



PRESS RELEASE

Linamar Announces Fourth Quarter Results Linamar's Growth Driving Record Sales and Earnings

March 8, 2005, Guelph, Ontario, Canada – Linamar Corporation (TSX:LNR) (“Linamar” or “the company”), a global supplier who designs, develops and manufactures precision machined components, modules and systems for engine, transmission, chassis and industrial applications primarily for the North American and European automotive marketplace, today announced its financial results for the fourth quarter ended December 31, 2004.

(CDN dollars in thousands except per share figures)

	Three Months Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Sales	474,224	402,822	1,844,187	1,509,840
Gross Margin	60,841	53,556	236,205	195,903
Operating Earnings ¹	36,081	34,533	145,324	111,309
<u>Earnings from Continuing Operations</u>	<u>24,245</u>	<u>988</u>	<u>90,404</u>	<u>48,122</u>
Diluted Earnings per Share				
from Continuing Operations	0.34	0.01	1.28	0.68
<u>Diluted Earnings per Share</u>	<u>0.34</u>	<u>(0.02)</u>	<u>1.31</u>	<u>0.57</u>

Fourth Quarter Operating Highlights

Fourth quarter sales increased by 17.7% to \$474.2 million compared to \$402.8 million in the same quarter last year. The full year sales growth increased by 22.1% or \$334.4 million to a level of \$1,844.2 million compared to \$1,509.8 million last year. The fourth quarter increase was lead by strong growth in North American Automotive sales related to both light vehicles and medium/heavy trucks. This growth was the result of the ramp up of new programs launched in recent periods (net of programs ending), volume increases on new and established programs, and the integration of acquisitions previously made. Total automotive sales (North America, Europe & Tooling) increased 17.0% to \$1,498.8 million representing 81.3% of the company's total sales in 2004. In addition, substantial growth occurred in the company's non-automotive businesses which recorded sales of \$345.4 million in 2004, an increase of 51.2% over 2003.

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 December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Gross margin	60,841	53,556	236,205	195,903
Selling, general and administrative	24,760	19,023	90,881	84,594
<u>Operating earnings</u>	<u>36,081</u>	<u>34,533</u>	<u>145,324</u>	<u>111,309</u>

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



The effect of the stronger Canadian dollar compared with the U.S. dollar in the fourth quarter of 2004 versus the fourth quarter of 2003 reduced automotive sales by an estimated \$27.0 million and for the full year at \$49.5 million. Sales would therefore have increased by 21.1% and 25.4% for the quarter and year, respectively.

The operating earnings for the fourth quarter improved to \$36.1 million from \$34.5 million, an improvement of 4.5% over the same quarter of 2003. Operating earnings for the year are \$145.3 million, representing an increase of 30.5% over the prior year's level of \$111.3 million. Geographic earnings remained relatively flat during the quarter whereas for the year notable improvements have been made in Canada, Mexico, and Europe. Segmented operating earnings are flat for the quarter. The company's new Industrial segment is now shown separately because it achieved a level requiring such disclosure.

Earnings from continuing operations for the fourth quarter of 2004 were \$24.2 million or 5.1% of sales compared to \$16.8 million or 4.1% of sales, net of the sales termination charge, for the comparable quarter in the prior year. Excluding the fourth quarter 2003 sales termination charge the earnings from continuing operations increased by \$26.5 million or 41.4% for the year. Diluted earnings per share from continuing operations for the quarter increased to \$0.34 compared to \$0.01 last year or, excluding the sales termination charge, \$0.23. For the year, diluted earnings per share from continuing operations is \$1.28 as compared to \$0.68 in 2003.

North American content per vehicle for the quarter grew by 21.5% to \$89.34 per vehicle compared to \$73.53 for the same quarter in the prior year. For the year, compared to 2003, content grew 18.4% to \$81.52 from \$68.83. European content per vehicle for the quarter declined by 5.0% to \$7.57 per vehicle. Compared to 2003 for the year, content remained flat at \$7.73 compared to \$7.71.

The company's \$120.0 million U.S. dollar private placement closed on October 14, 2004 with the proceeds being used to reduce short-term bank borrowings.

A more detailed discussion of the consolidated results for the quarter and the year ended December 31, 2004, is contained in the Management Discussion and Analysis ("MD&A") following the separately released annual consolidated financial statements.

Dividends

The Board of Directors today declared a dividend of CDN\$0.06 per share on the common shares of the company, payable on or after March 31, 2005 to shareholders of record on March 22, 2005.

Outlook

During the next few years, the company anticipates continued growth in both sales and earnings. Linamar is expecting to launch new programs as well as see existing programs achieve their anticipated levels of production such that growth in content per vehicle for 2005 is forecasted at 10-15% in North America and 5-10% in Europe.

Sales growth projections are based on program launches which include transmission business (such as differential cases for DaimlerChrysler and Eaton, WK transmission carriers and differential cases, Ford Motor Company 6R and 6F transmission components, other transmission carriers, as well as output and coupler shafts) engines business (such as 3.7L crankshafts, 4.0L, 3.5L, 3.9L and Gen IV and NG6 camshafts, 6.1L engine block) and continued strength in the industrial products category. Linamar also supplies the medium and heavy truck markets. In 2004, those markets recovered significantly. Expectations are for continued strength in 2005 and beyond, softening in 2007.

Earnings growth expectations are based on the launch and sales ramp-ups of the programs noted and the maturity of other programs where efficiencies of production are achieved and maintained. The



earnings expectation also assumes that the progress made in the past several years in Mexico will be maintained and on-going performance will also show improvement. Earnings growth anticipates that LAT will launch and ramp up its camshaft and cylinder head & block programs turning that business from losses in 2004 and 2005 to profitable performance beginning in 2006. The remaining European businesses based in Hungary will also steadily grow in both sales and earnings as programs with Denso and Delphi (common rails and hydraulic manifolds), Bosch (pump housing) and Honeywell (turbo housings) take effect in the automotive sectors and industrial and agricultural business show some growth. The uncertainty in Linamar Hungary caused by the CVT program ended in 2004 when General Motors ("GM") cancelled the program. Other Linamar Hungary product areas remain difficult to forecast and predict because markets can be effected by the presence or lack of government subsidies available to purchasers (i.e. agriculture), the success of customers products that are in very competitive markets (i.e. construction equipment products) or the market acceptance of new customers' technologies (i.e. ATI vehicle track systems).

In Linamar's Industrial Products business, which is dominated by Linamar's Skyjack operations, the market remains highly competitive. The construction equipment market rebounded in 2004 and the expectation is that the market will remain strong through 2005 and beyond, provided economic conditions permit. In 2004, strong sales growth for Skyjack occurred not only in North America but also in the UK and Europe. Performance by market is very difficult to predict. The significant increase in Skyjack sales in 2004 over 2003 is expected to moderate somewhat in 2005 because the market will remain relatively strong although growth will increase at a slower rate.

Overall, these expectations assume consistent levels of North American and European automobile production, no unforeseen changes in the existing business base, and are subject to overall economic conditions and world political events and factors. As well, in 2005, Linamar will continue to realize the benefits provided by the Linamar Production System. The system is based on lean principles developed by Taiichi Ohno, a Toyota executive.

Linamar believes that its strategy to focus on the engine, transmission and chassis 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 to outsourcing, 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 its range of precision machined and assembled automotive and non-automotive products. To build on this strong business base, Linamar intends to continue to develop the organization and its capabilities by enhancing its existing expertise to produce every machined component in the vehicle. Linamar's strategy is to establish and develop a market leadership position in key components and assemblies, enhancing its design, development and testing expertise, 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 2004, 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 as well as a strategy to balance its U.S. and Canadian dollar cash flows to mitigate these risks.



Risk and Uncertainties (forward looking statements)

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

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

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

A large proportion of the company's sales are denominated in U.S. dollars and the company also purchases a significant amount of raw materials, supplies and equipment in U.S. dollars. The strengthening of the Canadian dollar has the potential to have a negative impact on 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 Linzie Brown, at linzie.brown@linamar.com, or visit Linamar's website at www.linamar.com.



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 at a measured pace, which allows Linamar to expand and diversify its product base.


Other principal challenges and risks that the company faces moving forward are the slow pace of outsourcing by the OEMs in the powertrain segment, the market share shift to the Japanese automakers, the shortage of qualified technical people in the labour pool, low cost country outsourcing (such as China) and technologies that eliminate the need for machining.

In addition, the automotive industry continues to decrease the supply base mainly due to the actions of the OEMs. The OEMs are actively trying to reduce their supply base to become more manageable. Through this reduction, there have been considerable consolidations or acquisitions of smaller suppliers. These consolidations provide Linamar with additional opportunities to expand the sales base.

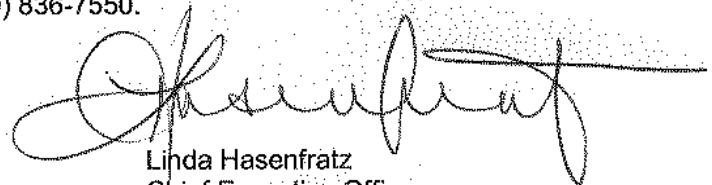
Strategies employed to address market challenges include focusing, through Linamar's sales and marketing organization and technical resources, on strategic sales products and processes to meet customer and product sales levels. Linamar is making significant capital expenditures (as illustrated in 2004) on various new programs that target key products and expand into assemblies and modules. Expansion into China and Korea is also an important aspect of Linamar's growth strategy.

Through acquisitions, Linamar has gained technologies such as the hydroforming of camshafts, as well as the increased capacity to design, test and validate engine powertrains and their components.

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
March 8, 2005



LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS

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

	December 31 2004	December 31 2003
	\$	\$
ASSETS		
Current Assets		
Cash	25,508	34,050
Accounts receivable	359,356	306,513
Inventories	193,839	165,172
Prepaid expenses	6,889	6,499
Current portion of other long-term assets	3,722	1,202
Current portion of long-term receivables	3,772	2,969
Future income taxes	3,141	10,764
Current assets – discontinued operations	2,962	3,036
	599,189	530,205
Other Long-Term Assets	6,690	4,168
Long-term Receivables	10,490	9,283
Goodwill and Other Intangible Assets	33,719	34,643
Property, Plant and Equipment	796,410	716,187
Property, Plant and Equipment – Discontinued Operations	1,833	1,851
Future Income Taxes – Discontinued Operations	605	397
	1,448,936	1,296,734
LIABILITIES		
Current Liabilities		
Unpresented cheques	12,997	4,720
Short-term bank borrowings	50,919	151,998
Accounts payable and accrued liabilities	305,161	257,872
Income taxes payable	3,360	9,445
Current portion of long-term debt (note 6)	7,038	23,284
Current portion of deferred gain (note 3)	9,206	15,213
Current liabilities – discontinued operations	2,090	2,366
	390,771	464,898
Long-Term Debt (note 6)	308,151	152,158
Deferred Gain (note 3)	-	9,206
Future Income Taxes	27,094	22,038
Non-Controlling Interests	30,316	21,323
	756,332	669,623
SHAREHOLDERS' EQUITY		
Capital Stock	103,173	102,913
Retained Earnings	625,764	544,589
Contributed Surplus (note 2)	78	-
Cumulative Translation Adjustment	(36,411)	(20,391)
	692,604	627,111
	1,448,936	1,296,734

On behalf of the Board of Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three Months Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
		(Restated – Note 5)		(Restated – Note 5)
Sales	474,224	402,822	1,844,187	1,509,840
Cost of Sales	380,720	322,349	1,487,990	1,216,578
Amortization	32,663	26,917	119,992	97,359
Gross Margin	60,841	53,556	236,205	195,903
Selling, general and administrative	24,760	19,023	90,881	84,594
Earnings Before the Following:	36,081	34,533	145,324	111,309
Interest on long-term debt	(3,912)	(1,713)	(9,153)	(7,033)
Other interest expense	(843)	(1,515)	(4,719)	(3,437)
Interest earned	745	266	1,290	1,002
Sales agent termination	-	(23,596)	-	(23,596)
Dilution loss	-	-	(248)	-
Other income	143	903	702	333
	32,214	8,878	133,196	78,578
Provision for (Recovery of) Income Taxes				
Current	2,760	6,123	28,014	29,851
Future	3,761	2,523	11,783	(134)
	6,521	8,646	39,797	29,717
	25,693	232	93,399	48,861
Non-Controlling Interests	1,448	(756)	2,995	739
Earnings from Continuing Operations	24,245	988	90,404	48,122
Results of Discontinued Operations (note 5)	-	(2,298)	2,109	(7,581)
Net Earnings (Loss) for the Period	24,245	(1,310)	92,513	40,541
Basic Earnings per Share				
from Continuing Operations	0.34	0.01	1.28	0.68
Diluted Earnings per Share				
from Continuing Operations	0.34	0.01	1.28	0.68
Basic Earnings (Loss) per Share	0.34	(0.02)	1.31	0.57
Diluted Earnings (Loss) per Share	0.34	(0.02)	1.31	0.57

