mar 31, 2004
Sales	\$312.3	\$348.7	\$350.1	\$346.9	\$377.2	\$373.0	\$371.5	\$408.5	\$436.9
Earnings from Continuing Operations	12.1	18.1	12.3	14.0	12.3	16.0	12.5	(1.2)	20.2
Earnings (Loss) Per Share from Continuing Operations									
Basic	0.17	0.26	0.17	0.20	0.17	0.23	0.18	(0.02)	0.29
Diluted	0.17	0.26	0.17	0.20	0.17	0.23	0.18	(0.02)	0.29
Net Earnings (Loss) Per Share									
Basic	0.18	0.26	0.17	0.20	0.18	0.23	0.18	(0.02)	0.29
Diluted	0.18	0.26	0.17	0.20	0.18	0.23	0.18	(0.02)	0.29

The quarterly results of the company are impacted by the seasonality of certain operational units. Earnings in second quarter are positively impacted by the high selling season for both the general lift platform and agricultural businesses. The third quarter is generally negatively impacted by the scheduled summer shut downs at the company's automotive customers. The company takes advantage of summer shut downs for maintenance activities that would otherwise disrupt normal production schedules.

The fourth quarter of 2003 was negatively impacted by the termination of all outside sales agents as the company builds its own internal sales force. Please see the annual MD & A for the year ended December 31, 2003 for other factors affecting the company's financial results during the previous year.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows *(in thousands of dollars)*

	March 31, 2004	March 31, 2003
Cash provided from (used for):		
Operating activities	\$20,871	\$9,838
Financing activities	9,452	2,378
Investing activities	(58,740)	(27,954)
Effect of translation adjustment	390	(1,814)
Net increase (decrease) in cash	\$(28,027)	\$(17,552)
Cash Position – Beginning of Period	29,330	27,926
Cash Position – End of Period	\$1,303	\$10,374
Comprised of:		
Cash	\$24,475	\$21,802
Unpresented Cheques	(23,172)	(11,428)
	\$1,303	\$10,374

Linamar's cash position (net of unpresented cheques) at March 31, 2004 was \$1.3 million, down from \$10.4 million at March 31, 2003.

Cash used during the first quarter of 2004 was from the continued investment in manufacturing equipment which was partially offset by continuing operations, and proceeds from short term bank borrowings.

Operating Activities *(in thousands of dollars, except per share prices)*

	March 31, 2004	March 31, 2003
Earnings from continuing operations	\$20,241	\$12,263
Items not involving current cash flows	30,169	23,164
Cash provided from operations	\$50,410	\$35,427
Net change in non-cash working capital	(31,906)	(25,009)
Deferred gain	2,785	-
Cash flow – continuing operations	\$21,289	\$10,418
Cash flow – discontinuing operations	(418)	(580)
Cash provided from operating activities	\$20,871	\$9,838

Cash provided by continuing operations increased from last year to \$21.3 million in 2004 from \$10.4 million. Non-cash charges have increased \$7.0 million to \$30.2 million in 2004 from \$23.2 million. A \$5.5 million portion is attributable to increased amortization as more assets have come on line during the quarter, an increased provision for future income taxes of \$6.2 million from the prior year due to the recognition of the sales termination expense for taxes, and a partial offset from amortization of the deferred exchange gain.

Incremental investments in non-cash working capital for the year were \$31.9 million compared to \$25.0 million last year. This increase was partially offset by the receipt of cash proceeds of \$2.8 million on U.S. forward contracts crystallized during the quarter. The remaining increased investment compared to last year resulted primarily from higher accounts receivable associated with the ramp up of new programs

such as the CAT cylinder head, the CAT cylinder head assembly, and a significant sale at Skyjack collected subsequent to the quarter end.

Financing Activities *(in thousands of dollars, except per share prices)*

	March 31, 2004	March 31, 2003
Proceeds from short-term bank borrowings	\$14,884	\$4,642
Proceeds from long-term debt	2,221	560
Repayment of long-term debt	(4,829)	-
Dividends to shareholders	(2,824)	(2,824)
Cash provided from financing activities	\$9,452	\$2,378

Cash provided by financing activities for 2004 was \$9.5 million compared to \$2.4 million for 2003.

