Linamar

PRESS RELEASE

Linamar Announces Second Quarter Results
Strong Performance Despite Automotive Trend

August 9, 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, European and Asia Pacific automotive marketplace, today announced its financial results for the second quarter ended June 30, 2005.

(CDN dollars in thousands except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	**2005**	2004
	$	$	**$**	$
Sales	**578,805**	460,626	**1,108,279**	891,223
Gross Margin	**77,790**	63,913	**141,276**	122,600
Operating Earnings[1]	**51,875**	40,292	**91,567**	76,683
Earnings from Continuing Operations	**29,757**	24,621	**52,162**	46,351
Diluted Earnings per Share from Continuing Operations	**0.42**	0.35	**0.73**	0.65
Diluted Earnings per Share	**0.42**	0.32	**0.73**	0.61

Second Quarter Operating Highlights

Second quarter sales increased by 25.7% or $118.2 million to $578.8 million, compared to $460.6 million in the same quarter last year. The second quarter contributed to a strong six months year to date where sales increased $217.1 million or 24.4% to $1,108.3 million from $891.2 million in 2004. The second quarter sales increase was lead by continued strong growth in North American Automotive Systems, related to both light vehicles, and medium and heavy trucks, the ramp up of new programs launched in recent periods (net of programs ending), and volume increases on other new and established programs. Second quarter sales for the Industrial segment increased 51.8% to $85.9 million, compared to $56.6 million in the same quarter 2004, as sales of Skyjack Inc. ("Skyjack") products continue to increase driven by customer demand volume increases. Europe segment sales have improved 13.6% to $39.8 million over the second quarter of 2004. Geographically and operationally, the Asia Pacific segment has been segregated from the Canadian and North American Automotive Systems segment during the quarter. This segment is currently experiencing losses as it incurs costs related to the commencement of operations.

[1] **"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.

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	**2005**	2004
	$	$	**$**	$
Gross margin	**77,790**	63,913	**141,276**	122,600
Selling, general and administrative	**25,915**	23,621	**49,709**	45,917
Operating earnings	**51,875**	40,292	**91,567**	76,683

Under Canadian generally accepted accounting principles ("GAAP"), this financial measure does not have a standardized meaning and, therefore is unlikely to be comparable to similar measures presented by other issuers.

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The effect of the stronger Canadian dollar compared with the U.S. dollar in the first half of 2005 versus the first half of 2004 reduced automotive sales by $45.1 million ($25.3 million for the second quarter). Sales would have otherwise increased by 31.2% for the quarter and 29.4% year to date.

Operating earnings in the second quarter increased by 28.5% to $51.8 million, compared to $40.3 million for the same period last year. The company's operating earnings grew by $14.9 million or 19.4% for the first six months compared with 2004. Geographically, the improvement is attributed to growth in both the automotive and industrial businesses. Gross margin declined slightly due to changes in product mix and the effect of new automotive program launches yet to achieve full operational efficiency.

The operational segments also showed substantial growth in operating earnings. The growth is attributed to the volume increases in the North American Automotive Systems segment, while the Europe segment swung to an operating profit on sales increases for products with lower material content. The Industrial segment's earnings continue to expand, reaching $12.2 million for the quarter.

Earnings from continuing operations for the quarter were $29.8 million or 5.1% of sales compared to $24.6 million or 5.3% representing a 21.1% increase year over year. Year to date earnings from continuing operations were $52.2 million or 4.7% versus $46.4 million or 5.2% in 2004. The increased earnings can be attributed to increasing sales dollars and stable selling, general and administrative costs. In contrast, earnings growth was impacted by higher interest costs, and a slightly higher tax rate.

North American content per vehicle for the first quarter grew by 25.0% to $95.64 per vehicle compared to $76.49 for the same quarter in the prior year. European content per vehicle for the quarter decreased by 3.7% to $7.15 per vehicle compared to $7.43 for the same quarter in the prior year.

A more detailed discussion of the consolidated results for the quarter ended June 30, 2005, 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 $0.06 per share on the common shares of the company, payable on or after September 15, 2005 to shareholders of record on August 26, 2005.

Outlook

During the next few years, Linamar anticipates continued growth in both sales and earnings. The company 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 15-20% in North America, and 0-5% in Europe due to a change in estimated production volumes. Asia Pacific expects to report a content component by the end of 2005 which will experience multiple increases for a few years thereafter while facilities continue to ramp up.