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

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

	Three Months Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance - Beginning of Period	604,344	548,724	544,589	515,345
Stock based compensation (note 2)	-	-	(41)	-
Balance – As restated (note 2)	604,344	548,724	544,548	515,345
Net Earnings (Loss) for the Period	24,245	(1,310)	92,513	40,541
Dividends	(2,825)	(2,825)	(11,297)	(11,297)
Balance - End of Period	625,764	544,589	625,764	544,589

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three Months Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
Cash Provided By (Used In)	\$	\$	\$	\$
		(Restated – Note 5)		(Restated – Note 5)
Operating Activities				
Earnings from continuing operations	24,245	988	90,404	48,122
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	32,663	26,917	119,992	97,359
Future income taxes net of unrealized exchange loss	3,761	1,562	11,783	665
Non-controlling interests	1,448	(756)	2,995	739
Unrealized exchange loss (gain) on debt	(179)	1,170	(1,628)	2,154
Amortization of deferred exchange gain	(6,440)	(3,068)	(20,070)	(6,033)
Loss (gain) on disposal of property, plant and equipment	1,517	(424)	1,999	(906)
Other	375	33	985	132
	57,390	26,422	206,460	142,232
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable	28,541	2,035	(58,468)	(85,986)
Increase in inventories	(20,570)	(2,213)	(34,024)	(34,250)
(Increase) decrease in prepaid expenses	1,927	3,378	(567)	1,907
Increase (decrease) in income taxes payable	(10,947)	4,994	(6,177)	2,947
Increase (decrease) in accounts payable and accrued liabilities	16,246	(5,745)	53,826	56,263
	72,587	28,871	161,050	83,113
Deferred gain	2,072	-	4,857	30,452
Cash flow – continuing operations	74,659	28,871	165,907	113,565
Cash flow – discontinued operations	11	(1,626)	(2,037)	(4,691)
	74,670	27,245	163,870	108,874
Financing Activities				
Proceeds from short-term bank borrowings	(149,768)	32,807	(101,913)	97,813
Proceeds from long-term debt (note 6)	157,940	38,704	165,710	47,396
Repayment of long-term debt	(13,267)	(2,222)	(24,852)	(8,445)
Proceeds from common share issuance	260	-	260	-
Dividends to shareholders	(2,825)	(2,825)	(11,297)	(11,297)
	(7,660)	66,464	27,908	125,467
Investing Activities				
Payments for purchase of property, plant and equipment	(67,057)	(58,412)	(259,151)	(159,000)
Proceeds on disposal of property, plant and equipment	1,274	967	2,799	6,672
Business acquisitions	-	-	-	(64,509)
Investment by minority shareholders	-	-	3,738	-
Investment in other long-term assets	(1,079)	(4,889)	(5,458)	(4,734)
Investment in long-term receivables	23,044	(7,119)	(2,010)	(10,048)
Other	(9)	-	-	210
Discontinued operations	(146)	614	(146)	192
Proceeds on disposal of discontinued operation (note 5)	-	-	51,726	-
	(43,973)	(68,839)	(208,502)	(231,217)
	23,037	24,870	(16,724)	3,124
Effect of Translation Adjustment	(28)	(1,155)	(95)	(1,720)
Increase (decrease) in Cash Position	23,009	23,715	(16,819)	1,404
Cash Position - Beginning of Period	(10,498)	5,615	29,330	27,926
Cash Position - End of Period	12,511	29,330	12,511	29,330
Comprised of:				
Cash	25,508	34,050	25,508	34,050
Unpresented cheques	(12,997)	(4,720)	(12,997)	(4,720)
	12,511	29,330	12,511	29,330

LINAMAR CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the three months and year ended December 31, 2004 (Unaudited)

1. Management prepared these interim consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles using the historical cost basis of accounting and approximation and estimates based on professional judgments. These interim consolidated financial statements contain all adjustments that management believes are necessary for a fair presentation of the company's financial position, results of operations and changes in cash flows. These interim consolidated financial statements should be used in conjunction with the company's most recent annual consolidated financial statements. These 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 Canadian Institute of Chartered Accountants ("CICA") Handbook. The accounting policies used in preparing these interim consolidated financial statements are consistent with those used in preparing the annual consolidated financial statements with one addition. During the first quarter of 2004, 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 CICA 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)

Beginning January 1, 2004 the company has adopted revised CICA 3870 retroactively and has chosen not to restate prior periods as permitted under the revised 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 months and year ended December 31, 2004, \$4 for the quarter and \$16 year-to-date was recorded as the compensation cost.

3. **Financial Instruments**

At December 31, 2004, the company was committed to a series of monthly forward and zero cost option contracts to sell U.S. dollars. As these forward and zero cost option contracts qualify for accounting as cash flow hedges, the unrealized gains and losses are deferred and recognized in the same period as the sales which generate the cash flows.

The company was also committed to a series of monthly forward exchange contracts to sell British pounds and two long-dated forwards to buy U.S. dollars. As these forward exchange contracts qualify for accounting as fair value hedges, they are marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

During the prior year, the company placed forward contracts to buy U.S. dollars, effectively locking in gains on forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. During 2004, the company locked in additional gains of \$4.9 million. The gains have been deferred and have been amortized to revenue based on the terms of the original underlying contracts.

All forward and zero cost option contracts mature in the future as noted below. The company has continued to place forward contracts after the quarter end.

Year	Amount Hedged - Sell (Buy)	Average Exchange Rate	Average Trigger Rate
2005	USD\$ 9,000,000 for Canadian dollars	1.2451	
2005	USD\$ 45,000,000 for Canadian dollars	1.3102	
2006	USD\$ 10,000,000 for Canadian dollars	1.3240	1.4311
2009	USD\$ (80,000,000) with Canadian dollars (note 6)	1.3029	
2014	USD\$ (40,000,000) with Canadian dollars (note 6)	1.3535	
2005	GBP£ 6,175,000 for Canadian dollars	2.2445	

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

Three of the company's five operating groups, Transmission, Engine and Chassis are aggregated into the North American Automotive Systems segment. Substantially all automotive revenue is derived from sales to major North American manufacturers. Europe stands alone as a segment and is in the automotive business.

During 2004, the Industrial group, which is primarily comprised of the self-propelled scissor lift platform business, became a quantified reportable segment. The corporate headquarters and other small operating entities are now reported in the North American Automotive Systems segment. The company has restated segmented information for prior periods.

Geographic	For the three months ended December 31, 2004			For the year ended December 31, 2004		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$	\$	\$	\$
Canada	373,452	1,762	32,903	1,413,478	4,904	129,597
United States	31,391	2,430	1,342	139,859	7,409	9,275
Mexico	32,116	-	(579)	125,844	-	2,230
Europe	37,265	1,411	2,415	165,006	6,688	4,222
Total	474,224		36,081	1,844,187		145,324

	For the three months ended December 31, 2003			For the year ended December 31, 2003		
	Sales to external customers	Inter-segment sales	Operating earnings (loss)	Sales to external customers	Inter-segment sales	Operating earnings (loss)
	\$	\$	\$	\$	\$	\$
Canada	306,575	542	38,158	1,130,225	3,671	112,061
United States	29,035	4,489	2,241	116,018	7,869	7,584
Mexico	28,006	-	(2,921)	111,003	-	(7,187)
Europe	39,206	1,403	(2,945)	152,594	9,969	(1,149)
Total	402,822		34,533	1,509,840		111,309

Operational	For the three months ended December 31, 2004			For the year ended December 31, 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	398,879	3,091	30,246	1,504,576	10,308	124,328
Europe	30,744	1,411	2,358	131,906	6,688	1,185
Industrial	44,601	187	3,477	207,705	638	19,811
Total	474,224		36,081	1,844,187		145,324

	For the three months ended December 31, 2003			For the year ended December 31, 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	342,128	1,489	35,948	1,269,782	6,085	113,561
Europe	28,568	1,816	(4,653)	123,429	11,503	(2,630)
Industrial	32,126	47	3,238	116,629	143	378
Total	402,822		34,533	1,509,840		111,309

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 \$53.8 million.

As per the CICA Handbook Section 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 December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Revenue from Weslin discontinued operation	-	5,657	16,134	20,385
Loss from operations of Weslin (net of income taxes of \$Nil, 2003 - \$Nil)	-	(2,145)	(4,102)	(8,587)
Gain on disposal of Weslin (net of income tax provision of \$255)	-	-	6,731	-
Results of other discontinued operations (net of income tax recovery of \$280, 2003 – provision of \$518)	-	(153)	(520)	1,006
Results of discontinued operations	-	(2,298)	2,109	(7,581)
				\$
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. Long-term debt (in thousands of dollars except where otherwise noted)

During the fourth quarter the company completed the placement of U.S. \$120 million of senior unsecured notes. The notes are comprised of U.S. \$80 million due October 2009 at 4.44% and U.S. \$40 million due October 2014 at 5.33%. The company completed the placement of U.S. \$120 million of senior unsecured notes. The company entered into long-dated forward exchange contracts to lock in the exchange rate on the principle repayment component upon maturity of the notes and to hedge the effective changes in exchange rates on the U.S. denominated notes (note 3). As at December 31, 2004, included in the principle above is the unrealized exchange loss on the long-dated forward exchange contracts of \$6,150 and the accrual of forward points of \$249. The forward points, with a value of \$7,980 net of accrual of \$249, on the long-dated forward exchange contracts are being accrued over the terms of the forward contracts and are being treated as an additional cost of the notes recorded through interest. This facility is unsecured but is guaranteed by the company, three domestic subsidiaries, and one foreign subsidiary.

7. 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 \$5,264 by a company owned by the spouse of a director. Included in cost of sales, are maintenance costs of \$656 by the same company. Included in cost of sales, are lease costs of \$262 related to property leased from a company owned by two directors. Included in selling, general and administrative expenses, is a recovery of \$48 related to equipment and services sold to a company owned by the spouse of a director.

These transactions have been recorded at the exchange amount.

8. 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 December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Government sponsored	2,773	2,484	14,542	12,979
Company sponsored	1,869	1,811	7,691	7,170

9. Foreign Exchange (in thousands of dollars)

Included as part of selling, general and administrative expenses is a gain (loss) resulting from foreign exchange as follows:

	Three Months Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
	\$	\$	\$	\$
Foreign Exchange Gain (Loss)	(507)	911	2,009	(328)

10. Transfer of Receivables (in thousands of dollars)

Under a portfolio purchase agreement signed in during the fourth quarter of 2004, the company sells certain long-term receivables. Although title is transferred and no entitlement or obligated repurchase agreement is in place before maturity, the company remains exposed to certain risks of default on the amount of proceeds from receivables under securitization less recourse in the form of property, plant and equipment. Under the agreement receivables are sold on a fully serviced basis, so that the company continues to administer the collection of such receivables. The company receives no fee for administration of the collection of such receivables.

11. Guarantees (in thousands of dollars)

The company has guaranteed the lease payments of Eagle Manufacturing LLC, a joint venture, for the full term of the lease which ends in 2010. The company is receiving a guarantee fee during the lease term. As at the quarter end the maximum potential amount of future payments is \$14,491 over the remaining lease term.

The company has various other guarantees for a maximum potential future payment of \$1,642 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 \$765.

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

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

As at December 31, 2004, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$93,742.

13. Comparative Figures

Certain comparative figures have been reclassified in accordance with the current quarter's presentation (see notes 4 and 5).

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2004

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

This MD&A has been prepared as at March 8, 2005.

