PRESS RELEASE

Linamar Announces Third Quarter Results

Linamar Continues to Deliver Solid Results

November 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 third quarter ended September 30, 2004.

(CDN dollars in thousands except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	**2004**	2003
	$	$	**$**	$
Sales	**478,740**	366,820	**1,369,963**	1,107,018
Gross Margin	**52,764**	44,932	**175,364**	142,347
Operating Earnings[1]	**32,560**	24,930	**109,243**	76,776
Earnings from Continuing Operations	**19,808**	14,490	**66,159**	47,134
Net Earnings	**24,952**	12,689	**68,268**	41,851
Diluted Earnings per Share from Continuing Operations	**0.28**	0.21	**0.93**	0.67
Diluted Earnings per Share	**0.35**	0.18	**0.96**	0.59

Third Quarter Operating Highlights

Third quarter sales increased by 30.5% to $478.7 million compared to $366.8 million in the same quarter last year. The nine month year to date sales growth achieved an increase of 23.8% or $263.0 million to a level of $1,370.0 million compared to $1,107.0 million for the same period last year. The third quarter increase was lead by strong growth in North American Automotive sales due to volume increases in products related to both light vehicles and medium/heavy trucks. This growth was the result of the accelerated ramp up of new programs launched in recent periods (net of programs ending), volume increases on new and established programs, and the consolidation of acquisitions previously made. In addition, industrial products sales continued to grow at a healthy pace compared to the prior year.

Third quarter operating earnings increased by 30.6% to $32.6 million compared to $24.9 million for the same quarter last year. For the nine month period, operating earnings grew by 42.3% to $109.2 million

[1] Operating earnings, as used by the company throughout this press release, is a non-GAAP measure. 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 September 30		Nine Months Ended September 30	
	2004	2003	**2004**	2003
	$	$	**$**	$
Gross margin	**52,764**	44,932	**175,364**	142,347
Selling, general and administrative	**20,204**	20,002	**66,121**	65,571
Operating earnings	**32,560**	24,930	**109,243**	76,776

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

compared to $76.8 million in the same period last year. Third quarter operating margins were impacted by significant sales growth on two large programs in Canada launching and ramping up in the quarter which did not contribute proportionately to margins; the higher level of tooling sales and costs and; a higher material percentage for new programs recently launched or now launching and ramping up Quarterly geographic earnings were stronger in Canada, Mexico and Europe but slightly lower in the United States. Segmented operating earnings were flat in North American automotive systems but higher in both Europe and Other.

Earnings from continuing operations for the third quarter of 2004 were $19.8 million or 4.1% of sales compared to $14.5 million or 4.0% of sales in the prior year. This result contributed to an increase of $19.0 million or 40.4% for the year to date. Diluted earnings per share from continuing operations for the quarter increased to $0.28 compared to $0.21 last year. To date, diluted earnings per share from continuing operations is $0.93 as compared to $0.67 in 2003, an increase of 38.8%. When recognizing the effect of discontinued operations, which included Linamar's 50% interest in the Weslin Industries Inc. ("Weslin") joint venture sold to Wescast Industries Inc. during the quarter, third quarter diluted earnings per share is $0.35 compared to $0.18 in the same quarter last year, an increase of 94.4%. For the nine months to date, diluted earnings per share is $0.96 compared to $0.59 last year, an increase of 62.7%.

The effect of the stronger Canadian dollar against the U.S. dollar in the third quarter of 2004 versus the third quarter of 2003 reduced sales by an estimated $8.8 million, and year to date, $29.2 million. Sales would therefore have increased by 32.9% and 26.4% for the quarter and year to date respectively.

North American content per vehicle for the quarter grew by 26.8% to $89.21 per vehicle compared to $70.38 in the prior year. Comparing the last nine months to the same time period in 2003, content grew 17.4% to $79.02 from $67.29. European content per vehicle for the quarter declined by 10.8% to $8.27 per vehicle. In comparison to year to date results for 2003, content grew by 2.1% from $7.62 to $7.78 per vehicle.

A more detailed discussion of the consolidated results for the quarter and the year to date period ended September 30, 2004, is contained in the attached Management Discussion and Analysis ("MD&A") which follows the interim consolidated financial statements and the notes thereto.

Dividends

The Board of Directors today declared a dividend in respect to the quarter ended September 30, 2004 of CDN$0.04 per share on the common shares of the company, payable on or after December 13, 2004 to shareholders of record on November 26, 2004.

Outlook

In the third quarter, North American Original Equipment Manufacturers ("OEM") light vehicle and medium to heavy truck production was up 0.6% compared to the same period last year. In 2004, North American light vehicle production is expected to be flat to slightly down and medium to heavy truck is forecast to grow in excess of 20%.

In the third quarter, European vehicle production grew by 3.6% compared to the same period last year. European production growth is expected to increase by 2.2% 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 announced cancellation of the General Motors Corporation continuously variable transmission program but other programs have increased in volume, making up some of that shortfall. In addition, the sale of Weslin will also reduce European content per vehicle. As a result, content growth during 2004 is expected to be consistent with current levels.

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The Industrial Products group, consisting primarily of Skyjack Inc. ("Skyjack"), continued to post strong sales growth in the second quarter of 2004 compared to the same period in 2003, building on similar results in the previous two quarters. For the near term, this market trend appears to be continuing. As a result, 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.

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

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Chief Executive Officer

Guelph, Ontario
November 10, 2004

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Risk and Uncertainties (forward looking statements)

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

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

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

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 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 at andrea.bowman@linamar.com, or visit Linamar's website at www.linamar.com.

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LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

As at September 30, 2004 with comparatives as at December 31, 2003 (Unaudited)
(in thousands of dollars)

	September 30 2004	December 31 2003
	$	$
ASSETS		
Current Assets		
Cash	21,681	34,050
Accounts receivable	385,816	306,513
Inventories	172,377	165,172
Prepaid expenses	9,240	6,845
Current portion of long-term receivables	6,409	2,969
Future income taxes	3,857	10,764
Current assets – discontinued operations	3,162	3,036
	602,542	529,349
Other Long-Term Assets	9,114	5,024
Long-Term Receivables	30,897	9,283
Goodwill and Other Intangible Assets	34,302	34,643
Property, Plant and Equipment	799,266	716,187
Property, Plant and Equipment – Discontinued Operations	1,791	1,851
Future Income Taxes – Discontinued Operations	550	397
	1,478,462	1,296,734
LIABILITIES		
Current Liabilities		
Unpresented cheques	32,179	4,720
Short-term bank borrowings	199,992	151,998
Accounts payable and accrued liabilities	321,594	257,872
Current portion of long-term debt	16,704	23,284
Income taxes payable	14,545	9,445
Current portion of deferred gain (note 3)	11,304	15,213
Current liabilities – discontinued operations	2,328	2,366
	598,646	464,898
Long-Term Debt	153,357	152,158
Deferred Gain (note 3)	2,270	9,206
Future Income Taxes	23,238	22,038
Non-Controlling Interests	27,099	21,323
	804,610	669,623
SHAREHOLDERS' EQUITY		
Capital Stock	102,913	102,913
Retained Earnings	604,344	544,589
Contributed Surplus (note 2)	78	-
Cumulative Translation Adjustment	(33,483)	(20,391)
	673,852	627,111
	1,478,462	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 nine months ended September 30, 2004 and September 30, 2003 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	$	$ (Restated – Note 5)	$	$ (Restated – Note 5)
Sales	478,740	366,820	1,369,963	1,107,018
Cost of Sales	394,854	297,146	1,107,270	894,229
Amortization	31,122	24,742	87,329	70,442
Gross Margin	52,764	44,932	175,364	142,347
Selling, general and administrative	20,204	20,002	66,121	65,571
Earnings Before the Following:	32,560	24,930	109,243	76,776
Interest on long-term debt	(1,823)	(1,824)	(5,241)	(5,320)
Other interest expense	(1,124)	(787)	(3,876)	(1,922)
Interest earned	133	234	545	736
Dilution loss	-	-	(248)	-
Other income	85	(639)	559	(570)
	29,831	21,914	100,982	69,700
Provision for (Recovery of) Income Taxes				
Current	8,184	6,233	25,254	23,728
Future	1,574	569	8,022	(2,657)
	9,758	6,802	33,276	21,071
	20,073	15,112	67,706	48,629
Non-Controlling Interests	265	622	1,547	1,495
Earnings from Continuing Operations	19,808	14,490	66,159	47,134
Results of Discontinued Operations (note 5)	5,144	(1,801)	2,109	(5,283)
Net Earnings for the Period	24,952	12,689	68,268	41,851
Basic Earnings per Share from Continuing Operations	0.28	0.21	0.94	0.67
Diluted Earnings per Share from Continuing Operations	0.28	0.21	0.93	0.67
Basic Earnings per Share	0.36	0.18	0.97	0.59
Diluted Earnings per Share	0.35	0.18	0.96	0.59