Sales growth projections are based on program launches which include transmission business (such as differential cases for DCX, Visteon, and Eaton, WK transmission carriers and differential cases, Ford/GM 6R and 6F transmission components, other transmission carriers, as well as output and coupler shafts), engines business (such as V10 cylinder heads, 3.7L crankshafts, 4.0L, 3.5L, 3.9L and Gen IV and NG6 camshafts, 6.1L engine block, 3.5L V6 heads, blocks and camshafts), chassis business (Visteon gear hub and wheel housing), and continued strength in the industrial products category. Linamar also supplies the medium and heavy truck markets. In 2004, these markets recovered significantly, with expectations for continued strength in 2005 and beyond but softening possibly in 2007.

Earnings growth expectations are based on launch and sales ramp-ups of the programs noted as well as maturity in 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, long term performance will show improvement with the exception of 2005 where Linamar de Mexico S.A. de C.V. is being affected by GM shutdowns and other launch delays. 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 business based in Hungary will steadily grow in both sales and earnings as programs with Denso Corporation and Delphi (common rails and hydraulic manifolds), Bosch (pump housing) and Honeywell (turbo housings) take effect in the automotive sectors. The industrial and agricultural business will also show some growth. Other Linamar Hungary product areas remain difficult to forecast and predict because markets can be affected by the presence or lack of government subsidies available to purchasers (i.e. agriculture), the success of customer products in very competitive markets (i.e. construction equipment) or market acceptance of new customer technologies (i.e. ATI Inc. vehicle track systems).

In the company's industrial products business, which is comprised of 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 current economic conditions continue. In 2004, strong sales growth for Skyjack occurred not only in North America but also in the United Kingdom and the rest of Europe. Performance by market is very difficult to predict. The significant increase in Skyjack sales in 2004 over 2003 is expected to continue through 2005 as the market will remain strong although growth will increase at a slower rate. Growth is also dependent upon the re-introduction of booms expected in 2006 as well as possibly other related products and penetration into other Asia and European markets not already served.

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 manufacturing principles found in the Toyota Motor Corporation's Production System.

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

The company believes that it is uniquely positioned with its core competencies in precision machining and manufacturing processes, and 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.

The stronger Canadian dollar has the impact of lowering sales and to the extent that the company purchases material or supplies in U.S. dollars, this effect is substantially reduced. Equipment is also purchased in U.S. dollars; when the Canadian dollar strengthens, the equipment cost is reduced as is depreciation over future years. Since Linamar's business is capital intensive, U.S. dollar purchases have a notable positive impact on earnings. The company also employs a hedging strategy for net U.S. dollar positive cash flow.

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Risk and Uncertainties (forward looking statements)

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

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

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

A large proportion of the company's sales are denominated in U.S. dollars and the company also purchases a significant amount of raw materials, supplies and equipment in U.S. dollars. The strengthening of the Canadian dollar has the potential to have a negative impact on financial results. The company has employed a hedging strategy to attempt to mitigate the impact but cannot be completely assured that the entire exchange effect has been offset.

As a result of current levels of consumer spending on automobiles, the OEMs are constantly facing volume challenges which are reflected in the results of Linamar through reduced volumes on some existing programs. The OEMs do, however, continue to outsource, although not at expected levels, which allows Linamar to expand and diversify its product base.

Other factors and risks and uncertainties that cause results to differ from current expectations discussed in this MD&A include, but are not limited to: fluctuations in interest rates, environmental emission and safety regulations, governmental, environmental and regulatory policies, and changes in the competitive environment in which Linamar operates. Linamar assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

For further information regarding this press release, please contact: Linda Hasenfratz or Keith Wettlaufer at (519) 836-7550.

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Chief Executive Officer

Guelph, Ontario
August 9, 2005

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LINAMAR CORPORATION
CONSOLIDATED BALANCE SHEETS
As at June 30, 2005 with comparatives as at December 31, 2004 (Unaudited)
(in thousands of dollars)