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

In this MD&A, reference is made to operating earnings which is not a measure of financial performance under Canadian generally accepted accounting principles ("GAAP"). Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses and equity (earnings) loss. The company has included information concerning this measure because it is used by management as a measure of performance and management believes it is used by certain investors and analysts as a measure of the company's financial performance. This measure is not necessarily comparable to similarly titled measures used by other companies and should not be construed as alternatives to net earnings or cash flows from operating activities as determined in accordance with Canadian GAAP or 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. Linamar's business includes industrial products that utilize the company's core competencies of precision machining and assembly. The company also produces agricultural implements in Hungary for worldwide use.

The following table sets out certain highlights of the company's performance in 2004:

<i>(in millions of dollars, except content per vehicle numbers)</i>	2004	2003
Sales	\$1,844.2	\$1,509.8
Gross Margin	236.2	195.9
Earnings from Continuing Operations	90.4	48.1
Content per Vehicle – North America	\$81.52	\$68.83
Content per Vehicle – Europe	\$7.73	\$7.71

Sale of Weslin Industries Inc.

In August 2004, Linamar sold its 50% joint venture interest in Weslin Industries Inc. ("Weslin"), to its partner, Wecast Industries Inc. ("Wecast"). 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 statement of earnings and statement of cash flow data has been restated to reflect the impact of Weslin as a discontinued operation for prior operating periods presented. In accordance with Canadian GAAP, only statement of earnings elements and related cash flow balances have been restated. The balance sheet remains as previously reported.

Private Debt Placement

In October 2004, Linamar was successful in completing a private placement of U.S. \$120 million aggregate principal amount of senior unsecured notes. Of the total, U.S. \$80 million of the notes have a five-year term bearing interest at a rate of 4.44% per annum. The remaining U.S. \$40 million principal amount has a ten-year term and an interest rate of 5.33% per annum. Long dated forward exchange contracts have been placed to lock in the exchange rate on the principal repayment². The net proceeds from the private placement were initially used to reduce short-term borrowings while the overall intent is that such proceeds will be used for general corporate purposes.

Overall Corporate Results

In 2004, Linamar achieved a record sales level of \$1,844.2 million representing a 22.1% increase over the prior year. Total automotive sales including tooling was \$1,498.8 million, an increase of 17.0% compared to 2003 and represented 81.3% of Linamar's total 2004 sales. This performance was achieved in automotive production markets which recorded no growth in North America and 2.0% in Europe. In Linamar's non-automotive businesses (including agricultural products, industrial products, small engine, marine, power generation and transportation), sales were \$345.4 million, an increase of 51.2% over 2003. The industrial products business accounted for the most significant portion of the sales increase.

Linamar's success was also reflected in new business awarded. The following programs are a partial listing of new programs won in 2004. Late in the year, Linamar was awarded six different camshaft programs reflecting volumes in excess of 3 million additional units; these programs start in 2006 and 2007. In addition, the company took over a program in Mexico to machine cylinder heads commencing in 2006 at volumes of 650 thousand units. Linamar was also awarded seven transmission components and modules for a transmission program in Korea with projected sales in excess of \$60 million annually, representing Linamar's first facility in Asia. The company will begin setting up operations in Korea in 2005.

Furthermore, Linamar added to new business with six speed transmission components, additional iron cylinder head volumes and an additional differential case program with significant volumes of more than 600 thousand units per year.

Finally, the acquisition of McLaren Performance Technologies Inc. ("McLaren") in 2003 has been beneficial in that Linamar was awarded the design work for the head and block components of a high performance engine for an OEM customer.

Linamar's earnings grew significantly during 2004 as well, outpacing the growth in sales. Operating earnings³ achieved \$145.3 million, an increase of 30.5% over the 2003 level of \$111.3 million. Geographically, operating earnings were higher in each area (Canada, U.S., Mexico, Europe) and the North American Automotive Systems, Europe and Industrial operating segments each showed improved performance.

Interest costs in 2004 were \$12.6 million (net) compared to \$9.5 million in 2003 due to slightly higher borrowing costs and higher debt levels incurred to support the significant capital expenditure program incurred in 2004.

Linamar's 2004 growth is reflected in capital expenditures incurred during the year to support programs launching or to be launched. The major capital expenditure programs were related to two large differential programs, two cylinder block programs, a cylinder head program and a cylinder liner program at two of our Mexican plants, a differential case program at our third Mexican plant, as well as a brake drum program, 6R transmission programs in Guelph plants and finally the hydroformed camshaft program at our plant in Germany.

² These forward contracts are fair value hedges and, as such, are marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

³ See page 28 for discussion of non-GAAP measures.

Linamar's sales growth is also attributed to programs launched in prior years which achieved higher or full volume in 2004. Those programs include the Ford Motor Company ("Ford") 5.4L aluminum cylinder head, the Caterpillar Inc. ("CAT") iron cylinder head, the General Motors ("GM") Gen IV connecting rod and several take over programs along with additional volume on existing programs where Linamar became sole source. Additional sales growth was achieved by programs which were both launched and achieved production in 2004 such as the DaimlerChrysler ("DCX") ATX differential case.

On August 31, 2004 Linamar sold its 50% interest in Weslin to its partner, Wescast for \$53.75 million. Linamar believed that it was important for the business to have one controlling shareholder to guide and direct the future of that business.

Earlier in the year, GM announced the cancellation of its continuous variable transmission ("CVT") program which resulted in a loss of business for Linamar Hungary RT ("Linamar Hungary") and one facility in Guelph.

Selected Annual Information

The following table sets out selected financial data relating to the company's years ended December 31, 2004, 2003 and 2002. This financial data should be read in conjunction with the company's audited consolidated financial statements for these years:

<i>(millions of dollars, except per share amounts)</i>	2004	2003	2002
Sales	\$1,844.2	\$1,509.8	\$1,348.1
Earnings from Continuing Operations	90.4	48.1	64.1
Net Earnings for the year	92.5	40.5	57.0
Total Assets	1,448.9	1,296.7	1,058.9
Total Long-term Liabilities	365.6	204.7	164.1
Cash Dividends declared per share	\$0.16	\$0.16	\$0.16
Earnings Per Share From Continuing Operations			
Basic	\$1.28	\$0.68	\$0.91
Diluted	1.28	0.68	0.91
Earnings Per Share From Net Earnings			
Basic	\$1.31	\$0.57	\$0.81
Diluted	1.31	0.57	0.81

Sales

<i>(millions of dollars)</i>	2004	2003
Canada	\$1,418.4	\$1,133.9
U.S.	147.3	123.9
Mexico	125.8	111.0
Europe	171.7	162.6
Intersegment	(19.0)	(21.6)
Total external sales	\$1,844.2	\$1,509.8

Total sales were \$1,844.2 million in 2004, an increase of \$334.4 million or 22.1%, compared to sales of \$1,509.8 million generated in 2003. The increase in sales is due to a combination of net new business awarded and net volume increases on existing automotive programs offset by the impact of the stronger Canadian dollar. The stronger Canadian dollar had the effect of lowering sales by approximately \$49.5 million for the year. Excluding the estimated effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 25.4% in the year.

The company experienced strong growth in the sale of industrial products during 2004, driven by its aerial lift platform business as well as growth in marine and power generation precision machined components.

Vehicle Production Volumes

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

North American vehicle production volumes for 2004 were approximately 16.3 million units, the same level as 2003.

European vehicle production increased slightly by 2.0% with approximately 16.3 million units produced in the year compared with approximately 16.0 million units produced in 2003.

Automotive Sales

Automotive sales in the following discussion are based on content per vehicle determined by the final vehicle production location and, as such, there are differences in the figures as reported under the North American Automotive Systems segment which is based primarily on the company's location of manufacturing. These differences are the result of products being sold directly to one continent but the final vehicle being assembled on another continent. It is necessary to show the sales based on the vehicle build location to provide accurate comparisons to the production vehicle units for each continent.

Total automotive sales for North America and Europe were \$1.451 billion for the year, compared to \$1.242 billion in 2003, an increase of 16.8%. The impact of the stronger Canadian dollar accounted for approximately \$49.8 million in total automotive revenue reductions for 2004. If the estimated impact of the stronger dollar is removed, total automotive revenues for the year would have increased \$258.8 million or 20.8%.

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

Content Per Vehicle (i)

<i>North America</i>	2004	2003	% Change
Vehicle Production Units (ii)	16.26	16.26	-
Automotive Sales (iii)	\$1,325.5	\$1,118.9	18.5%
Content Per Vehicle	\$81.52	\$68.83	18.4%
<i>Europe</i>	2004	2003	% Change
Vehicle Production Units (ii)	16.29	15.97	2.0%
Automotive Sales (iii)	\$125.8	\$123.2	2.1%
Content Per Vehicle	\$7.73	\$7.71	0.3%

(i) measured as the amount of Linamar automotive sales dollars per vehicle, not including tooling sales

(ii) Vehicle Production Units are shown in millions of units

(iii) Automotive Sales are shown in millions of dollars

In 2004 North American automotive sales increased by 18.5% over 2003 to \$1,325.5 million. North American vehicle production units were essentially constant. Content per vehicle was \$81.52, compared to \$68.83 for 2003, an increase of 18.4%.

North American automotive sales benefited from the ramping up of a number of new and expanding programs. Four significant programs that contributed in 2004 were the CAT iron cylinder head program, the DCX ATX differential cases, the GM Gen IV connecting rod, and the Detroit Diesel Corporation

("DDC") overhead assembly. The CAT and DDC programs are used on medium and heavy truck applications. The DCX components are a light vehicle application. In addition to these programs, the DCX 9.25 carrier and Ford V10 cylinder heads were launched.

Programs launched in 2003 contributing to the 2004 growth include the GM Gen IV connecting rods, the GM 3.8L connecting rods and the Toyota Motor Corporation ("Toyota") engine brackets.

In 2004, European automotive sales were \$125.8 million compared to \$123.2 million in 2003, an increase of 2.1%, consistent with the production increase of 2.0%. Content per vehicle grew to \$7.73, a modest increase of 0.3% over 2003 of \$7.71.

European automotive sales were severely impacted by GM's decision to cancel the CVT program in 2004. Offsetting this decline were increases with other existing customers and a full year of sales for Linamar Antriebstechnik GmbH & Co. K.G. ("LAT") which was acquired in June of 2003.

Automotive tooling sales for the year increased over 2003 by \$6.6 million or 18.3%, to \$42.7 million. This increase is primarily due to the new Ford V10 finish machining program launched at an Ontario facility. These 6.8L heads are used in the popular Ford F-Series trucks.

Other Sales

The largest area of sales growth for the year, as compared to 2003, was the sale of industrial products, which grew by \$111.4 million to \$249.8 million, primarily from the sale of Skyjack Inc. ("Skyjack") aerial lift platforms. The majority of Skyjack's sales are in the North American market with the European market representing 15% of its sales in 2004. Skyjack has developed a reconditioning division. Machines of various makes from all manufacturers are reconditioned and returned to the rental market for fleet use. Not only has this division become a contributor to the growth in Skyjack, it has allowed the engineers of Skyjack to become more knowledgeable concerning the competitors' products.

As in 2003, small engine sales continued to decline by 12.3%, or \$3.1 million, for 2004 as the related product lines continue to be strategically de-emphasized. These sales are included in the North American Automotive Systems operational segment but are not included in content per vehicle calculations.

Gross Margin

<i>(millions of dollars)</i>	2004	2003
Sales	\$1,844.2	\$1,509.8
Cost of sales	1,488.0	1,216.6
Amortization	120.0	97.3
Gross margin	\$236.2	\$195.9
Gross margin percentage	12.8%	13.0%

Gross margin after amortization was 12.8% for the year, comparable to 13.0% for last year. The change in margin is largely due to the continuation of the change in automotive programs from consigned to purchased material, the continued addition of high material content machining and assembly programs, price reductions to customers, and the impact of metal surcharges not recovered from the end customer. The largest impact was the conversion by CAT to purchased materials in 2004. Assembly programs generally carry a higher material content than a typical machining program. Skyjack experiences higher material content compared to the core machining business.

Other factors which affected margins include tooling programs which experienced lower margins than in past years. Consumable tooling and repairs on equipment have also contributed to the slight margin erosion in 2004. Facilities launching large programs, such as the DCX ATX differential case, tend to experience higher consumable tooling and manufacturing costs during the initial stages of production until the optimal use of materials and application is achieved. Repair costs have increased as facilities transition to new programs. As part of the transition, existing machines are serviced and put back in use on new programs where possible.