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the nine months ended September 30, 2004 and September 30, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	$	$	$	$
Balance - Beginning of Period	582,216	538,859	544,589	515,345
Stock based compensation (note 2)	-	-	(41)	-
Balance – As restated (note 2)	582,216	538,859	544,548	515,345
Net earnings for the period	24,952	12,689	68,268	41,851
Dividends	(2,824)	(2,824)	(8,472)	(8,472)
Balance - End of Period	604,344	548,724	604,344	548,724

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2004 and September 30, 2003 (Unaudited)
(in thousands of dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Cash Provided By (Used In)	$	$ (Restated – Note 5)	$	$ (Restated – Note 5)
Operating Activities				
Earnings from continuing operations	19,808	14,490	66,159	47,134
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	31,122	24,742	87,329	70,442
Future income taxes net of unrealized exchange loss	1,574	(26)	8,022	(897)
Non-controlling interests	265	622	1,547	1,495
Unrealized exchange loss (gain) on debt	(680)	(1,969)	(1,449)	984
Amortization of deferred exchange gain	(4,281)	(1,415)	(13,630)	(2,965)
Loss (gain) on disposal of property, plant and equipment	(22)	223	482	(482)
Other	276	33	610	99
	48,062	36,700	149,070	115,810
Changes in non-cash working capital:				
Increase in accounts receivable	(23,310)	(8,217)	(91,388)	(87,352)
Decrease (increase) in inventories	294	(14,542)	(13,454)	(32,037)
Increase in prepaid expenses	(1,254)	(2,895)	(2,494)	(1,985)
Increase (decrease) in income taxes payable	4,669	(11,480)	4,770	(2,047)
(Decrease) increase in accounts payable and accrued liabilities	(5,031)	28,280	37,580	62,008
	23,430	27,846	84,084	54,397
Deferred gain	-	-	2,785	30,452
Cash flow – continuing operations	23,430	27,846	86,869	84,849
Cash flow – discontinued operations	(1,766)	(1,413)	(2,048)	(3,065)
	21,664	26,433	84,821	81,784
Financing Activities				
Proceeds from short-term bank borrowings	9,336	9,371	47,855	65,006
Proceeds from long-term debt	-	-	7,770	8,692
Repayment of long-term debt	(2,973)	(4,141)	(11,585)	(6,223)
Dividends to shareholders	(2,824)	(2,824)	(8,472)	(8,472)
	3,539	2,406	35,568	59,003
Investing Activities				
Payments for purchase of property, plant and equipment	(63,852)	(32,483)	(192,094)	(100,588)
Proceeds on disposal of property, plant and equipment	861	2,416	1,525	5,705
Business acquisitions	-	(26,968)	-	(64,509)
Investment by minority shareholders	-	-	3,738	-
Investment in long-term receivables	(13,941)	(1,088)	(25,054)	(2,929)
Other	1	-	9	210
Discontinued operations	-	(519)	-	(422)
Proceeds on disposal of discontinued operation (note 5)	51,726	-	51,726	-
	(25,205)	(58,642)	(160,150)	(162,533)
	(2)	(29,803)	(39,761)	(21,746)
Effect of Translation Adjustment	(524)	(1,184)	(67)	(565)
Decrease in Cash Position	(526)	(30,987)	(39,828)	(22,311)
Cash Position - Beginning of Period	(9,972)	36,602	29,330	27,926
Cash Position - End of Period	(10,498)	5,615	(10,498)	5,615
Comprised of:				
Cash	21,681	21,301	21,681	21,301
Unpresented cheques	(32,179)	(15,686)	(32,179)	(15,686)
	(10,498)	5,615	(10,498)	5,615

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. These statements and the notes thereto have not been reviewed by the company's external auditors, pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants Handbook. The accounting policies used in preparing these interim consolidated financial statements are consistent with those used in preparing the annual audited consolidated financial statements with one addition. During the first 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 the 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. For the three and nine months ended September 30, 2004, $4 for the quarter and $12 year to date was recorded as the compensation cost.

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 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 – Sell (Buy)		Currency	Average Exchange Rate
2004	U.S.	$14,000,000	For Canadian dollars	1.3634
2004	U.S.	$(5,000,000)	For Canadian dollars	1.3274
2005	U.S.	$24,000,000	For Canadian dollars	1.4000
2006	U.S.	$6,000,000	For Canadian dollars	1.4000
2004	GBP	£9,215,000	For Canadian dollars	2.3904
2004	Euro	€9,600,000	For Canadian dollars	1.5844

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

Geographic	For the three months ended September 30, 2004			For the nine months ended September 30, 2004		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
Canada	367,125	1,353	30,040	1,040,026	3,142	96,010
United States	34,245	1,444	2,504	108,468	4,979	8,071
Mexico	32,041	-	333	93,728	-	2,809
Europe	45,329	1,439	(317)	127,741	5,277	2,353
Total	**478,740**		**32,560**	**1,369,963**		**109,243**

	For the three months ended September 30, 2003			For the nine months ended September 30, 2003		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
Canada	269,999	679	22,190	823,650	3,129	73,576
United States	27,584	1,333	3,861	86,983	3,380	5,495
Mexico	30,136	-	92	82,997	-	(4,267)
Europe	39,101	2,492	(1,213)	113,388	8,566	1,972
Total	**366,820**		**24,930**	**1,107,018**		**76,776**

Operational	For the three months ended September 30, 2004			For the nine months ended September 30, 2004		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
N.A. Automotive Systems	382,384	2,685	28,169	1,086,670	7,224	102,114
Europe	34,980	1,439	145	101,161	5,277	(1,173)
Other	61,376	7,694	4,246	182,132	20,902	8,302
Total	**478,740**		**32,560**	**1,369,963**		**109,243**

	For the three months ended September 30, 2003			For the nine months ended September 30, 2003		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
N.A. Automotive Systems	299,081	1,590	28,907	912,371	4,267	89,460
Europe	33,893	2,903	(1,133)	94,861	9,687	2,023
Other	33,846	5,142	(2,844)	99,786	15,676	(14,707)
Total	**366,820**		**24,930**	**1,107,018**		**76,776**

5. **Discontinued Operations** (in thousands of dollars)

In August 2004, the company completed the sale of its 50% joint venture in Weslin Industries Inc. ("Weslin"), a casting and machining facility located in Oroszlany, Hungary to Wescast Industries Inc. in exchange for cash consideration of $53.75 million.