The increase in short-term bank borrowings during the quarter is primarily the result of additional credit extended to fund prior year acquisitions, payments for the purchase of property, plant and equipment, and working capital commitments for numerous new programs launching during the quarter.

In the first quarter, the repayment of long-term debt of \$4.8 million was primarily related to the sale agent termination agreement and was partially offset by proceeds of \$2.2 million from Linamar Hungary.

As at March 31, 2004, the company's syndicated revolving facility had available credit of \$50.3 million. In December 2003, the syndicated non-revolving term facility was renewed and increased to \$120.0 million, due in December 2006.

No options were exercised during the quarter.

The company continues its dividend policy with payments made quarterly on 70,603,476 common shares at a rate of \$0.04 per share.

Investing Activities *(thousands of dollars, except per share prices)*

	March 31, 2004	March 31, 2003
Payments for purchases of capital assets	\$(62,261)	\$(32,377)
Proceeds from disposal of capital assets	122	3,580
Investment by minority shareholder	3,738	-
Other	(316)	843
Discontinued operations	(23)	-
Cash used for investing activities	(\$58,740)	(\$27,954)

As at March 31, 2004, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$108.5 million (December 31, 2003 - \$66.8 million).

For the quarter, cash spent on investing activities totaled \$58.7 million, compared to \$28.0 million for the same period in 2003. The significant increase was due to payments for purchases of capital assets totaling a cash outflow of \$62.3 million, as compared to \$32.4 million for 2003.

During the quarter, 22.2% of the \$62.3 million balance was spent on equipment for new programs at an existing facility in Guelph. The new equipment will be used in the production of DCX differential case module. Total expenditures related to the manufacturing equipment amounted to \$31.9 million during the quarter, of which \$18.1 million represents accruals at the end of the quarter. Other additions are related to ramp ups and new lines at various facilities including the ATX differential case program and the Delphi brake control bodies program.

During 2003, certain officers and directors of the company exercised options in Linamar Hungary subject to regulatory approval from the Court of Registry in Hungary. In the first quarter, the registration was

completed and resulted in cash proceeds of \$3.7 million and a dilution in ownership of the subsidiary from 62.8% to 58.6%. The transaction netted a dilution loss of \$0.2 million.

Financing Resources

At March 31, 2004, cash on hand was \$24.5 million, with unrepresented cheques and short-term bank borrowings of \$191.6 million. As at March 31, 2004, the company's syndicated revolving facility had available credit of \$50.3 million. In December 2003, the syndicated non-revolving term facility was renewed and increased to \$120.0 million, due in December 2006. This facility was fully drawn as at March 31, 2004, as required under the credit agreement. Of the company's consolidated long-term debt, only 12.4% of the \$171.4 million is due and payable in the next 12 months.

Contractual Obligations

Please see the annual MD & A for the year ended December 31, 2003 for a table summarizing contractual obligations by category.

The balance of purchase obligations² increased to \$108.5 million at March 31, 2004 from \$66.8 million at December 31, 2003. Long-term debt and capital lease obligations³ have not significantly changed, via repayments of \$4.8 million and proceeds of \$2.2 million, in accordance to the terms similar to those as set out in the annual consolidated financial statements.

There was no other significant change in the assumptions used and balances of these critical accounting estimates during the quarter.

Shareholder's Equity

Share capital and book value per share has grown slightly to \$9.18⁴ per share at March 31, 2004, as compared to \$8.77 per share at March 31, 2003. Earnings net of dividends contributed \$17.4 million for the quarter to retained earnings. The decrease in the cumulative translation adjustment of \$8.4 million since March 31, 2003 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 year.

Foreign Currency Activities

Linamar pursues a strategy of attempting to balance its foreign currency cash flows to the largest extent possible in each region in which it operates but subsequent to negotiations with its customers on those matters. 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 and expectations with respect to future foreign exchange rates. Linamar is

² "Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

³ "Capital Lease Obligations" include the interest component in accordance with the definition of minimum lease payments under GAAP.