Labour as a percent of sales has improved as the CAT programs launched in 2003 reached full volumes in 2004 and further programs launched in the same facility during the year were better able to utilize existing labour resources. Labour was also positively impacted by Canadian Scientific Research and Experimental Development tax credits. Furthermore, the growth in the industrial sales area has resulted in improved labour utilization.

Amortization charges as a percentage of sales remained consistent at 6.5%. As a percentage of assets employed, amortization costs increased from 15.5% to 16.8%. The dollar value of assets in production has increased over 2003 by \$88.8 million as more programs come online for production. New lines such as the DCX ATX differential case are designed for larger volumes than experienced in the initial year of production. Many of the machining facilities are also preparing for production of various components for the Ford 6R transmission and the Eaton 8.6 differential case which will launch in 2005.

Operating Earnings

<i>(millions of dollars)</i>	2004	2003
Gross margin	\$236.2	\$195.9
Selling, general and administrative	90.9	84.6
Operating Earnings	\$145.3	\$111.3

Selling, general and administrative ("SG&A") costs, excluding currency exchange impacts, increased from \$84.3 million in 2003 to \$92.9 million in 2004. However, as a percentage of sales, SG&A costs were lower at 4.9% as compared to 5.6% in 2003.

Core Linamar facilities (excluding Skyjack) recorded SG&A costs of \$78.2 million or 4.8% of sales in 2004, compared to \$69.6 million or 5.0% of sales for 2003, consistent as a percent of sales at 4.8%. The main factor behind the SG&A dollar amount increase is the company's continued growth in the industrial market with Skyjack's operations. The nature of this operation requires a higher level of marketing and sales efforts because Skyjack directly markets and distributes its products to the end users. In 2004, Skyjack had SG&A expenses totaling \$17.5 million, excluding exchange. This expenditure level has increased over 2003, which is consistent with an increased sales level for the year.

The company experienced exchange losses during 2003 of \$0.3 million as compared to a gain of \$2.0 million in 2004. 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 against the Euro, the company has experienced exchange gains in 2004 on a net Euro debt position as compared to losses in 2003. The Mexican subsidiaries have receivables denominated in U.S. dollars in excess of U.S. dollar liabilities. With the weakening Peso, the Mexican operations had experienced gains related to these accounts in 2003. In 2004, the Mexican facilities were exchange neutral.

During 2003, the company placed forward contracts to buy U.S. dollars, effectively locking in gains on forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. The gain has been deferred and is being amortized to revenue based on the terms of the original underlying contracts. During 2004, \$15.2 million of these gains were recognized, leaving \$9.2 million to be amortized in 2005.

INCOME BY SEGMENT

The following should be read in conjunction with Note 21 to Linamar's consolidated financial statements for the financial year ended December 31, 2004.

Operational

During 2004, the Industrial group, which is primarily comprised of the aerial lift platform business, became a quantified reportable segment. The corporate headquarters and other small operating entities are now reported in the North American Automotive Systems segment.

For 2004, sales for the North American Automotive Systems segment recorded an increase of \$234.8 million from \$1,269.8 million in 2003 to \$1,504.6 million for 2004. The impact of the declining U.S. dollar against the Canadian dollar and the Mexican Peso is estimated to represent a sales reduction of \$46.3 million for the year, such that revenues would have otherwise increased by \$281.1 million or 22.1% on a consistent exchange rate basis. The programs with the largest impact for the year have been the launch of the DCX differential case, the addition of the DCX 9.25 carrier, the continued growth with CAT programs, and the DDC overhead assembly launched near the end of 2003. The company's transportation division has also experienced growth in external sales. Furthermore, a full year of McLaren contributed to the 2004 sales. McLaren was purchased in the third quarter of 2003.

For the year, operating earnings increased by 9.4% in the North American Automotive Systems segment to \$124.3 million from \$113.6 million for 2003. Large gains have been made as a result of programs launched in 2003 such as the CAT liners and the DDC overhead assembly, reaching full production volumes and achieving efficient operating results. Linamar de Mexico S.A. de C.V. ("LdM") continues to improve results through the application of the lean manufacturing system and cost control programs. For 2005, improved operational efficiencies are also expected as the new DCX 9.25 carrier reaches optimal levels of production and the new Ford 6R programs launch and begin to ramp up in various Ontario facilities. The transportation operations are now contributing to the earnings in this segment as well with the increase in sales to external customers. A reduction in earnings was caused by losses in 2004 at McLaren. While McLaren was acquired to support Linamar's requirement for additional design and engineering capabilities for new and existing business, the external market for dynamometer testing and one-off prototypes was lower in 2004. OEM's have taken back in-house activities this year as compared to prior years. Despite this situation, Linamar has expanded the engineering capabilities within McLaren to enable us to provide innovative designs to our customers and work with existing Linamar facilities to improve the design of parts and processes for better manufacturability.

European sales in 2004 increased \$8.5 million to \$131.9 million from \$123.4 million in 2003. GM cancelled the CVT program in 2004, having a significant negative impact on the sales in the segment. Offsetting gains were made in other automotive programs as well as sales of products used in industrial applications such as generators and elevators. The agriculture sales at Linamar Hungary were consistent with prior year levels. The additional sales from the company's latest European acquisition, LAT, were \$2.6 million over 2003.

Europe achieved operating earnings for the year of \$1.2 million as compared to a loss of \$2.6 million for 2003. Despite the loss of the CVT program at Linamar Hungary, the European operations were able to utilize equipment and other resources in other applications, maintaining and improving the utilization of assets. Early in 2004, the company anticipated the cancellation of the CVT program and planned for the use of excess equipment and labour on new and growing programs. The settlement agreed to with GM for the cancellation of the CVT program partially offset the losses which occurred during the year.

Sales for the Industrial segment increased \$91.1 million to \$207.7 million for 2004. This relates to increased sales of Skyjack aerial lift platforms.

Operating earnings in the Industrial segment improved in the year as compared to 2003 by \$19.4 million. The results in this segment improved due to increased sales volumes and the continued efforts of the Skyjack operations to reduce operating costs and alter the manufacturing strategy from one of complete

component manufacturer to one of design, assembly of key component manufacturing and marketing/distribution strategy.

Geographical

Canadian sales for 2004 were up \$283.3 million to \$1,413.5 million. Programs launched for CAT and DDC reached full production volumes during 2004 as well as additional CAT programs which came on line. Other new programs continuing to grow in 2004 were the launches of the DCX ATX differential case, the DCX 9.25 carrier, and the Ford V10 cylinder head. Skyjack continued to experience growth in both new unit and parts sales.

The operating earnings for the Canadian segment increased \$17.5 million to \$129.6 million in 2004 as compared to 2003. The growth can be attributed to the production efficiencies gained in 2004 on a number of programs, including the CAT programs and the DDC overhead assembly launched in 2003. The company's transportation services are also contributing to growth with expanding external customer services. The increased sales experienced by the Skyjack operation have also contributed to better operating earnings through a higher absorption of fixed costs inherent with the industrial business. Offsetting some of the gains was the expected under utilization of resources occurring during the launch of the ATX differential case and 9.25 carrier programs for DCX. These programs began reaching more efficient operational levels near the end of 2004. Many Ontario facilities are also preparing for the 2005 launch of components for the Ford 6R transmission.

The sales in the U.S. segment increased \$23.9 million to \$139.9 million in 2004. The increase relates to the increased demand for Skyjack equipment, parts and service. Eagle Manufacturing LLC ("Eagle") experienced lower sales in 2004 as a result of the cylinder head program which came to its anticipated conclusion. The decreased cylinder head sales were not completely offset by the sales on new programs such as the International Truck and Engine Corporation ("International") bedplate program launched in 2003 at Eagle, a joint venture in which the company has a 60% interest. McLaren's operations have also been fully consolidated since the third quarter of 2003 and contributed somewhat to the sales growth.

Operating earnings in the U.S. segment have improved slightly by \$1.7 million for the year to \$9.3 million as a result of cost improvements and increased sales volumes at Skyjack. McLaren has experienced external market declines, impacting their earnings. Eagle has experienced slightly lower earnings in their transition to the bedplate production replacing the cylinder head program which ended in early 2004.

Sales for Mexico have improved in 2004 by \$14.8 million to \$125.8 million for the year. Industrias de Linamar S.A de C.V ("ILSA") experienced higher demand from Renault for equivalent engines than in 2003. New programs launched near the end of 2003 for GM and CAT contributed to the sales growth. LdM began the launch of the Eaton 8.6 differential case program in the second half of 2004.

Operating earnings for the Mexican segment in 2004 have improved by \$9.4 million to earnings of \$2.2 million as compared to a loss of \$7.2 million in 2003. In 2004, the new programs for CAT and GM have reached more efficient operational levels. LdM has also improved operating earnings despite a slight decline in sales levels through the continuation of lean manufacturing processes and cost reduction initiatives. Improvements have been seen in quality, manufacturing costs, and better labour utilization. ILSA incurred a settlement charge in 2003 for a quality issue.

Sales in Europe were \$165.0 million, an increase of \$12.4 million over 2003. Sales have improved, despite the significant impact of the GM CVT cancellation. Skyjack's European operations and the growing volumes on programs such as the Denso Corporation ("Denso") common rail and various industrial products manufactured at Linamar Hungary are the more significant contributors to the sales growth. The company's newest European facility, LAT, which was purchased in June 2003, has also contributed to the sales growth during the year.

Operating earnings in the European segment have improved. Earnings increased \$5.3 million to \$4.2 million as compared to a loss of \$1.1 million in 2003. Improvements in the earnings of Skyjack through the continued efforts to gain operational efficiencies and expanded sales in the European marketplace

have contributed to this segment growth. Despite the loss of the GM CVT program, Linamar Hungary improved operating earnings through the increase in volumes on other programs.

NET EARNINGS AND BALANCE SHEET DATA

The following financial data has been derived from, and should be read in conjunction with, Linamar's audited consolidated financial statements for the financial years ended December 31, 2004 and 2003.

<i>(millions of dollars, except per share amounts)</i>	2004	2003
Sales	\$1,844.2	\$1,509.8
Gross Margin	236.2	195.9
Operating Earnings	145.3	111.3
Net interest expense	(12.6)	(9.5)
Sales agent termination	-	(23.6)
Dilution loss	(0.2)	-
Other income	0.7	0.3
Provision for Income Taxes	(39.8)	(29.7)
Non-Controlling Interest	(3.0)	(0.7)
Earnings from Continuing Operations	\$90.4	\$48.1
Results from Discontinued Operations	2.1	(7.6)
Net Earnings for the Year	\$92.5	\$40.5
Earnings Per Share From Continuing Operations		
Basic	\$1.28	\$0.68
Diluted	1.28	0.68
Net Earnings Per Share		
Basic	\$1.31	\$0.57
Diluted	1.31	0.57
Total Long-Term Liabilities	\$365.6	\$204.7
Cash Dividends declared per share	0.16	0.16
Total Assets	\$1,448.9	\$1,296.7

Net Earnings and Earnings per Share

The effective tax rate for 2004 was 29.9%, a decrease from the effective rate of 37.8% in 2003. During 2004, an additional \$3.6 million was recognized as an asset in relation to the Mexican operations. The asset is comprised of losses and asset tax benefits carried forward. The operations of the Mexican facilities have become more stable and management feels the asset recognized will likely be utilized by the entities. Removing the recognition of the Mexican assets, the effective rate would be 32.6%. This rate is still lower than the Canadian effective rate of 34.1%.

The effective tax rate was also impacted by the results generated by operations in Mexico and Hungary. The Hungarian operations enjoy the benefit of a tax holiday through a tax credit system which management expects will continue until 2011. The company has also recognized the benefit of Canadian Scientific Research and Experimental Development tax credits which are not subject to provincial taxes in Ontario. The higher rate in 2003 reflects the impact of tax rate increases enacted by the new Government of Ontario in the fourth quarter.

Net earnings from continuing operations for the year improved significantly to \$90.4 million from \$48.1 million in 2003. Removing the impact of the Mexican tax asset recognized, earnings would have been \$86.8 million. The earnings in 2003 were impacted significantly by the sales agent termination of \$23.6 million (\$15.8 million net of tax) and the additional future taxes of \$3.5 million associated with the new Ontario Government's change to corporate income tax rates. Removing the unusual impacts from 2003, the earnings from continuing operations would have been \$67.4 million or \$0.95 per share.