As per the Canadian Institute of Chartered Accountants Handbook Section 3475 "Disposal of long-lived assets and discontinued operations" ("CICA 3475"), the company has restated its consolidated statement of earnings results and consolidated statements of cash flows for the current and prior periods moving the operations of the Weslin joint venture from continuing operations to discontinued operations. The company was part of the Europe segment for both the geographic and operational groups.

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	$	$	$	$
Revenue from Weslin discontinued operation	3,339	4,685	16,134	14,728
Loss from operations of Weslin (net of income taxes of $Nil)	(1,587)	(2,039)	(4,102)	(6,442)
Gain on disposal of Weslin (net of income taxes of $255)	6,731	-	6,731	-
Results of other discontinued operations	-	238	(520)	1,159
Results of discontinued operations	5,144	(1,801)	2,109	(5,283)

	$
Cash consideration	53,750
Cash included in disposed assets	(1,484)
Costs of disposal	(540)
Proceeds on disposal of discontinued operation	51,726
Current assets	10,483
Property, plant and equipment	42,871
Less: current liabilities	(8,614)
Net assets disposed	44,740
Gain on disposal of Weslin	6,986
Provision for income taxes	(255)
Net gain on disposal of Weslin	6,731

6. 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 $3,481 by a company owned by the spouse of a director. Included in cost of sales are maintenance costs of $245 by the same company. Lease costs also included in cost of sales of $176 relate to property leased from a company owned by two directors.

These transactions have been recorded at the exchange amount.

7. 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 September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	$	$	$	$
Government sponsored	3,370	2,960	11,768	10,495
Company sponsored	1,907	1,754	5,822	5,359

8. 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 September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	$	$	$	$
Foreign exchange gains (losses)	1,445	1,350	2,516	(1,239)

9. 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, in addition to Linamar's portion of the lease obligation, is $14,715 over the remaining lease term.

The company has a commitment for a maximum potential future payment of $1,528 in the form of bank guarantees.

There are various other guarantees held by the company for a maximum potential future payment of $1,113 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 $952.

10. 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 the amounts already provided for in these financial statements.

As at September 30, 2004, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $75,709.

11. Subsequent Events

Subsequent to the quarter ended September 30, 2004, 5,000 options were exercised at $10.81 per share.

The company completed the placement of US $120 million of senior unsecured notes subsequent to the quarter ended September 30, 2004. The notes are comprised of US $80 million at a five year term bearing interest at 4.44% per annum, and US $40 million at a ten year term bearing interest at 5.33% per annum. The company entered into long dated foreign exchange contracts to lock in the exchange rate on the principal repayment component upon maturity of the notes. The net proceeds from the sale will be used for general corporate purposes.

12. Comparative Figures

Certain comparative figures have been reclassified in accordance with the current quarter's presentation (see note 5).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter Ended September 30, 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. The accompanying interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the CICA handbook. This MD&A has been prepared as at November 10, 2004.

This MD&A has been prepared by reference to the new disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" 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 ("SG&A") 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 flow 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 and agricultural products that utilize the core competencies of precision machining, manufacturing and assembly.

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

(in thousands of dollars, except content per vehicle)	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Sales	$478,740	$366,820	$1,369,963	$1,107,018
Gross Margin	52,764	44,932	175,364	142,347
Operating Earnings[2]	32,560	24,930	109,243	76,776
Earnings from Continuing Operations	19,808	14,490	66,159	47,134
Net Earnings	24,952	12,689	68,268	41,851
Content per Vehicle – North America	$89.21	$70.38	$79.02	$67.29
Content per Vehicle – Europe	$8.27	$9.27	$7.78	$7.62

Sale of Weslin

On August 31, 2004, Linamar sold its interest in its 50% joint venture, Weslin Industries Inc. ("Weslin"), to its partner, Wescast Industries Inc. ("Wescast"). Linamar received proceeds of $53.75 million as consideration yielding a gain of $6.7 million after tax and disposal costs. The resultant gain has been presented in the results from discontinued operations. All income statement data has been restated to reflect the impact of Weslin as a discontinued operation for prior operating periods presented. In compliance with Canadian Generally Accepted Accounting Principles, only income statement elements and related cash flow balances have been restated. All balance sheet data remains as previously stated.

Private Placement

Subsequent to the third quarter, Linamar was successful in completing a private placement of US $120 million aggregate principle amount of senior unsecured notes. Of the total, US $80 million of the notes have a five year term bearing interest at a rate of 4.44% per annum. The remaining US $40 million principle amount has a ten year term and an interest rate of 5.33% per annum. Long dated forward exchange contracts have also been placed to lock in the exchange rate on the principle repayment. The net proceeds from the placement have initially been used to reduce short term borrowings, and the balance will be used for general corporate purposes.

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[2] Operating earnings, as used by the company throughout this press release, is a non-GAAP measure. 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 September 30		Nine Months Ended September 30	
	2004	2003	**2004**	2003
	$	$	**$**	$
Gross margin	**52,764**	44,932	**175,364**	142,347
Selling, general and administrative	**20,204**	20,002	**66,121**	65,571
Operating earnings	**32,560**	24,930	**109,243**	76,776

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

Overall Corporate Results

Sales continued to grow in the third quarter, achieving a level of $478.7 million as compared to $366.8 million for the same quarter in 2003, an increase of $111.9 million or 30.5%. The quarter contributed to a strong nine months year to date where sales increased by $263.0 million or 23.8% to $1,370.0 million from $1,107.0 million in 2003. The increase was the result of strong performances 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 continued growth in the sale of industrial products.

Operating earnings for the third quarter increased by $7.6 million or 30.6% to $32.6 million as compared to $24.9 million for the same quarter a year ago. The company's operating earnings grew by $32.5 million or 42.3% to $109.2 million for the first three quarters as compared to 2003. The increase is the result of strong growth in automotive earnings and excellent performance in the sale of industrial products. Geographically, earnings strengthened or improved in each of Canada, U.S., Europe and Mexico.

Earnings from continuing operations for the quarter were $19.8 million or 4.1% of sales compared to $14.5 million or 4.0% of sales in the prior year. Performance improvements are also evident in the results for the nine months ended September 30, 2004, with earnings from continuing operations of $66.2 million, an increase of $19.1 million or 40.4% compared to earnings of $47.1 million in 2003. As a percentage of sales, 2004 year to date results were 4.8% compared to 4.3% for the same period a year ago. Diluted earnings per share from continuing operations to date increased to $0.93 compared to $0.67 in the prior year. The quarter contributed to an improvement of $0.07 cents per share to $0.28, compared to $0.21 in the third quarter of 2003.