⁴ Book Value per share (in millions except share and per share figures)

Book Value per share, as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company's net assets. Book value per share is calculated by the company as shareholder's equity divided by shares outstanding at quarter-end.

March 31	2004	2003
Shareholders' Equity	\$648.1	\$619.3
Shares outstanding at quarter end	70,603,476	70,603,476
Book Value per share	\$9.18	\$8.77

The non-GAAP financial measure does not have a standard meaning and may not be comparable to similar measures used by other issuers.

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.

At March 31, 2003, the company was committed to a series of monthly forward exchange contracts to sell U.S. dollars and British pounds as well as to buy Euros and British pounds which mature in the future as noted below and which the company has designated as hedges. At March 31, 2004, the net unrecognized gain on the U.S. contracts was approximately \$5.0 million (December 31, 2003 - \$12.4 million). The unrecognized gain on the Euro contracts was approximately \$0.1 million (December 31, 2003 - \$0.2 million). As these forward exchange 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.

During the second quarter of 2003, the company placed forward contracts to buy U.S. dollars, effectively locking in the gains on the forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. During the first quarter of 2004 the company has locked in additional gains of \$2.8 million. The gains have been deferred and are being amortized to revenue based on the terms of the original underlying contracts.

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiary Linamar Transportation Inc. in order to ensure the best possible delivery service to its customers. This arrangement remains unchanged at March 31, 2004.

The company is also a party to certain financial guarantees as discussed in Note 8 of the quarterly consolidated financial statements, as at March 31, 2004. There has been no significant change since the issuance of the annual consolidated financial statements as at December 31, 2003.

Transactions with Related Parties

During the quarter, the company paid approximately \$32 thousand for the construction of buildings, building additions, improvements, and \$129 thousand for maintenance costs to Kiwi-Newton Construction Ltd., a company owned by the spouse of a director. On a periodic basis the company entertains a closed bid process to ensure that it receives the best price for the work to be done by a related party.

Proposed Transactions

Wescast Industries Inc. ("Wescast") has announced its intention to sell its 50% interest in Weslin Industries Inc. ("Weslin") to the company, pursuant to the terms of a joint venture agreement between the parties.

On January 28, 2004, Linamar received a notice (the "Put Notice") from Wescast, the owner of a 50% joint venture interest (the "Wescast Interest") in Weslin, purporting to put the Wescast Interest to Linamar pursuant to the Weslin joint venture agreement. Linamar holds a 50% joint venture interest in Weslin, which through its wholly-owned Hungarian subsidiary, Weslin Autoipari RT, develops casting and molding capacity in Hungary to manufacture cast iron exhaust manifolds and other thin-walled, highly-cored components for the European market. Linamar is in the process of bringing an application to the Ontario Superior Court of Justice disputing the validity of the Put Notice and requesting a wind up of the Weslin joint venture and clarification of how the business of Weslin Autoipari RT will be owned and operated going forward.

If the put transaction proceeds, the purchase price for the Wescast Interest will be determined pursuant to an arbitration procedure under the joint venture agreement. It is currently expected that the purchase price would be either \$50 million, as proposed by Linamar, or \$70 million, as proposed by Wescast. Management anticipates that the purchase price will be funded by debt. The effect on future rates and

earnings will be that Linamar will realize 100% of financial benefit or cost from Weslin, versus the existing 50%.

Critical Accounting Estimates

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

Please see the annual MD & A for the year ended December 31, 2003 for a discussion of critical accounting estimates for the Impairment of Goodwill and Other Intangibles and Future Income Tax Assets and Liabilities. There was no significant change in the assumptions used and balances of these critical accounting estimates during the quarter.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the quarter ended March 31, 2004:

a) During the first quarter, the company introduced a policy to address the adoption of the CICA revised Handbook Section 3870 "Stock-based compensation and other stock-based payments" ("CICA 3870"). The company began to amortize to earnings the estimated fair value of the options granted after January 1, 2002 over their remaining vesting period:

Effective January 1, 2004, the company adopted the revised Canadian Institute of Chartered Accountants Handbook Section 3870 "Stock-based compensation and other stock-based payments" ("CICA 3870"). The company has adopted the fair value method of accounting for stock-based compensation and recognizes a compensation expense for all stock options granted to employees and directors. The company only issues stock options to employees, including directors. The fair value of the options issued in the year is determined using the Black-Scholes option pricing model. The estimated fair value of the options is amortized to income over the vesting period.