For the year, earnings per share from continuing operations were \$1.28. Removing the impact of the Mexican tax asset, earnings per share from continuing operations would have been \$1.23 as compared to \$0.95 in 2003 after removing the sales termination and tax rate change. The improvement is due to significant programs that were launched in 2003, reaching full productive volumes in 2004, and achieving anticipated utilization of program resources.

Interest

During the year, interest on long-term debt increased by \$2.2 million over last year to \$9.2 million from \$7.0 million. The increase is primarily due to the private placement in October of 2004 and the increased short-term borrowing position prior to the placement. The effective interest rate, including the new placement, is lower in 2004 at 4.8% from 5.1% in 2003. This is the result of Linamar Hungary moving portions of its Forint debt to Euros as it comes due for renewal. The Euro debt affords a lower rate of interest and assists Linamar Hungary in reducing exchange exposure as the company's Euro based sales grow.

Other interest expense is higher by \$1.3 million for the year due to the increased level of utilization of short-term debt before the receipt of the private placement funds in October. The short-term borrowings were used to support significant capital spending required for the launch of many new long-term differential case and cylinder head programs. Interest earned has increased slightly over 2003.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2003 through December 31, 2004. This information has been derived from our unaudited consolidated financial statements which, in the opinion of management, have been prepared on a basis consistent with the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of our financial position and results of operations for those periods.

(millions of dollars, except per share amounts)	Mar 31, 2003	June 30, 2003	Sept 30, 2003	Dec 31, 2003	Mar 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004
Sales	372.2	368.0	366.8	402.8	430.6	460.6	478.7	474.2
Earnings from Continuing Operations	14.4	18.2	14.5	1.0	21.7	24.6	19.8	24.2
Earnings Per Share from Continuing Operations								
Basic	0.20	0.26	0.21	0.01	0.31	0.35	0.28	0.34
Diluted	0.20	0.26	0.21	0.01	0.31	0.34	0.28	0.34
Net Earnings (Loss) Per Share								
Basic	0.17	0.24	0.18	(0.02)	0.29	0.32	0.36	0.34
Diluted	0.17	0.24	0.18	(0.02)	0.29	0.32	0.35	0.34

The quarterly results of the company are impacted 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. The third quarter is generally negatively impacted by the scheduled summer shutdowns at the company's automotive customers. The company takes advantage of summer shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

The results above have been restated to reflect the sale of the company's 50% interest in Weslin in the third quarter of 2004. The operational results of Weslin and the gain realized on the sale have been reclassified to discontinued operations for all periods reported.

The fourth quarter of 2003 was negatively impacted by the termination of all outside sales agents which cleared the way for the company to build its own internal sales force.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

<i>(millions of dollars)</i>	2004	2003
Cash provided from (used for):		
Operating activities	\$163.9	\$108.8
Financing activities	27.9	125.5
Investing activities	(208.5)	(231.2)
Effect of translation adjustment	(0.1)	(1.7)
Net increase (decrease) in cash	(16.8)	1.4
Cash Position – Beginning of Year	29.3	27.9
Cash Position – End of Year	12.5	29.3
Comprised of:		
Cash	25.5	34.0
Unpresented Cheques	(13.0)	(4.7)
	\$12.5	\$29.3

Linamar's cash position (net of unpresented cheques) at December 31, 2004 was \$12.5 million, a decrease of \$16.8 million. The timing of cash receipts in 2004 allowed application to the short-term bank borrowings to reduce levels at the end of the year. The increase in unpresented cheques is indicative of capital expenditure levels during 2004.

Cash generated during the year from operations, the private placement and the sale of Weslin were offset by the reduction in short-term borrowings and extensive capital spending to support future sales growth. Capital intensive, long-term programs were launched during 2004 or are scheduled for early 2005.

Operating Activities

<i>(millions of dollars)</i>	2004	2003
Earnings from continuing operations	\$90.4	\$48.1
Items not involving current cash flows	116.1	94.1
Cash provided from operations	\$206.5	\$142.2
Net change in non-cash working capital	(45.4)	(59.1)
Deferred gain	4.8	30.5
Cash flow – continuing operations	\$165.9	\$113.6
Cash flow – discontinuing operations	(2.0)	(4.8)
Cash provided from operating activities	\$163.9	\$108.8

Cash provided by continuing operations, before the effect of changes in non-cash working capital, increased to \$206.5 million in 2004 from \$142.2 million in 2003, driven primarily by improved operating results achieved in 2004 and higher amortization. The 2003 results include the receipt of cash proceeds of \$30.5 million on U.S. forward contracts crystallized in the second quarter of 2003 as compared to \$4.8 million in 2004.

Incremental investments in non-cash working capital for the year were \$45.4 million, compared to \$59.1 million last year. This increased investment compared to last year resulted primarily from increases in accounts receivable and inventory levels which is a reflection of the change from consigned to purchased materials for the CAT programs, programs for cylinder heads and connecting rods. ILSA has also been requested by Renault to carry twenty production days of equivalent engines.

Financing Activities

<i>(millions of dollars)</i>	2004	2003
Proceeds from (repayment of) short-term bank borrowings	\$(101.9)	\$97.8
Proceeds from long-term debt	165.7	47.4
Repayment of long-term debt	(24.9)	(8.4)
Proceeds from common share issuance	0.3	-
Dividends to shareholders	(11.3)	(11.3)
Cash provided from financing activities	\$27.9	\$125.5

Cash provided by financing activities for 2004 was \$27.9 million. In 2003, the cash provided by financing activities was \$125.5 million.

During 2004, short-term borrowings continued to increase as a result of the high levels of investment in capital equipment related to launching programs. The private placement provided funds of U.S. \$120.0 million in October 2004 and was applied to reduce the level of short-term borrowings. Linamar Hungary continues to replace short-term Forint borrowings with long-term Euro debt, reducing financing costs as a result.

The increase in short-term bank borrowings during 2003 was primarily the result of acquisitions. The McLaren acquisition required cash of \$26.1 million. During the second quarter, the LAT acquisition required cash of \$22.9 million and the share buyout of Torreón Holding Inc. ("Torreón") required cash of \$15.5 million.

During the fourth quarter of 2003, the company renewed and increased the non-revolving term facility under its Canadian syndicated credit agreement. The agreement requires the facility to be fully drawn at all times. The credit facility was increased by \$45.0 million, increasing the total credit available in Canada to \$302.0 million. This agreement was renewed in December 2004 at the same debt levels.

In 2003 and 2004, additional long-term debt was acquired through further capital leases for the new programs coming online at Eagle.

Repayments related to scheduled terms for the Skyjack Industrial Revenue Bonds, Linamar Hungary Euro loans and the capital leases at Eagle.

In 2004, stock options were exercised for proceeds of \$0.3 million. No options were exercised during 2003.

The company continued its dividend policy with payments made quarterly on 70,627,476 common shares at a rate of \$0.04 per share. The dividend declared on March 8, 2005 and payable on March 31, 2005 to Shareholders on record on March 22, 2005 is \$0.06 per share.

Investing Activities

<i>(millions of dollars)</i>	2004	2003
Payments for purchases of capital assets	\$(259.1)	\$(159.0)
Proceeds from disposal of capital assets	2.8	6.7
Proceeds from disposal of Weslin Industries Inc.	51.7	-
Investment in other long-term assets	(5.5)	(4.7)
Investment in long-term receivables	(2.0)	(10.0)
Business acquisitions	-	(64.5)
Investment by Minority Shareholders	3.7	-
Other	-	0.2
Discontinued operations	(0.1)	0.1
Cash used for investing activities	\$(208.5)	\$(231.2)

As at December 31, 2004, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$93.7 million (2003 - \$66.8 million).

For 2004, cash spent on investing activities totaled \$208.5 million while, for 2003, the total spent was \$231.2 million. The purchases of capital assets in 2004 exceed 2003 levels by over \$100.0 million. During 2004 the company invested in capital equipment for the DCX ATX differential case, the DCX 9.25 carrier, the CAT block and liner programs, the Eaton 8.6 differential case, the Ford V10 cylinder head and the Ford 6R program. Expenditures were also made for the 2005 launch of a hydro-formed camshaft to be produced by LAT for a German auto maker. These programs account for almost 70% of the 2004 investment in capital equipment.

The company received net proceeds from the sale of Weslin in the amount of \$51.7 million during 2004 in contrast to the outlay of \$64.5 million in 2003 for the acquisitions of McLaren, LAT and the remaining 45% of Torreon, which holds 100% ownership interest in ILSA.

Financing Resources

At December 31, 2004, cash on hand was \$25.5 million, with unrepresented cheques and short-term bank borrowings of \$63.9 million. As at December 31, 2004, the company's syndicated revolving facility had available credit of \$138.1 million. The company completed a successful private placement yielding U.S. \$120.0 million. In December 2003, the syndicated non-revolving term facility was renewed and increased to \$120.0 million, due in December 2006. This facility is fully drawn, as required under the credit agreement. Of the company's consolidated long-term debt, only 2.2% of the \$315.2 million is due and payable in the next 12 months.

Contractual Obligations

The following table summarizes contractual obligations by category and the associated payment for the next five years.

Contractual Obligations	Total	Payment Due by Period (millions of dollars)					Thereafter
		2005	2006	2007	2008	2009	
Long-Term Debt Principal, Excluding							
Capital Leases	\$297.2	\$4.3	\$129.9	\$11.6	\$0.8	\$100.4	\$50.2
Capital Lease Obligations ⁴	21.7	3.9	3.9	3.9	3.9	6.0	0.1
Operating Leases	13.9	3.8	3.0	2.6	2.0	1.5	1.0
Purchase Obligations ⁵	93.7	93.7	-	-	-	-	-
Total Contractual Obligations	\$426.5	\$105.7	\$136.8	\$18.1	\$6.7	\$107.9	\$51.3

Shareholders' Equity

Book value per share⁶ grew to \$9.81 per share at December 31, 2004, as compared to \$8.88 per share at December 31, 2003. Earnings net of dividends contributed \$81.2 million for the year to retained earnings. During the year 24,000 options were exercised for total proceeds of \$0.3 million. The number of options outstanding as at December 31, 2004 stands at 3,009,000.

The decrease in the cumulative translation adjustment of \$16.0 million since December 31, 2003 represents the unrealized foreign exchange loss on Linamar's net investment in its self-sustaining foreign subsidiaries. This change is a result of the strengthening Canadian dollar relative to the U.S. dollar and Mexican Peso. Also, the cumulative realized gain on disposal of Weslin amounted to \$6.5 million of the \$16.0 million change during the year.

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

⁵ "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

⁶ See page 28 for discussion of non-GAAP measures

Foreign Currency Activities

Linamar pursues a strategy of attempting to balance its foreign currency cash flows to the largest extent possible in each region in which it operates but subsequent to negotiations with its customers on those matters. Linamar's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure, Linamar employs hedging programs primarily through the use of forward exchange contracts. The contracts are purchased based on the projected foreign cash flows from operations. The company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, 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. Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries and, accordingly, Linamar's results of operations could be further affected by a significant change in the relative values of the Canadian dollar, U.S. dollar, Euro, Hungarian Forint and Mexican Peso.

At December 31, 2004, the company was committed to a series of monthly forward and zero cost option contracts to sell U.S. dollars. As these forward and zero cost option contracts qualify for accounting as cash flow hedges, the unrealized gains and losses are deferred and recognized in the same period as the sales which generate the cash flows.

The company was also committed to a series of monthly forward exchange contracts to sell British pounds and two long-dated forwards to buy U.S. dollars. As these forward exchange contracts qualify for accounting as fair value hedges, they are marked to current exchange rates to offset the exchange gains and losses on the underlying hedged items.

At December 31, 2004, the net unrecognized gain on the U.S. contracts was approximately \$0.7 million (2003 - \$12.3 million gain). The unrecognized net gain on the British pound contracts was approximately \$0.1 million (2003 - \$0.1 million loss). The unrecognized gain on the Euro contracts was approximately \$Nil (2003 - \$0.2 million).

During the prior year, the company placed forward contracts to buy U.S. dollars, effectively locking in gains on forward contracts in place at December 31, 2002. This transaction resulted in cash proceeds of \$30.5 million. During 2004, the company locked in additional gains of \$4.8 million. The gains were deferred and amortized to revenue based on the terms of the original underlying contracts. As at December 31, 2004, the balance remaining to be amortized is \$9.2 million.