Sales *(in thousands of dollars)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Canada	$367,125	$269,999	$1,040,026	$823,650
U.S.	34,245	27,584	108,468	86,983
Mexico	32,041	30,136	93,728	82,997
Europe	45,329	39,101	127,741	113,388
Total external sales	$478,740	$366,820	$1,369,963	$1,107,018

Linamar continues 2004 with strong sales growth in the third quarter. A combination of full consolidation of prior year acquisitions, net new business awarded, and net volume increases on existing programs has resulted in sales of $478.7 million for the quarter, an increase of 30.5% over 2003 levels of $366.8 million. To date, the sales for the year show growth of 23.8% to $1,370.0 million over $1,107.0 million in 2003. Europe experienced lower sales during the quarter, as was anticipated, with the cancellation of the General Motors ("GM") continuously variable transmission ("CVT") program. Linamar continues to demonstrate a strong ability to produce complex machined and assembled products. Existing customers are outsourcing more products previously done only in house as well, expanding their requirements from machining and simple assembly to the assembly of multi component systems.

Content per Vehicle

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 in 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.

Content per Vehicle	Three Months Ended September 30			Nine Months Ended September 30		
North America	2004	2003	% Change	2004	2003	% Change
Vehicle Production Units *	3.8	3.8	(0.4)%	12.3	12.2	0.6%
Automotive Sales **	$336,724	$266,767	26.2%	$973,397	$823,793	18.2%
Content Per Vehicle	$89.21	$70.38	26.8%	$79.02	$67.29	17.4%
Europe						
Vehicle Production Units*	3.6	3.5	3.8%	12.2	12.0	1.6%
Automotive Sales**	$30,124	$32,542	(7.4)%	$94,526	$91,160	3.7%
Content Per Vehicle	$8.27	$9.27	(10.8)%	$7.78	$7.62	2.1%

* Vehicle Production Units are shown in million of units
** Automotive Sales are shown in thousands of dollars

Vehicle Production

North American vehicle production units, used by Linamar for the determination of the company's content per vehicle, include medium and heavy truck volumes. European vehicle production units exclude medium and heavy trucks.

North American vehicle production volumes for 2004 to date were approximately 12.3 million, consistent with 2003 production levels of 12.2 million. The quarter's production remained consistent as well at approximately 3.8 million units.

European vehicle production was up slightly for the nine months ended September 30 at approximately 12.2 million units produced as compared to 12.0 million units in the prior year. Unit production in the quarter was up slightly at 3.6 million units as compared to 3.5 million in the third quarter of 2003.

Automotive Sales

Total automotive sales for North America and Europe were $366.8 million for the quarter compared to $299.3 million in 2003, an increase of 22.6%. Sales results year to date were $1,067.9 million, an increase of 16.7% over sales of $915.0 million in 2003. The strengthening Canadian dollar is estimated to have had an impact of reducing automotive sales by $8.8 million over the third quarter of 2003. Year to date, these sales are estimated to have been negatively impacted by $29.2 million. Removing this effect, total North American and European sales for the first three quarters of 2004 would have improved $182.1 million or 19.9%. In contrast, combined North American and European vehicle production increased by only 1.1% for the same period.

For the third quarter, North American automotive sales increased 26.2% or $70.0 million over 2003, despite flat vehicle production levels for the same periods. Content per vehicle for the quarter was $89.21, an increase of 26.8% over $70.38 for the third quarter in 2003. Year to date sales were up 18.2% to $973.4 million from $823.8 million in 2003, while vehicle production increased by only 0.6%. Content per vehicle for the same period was up 17.4% to $79.02 from $67.29 in the prior year.

North American automotive sales benefited from continued growth in a number of new and existing programs as well as the strengthening heavy truck market. Contributing programs in the third quarter continue to be the Caterpillar Inc. ("CAT") ACERT head program, the Detroit Diesel Corporation ("DDC") overhead assembly, the Daimler Chrysler AG ("DCX") ATX differential case, the Ford Motor Company ("Ford") 5.4L cylinder head program, the connecting rod program for the GM Gen IV engine, and two new GM 3.8L connecting rod programs for normally aspirated and super charged engines.

European content numbers have been restated to reflect the reclassification of Weslin sales to a discontinued operation. For the first nine months of 2004, European automotive sales increased slightly by 3.7% from $91.2 million in 2003 to $94.5 million, which compares favourably to unit production growth of 1.6%. Content per vehicle for the same period continued to grow and achieved a level of $7.78, as compared to $7.62, an increase of 2.1% over 2003. Results for the third quarter were impacted by the

GM CVT program cancellation offset by sales growth in other programs, resulting in a net sales decline of 7.4% to $30.1 million from $32.5 million for the third quarter of 2003. Vehicle production volumes were relatively flat over the comparative quarters. Content for the quarter was $8.27 or 10.8% less than $9.27 for the third quarter of 2003.

Year to date European automotive sales have been impacted by a number of factors, including Linamar Antriebstechnik GmbH & Co. K. G. ("LAT"), Linamar's new camshaft plant acquired in June 2003 which utilizes hydro forming technology. Linamar Hungary RT ("Linamar Hungary") has experienced volume increases in the Denso Corporation ("Denso") plate housing along with the Robert Bosch GmbH ("Bosch") common rails. In contrast, GM has made a decision to cancel the CVT program, which has had very limited production this year. This decision will continue to reduce sales levels at Linamar Hungary and will have a negative impact on European results for the remainder of the year.

Automotive tooling sales for the quarter of $18.1 million were $8.3 million greater than the 2003 amount of $9.8 million. For the year to date, tooling sales are $28.8 million as compared to $22.3 million in 2003. Included in 2004 tooling revenue is the amortization of deferred customer tooling. The deferred tooling is primarily the result of CAT tooling being paid through the piece price. To date in 2004, deferred customer tooling has increased $4.4 million to $9.3 million. Other tooling sales during the quarter relate to the DCX differential case, LCT rear cover for GM's Allison Transmission ("Allison"), as well as the finalization of tooling related to programs for Navistar.

Other Sales
Industrial products continued to post strong sales in the third quarter of 2004. Revenues grew by $33.8 million to $67.2 million for the quarter and by $95.5 million for the nine months to date to a total of $193.7 million. The growth is mainly associated with the Skyjack Inc. ("Skyjack") aerial lift platform sales levels. The majority of Skyjack's sales are in the North American market with the European market representing 15.9% for the year to date.

Linamar also records machined product sales in the marine, transportation, defense, nuclear, power generation and small engine sectors.

Small engine sales remained consistent for both the quarter and nine months ended September 30, 2004 as compared to 2003 levels. The related product lines continue to be strategically de-emphasized but will continue through 2005. These sales are included in the North American automotive systems operational segment but are not included in content per vehicle calculations.

Gross Margin *(in thousands of dollars)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Sales	$478,740	$366,820	$1,369,963	$1,107,018
Cost of sales	394,854	297,146	1,107,270	894,229
Amortization	31,122	24,742	87,329	70,442
Gross margin	$52,764	$44,932	$175,364	$142,347
Gross margin percentage	11.0%	12.2%	12.8%	12.9%

Gross margin was 11.0% for the third quarter of 2004, down from 12.2% for 2003. The lower margin percentage in the quarter was the result of significant sales growth on two large programs in Canada launching and ramping up in the quarter which did not contribute proportionately to margins; the higher level of tooling sales and costs and; a higher material percentage for new programs recently launched or now launching and ramping up. Tooling now carries lower profit margins than the company has previously experienced, which has also impacted margins for the quarter. Programs such as cylinder heads and blocks, rocker arm assemblies, and connecting rods carry a higher material content where the casting and many assembled components are purchased. Industrial programs experience higher material content compared to Linamar's core precision machining business, also reducing the gross margin percentage. As a result, the year to date margin decreased from 12.9% in 2003 to 12.8% in 2004.