	June 30 2005	December 31 2004
	$	$
ASSETS		
Current Assets		
Cash	19,845	25,508
Accounts receivable	445,892	359,356
Inventories	179,621	193,839
Prepaid expenses	7,959	6,889
Current portion of other long-term assets	4,116	3,722
Current portion of long-term receivables	2,898	3,772
Future income taxes	1,556	3,141
Current assets – discontinued operations	2,617	2,962
	664,504	599,189
Other Long-Term Assets	6,745	6,690
Long-term Receivables	6,555	10,490
Goodwill and Other Intangible Assets	33,789	33,719
Property, Plant and Equipment	809,628	796,410
Property, Plant and Equipment – Discontinued Operations	1,755	1,833
Future Income Taxes – Discontinued Operations	600	605
	1,523,576	1,448,936
LIABILITIES		
Current Liabilities		
Unpresented cheques	34,186	12,997
Short-term bank borrowings	59,185	50,919
Accounts payable and accrued liabilities	308,116	305,161
Income taxes payable	10,431	3,360
Current portion of long-term debt	11,876	7,038
Current portion of deferred gain	4,561	9,206
Current liabilities – discontinued operations	2,365	2,090
	430,720	390,771
Long-Term Debt	299,276	308,151
Future Income Taxes	25,402	27,094
Non-Controlling Interests	28,707	30,316
	784,105	756,332
SHAREHOLDERS' EQUITY		
Capital Stock	103,493	103,173
Retained Earnings	669,450	625,764
Contributed Surplus (note 2)	31	78
Cumulative Translation Adjustment	(33,503)	(36,411)
	739,471	692,604
	1,523,576	1,448,936

On behalf of the Board of Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS

For the six months ended June 30, 2005 and June 30, 2004 (Unaudited)
(in thousands of dollars, except per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	$	$ (Restated – Note 5)	$	$ (Restated – Note 5)
Sales	578,805	460,626	1,108,279	891,223
Cost of Sales	467,812	368,466	900,739	712,416
Amortization	33,203	28,247	66,264	56,207
Gross Margin	77,790	63,913	141,276	122,600
Selling, general and administrative	25,915	23,621	49,709	45,917
Earnings Before the Following:	51,875	40,292	91,567	76,683
Interest on long-term debt	(4,240)	(1,693)	(8,221)	(3,418)
Other interest expense	(808)	(1,466)	(1,295)	(2,752)
Interest earned	98	144	514	412
Dilution loss	-	-	-	(248)
Other income	305	58	396	474
	47,230	37,335	82,961	71,151
Provision for Income Taxes				
Current	15,586	10,355	28,173	17,070
Future	470	1,445	742	6,448
	16,056	11,800	28,915	23,518
	31,174	25,535	54,046	47,633
Non-Controlling Interests	1,417	914	1,884	1,282
Earnings from Continuing Operations	29,757	24,621	52,162	46,351
Results of Discontinued Operations (note 5)	-	(1,546)	-	(3,035)
Net Earnings for the Period	29,757	23,075	52,162	43,316
Basic Earnings per Share from Continuing Operations (note 6)	0.42	0.35	0.74	0.66
Diluted Earnings per Share from Continuing Operations (note 6)	0.42	0.35	0.73	0.65
Basic Earnings per Share (note 6)	0.42	0.32	0.74	0.61
Diluted Earnings per Share (note 6)	0.42	0.32	0.73	0.61

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the six months ended June 30, 2005 and June 30, 2004 (Unaudited)
(in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	$	$	$	$
Balance - Beginning of Period	643,931	561,965	625,764	544,589
Stock based compensation (note 2)	-	-	-	(41)
Balance – As restated (note 2)	643,931	561,965	625,764	544,548
Net Earnings for the Period	29,757	23,075	52,162	43,316
Dividends	(4,238)	(2,824)	(8,476)	(5,648)
Balance - End of Period	669,450	582,216	669,450	582,216

LINAMAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2005 and June 30, 2004 (Unaudited)
(in thousands of dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Cash Provided By (Used In)			$	$
		(Restated – Note 5)		(Restated – Note 5)
Operating Activities				
Earnings from continuing operations	29,757	24,621	52,162	46,351
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	33,203	28,247	66,264	56,207
Amortization of other intangible assets	159	-	159	-
Future income taxes net of unrealized exchange loss	470	1,445	742	6,448
Non-controlling interests	1,417	914	1,884	1,282
Unrealized exchange loss (gain) on debt	105	580	280	(769)
Amortization of deferred exchange gain	(2,312)	(5,957)	(4,645)	(9,349)
Loss on disposal of property, plant and equipment	100	227	205	504
Other	389	180	737	334
	63,288	50,257	117,788	101,008
Changes in non-cash working capital:				
Increase in accounts receivable	(19,944)	(30,762)	(92,571)	(66,175)
Decrease (increase) in inventories	3,414	(20,788)	16,361	(13,748)
Increase in prepaid expenses	(616)	(109)	(1,199)	(1,240)
Increase in income taxes payable	8,053	3,776	6,744	101
Increase in accounts payable and accrued liabilities	10,874	30,336	18,129	42,611
	65,069	32,710	65,252	62,557
Deferred gain	-	-	-	2,785
Cash flow – continuing operations	65,069	32,710	65,252	65,342
Cash flow – discontinued operations	417	479	703	(282)
	65,486	33,189	65,955	65,060
Financing Activities				
Proceeds from (repayment of) short-term bank borrowings	(24,373)	23,635	5,692	38,519
Proceeds from long-term debt	276	5,549	334	7,770
Repayment of long-term debt	(2,170)	(3,783)	(3,610)	(8,612)
Proceeds from common share issuance	240	-	273	-
Dividends to shareholders	(4,238)	(2,824)	(8,476)	(5,648)
	(30,265)	22,577	(5,787)	32,029
Investing Activities				
Payments for purchase of property, plant and equipment	(50,202)	(65,983)	(96,303)	(128,242)
Proceeds on disposal of property, plant and equipment	3,265	542	5,156	664
Investment by minority shareholders	-	-	-	3,738
Investment in other long-term assets	(171)	(1,230)	(621)	(1,903)
Decrease (increase) of investment in long-term receivables	5,938	(784)	4,809	(11,113)
Other	-	324	-	8
Discontinued operations	-	23	-	-
	(41,170)	(67,108)	(86,959)	(136,848)
	(5,949)	(11,342)	(26,791)	(39,759)
Effect of Translation Adjustment	(11)	67	(61)	457
Decrease in Cash Position	(5,960)	(11,275)	(26,852)	(39,302)
Cash Position - Beginning of Period	(8,381)	1,303	12,511	29,330
Cash Position - End of Period	(14,341)	(9,972)	(14,341)	(9,972)
Comprised of:				
Cash	19,845	20,051	19,845	20,051
Unpresented cheques	(34,186)	(30,023)	(34,186)	(30,023)
	(14,341)	(9,972)	(14,341)	(9,972)

LINAMAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended June 30, 2005 and June 30, 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. During the second quarter, the company began to amortize to earnings, a customer contract which is an intangible asset subject to amortization and the policy has been modified as follows:

> Intangible assets that are subject to amortization, which currently consist entirely of customer contracts, are assessed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Any impairment is recorded as a separate charge against earnings and a reduction of the carrying value of the intangible asset. These assets are amortized over the remaining term of the related customer contract on a straight line basis. If the underlying contract is extended then the amortization period is reassessed. The term of amortization for each asset is reviewed annually.

Also, during the second quarter the company has adopted the policy of amortizing a new class of equipment asset on a straight line basis over ten years, and as such the Property, Plant and Equipment policy has been modified to include these assets.

2. Stock Based Compensation (in thousands of dollars)

Beginning January 1, 2004 the company adopted revised CICA 3870 retroactively and chose 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 and six months ended June 30, 2005, $4 for the quarter and $8 year to date was recorded as the compensation cost.

3. Financial Instruments

At June 30, 2005, 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 forward contract to buy Euros that qualifies for accounting as a cash flow hedge. As a cash flow hedge, the unrealized gains and loses are deferred and recognized in the same period as the capital expenditure which generates the cash flows.

The company was also committed to a series of monthly forward exchange contracts to sell or buy British pounds, Euros, and two U.S. dollar long-dated forwards. 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.

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	$2,000,000	for Canadian dollars	1.2529	
2005	USD	$18,000,000	for Canadian dollars	1.2733	1.3892
2006	USD	$104,000,000	for Canadian dollars	1.2335	1.3517
2009	USD	$(80,000,000)	with Canadian dollars	1.3029	
2014	USD	$(40,000,000)	with Canadian dollars	1.3535	
2005	EUR	€ 4,000,000	for Canadian dollars	1.6037	
2005	EUR	€ (1,350,000)	with Canadian dollars	1.5113	
2005	GBP	£5,131,000	for Canadian dollars	2.2786	
2005	GBP	£1,000,000	for Canadian dollars	2.2230	2.3275

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

During the first quarter of 2005 the company formed the Asia Pacific operating group. During the second quarter, this group has been segregated from the North American Automotive Systems segment as management believes this information would be useful to the readers of the consolidated financial statements. Accordingly, the company has restated segmented information for prior periods.