Off Balance Sheet Arrangements

The company leases transport trucks and trailers through its subsidiaries Linamar Transportation Inc. and Linamar Transportation USA, Inc. These subsidiaries are ISO 9001-2000 registered companies, providing the best possible delivery service to their customers. The company currently leases approximately 105 trucks and 152 trailers from Penske Truck Leasing and Ryder Truck Rental Canada, Ltd. The amount due under these operating leases are reflected under the heading "Operating Leases" in the table set out in the "Contractual Obligations" section of this document. The company is allowed to return up to 20% of the fleet at any time without incurring any charges. Should the entire arrangement be terminated, the company would be responsible for the balance of the amount owing under the leases.

The company has various operating leases for office equipment, computers, fork trucks, and other such items. Please see Note 15 of the consolidated financial statements incorporated herein.

Under a portfolio purchase agreement signed in 2004, the company sells certain long-term receivables. Although title is transferred and no entitlement or obligated repurchase agreement is in place before maturity, the company remains exposed to certain risks of default on the amount of proceeds from receivables under securitization less recourse in the form of property, plant and equipment. Under the agreement, receivables are sold on a fully serviced basis so that the company continues to administer the collection of such receivables. The company receives no fee for administration of the collection of such receivables.

Guarantees

The company is also a party to certain financial guarantees and contingent liabilities on government assistance as discussed in Notes 13, 22, and 23 of the consolidated financial statements that are incorporated herein.

Transactions with Related Parties

Included in the purchase of property, plant and equipment are the construction of buildings, building additions and building improvements in the aggregate amount of \$5.3 million (2003 - \$11.3 million) to Kiwi-Newton Construction Ltd., a company owned by the spouse of an officer and a director. Included in cost of sales, are maintenance costs of \$0.7 million (2003 - \$0.2 million) by the same company. Included in selling, general and administrative expenses, is a recovery of approximately \$0.1 million (2003 - \$Nil) related to equipment and services sold to the same company. On a periodic basis the company entertains a closed-bid process to ensure that it receives the best price for the work done by a related party.

Included in cost of sales, are lease costs of \$0.3 million (2003 - \$Nil) related to property leased from a company owned by two directors.

During the prior year, certain officers and directors of the company exercised their options in Linamar Hungary subject to government regulatory approval from the Court of Registry in Hungary. During the current year, registration was completed resulting in a dilution of the company's ownership in the subsidiary from 62.8% to 58.6%. No further options are outstanding subsequent to this transaction.

A component of the company's Human Resources and Corporate Governance Committee mandate is to review related party transactions for their fair market value.

FOURTH QUARTER

In the fourth quarter, sales increased by 17.8% to \$474.2 million compared to \$402.8 million in the same quarter last year. The increase was the result of the ramping up of automotive volumes on new programs launched during 2004 and the end of 2003 (net of anticipated programs ending) such as the expanded CAT programs, the Ford V10 cylinder head, the DCX 9.25 carrier and DCX ATX differential case as well as higher sales of aerial lift platforms at Skyjack.

With respect to fourth quarter sales, Linamar's North American Automotive sales grew by 14.0% while North American automobile production decreased by 1.8% over the fourth quarter of 2003. Had the U.S. to Canadian dollar exchange rate remained unchanged, sales would otherwise have increased by 21.1%.

In Europe, Linamar's fourth quarter automotive sales grew by 18.9% due to higher sales at Linamar Hungary, despite the cancellation of the GM CVT program. This result was achieved while European automobile production increased by only 3.0%.

Content per vehicle for the quarter in North America grew by 21.5% to \$89.34, while European content per vehicle declined by 5.0% to \$7.57 compared to fourth quarter 2003.

The segmented results for the fourth quarter show continued sales growth in the North American Automotive Systems segment of \$398.9 million as compared to \$342.1 million in 2003. This growth is

related to increasing volumes such as the expanded CAT programs. Operating earnings in this segment were negatively impacted by metal surcharges not recovered from the end customer. Lower margins were evident with respect to the launch of new programs such as the DCX 9.25 carrier and Eaton differential cases; as operating efficiencies take effect, margins will improve.

Sales in the European segment increased slightly to \$30.7 million as compared to \$28.6 million in 2003 with volumes on programs for Denso and Bosch, compensating for the lost GM CVT sales. Europe's operating earnings of \$2.3 million as compared to a loss of \$4.6 million in 2003 were positively impacted in the quarter by sales volume increases, the net CVT settlement, and exchange gains realized.

The Industrial segment experienced higher sales volumes than 2003, resulting in fourth quarter sales of \$44.6 million. This quarter is consistent with a strong market this year for aerial lift platforms. Operating earnings for the segment remained consistent with 2003 at \$3.5 million as compared to \$3.2 million.

On a geographic segmented basis, Canadian sales continued to grow, achieving a level of \$373.5, an increase of \$66.9 million, over the fourth quarter of 2003. Sales in the quarter were positively impacted by the expanded CAT volumes, the ramp up during the year of the DDC overhead assembly and the launch of the DCX ATX differential case. Operating earnings eroded slightly to \$32.9 million from \$38.2 million in the fourth quarter of 2003 as plants experienced lower margins on new programs during program launches, R&D tax benefits recorded in 2003, and larger effect of foreign exchange hedging in 2003.

The U.S. segmented sales for the fourth quarter increased slightly to \$31.4 million. Increases in the Skyjack new unit and parts business were offset by expected declining cylinder head sales to International. Segmented operating earnings declined slightly to \$1.3 million as compared to \$2.3 million in 2003 as a result of the cylinder head volume decline.

The Mexican segment experienced higher sales during the fourth quarter at \$32.1 million as compared to \$29.0 million in 2003. Volumes on equivalent engines for Renault exceeded 2003 levels. Newer programs such as the Eaton 8.6 differential case were launched during 2004 and higher volumes achieved on GM and CAT programs launched in 2003. This segment experienced a loss in the fourth quarter of \$0.6 million; however, this is an improvement from the \$2.9 million loss in the same quarter of 2003. The volumes on the GM and CAT programs have reached more efficient levels, reducing costs. These gains have been offset slightly by lower margins associated with the launch of the Eaton 8.6 differential case.

European sales in the fourth quarter were \$37.3 million, a slight decline from 2003 mainly due to the reduced Skyjack sales in the European marketplace. Lower sales were also experienced due to the CVT cancellation; however, these volumes were offset by new programs and increased volumes on existing programs. Operating earnings improved at \$4.2 million as compared to a loss in 2003 of \$1.2 million for the quarter. This segment benefited from the net CVT settlement which partially offset operating losses incurred in earlier quarters, an exchange gain on Euro-based debt, and improved operating efficiencies.

In the quarter, gross margin remained consistent at 13.3% of sales or \$60.8 million compared to 13.3% or \$53.6 million in the same quarter of last year. During the quarter, margins were impacted, somewhat, during program launches as expected. North American Automotive earnings were down slightly as certain facilities work towards operational efficiencies on newly launched lines and other facilitates prepare for the launch of new programs such as those related to the Ford 6R program. Amortization was 6.9% of sales as compared to 6.7% for the fourth quarter of last year. This is indicative of the new programs starting production but which are not yet at full capacity by the end of the year.

Fourth quarter operating earnings increased by 4.5% to \$36.1 million as compared to \$34.5 million for the same quarter of 2003. This increase was the result of higher sales and improvements in Europe and Mexico. SG&A costs were slightly higher in the fourth quarter at 5.2% of sales or \$24.8 million as compared to 4.7% of sales or \$19.0 million in the same quarter of 2003.

During the fourth quarter of 2004, management reviewed the current and expected results related to the Mexican entities. Based on this assessment, \$3.6 million of future tax assets was recognized thereby reducing the tax rate to 20.2% for the quarter versus 31.4% otherwise.

In the fourth quarter of 2003, Linamar completed the termination of its sales agent agreements and recorded a one-time charge of \$23.6 million in recognition of that transaction. Also during the fourth quarter of 2003, the Government of Ontario increased income tax rates, which impacted the company's future tax liability by \$3.5 million.

Proposed Transactions

The company has no transactions currently proposed as at March 8, 2005.

RISK MANAGEMENT

Operational Risk

Dependence on Certain Customers

The company provides precision machined products to multiple divisions and suppliers of some of the largest businesses in the automotive and non-automotive industry. As a result, the company typically has a few customers that account for more than 10% of its consolidated revenues or receivables at any given time. The sales cycle is extended longer than one year for most transactions. Any disruption in the company's relationships with these major customers or any decrease in revenue from these major customers, given unforeseen events in the automotive industry, could have a material adverse effect on the company's business, financial condition, or results of operations. In addition, while it may require such customers a considerable length of time to find an alternate source and have them tool up, operating results could be adversely affected if one or more of these major customers cancel, delay or reduce significant orders in the future.

Sources and Availability of Raw Materials

The primary raw materials utilized by the precision machining operations are iron and aluminum castings and forgings, which are obtained from a variety of suppliers in North America for the Canadian, U.S. and Mexican operations. The company is not dependent on any one supplier. There are occasions where the material is consigned to the company by its customers such that any disruption in supply is the responsibility of that customer. The European segment sources its raw materials primarily from Europe. The company continues to seek out capable, less costly sources for its castings. By appointing a Director of Asian Business Development, the company is continuing its efforts to locate and develop strategic suppliers in Asia to deliver parts to the company's North American facilities for further manufacturing and to create opportunities to supply the rapidly growing Asian automotive sector. During 2004, the company has been successful in sourcing some of its requirements from Asia. This effort will continue as Linamar's presence in Asia increases.

Raw materials supply factors such as allocations, pricing, quality, timeliness of delivery, transportation and warehousing costs may, however, affect the raw material sourcing decisions of Linamar and its plants. When appropriate and available, the company may negotiate long-term agreements with raw material suppliers to attempt to ensure continued availability of certain raw materials on favourable terms. In the event of significant unanticipated increase in demand for the company's products and the supply of raw materials, the company may in the future be unable to manufacture certain products in a quantity sufficient to meet its customers demand in any particular period.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry may encounter technological change, new product introductions, and evolving industry requirements and standards. Accordingly, the company believes that its future success depends on its ability to launch new programs as well as

enhance or develop current and future products at competitive prices and in a timely manner. The corporation's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could also have a material adverse effect on the company's results of operations. For the development and production of products, the ability for the company to compete successfully will depend on its ability to acquire and retain competent trades' people, management, and product development staff that allow the company to quickly adapt to technological change and advances in processes. In addition, there can be no assurance that products or technologies developed by others will not render the company's products uncompetitive or obsolete.

Financial And Capital Management Risk

Capital and Liquidity Risk

The amount of financial resources available to invest in a company's growth is dependent upon its size and willingness to utilize debt and issue equity. Since Linamar has a conservative financial policy and is not as large as some competitors, the company has fewer financial resources than some of its principle competitors. If the company exceeds its growth expectations it may require additional debt or equity financing. There is no assurance that the company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development or for the company to satisfy its obligations as they become due, which may have a material adverse effect on the business and financial condition of the company.

The company's current credit facility requires the company to comply with certain financial covenants. There can be no assurance of the company's ability to continue to comply with these financial covenants or to appropriately service its debt given unforeseen events.

Acquisition and Expansion Risk

The company may intend to expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the company will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired businesses, products or technologies into the company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. The failure of the company to manage its acquisition or expansion strategy successfully could have a material adverse effect on the company's business, results of operations and financial condition.

Foreign Currency Risk

Linamar typically negotiates sales contracts and purchases materials, equipment and labour in the resident currency for the region in which Linamar's specific operations are located. Linamar's foreign currency cash flows for the purchases of materials and certain capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. In an effort to manage the remaining exposure to foreign currency risk, Linamar employs hedging programs primarily through the use of forward and zero cost option contracts. The contracts are purchased based on the projected foreign cash flows from operations.

The company enters into forward exchange contracts to manage exposure to currency rate fluctuations related primarily to its future cash inflows of U.S. dollars, Euros, and British pounds from operations as well as outflows of Euros from certain capital asset acquisitions and two long-dated forwards to buy U.S. dollars. The company uses forecasted future cash flows of foreign currencies to

determine the level of hedges required. The purpose of the company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. The company does not hold or issue derivative financial instruments for trading or speculative purposes, and controls are in place to detect and prevent these activities. The company's forward and zero cost option contracts are referenced in Note 17 to the company's consolidated financial statements for the year ended December 31, 2004 which are included in the Annual Report to shareholders.