One of the factors contributing positively to the margin changes is gains in overall efficiency and better utilization of labour. New programs 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 nine months of 2004. These operations use more automation, thereby reducing effective labour costs as production levels outpace additional labour requirements.

While amortization for the third quarter increased to $31.1 million as compared to $24.7 million in 2003, amortization as a percentage of sales for the quarter decreased to 6.5% from 6.7% in the same period in 2003. For the first nine months of 2004, amortization is 6.4% of sales consistent with 2003. As new programs such as the CAT and Ford cylinder head programs and the new DCX differential case program ramp up, more production capacity is brought into use. Amortization is expected to increase marginally as a percentage of sales as there are many capital intensive, long running programs scheduled for launch or ramp up during the last quarter of 2004 and early 2005.

Operating Earnings *(in thousands of dollars)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Gross margin	$52,764	$44,932	$175,364	$142,347
Less				
Selling, general and administrative	20,204	20,002	66,121	65,571
Operating earnings	$32,560	$24,930	$109,243	$76,776
Percentage of sales	6.8%	6.8%	8.0%	6.9%

Despite the growth of the company, selling, general and administrative costs ("SG&A") have remained at $20.2 million in the third quarter of 2004 as compared to $20.0 million in the third quarter of 2003. For the nine months to date, administrative costs of $66.1 million are at consistent levels with 2003 at $65.6 million. As a percentage of sales, the 2004 levels have dropped to 4.8% compared to 5.9% in 2003. SG&A excluding the impact of foreign exchange has improved as a percentage of sales to 5.0% year to date compared to 5.8% for the same period in 2003. Sales commission costs have dropped as expected with the development of the internal North American sales group.

The company experienced exchange gains during the quarter of $1.4 million for both 2004 and 2003. For 2004 year to date, the company has a gain of $2.5 million as compared to losses of $1.2 million in 2003. The improvement is due, in part, to Euro-based transactions at Linamar Hungary and LAT. 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 exchange gains. The Hungarian currency strategy anticipates the future move to the use of the Euro. The company's Mexican subsidiaries have payables denominated in U.S. dollars in excess of the same currency dollar receivable as a result of significant capital purchases during the current year. With the weakening Peso against the U.S. dollar, the Mexican operations have experienced losses during 2004 as compared to gains in 2003.

During 2003, the company placed forward contracts to buy U.S. dollars, effectively locking in the gains on forward contracts already in place at December 31, 2002. This transaction resulted in total cash proceeds of $30.5 million. The gains have been deferred and are being amortized to revenue based on the terms of the original underlying contracts. During the first quarter of 2004, the company locked in related additional gains of $2.8 million. These gains have also been deferred and will be recognized when the original sale is recorded.

RESULTS BY SEGMENT

The following should be read in conjunction with note 19 in 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 third quarter for the North American automotive (which includes sales of operations in North America whose sales are mostly automotive but excludes Skyjack, McLaren, Transportation and Corporate) segment reflect an increase of $83.3 million or 27.9% from $299.1 million in 2003 to $382.4 million in 2004. Year to date, these sales grew by 19.1% to $1,086.7 million over $912.4 million in 2003. The programs with the largest impact for the nine months to date are the DCX differential case program launched in the current quarter, the continuing growth in the connecting rod programs for GM, the cylinder head production for CAT, the 5.4L cylinder head program for use in Ford trucks such as the F-series, as well as an overall increase in other program and platform volumes. An increase in heavy truck vehicle sales from programs such as the DDC overhead assembly and Allison transmission components have also contributed to the company's sales growth thus far during 2004.

Third quarter operating earnings were consistent in North America at $28.2 million as compared to $28.9 million in 2003. For the first nine months, earnings increased to $102.1 million in 2004 from $89.5 million last year, an increase of 14.1%. This increase was due to programs launched in 2003 which ramped up in 2004, new launches in 2004, higher volumes on existing business, and operational improvements based on the adoption of the Linamar Production System. New programs such as the new connecting rod and cylinder head programs are reaching full running volumes, improving the contribution to the segments' growing operating profit. As anticipated, the new differential case program which launched during the quarter had a negative impact as volumes have not yet reached efficient levels. Another new launch in the quarter faced difficulties resulting in higher costs than originally planned and an OEM delay of short duration. Mexico continues to post improved results during the current year due to enhancements in production processes, controlling consumable costs, and reducing scrap levels, but was impacted by several new program launches.

European sales for the nine months year to date 2004 increased $6.3 million to $101.2 million from $94.9 million in 2003. Sales in the quarter grew by 3.2%. Most notably, in the third quarter, GM suspended production on, and subsequently cancelled, the CVT program in Hungary. Offsetting this decline were gains in sales on other GM, Denso, and Perkins programs at Linamar Hungary. In addition, agricultural sales continue to show a decline in the third quarter resulting in only a slight increase over 2003 quarterly levels. The addition of sales from the company's 2003 European acquisition, LAT, account for a small portion of the sales gains achieved year to date.

European operating earnings for the third quarter were $0.1 million as compared to a loss of $1.1 million in 2003. This segment is now at a year to date loss of $1.2 million in 2004. While LAT is showing improvements, it is still in a loss position and is the largest contributor to the loss. LAT is also in the process of launching a major hydro formed camshaft program for a German OEM and a block program for Perkins. A significant impact on Europe has also been the cancellation of the GM CVT program.

Sales for the third quarter in the "Other" segment increased $27.6 million or 81.7% to $61.4 million in 2004. Sales for the first three quarters were $182.1 million as compared to $99.8 million in 2003, an increase of 82.5%. The increase relates to the significantly higher sales levels of aerial lift platforms as this market has seen strong demand beginning in the fourth quarter of 2003, which has continued into 2004. Demand from customers has also grown for the services of Linamar Transportation and McLaren, which was added in the fourth quarter of 2003.

Operating earnings in the quarter for the "Other" segment improved from a loss of $2.8 million in 2003 to income of $4.2 million in 2004, and year to date from a loss of $14.7 million in 2003 to income of $8.3 million. This continued growth is due to the improved industrial 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, marketing and distribution strategy have also contributed to the noted improvements.

Geographical

Canadian sales for the third quarter of 2004 were up $97.1 million or 36.0% to $367.1 million compared to last year. For the year to date, revenues grew by $216.3 million or 26.3% to $1,040.0 million. The growth is the result of new programs and volume increases in automotive activities as well as contributions from the sale of industrial products due to overall improved market conditions. The new differential case for DCX, cylinder head machining and assembly contracts awarded by CAT in 2003, and the 5.4L cylinder head program from Ford positively impacted results as did the GM connecting rod programs. These increases were offset by anticipated contracts ending and/or volume reductions, including the impacts of the cancelled GM CVT program.

Operating earnings in the quarter for the Canadian segment increased $7.8 million or 35.1% to $30.0 million and $22.4 million or 30.4% to $96.0 million for the year to date over 2003. Results have been positively impacted by the return of the industrial equipment market as a result of the increasing demand for the company's aerial lift platforms. Many of the Canadian facilities have continuously improved their operating performance by focusing on certain cost improvements and lean manufacturing initiatives. Specifically, facilities have analyzed specific programs not achieving desired levels of performance and implemented specific actions to improve results. These initiatives, coupled with growing volumes on existing business and accelerated launches and ramp ups, have contributed to the earnings growth.