Prior to January 1, 2004, the company disclosed the pro-forma net income and earnings per share, as if the fair value based accounting method had been used to account for stock-based compensation.

b) In 2003, the CICA issued Handbook Section 3063 "Impairment of Long-lived Assets" ("CICA 3063"). CICA 3063 requires that all companies comply with changes effective for years beginning on or after April 1, 2003. Accordingly, the company has adopted the Handbook Section effective January 1, 2004. CICA 3063 applies to non-monetary long-lived assets, including property, plant and equipment, intangible assets with finite useful lives, deferred pre-operating costs and long-term prepaid assets. CICA 3063 establishes standards for the recognition, measurement, and disclosure of long-lived assets. The assets are assessed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There has been no effect on the company's consolidated financial statements as a result of adopting CICA 3063.

c) In 2003, the CICA finalized proposed amendments to Accounting Guideline, AcG-13 "Hedging Relationships" ("AcG-13"). AcG-13 requires that all companies comply with changes effective for years beginning on or after July 1, 2003. The company will adopt the new recommendations effective January 1, 2004. The most significant change is the establishment of certain conditions for when hedge accounting may be applied. Hedge accounting modifies the normal basis for recognizing the gains, losses, revenues and expenses associated with a hedged item or a hedging item in a company's income statement. Accordingly, the company will apply hedge accounting only under conditions that justify its use.

The following accounting pronouncements were adopted by the company after March 31, 2004:

a) In March 2004, the CICA revised Handbook Section 3461 "Future Employee Benefits" ("CICA 3461"). CICA 3461 requires that all companies comply with changes effective for years beginning on or after June 30, 2004. The purpose of CICA 3461 is to introduce new disclosure requirements for pensions and other future employee benefits and allow readers to better understand how an employer's obligations under these plans affect the company's consolidated financial statements. The adoption of revised CICA 3461 is not expected to have an effect on the company's consolidated financial statements, other than disclosure, and is not expected to affect the company's business.

Please see the annual MD & A for the year ended December 31, 2003 for other accounting pronouncements to be adopted after the quarter.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 70,603,476 common shares were outstanding as of May 11, 2004. As of May 11, 2004, options to purchase 3,838,000 common shares were outstanding under Linamar's share option plan.

OUTLOOK

Over the next several years, the company anticipates continued growth in both sales and earnings. Linamar anticipates launching programs resulting in expected growth in content per vehicle for 2004 of 12 to 17% in North America but Europe content will decrease somewhat (5 to 10%) due to the uncertainty of the CVT program. In North America, some of these programs responsible for the growth launched in 2003 (e.g. CAT cylinder head and liner business, GM connecting rod and Hummer, Ford cylinder head) and some will be launching in 2004 and beyond (e.g. 8.6 Differential case, Ford clutch assembly, GF transmission components, DCX crankshaft and DCR differential case etc.). The earnings expectation is based on the assumption that improvements implemented in 2003 in two of its Mexican plants which had been performing poorly will result in significantly better performance as well as ongoing improvement and/or continuing strong performance in Canadian and U.S. operations. The financial results will also be affected by continuing losses at LAT and Weslin. LAT has built a new plant to launch the BMW AG ("BMW") hydro formed cam shaft in 2005. Start up costs for the facility and the program will impact earnings. Weslin is continuing to work through a long start up process and will experience losses for most of 2004. Linamar Hungary's financial performance will be affected by the uncertainty surrounding the GM CVT transmission and the fluctuation in agricultural products market. It is also anticipated that the market for Skyjack products will continue to rebound in the near term as the construction equipment market improves in the next few years, continuing the improvements that were experienced in 2003. However, the market in which Skyjack operates is highly competitive and has an excess of production capacity for those products. These expectations assume consistent levels of North American and European automobile production, no unforeseen changes in the existing business base, and are subject to overall economic conditions and world political events and factors. As certain larger programs launched in 2003 experience volume increases, the growth in future earnings is expected to outpace expected sales growth. As well, in 2004, Linamar will realize the benefits provided by the Linamar Production System. The system is based on lean principles developed at Toyota Motor Corporation ("Toyota").