Credit Risk

A substantial portion of the company's accounts receivable are with large customers in the automotive, truck, and industrial sectors and are subject to normal industry credit risks. At December 31, 2004, the accounts receivable from the company's three largest customers amounted to 15.0%, 13.4%, and 8.1% of accounts receivable (2003 – 18.1%, 6.9%, and 5.5%).

Interest Rate Risk

Interest rate swap agreements are used as part of the company's program to manage the fixed and floating interest rate mix of the company's total debt portfolio and related overall cost of borrowing. The company designates its interest rate hedge agreements as hedges of the underlying debt and accordingly defers gains and losses. The interest rate swap agreements involve the periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based, and interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps. At December 31, 2004, the increase or decrease in net earnings for each 1% change in interest rates on the long-term and short-term borrowings amounts to approximately \$0.9 million (2003 - \$0.8 million) and \$0.3 million (2003 - \$1.0 million) respectively. Please see Note 17 of the company's consolidated financial statements.

Seasonality, Industry Growth, and Competition

Historically, earnings in the second quarter are positively impacted by the high selling season for both the general lift platform and agricultural businesses. Vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the OEMs. Since the company's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level at this time. The company takes advantage of summer shutdowns for maintenance activities that would otherwise disrupt normal production schedules. Production volumes in the month of December are usually negatively affected by the holiday season.

Through its precision machining businesses, Linamar principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Outsourcing of brake components and assemblies, engine components, and powertrain segment by the OEM's has increased.

Management believes there is still more work performed in house by the OEM's than is currently outsourced, and therefore there is still large potential for growth. However, because of various factors affecting the OEM's, such as the level of consumer spending on automobiles, labour contracts, and other economic factors, the OEM's are constantly facing volume changes and decisions on whether to outsource work or not; such changes and decisions are reflected in Linamar's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Through its Skyjack subsidiary, the company engages in the production and sale of aerial lift platforms. There is a clear sales cycle in this industry segment, as it is closely related to, and affected by, product life cycle and the construction sector. Therefore, the risks and fluctuations in the construction industry in the countries that Skyjack operates in, also affect Skyjack's sales.

The precision machining industry in North America is characterized by a large number of manufacturers. As a result, manufacturers such as Linamar tend to have a relatively small share of the North American market. Nonetheless, Linamar believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the company's consolidated sales.

The company faces numerous sources of competition, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs. As Linamar's North American customers have faced increased cost pressures, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for Linamar.

Other competition in metal machining and assembly work comes from high precision machining companies which typically have several manufacturing locations and substantial capital resources to invest in equipment for high volume, high precision, long-term contracts. Several of these companies are heavily involved in the automotive industry and are suppliers to GM, Ford and Chrysler, as well as major truck manufacturers and OEMs ultimately controlled by persons resident outside North America.

Linamar believes that there are a large number of independent suppliers which have the capability to produce some or all of the components, modules and systems which Linamar currently produces. In addition, some of these competitors are larger and may have access to greater resources than Linamar, but the company believes that none of them are dominant in the markets in which Linamar operates. The basis for supplier selection by OEMs is not typically determined solely by price, but would also typically include such elements as quality, service, historical performance, timeliness of delivery, proprietary technologies, scope of in-house capabilities, existing agreements, responsiveness and the supplier's overall relationship with the OEM, as well as being influenced by the degree of available and unutilized capacity of resources in the OEM's manufacturing facilities, labour relations issues and other factors. The number of competitors that OEMs solicit to bid on any individual product has, in certain circumstances, been significantly reduced and management expects that further reductions will occur as a result of the OEMs' stated intention to deal with fewer suppliers and to award those suppliers longer-term contracts.

Foreign Business Risk

The company's operations in Europe and Mexico, and the operations to be commenced in China and South Korea, are subject to general business risks that do not exist in Canada or the United States. The political climate and government policies are less stable and less predictable in these countries. As well, Hungary, Mexico, China and South Korea do not have the same economic infrastructure as exists in Canada or the United States.

Operations outside the United States and Canada subject Linamar to other potential risks associated with international operations, including, but not limited to: complications in both compliance with and unexpected changes in foreign government laws and regulations, tariffs and other trade barriers, potential adverse tax consequences, fluctuations in currency exchange rates, difficulty in collecting accounts receivable, difficulty in staffing and managing foreign operations, events of international terrorism, economic effects of public health threats such as Severe Acute Respiratory Syndrome, recessionary environments in foreign economies, uncertainties in local commercial practices, and uncertainties in local accepted business practices and standards which may not be similar to accepted business practices and standards in Canada and which may create unforeseen business or public relation situations.

Insurance

The company's business subjects it to the risk that it may incur product liability claims, warranty or recall claims, as well as business interruption claims. No assurance can be given that the insurance coverage or insurance coverage limits of the company would be adequate to protect it against any claims for product liability claims, warranty or recall claims, or business interruption claims that may arise. The company may require additional insurance coverage in these areas as the company gets more involved with product design and development. This insurance is expensive and may not be available on acceptable terms, or at all. Any uninsured or underinsured product liability claims, warranty or recall claims, or business interruption claims could have a material adverse effect on the company's financial condition, results of operations and prospects.

Regulatory Risk

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad have been changing since the collapse of Enron Corporation in the United States and the subsequent introduction of strengthened securities and governance laws such as the Sarbanes-Oxley Act. Canada has been slowly implementing similar laws and it is foreseen that this will continue indefinitely. The company is currently implementing the Canadian Securities Administrators ("CSA") Multilateral Instrument 52-109 and expects to be in full compliance with the new proposed CSA date.

Tax Laws

The tax laws in Canada and abroad are continuously changing. Recently, corporate tax rates in Canada have been on the decrease. There is no assurance that rates will continue to decrease in Canada or remain unchanged in other countries. The company's operations in Hungary are subject to an effective tax holiday but there can be no assurance that this effective holiday will continue beyond its anticipated end date. The company's planned expansion into Asia via China and South Korea subjects the company to new tax regimes that may change based on political or social conditions. The company currently has tax losses and credits in Mexico and the U.S. that, given unforeseen changes in tax laws, may not continue indefinitely.

Emission Standards

Recent changes in emission standards in the U.S. in certain states, such as California, may affect the future sale of products such as the engines contained within certain automobiles. Even though the company continues to implement changes to certain products via specifications from customers, there can be no assurance that the company will be able to keep pace with these changes. The introduction of the experimental fuel cell automobile by all major automotive manufacturers may affect the products and processes the company employs, the effect of which is currently undetermined. Canada, and other countries where the company's products are sold, has implemented the Kyoto Protocol, which sets limits for emission standards. The effect of this standard has not been fully analyzed by the automotive industry and its full effect on the financial stability of the company and its customers is as yet undetermined.

Environmental Matters

Linamar's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the company conducts business. Linamar has established an Environment Committee of senior management to oversee Linamar's environmental programs and to ensure that Linamar complies with applicable environmental laws. As well, the company has regular environmental compliance audits performed to check that wastes are disposed of in accordance with such laws. Twenty-four of Linamar's manufacturing facilities meet the ISO 14001 standard. All other facilities are working towards qualifying under ISO 14001. To date, environmental laws and regulations have not had a material

affect on Linamar's operations or financial condition. Linamar has made, and will continue to make, significant expenditures in connection with environmental matters. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations. Senior management is not aware of any material environmental liability facing the company at this time.

Dependence on Key Personnel

Loss of certain members of the executive team or key technical leaders of the company could have a disruptive effect on the implementation of the company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

CRITICAL ACCOUNTING ESTIMATES

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

Impairment of Goodwill and Other Intangibles

Management, on an annual basis, must assess for impairment of goodwill and intangible assets not subject to amortization. For intangibles the company must also assess for impairment when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for goodwill and other intangibles is a "critical accounting estimate" because management is required to make significant forward looking assumptions. Also, different estimates that could have been used or changes in estimates from period to period may have a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. For goodwill, the company evaluates its interest in a subsidiary's fair value using a valuation of their underlying net identifiable assets. For other intangibles subject to amortization, the company evaluates, when events or circumstances change, the fair value of the intangible. The company uses a discounted cash flow method to determine the fair value. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to affect the assumptions used.

As at December 31, 2004, goodwill and other intangibles of \$33.7 million (2003 - \$34.6 million) was recorded on the consolidated balance sheet of the company. The amount acquired during the prior year was \$31.9 million with no acquisitions in the current year. The amount recorded as impaired on the company's consolidated statements of earnings amounted to \$Nil (2003 - \$Nil).

On a geographic segmented basis, the goodwill and other intangibles balance was \$3.3 million in the Canada segment, \$11.7 million in the U.S. segment (McLaren goodwill at \$10.4 million and the McLaren trade name at \$1.3 million), and \$18.7 million in the Europe segment (LAT goodwill at \$10.0 million and the LAT customer contract at \$8.7 million). On an operation segmented basis, the balance was \$11.7 million in the North American Automotive Systems segment (McLaren goodwill at \$10.4 million and the McLaren trade name at \$1.3 million), \$18.7 million in the Europe segment (LAT goodwill at \$10.0 million and the LAT customer contract at \$8.7 million), and \$3.3 million in the Industrial segment.

There were no additions to goodwill or intangibles during 2004. The company reviewed the carrying value of the intangible assets on the annual anniversary of each acquisition. No impairment of goodwill and other intangibles was recorded during the year.

Future Income Tax Assets and Liabilities

Future income tax assets and liabilities result from the difference between the financial reporting and tax basis of assets and liabilities. Loss carry forwards comprise a portion of the temporary differences, outside of the principal item of amortization, and result in a future income tax asset. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided. The company considers this allowance a "critical accounting estimate" as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period and have a material impact on the company's consolidated financial statements. The company evaluates quarterly the realization of its future tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The company has and continues to use tax planning strategies to realize future tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimate made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the company may materially affect the consolidated financial statements.

As at December 31, 2004, the valuation allowance against the tax benefit of tax credits and loss carry forwards as well as other assets with tax value in excess of book value was \$15.5 million (2003 - \$24.9 million) which is based on loss carry forwards and other assets, and is reflected in the net future income tax liability from continuing operations balance of \$24.0 million (2003 - \$11.3 million) on the consolidated balance sheets of the company.

Given the uncertainty of changes in events, tax laws, and tax rates, a valuation allowance of either Nil or the full balance of loss carry forwards and other assets comprise the range of estimates from which the estimate was selected.

On a geographical segmented basis, the valuation allowance of \$15.5 million was in the Mexico segment. On an operational segmented basis the valuation allowance was \$15.5 million in the North American Automotive Systems segment.

Impairment of Long-Lived Assets

Management assesses for impairment of long-lived assets when events and changes in circumstances indicate that the carrying amounts may not be recoverable. The company believes that the estimate of impairment for long-lived assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions when events or circumstances indicating impairment arise. Also, different estimates that could have been used or changes in estimates from period to period may have a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. Recoverability is assessed by comparing the carrying amount first to the estimated undiscounted future cash flows. An impairment loss is measured when the carrying amount of the long lived asset exceeds its fair value which can be determined using the discounted future cash flows the long-lived assets are expected to generate. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to affect the assumptions used.

Currently no significant long-lived assets, which primarily consists of property, plant and equipment, has had significant changes in circumstances to indicate that their carrying amount may not be recoverable. Therefore, no quantification of change in financial performance or consolidated financial statement line items has been provided. Since the evaluation of impairment of long-lived assets is a recent handbook addition no changes in estimates has occurred over the past two years.

Stock-Based Compensation

Management estimates the fair value of stock-based compensation granted after January 1, 2002. This fair value is amortized to earnings over the remaining vesting period. The fair value of the options issued each year, if applicable, is determined using the Black-Scholes option pricing model. The company believes that the estimate of stock-based compensation is a "critical accounting estimate" because management is required to make significant forward looking assumptions. Given the varying inputs on which the Black-Scholes option pricing model is based, can result in significantly different results, there may be a material impact on the company's consolidated balance sheets, statements of cash flows, and statements of earnings. Uncertain changes in expected stock volatility, the change in expected dividend yields, the expected option term, and changes in assumptions used to form a risk free rate during the expected option term may affect the value derived for stock-based compensation. No known trends, commitments, events or other uncertainties are currently believed to affect the assumptions used.