Third quarter sales in the U.S. segment increased $6.6 million or 23.9% to $34.2 million, and $21.5 million or 24.7% to $108.5 million for the nine months to date. Programs at the company's U.S. joint venture came to an anticipated end but were more than offset in the quarter by higher volumes on new programs. Sales of aerial lift platforms and replacement parts also grew strongly in both the current quarter and year to date. McLaren Performance Technologies, Inc. ("McLaren"), which was added to the U.S. group on September 30, 2003, also contributed to sales growth in 2004.

Operating earnings in the U.S. segment have improved by $1.4 million for the quarter and $2.6 million for the first three quarters of 2004 to $2.5 million and $8.1 million respectively. McLaren's business, which has shorter-term testing contracts as compared to the typical programs seen in the automotive parts business, has seen lower volumes than anticipated on testing activity this year. However, improvements have been seen as a result of both sales increases and continuing cost improvements in U.S. industrial product sales.

Sales in Mexico for the third quarter are at levels consistent with 2003. For the nine months to date, the increase of $10.7 million to $93.7 million represents growth of 12.9% compared to 2003. The volumes on the Renault engine have started to decline as anticipated; however, this decline has been outpaced by the launch of new programs such as the CAT liner program, and volume increases on the Castech S.A. de C.V. and GM programs. Volumes on a GM transmission produced in Mexico were down in the quarter. One of the company's Mexican facilities supplies many of the components to this transmission and was impacted by reduced demand during the quarter.

Operating earnings in the Mexican segment have also remained consistent for the quarter and improved by $7.1 million for the first three quarters of 2004 to $2.8 million. Mexican plants are also preparing to launch two significant programs for Ford and Eaton. Each of the facilities have improved operating performance through reduction of maintenance and manufacturing costs, rationalization of labour, and reduced scrap.

Sales in Europe were $45.3 million in the third quarter and $127.7 million for the first nine months, an increase of $6.2 million or 15.9% and $14.3 million or 12.6% respectively over 2003. On July 27, 2004, GM announced its decision to cancel the CVT programs impacting volumes at Linamar Hungary; however, gains were seen in the sales to other customers. Additional sales from the company's 2003 European acquisition, LAT, also contributed to the sales growth.

Operating earnings in this segment have continued to increase. In the quarter, operating earnings grew by $0.9 million and for the first nine months, increased by $0.4 million. As a result, for the nine months ended September 30, 2004, Europe posted operating earnings results of $2.4 million. Offsetting the losses experienced at LAT for 2004 were improvements in the earnings related to Skyjack products through increased sales volumes. Linamar Hungary also improved operating earnings through increased volumes on programs despite the loss of CVT.

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

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Sales	$478,740	$366,820	$1,369,963	$1,107,018
Gross margin	52,764	44,932	175,364	142,347
Operating income	32,560	24,930	109,243	76,776
Net interest expense	(2,814)	(2,377)	(8,572)	(6,506)
Dilution loss	-	-	(248)	-
Other income	85	(639)	559	(570)
Income taxes	(9,758)	(6,802)	(33,276)	(21,071)
Non-controlling interest	(265)	(622)	(1,547)	(1,495)
Earnings from continuing operations	$19,808	$14,490	$66,159	$47,134
Results from discontinued operations	5,144	(1,801)	2,109	(5,283)
Net earnings	$24,952	$12,689	$68,268	$41,851
Earnings Per Share From Continuing Operations				
Basic	$0.28	$0.21	$0.94	$0.67
Diluted	0.28	0.21	0.93	0.67
Earnings Per Share From Net Earnings				
Basic	$0.36	$0.18	$0.97	$0.59
Diluted	0.35	0.18	0.96	0.59
Total Long Term Liabilities			$206.0	$187.4
Cash Dividends declared per share			$0.04	$0.04
Total Assets			$1,476.3	$1,214.3

Net Income and Earnings per Share

The effective tax rate for the third quarter of 2004 was 32.7%, an increase from the effective rate of 31.0% in 2003, but consistent with the year to date average. For the nine months ended September 30, 2004, the tax rate was 33.0% as compared to 30.2% for the same period in 2003. The 2004 rate reflects the impact of rate increases enacted by the new Government of Ontario in the fourth quarter of 2003, as the majority of the company's operations are located in Ontario.

The effective tax rate was also impacted by 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. The Hungarian operations have posted improved results, lowering the effective rate below the comparable Canadian tax rate of 34.1%. As these operations improve, the effective tax rate will decrease. The 2003 rate was effectively lowered through the recognition of losses not previously recognized in the company's European industrial operations. As well, certain Canadian scientific research and development benefits were recognized. These benefits are only subject to taxes at a federal level, reducing the effective rate. Both of these impacts were recognized in the second quarter of 2003.

Earnings from continuing operations have been restated for all periods to reflect the reclassification of the operations of Weslin to discontinued operations. Overall Linamar earnings from continuing operations for the third quarter were $19.8 million and $66.2 million for the nine months year to date for 2004. This represents an improvement of $19.1 million or 40.4% year to date over 2003 and an increase of 36.7% over the third quarter of 2003. Growth in earnings from continuing operations is the result of sales growth coupled with steady margins. These improvements are enhanced by relatively lower selling, general and administrative expenses compared to 2003.

Diluted earnings per share from continuing operations increased by $0.07 for the quarter to $0.28 from $0.21 in the same period for 2003. Year to date, this improvement was $0.26 over the prior year resulting in $0.93 earnings per share for 2004 compared to $0.67 in 2003.

Interest

During the quarter and the year to date, interest on long-term debt remained consistent with 2003. Interest incurred decreased in relation to the repayment on the capital leases at Eagle Manufacturing, LLC ("Eagle"). Eagle entered into a series of capital leases to support the launch of significant new programs in 2003. Offsetting the capital lease decline was more interest incurred in Linamar Hungary as a result of the conversion of certain short term borrowings to long term.

Linamar has a syndicated credit facility in place for the Canadian portion of its long term debt.

Other interest expenses are higher by $2.0 million for the nine months to date at $3.9 million, and up $0.3 million to $1.1 million for the quarter, reflecting higher short-term debt balances. Offsetting the switch from short to long term borrowings in Hungary is increased short term borrowing in Canada related directly to increased capital spending. Currently, significant investment is being made in production equipment for the launch of new programs. The largest investments are for new DCX and Eaton Corporation ("Eaton") differential case lines as well as a newly awarded Ford cylinder head program starting at the end of 2004 and the continued expansion of the CAT and Ford cylinder head programs.

Interest earned is lower for the year to date as excess funds have 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. The prior year balance sheet and income statements have been reclassified to reflect the reintegration of the facility into continuing operations.

A further accrual of $0.5 million has been taken during the second quarter of 2004 related to the remaining discontinued operation. The accrual represents the additional amounts required for the losses to be incurred and costs expected at the time of disposal. The disposition of the casting operation has taken longer than anticipated and currently the business is being held pending its ultimate sale. Please refer to the notes in the attached financial statements.