Linamar believes that its strategy to focus on the B.E.S.T. components of the automobile represent a significant opportunity for growth as products in these applications are expected to be the next major area of outsourcing by the OEMs over the next 10 to 20 years. Other aspects of the vehicles such as interiors, seating, and structural components have already experienced greater levels of outsourcing. In addition, management believes other related trends include more involvement by suppliers in component and module design, a move towards global vehicle platforms and supply base consolidation.

Linamar believes that it is uniquely positioned with its core competencies in precision machining and manufacturing processes in the complete range of precision machined and assembled automotive products. To build on this strong business base, Linamar intends to continue to develop the organization and its future by enhancing its existing capability to machine every component in B.E.S.T., work towards integrating into assemblies, establishing a market leadership position in key components and assemblies,

developing greater design expertise in targeted components, modules and systems, and researching opportunities in product and process innovation.

A key factor in Linamar's future growth strategy is the effect of economic fluctuations in the automotive industry and specifically vehicles produced for the markets in which Linamar participates. Variations in these factors can have a significant impact on the industry and Linamar.

In 2003, the company's results were 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 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 principal challenges and risks that the company faces moving forward are the lack of outsourcing by the OEMs in the powertrain segment, the market share shift to the Japanese automakers, the shortage of qualified technical people in the labour pool, low cost country outsourcing and technologies that eliminate the need for machining.

In addition, the automotive industry continues to decrease the supply base mainly due to OEMs actively reducing their supply base to become more manageable. Through this reduction, there have been considerable consolidations or acquisitions of smaller suppliers.

Strategies employed to address these challenges include focusing, with Linamar's new inside sales force, on strategic sales planning and platform targeting to meet customer and product sales levels, as well as heavy capital expenditure levels (as illustrated in 2003). These expenditures, on various new programs (LAT, Camtac Manufacturing, Exkor Manufacturing, Vehcom Manufacturing), which target key products and expand into assemblies and modules.

Important new technologies, like hydroforming of camshafts, have been acquired (through the purchase of LAT), as well as the increased capacity to design, test and validate engine powertrains and their components (through the acquisition of McLaren). The company will continue to focus on the continued structuring for growth ahead, as well as integrating new plants and acquisitions.

Some inroads have been made with new contracts for Honda Motor Co., Ltd. ("Honda") and Toyota, and a new sales office is scheduled to be opened in 2004 in Yokohama, Japan. A new representative office is also scheduled to open in Shanghai, China in 2004. These efforts will assist the company in increasing its business with the market share-gaining Japanese automakers and addressing low cost country outsourcing issues. Linamar will continue to adjust its strategic options with regard to these two issues and, with its strong balance sheet and technical capabilities, be ready to react to opportunities as they arise. Other initiatives in 2004 that will help tackle these challenges are the focus on training at all levels, LEAN manufacturing principles and supplier management.

Forward Looking Information

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this Management Discussion and Analysis and elsewhere in the Quarterly and Annual Reports include, but are not limited to, changes in the various economies in which

Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, world political events, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, technological developments by Linamar's competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates.

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

The quarterly results of the company are impacted by the seasonality of certain operational units. Earnings in second quarter are positively impacted by the high selling season for both the general lift platform and agricultural businesses. The third quarter is generally negatively impacted by the scheduled summer shut downs at the company's automotive customers. The company takes advantage of summer shut downs for maintenance activities that would otherwise disrupt normal production schedules. The fourth quarter of 2003 was negatively impacted by the termination of all outside sales agents as the company builds its own internal sales force.