Currently the number of options outstanding that were issued after January 1, 2002 is not significant. Therefore, no quantification of change in assumptions used in the Black-Scholes option pricing model has been provided as these changes in assumptions would not be material to the company's consolidated financial statements. Since the fair value of stock-based compensation is determined at the grant date no changes in estimates has occurred over the past two years. Currently the compensation expense is recorded in the North American Automotive Systems segment and amounts to \$16 thousand. Retroactive change without restatement, to comply with transitional provisions, amounted to \$41 thousand to retained earnings for 2002 and 2003.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the year ended December 31, 2004:

a) During the first quarter, the company introduced a policy to address the adoption of the Canadian Institute of Chartered Accountants ("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.

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 are provided for the prior year.

The effect of the restatement was the setup of contributed surplus in the amount of \$78 thousand for the fair value of options granted after January 1, 2002, and a reduction in the balance of opening retained earnings by \$41 thousand as the cumulative effect of the change on prior periods for the amount that would have been expensed. For the year ended December 31, 2004, \$16 thousand was recorded as the compensation cost.

b) In 2003, the CICA issued Handbook Section 3063 "Impairment of Long-lived Assets" ("CICA 3063"). CICA 3063 required that all companies comply with changes effective for years beginning on or after April 1, 2003. Accordingly, the company has adopted Handbook Section effective January 1, 2004 for the year-ended December 31, 2004. On a prospective basis the company has begun, on an ongoing basis, to assess, measure and disclose the impairment of long-lived assets.

c) In 2001, the CICA issued Accounting Guideline, AcG-12 "Transfers of Receivables" ("AcG-12"). During the fourth quarter, for the first time under the new guideline, the company transferred receivables to

a third party. AcG-12 follows FASB standard No. 140 which is guided by the effective control standard. The standard and guideline concludes that when a transferor surrenders control over a receivable or set of receivables, the transaction should be accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. On a prospective basis the company has begun to assess, measure, and disclose the transfer of receivables:

The transfer of receivables is recognized as a sale when the company surrenders control over the asset to the extent that consideration other than beneficial interests is received in exchange. Any consideration in excess of the carrying value of the receivable transferred is recorded as a gain in earnings.

d) In 2002, the CICA amended Handbook Section 3475, "Disposal of Long-lived Assets and Discontinued Operations" ("CICA 3475"). CICA 3475 applies to disposal activities initiated on or after May 1, 2003. All future initiation of disposal activities by the company will fall under this amended Handbook Section. CICA 3475 provides guidance on differentiating between assets held for sale and held for disposal other than by sale and on the presentation of long-lived assets and discontinued operations. The company's formal plan to divest of its wholly owned in house casting operations was initiated by the company before this date and as a result, there is no effect from this change on the company's consolidated financial statements for this operation.

The company's disposal of its 50% joint venture in Weslin did apply as a disposal under this new handbook section and the company, in accordance with CICA 3475, restated its consolidated statements of earnings 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. This resulted in a gain of \$6.7 million being recorded along with a loss from operations of \$4.1 million (2003 - \$8.6 million). The company was part of the Europe segment for both the geographic and operational groups.

e) 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 ending 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. Other than disclosure, the adoption of revised CICA 3461 is not expected to have an effect on the company's consolidated financial statements.

f) 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 or a hedging item in a company's income statement. Accordingly, the company applies hedge accounting only under conditions that justify its use. The adoption and compliance with AcG-13 has not resulted in a significant effect on the company's financial condition.

g) In 2003, the CICA issued Handbook Section 3110, "Asset Retirement Obligations" ("CICA 3110"). CICA 3110 requires that all companies comply with the new Guideline for years beginning on or after January 1, 2004. CICA 3110 applies to legal obligations associated with the retirement of a tangible long-lived asset that result from its acquisition, construction, development or normal operation. It states that an entity should recognize the fair value of a liability, and related capitalized cost, for an asset retirement obligation in the period in which it is incurred only when a reasonable estimate of fair value can be made. Thereafter the obligation is periodically revalued, along with the related asset, using an undiscounted cash flow approach. The adoption of CICA 3110 has not had an effect on the company's financial condition.

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

In 2003, the CICA issued Accounting Guideline, AcG-15 "Consolidation of Variable Interest Entities" ("AcG-15"). AcG-15 requires that all companies comply with the new Guideline for years beginning on or after November 1, 2004. AcG-15 sets out criteria for identifying variable interest entities and further establishes criteria to determine which entity, if any, should consolidate them. AcG-15 conforms Canadian GAAP with U.S. GAAP as it applies to variable interest entities. The company consolidates all of its subsidiaries. The adoption of AcG-15 will not have an effect on the company's financial condition.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 70,627,476 common shares were outstanding as of March 8, 2005. As of March 8, 2005, options to purchase 3,009,000 common shares were outstanding under Linamar's share option plan.

NON-GAAP MEASURES

The following measures do not have a standardized meaning under Canadian generally accepted accounting principles and, therefore are unlikely to be comparable to similar measures presented by other issuers.

Operating Earnings

Operating earnings, as used by the chief operating decision makers and management, monitors the performance of the business specifically at the segmented level. Operating earnings is calculated by the company as gross margin less selling, general and administrative expenses and equity loss.

December 31 (millions of dollars)	2004	2003	2002	2001	2000
Gross Margin	\$236.2	\$195.9	\$176.8	\$154.2	\$188.7
Selling, general and administrative	90.9	84.6	72.0	57.9	65.5
Equity loss	-	-	0.8	6.9	-
Operating Earnings	\$145.3	\$111.3	\$104.0	\$89.4	\$123.2

Earnings from Continuing Operations net of Sales Termination Charge

This measure is used by the chief operating decision makers and management to review the results of the company excluding this charge as it is not expected to be a recurring item. Earnings from Continuing Operations net of Sales Termination Charge is calculated by the company as earnings from continuing operations less the after tax sales agent termination charge.

December 31 (millions of dollars)	2004	2003
Earnings from Continuing Operations	\$90.4	\$48.1
Sales agent termination	-	23.6
Tax on sales agent termination	-	(7.8)
Earnings from Continuing Operations net of Sales Termination Charge	\$90.4	\$63.9

Book Value Per Share

This measure as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company's net assets. Book value per share is calculated by the company as Shareholders' Equity divided by shares outstanding at year-end.

December 31 (millions of dollars, except per share amounts)	2004	2003
Shareholders' Equity	\$692.6	\$627.1
Shares outstanding at year-end	70,627,476	70,603,476
Book value per share	\$9.81	\$8.88

Debt to Total Capitalization

This measure as used by the chief operating decision makers and management, indicates the company's reliance on debt and its financial flexibility. Debt to total capitalization is calculated by the company as the addition of Short-term bank borrowings, Current portion of long-term debt, and Long-Term Debt divided by the addition of this total and Shareholders' Equity.

December 31 (millions of dollars)	2004	2003
Short-term bank borrowings	\$50.9	\$152.0
Current portion of long-term debt	7.0	23.3
Long-Term Debt	308.2	152.1
Total Debt	\$366.1	\$327.4
Shareholders' Equity	692.6	627.1
Debt to Total Capitalization	34.6%	34.3%

Return on Shareholders' Equity

This measure as used by the chief operating decision makers and management, indicates the yearly return for shareholders. Return on Shareholders' Equity is calculated by the company as the Earnings from Continuing Operations divided by Shareholders' Equity.

December 31 (millions of dollars)	2004	2003	2002	2001	2000
Earnings from Continuing Operations	\$90.4	\$48.1	\$64.1	\$58.4	\$80.1
Shareholders' Equity	692.6	627.1	622.9	557.8	513.8
Return on Shareholders' Equity	13.1%	7.7%	10.3%	10.5%	15.6%

OUTLOOK

During the next few years, the company anticipates continued growth in both sales and earnings. Linamar is expecting to launch new programs as well as see existing programs achieve their anticipated levels of production such that growth in content per vehicle for 2005 is forecasted at 10-15% in North America and 5-10% in Europe.

Sales growth projections are based on program launches which include transmission business (such as differential cases for DaimlerChrysler and Eaton, WK transmission carriers and differential cases, Ford Motor Company 6R and 6F transmission components, other transmission carriers, as well as output and

coupler shafts) engines business (such as 3.7L crankshafts, 4.0L, 3.5L, 3.9L and Gen IV and NG6 camshafts, 6.1L engine block) and continued strength in the industrial products category. Linamar also supplies the medium and heavy truck markets. In 2004, those markets recovered significantly. Expectations are for continued strength in 2005 and beyond, softening in 2007.

Earnings growth expectations are based on the launch and sales ramp-ups of the programs noted and the maturity of other programs where efficiencies of production are achieved and maintained. The earnings expectation also assumes that the progress made in the past several years in Mexico will be maintained and on-going performance will also show improvement. Earnings growth anticipates that LAT will launch and ramp up its camshaft and cylinder head & block programs turning that business from losses in 2004 and 2005 to profitable performance beginning in 2006. The remaining European businesses based in Hungary will also steadily grow in both sales and earnings as programs with Denso and Delphi (common rails and hydraulic manifolds), Bosch (pump housing) and Honeywell (turbo housings) take effect in the automotive sectors and industrial and agricultural business show some growth. The uncertainty in Linamar Hungary caused by the CVT program ended in 2004 when GM cancelled the program. Other Linamar Hungary product areas remain difficult to forecast and predict because markets can be effected by the presence or lack of government subsidies available to purchasers (i.e. agriculture), the success of customers products that are in very competitive markets (i.e. construction equipment products) or the market acceptance of new customers' technologies (i.e. ATI vehicle track systems).

In Linamar's Industrial Products business, which is dominated by Linamar's Skyjack operations, the market remains highly competitive. The construction equipment market rebounded in 2004 and the expectation is that the market will remain strong through 2005 and beyond, provided economic conditions permit. In 2004, strong sales growth for Skyjack occurred not only in North America but also in the UK and Europe. Performance by market is very difficult to predict. The significant increase in Skyjack sales in 2004 over 2003 is expected to moderate somewhat in 2005 because the market will remain relatively strong although growth will increase at a slower rate.

Overall, these expectations assume consistent levels of North American and European automobile production, no unforeseen changes in the existing business base, and are subject to overall economic conditions and world political events and factors. As well, in 2005, Linamar will continue to realize the benefits provided by the Linamar Production System. The system is based on lean principles developed by Taiichi Ohno, a Toyota executive.

Linamar believes that its strategy to focus on the engine, transmission and chassis 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 to outsourcing, 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 its range of precision machined and assembled automotive and non-automotive products. To build on this strong business base, Linamar intends to continue to develop the organization and its capabilities by enhancing its existing expertise to produce every machined component in the vehicle. Linamar's strategy is to establish and develop a market leadership position in key components and assemblies, enhancing its design, development and testing expertise, 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 2004, 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 as well as a strategy to balance its U.S. and Canadian dollar cash flows 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 at a measured pace, which allows Linamar to expand and diversify its product base.

Other principal challenges and risks that the company faces moving forward are the slow pace of outsourcing by the OEMs in the powertrain segment, the market share shift to the Japanese automakers, the shortage of qualified technical people in the labour pool, low cost country outsourcing (such as China) and technologies that eliminate the need for machining.

In addition, the automotive industry continues to decrease the supply base mainly due to the actions of the OEMs. The OEMs are actively trying to reduce their supply base to become more manageable. Through this reduction, there have been considerable consolidations or acquisitions of smaller suppliers. These consolidations provide Linamar with additional opportunities to expand the sales base.

Strategies employed to address market challenges include focusing, through Linamar's sales and marketing organization and technical resources, on strategic sales products and processes to meet customer and product sales levels. Linamar is making significant capital expenditures (as illustrated in 2004) on various new programs that target key products and expand into assemblies and modules. Expansion into China and Korea is also an important aspect of Linamar's growth strategy.

Through acquisitions, Linamar has gained technologies such as the hydroforming of camshafts, as well as the increased capacity to design, test and validate engine powertrains and their components.

FORWARD LOOKING INFORMATION

Certain information provided by Linamar in this Management Discussion and Analysis in the Annual Report 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 Annual Report 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 cyclicalities, 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.