Summary of Quarterly Results of Operations

The following table sets forth unaudited information for each of the eight quarters ended December 31, 2002 through September 30, 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. They also 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:

	Dec 31, 2002	Mar 31, 2003	Jun 30, 2003	Sep 30, 2003	Dec 31, 2003	Mar 31, 2004	Jun 30, 2004	Sep 30, 2004
Sales	$342.9	$372.2	$368.0	$366.8	$402.8	$430.6	$460.6	$478.7
Earnings from Continuing Operations	11.9	14.4	18.2	14.5	1.0	21.7	24.6	19.8
Earnings (Loss) Per Share from Continuing Operations								
Basic	0.17	0.20	0.26	0.21	0.01	0.31	0.35	0.28
Diluted	0.17	0.20	0.26	0.21	0.01	0.31	0.34	0.28
Net Earnings (Loss) Per Share								
Basic	0.20	0.17	0.24	0.18	(0.02)	0.29	0.32	0.36
Diluted	0.20	0.17	0.24	0.18	(0.02)	0.29	0.32	0.35

The quarterly results of the company are influenced by the seasonality of certain operational units. Earnings in the second quarter are positively impacted by the high selling season for both the aerial lift platform and agricultural businesses. In the fourth quarter, these same units are generally negatively impacted by the low selling season. The third quarter is also affected 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 continues to build 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 for 2003.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows and Financing Resources *(in thousands of dollars)*

	Three Months Ended September 30		Nine Months Ended September 30	
Cash provided from (used for):	2004	2003	2004	2003
Operating activities	$21,664	$26,433	$84,821	$81,784
Financing activities	3,539	2,406	35,568	59,003
Investing activities	(25,205)	(58,642)	(160,150)	(162,533)
Effect of translation adjustment	(524)	(1,184)	(67)	(565)
Decrease in cash	$(526)	$(30,987)	$(39,828)	$(22,311)
Cash Position – Beginning of Period	(9,972)	36,602	29,330	27,926
Cash Position – End of Period	$(10,498)	$5,615	$(10,498)	$5,615
Comprised of:				
Cash	$21,681	$21,301	$21,681	$21,301
Unpresented Cheques	(32,179)	(15,686)	(32,179)	(15,686)
	$(10,498)	$5,615	$(10,498)	$5,615

Cash used for the first nine months of 2004 was primarily used for the continued investment in property, plant and equipment, particularly manufacturing equipment used to ramp up new programs at various facilities. This investment was partially offset by proceeds from continuing operations, short-term bank borrowings, and proceeds from the Weslin divestiture. Operating and financing activities were similar between the third quarter of 2004 and the third quarter of 2003. In addition to the investment in manufacturing equipment in 2003, funds were used for the acquisition of McLaren, which resulted in a larger amount of cash used in investing activities for the third quarter of 2003.

As at September 30, 2004, the company had $21.7 million of cash on hand with $232.2 million of unpresented cheques and short-term bank borrowings. The cash resources available through the company's syndicated revolving term facility had $Nil available credit. However, the first week after the month-end results in the largest inflow from customers. In December 2003, the syndicated non-revolving term facility was renewed and increased to $120.0 million, which is due in December 2006. This facility was fully drawn as at September 30, 2004, as required under the credit agreement.

Of the company's consolidated long-term debt, 9.8% of the $170.1 million is due and payable in the next 12 months.

The company needed to establish long term financing to match the investment in long term assets as well as free up short term facilities, which are intended for short term swings and financial flexibility. On October 14, 2004, subsequent to the quarter ended September 30, 2004, the company completed the placement of US $120 million of unsecured senior notes. The notes are comprised of US $80 million at 4.44% per annum at a five year term and US $40 million at 5.33% per annum at a ten year term. The company entered into long-dated foreign exchange contracts at various forward dates to lock in the exchange rate on the principle portion upon maturity of the senior notes.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Earnings from continuing operations	$19,808	$14,490	$66,159	$47,134
Items not involving current cash flows	28,254	22,210	82,911	68,676
Cash provided from operations	$48,062	$36,700	$149,070	$115,810
Net change in non-cash working capital	(24,632)	(8,854)	(64,986)	(61,413)
Deferred gain	-	-	2,785	30,452
Cash flow – continuing operations	$23,430	$27,846	$86,869	$84,849
Cash flow – discontinuing operations	(1,766)	(1,413)	(2,048)	(3,065)
Cash provided from operating activities	$21,664	$26,433	$84,821	$81,784

Cash provided from operating activities have decreased for the third quarter compared to 2003, but has remained constant for the year to date over 2003.

Year to date earnings from continuing operations have improved by 36.7% or $5.3 million for the quarter and by 40.4% or $19.0 million for the year over 2003. This is reflected in strong sales for the quarter which are up 30.5% or $111.9 million, and year to date which is up 23.8% or $262.9 million over 2003. Notably, control over selling, general and administrative expenses, which have remained at steady dollar levels for the quarter and year to date have resulted in stronger continuing operations results.

Items not involving cash have increased along with earnings from continuing operations. The primary component is amortization. Amortization has increased by approximately $6.4 million for the quarter and $16.9 million for the year as more assets associated with the ramp up of new programs have come on line during the year. Other items include the amortization of the deferred exchange gain, which continues over the term of the contracts, and future income taxes. Future income taxes have increased by $1.6 million for the third quarter and $8.9 million compared to the prior year, due to the timing of the recognition of sales termination expenses and the amortization of deferred forwards.

The net change in non-cash working capital has increased by $15.8 million to $24.6 million during the quarter and $3.6 million to $65.0 million for the year to date. The quarterly and year to date increase is mostly due to the increase in accounts receivable associated with the ramp up of new programs such as the DCX differential case program. The growth of inventories has slowed to $13.5 million for the year to date compared to $32.0 million for 2003. Excess inventory has been reduced through increased sales during the quarter to meet customer demands and seasonal changes in the required levels of inventory, particularly in the industrial and agricultural areas. Accounts payable growth has declined along with the decline of inventory.

During the first half of both 2004 and 2003, gains on certain foreign exchange contracts were crystallized. Cash flows generated through the crystallization in 2003 were $30.5 million as compared to $2.8 million in 2004. Removing the impact of these deferred gains, operations contributed $84.1 million during the first nine months of 2004 as compared to $54.4 million in 2003.

The operating activities section of the cash flow was restated for the Weslin discontinued operation for current and prior periods. In particular, line items including cash flow from discontinued operations were restated and now include the losses of the Weslin joint venture less applicable amortization and other adjustments. Please refer to note 5 of the consolidated interim financial statements for further disclosure.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Net proceeds from short-term bank borrowings	$9,336	$9,371	$47,855	$65,006
Proceeds from long-term debt	-	-	7,770	8,692
Repayment of long-term debt	(2,973)	(4,141)	(11,585)	(6,223)
Dividends to shareholders	(2,824)	(2,824)	(8,472)	(8,472)
Cash provided from financing activities	$3,539	$2,406	$35,568	$59,003

Cash provided from financing activities has increased slightly for the third quarter compared to 2003 but has decreased for the year to date.

Proceeds from short-term borrowings remains unchanged for the quarter but have decreased $17.2 million to $47.9 million for the first nine months compared to 2003. The balance is the result of additional requirements to fund the purchases of property, plant and equipment for new programs being launched during the year.

The repayment of long-term debt for the quarter is due to the sales agent termination agreement, some long-term borrowings in Linamar Hungary, and financing investments in capital assets.

The year to date proceeds from long-term debt of $7.8 million were used to repay certain short term borrowings and finance continuing operations for Linamar Hungary.

Subsequent to the quarter end, the company completed a US $120 million senior note debt placement to fund continuing operations. 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 or year to date. Subsequent to the quarter ended September 30, 2004, 5,000 options were exercised at $10.81 per share. During the quarter, 800,000 options expired.

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)*

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Payments for purchases of capital assets	$(63,852)	$(32,483)	$(192,094)	$(100,588)
Proceeds from disposal of capital assets	861	2,416	1,525	5,705
Business acquisitions	-	(26,968)	-	(64,509)
Investment by minority shareholder	-	-	3,738	-
Investment in long-term receivables	(13,941)	(1,088)	(25,054)	(2,929)
Other	1	-	9	210
Discontinued operations	-	(519)	-	(422)
Proceeds on disposal of discontinued operation	51,726	-	51,726	-
Cash used for investing activities	$(25,205)	$(58,642)	$(160,150)	$(162,533)

Cash used in investing activities has deceased for the third quarter year over year and for the year to date with 2003. In 2004, payments for purchases of capital assets is partially offset by the proceeds on the disposal of Weslin.

A total of $63.9 million, an increase of $31.4 million over the third quarter of 2003, was invested in capital assets. The current year to date balance has increased by $91.5 million to $192.1 million compared to 2003. For the first nine months, 15.6% of the $192.1 million was expended on the DCX differential case module program. For the third quarter, major additions include the 3.6L V6 engine block program, the Eaton 8.6 differential case module program at facilities in Mexico, Ford 6R transmission program, and other camshaft programs in Europe.

Total additions related to manufacturing equipment to date amount to $228.2 million, of which $36.1 million represents increased accounts payable and accruals at the end of the quarter. As at September 30, 2004, outstanding commitments for capital expenditures under purchase orders or contracts were approximately $75.7 million (December 31, 2003 - $66.8 million).

In the third quarter of 2003, McLaren was purchased for $26.7 million. For the first nine months of 2003, other additional business units included the purchases of LAT and the remaining 45% of Torreon Holdings International Inc., the parent company of Industrias de Linamar S.A. de C.V. ("ILSA").

During 2003, certain officers and directors of the company exercised their options in Linamar Hungary subject to regulatory approval from the Court of Registry in Hungary. In the first quarter of 2004, 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 resulted in a net dilution loss of $0.2 million.

During the quarter, the investment in long-term receivables increased as a result of the sales and financing terms extended to customers in the industrial segment.

During the quarter, the company's 50% joint venture in Weslin was sold to Wescast for $53.75 million. Please see note 5 to the consolidated interim financial statements for details of the disposition.

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 obligations[3] is $75.7 million at September 30, 2004, up from $66.8 million at December 31, 2003. Long-term debt and capital lease obligations[4] have not significantly changed. Transactions include repayments of $3.0 million for the quarter, $11.6 million year to date, proceeds of $Nil for the quarter, and $7.8 million year to date in accordance to the terms similar to those as set out in the annual consolidated financial statements.

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

Shareholders' Equity

Shareholders' equity has increased to $673.9 million at September 30, 2004 from $627.1 million at December 31, 2003. Book value per share has grown slightly to $9.54[5] per share at September 30, 2004, as compared to $9.00 per share at September 30, 2003.

[3] **"Purchase Obligation"** is defined as an agreement to purchase goods or services that is enforceable and legally binding. It 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.

[4] **"Capital Lease Obligations"** include the interest component in accordance with the definition of minimum lease payments under GAAP.

[5] **Book Value per share** *(in millions except share and per share figures)*

Book Value per share, as used by 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.

September 30	2004	2003
Shareholders' Equity	$673.9	$635.7
Shares outstanding at quarter end	70,603,476	70,603,476
Book Value per share	$9.54	$9.00

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

The increase in shareholders' equity is due to earnings net of dividends, which contributed $22.1 million for the quarter and $59.8 million year to date. The increase in the cumulative translation adjustment of $13.1 million since December 31, 2003 represents the unrealized foreign exchange loss on Linamar's net investment in its self-sustaining foreign subsidiaries as a result of the strengthening Canadian dollar relative to the U.S. dollar, the Hungarian Forint, the Mexican Peso, and the effect from the sale of Linamar's interest in the 50% joint venture in Weslin.

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 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 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. The company 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 September 30, 2004, the company was committed to a series of monthly forward exchange contracts to sell U.S. Dollars and British Pounds that mature in the future, for which the company has designated as hedges. At September 30, 2004, the net unrecognized gain on the U.S. Dollar contracts were approximately $5.1 million (December 31, 2003 - $12.4 million), the unrecognized loss on the Euro contracts was approximately $Nil (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. The gains have been deferred and are being amortized to revenue based on the terms of the original underlying sales they hedged. Throughout the first quarter of 2004, the company locked in additional gains of $2.8 million.

Subsequent to the quarter, the company entered into long dated foreign exchange contracts to lock in the exchange rate on the principal repayment component upon maturity of the US $120 million in notes. Please see the interim financial statement note 11 for terms of these notes.

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 September 30, 2004.

The company is also a party to certain financial guarantees as discussed in Note 9 of the quarterly consolidated financial statements, as at September 30, 2004. There have been no significant changes since the issuance of the annual consolidated financial statements as at December 31, 2003.

Transactions with Related Parties

As at September 30, 2004 year to date, the company paid approximately $3.5 million for the construction of buildings, building additions, improvements, and $0.2 million 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 being done by a related party. Included in cost of sales are lease costs of $0.2 million related to property leased from a company owned by two directors.

Critical Accounting Estimates

The preparation of the consolidated financial statements required 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, and these results 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 were no significant changes 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 first three quarters ended September 30, 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”. 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 Handbook Section 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 adopted 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 and a hedging item in a company's income statement. Accordingly, the company will apply hedge accounting only under conditions that justify its use.

d) 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.

The following accounting pronouncements were adopted by the company after September 30, 2004:

No accounting pronouncements were adopted by the company after September 30, 2004.

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

Subsequent to the quarter ended September 30, 2004, 5,000 options were exercised at $10.81 per share. This raised the number of common shares outstanding to 70,608,476 from 70,603,476 as of November 10, 2004. Linamar is authorized to issue an unlimited number of common shares. During the quarter, 800,000 options expired. As of November 10, 2004 with the exercise and expiry above, the number of options to purchase common shares decreased to 3,028,000 from 3,833,000 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 increase by 0 to 5%. This guidance reflects the recent announcement that GM has cancelled the CVT program and the sale of Linamar’s 50% interest in Weslin. In North America, some of the programs launched in 2003 were responsible for growth, such as the CAT cylinder head and liner business, GM connecting rod, Hummer and Ford cylinder head programs. In addition, programs will be launching in 2004 and beyond such as the 8.6 Differential case, Ford clutch assembly, 6F transmission components, DCX crankshaft and differential case programs. The earnings expectation is based on the assumption that improvements implemented in 2003 in two of its Mexican plants will result in improved 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. LAT has built a new plant to launch the hydro formed camshaft in 2005 for a major European automaker. Start up costs for the facility will impact earnings in 2004 and 2005. Linamar Hungary’s financial performance will be affected by the GM CVT transmission cancellation 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 industrial equipment market improves, continuing the improvements that began in 2003. However, the market in which Skyjack operates is highly competitive and has an excess of production capacity for those products. These expectations also 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, and 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, establishing design, engineering and testing capabilities in Detroit through the acquisition of McLaren, as well as heavy capital expenditure levels (as illustrated in 2003). These expenditures, on various new programs, which target key products and expand into assemblies and modules.

Important new technologies, like hydro forming 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 Yokohoma, 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 address 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 which 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 Linamar's automotive customer's facilities. 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.