Three of the company's six operating groups, Transmission, Engine, and Chassis are aggregated into the North American Automotive Systems segment. Substantially all automotive revenue for this group is derived from sales to major North American manufacturers. Europe and Asia Pacific stand alone as segments and are primarily 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 June 30, 2005			For the six months ended June 30, 2005		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
Canada	439,812	2,079	42,809	853,117	3,788	79,161
United States	47,380	5,869	6,446	90,493	8,045	10,781
Asia Pacific	-	-	(909)	262	-	(1,213)
Mexico	35,075	-	591	66,262	-	(393)
Europe	56,538	2,349	2,938	98,145	5,232	3,231
Total	**578,805**		**51,875**	**1,108,279**		**91,567**

	For the three months ended June 30, 2004			For the six months ended June 30, 2004		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
Canada	344,928	1,180	35,493	672,901	1,789	66,401
United States	36,863	1,816	1,494	74,223	3,535	5,476
Asia Pacific	-	-	-	-	-	-
Mexico	33,222	-	1,256	61,687	-	2,476
Europe	45,613	1,919	2,049	82,412	3,838	2,330
Total	**460,626**		**40,292**	**891,223**		**76,683**

Operational	For the three months ended June 30, 2005			For the six months ended June 30, 2005		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
N.A. Automotive Systems	453,042	4,388	37,897	883,445	7,777	71,791
Europe	39,831	2,349	2,700	73,690	5,232	2,437
Asia Pacific	-	-	(909)	262	-	(1,213)
Industrial	85,932	157	12,187	150,882	363	18,552
Total	**578,805**		**51,875**	**1,108,279**		**91,567**

	For the three months ended June 30, 2004			For the six months ended June 30, 2004		
	Sales to external customers	**Inter-segment sales**	**Operating earnings (loss)**	**Sales to external customers**	**Inter-segment sales**	**Operating earnings (loss)**
	$	$	$	$	$	$
N.A. Automotive Systems	368,946	2,700	32,088	716,621	4,652	64,397
Europe	35,068	1,919	(66)	66,182	3,838	(1,318)
Asia Pacific	-	-	-	-	-	-
Industrial	56,612	206	8,270	108,420	258	13,604
Total	**460,626**		**40,292**	**891,223**		**76,683**

5. Discontinued operations (in millions 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 periods prior to the sale by 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.

6. Earnings Per Share (in thousands of dollars except for per share figures)

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	$	$ (Restated – Note 5)	$	$ (Restated – Note 5)
Earnings from Continuing Operations	29,757	24,621	52,162	46,351
Net Earnings for the Period	29,757	23,075	52,162	43,316
Weighted average common shares	70,636,080	70,603,476	70,632,133	70,603,476
Incremental shares from assumed conversion of stock options	359,905	240,204	355,324	220,117
Adjusted weighted average shares for diluted earnings per share	70,995,985	70,843,680	70,987,457	70,823,593
Earnings Per Share from Continuing Operations				
Basic	0.42	0.35	0.74	0.66
Diluted	0.42	0.35	0.73	0.65
Earnings Per Share from Net Earnings				
Basic	0.42	0.32	0.74	0.61
Diluted	0.42	0.32	0.73	0.61

Earnings per share are calculated using the weighted daily average number of shares outstanding during the period.

The number of outstanding shares is 70,651,476 (June 30, 2004 – 70,603,476).

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 $1,906 by a company owned by the spouse of a director. Included in cost of sales, are maintenance costs of $446 by the same company. Included in cost of sales, are lease costs of $149 related to property leased from a company owned by two directors.

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 June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	$	$	$	$
Government sponsored	5,464	4,437	10,319	8,398
Company sponsored	2,085	1,969	4,301	3,915

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 June 30		Six Months Ended June 30	
	2005	2004	2005	2004
	$	$ (Restated – Note 5)	$	$ (Restated – Note 5)
Foreign Exchange Gain (Loss)	(413)	113	(592)	1,071

10. Guarantees (in thousands of dollars)

Under a portfolio purchase agreement signed in the prior year, 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. The company has a maximum potential future payment of $18,763 over various terms of 3 to 5 years. The company has estimated recourse, in the form of property, plant and equipment, to recover a portion of the defaulted balances in the amount of $14,180.

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 $13,457 over the remaining lease term.

The company has various other guarantees for a maximum potential future payment of $986 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 $455.

11. 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 June 30, 2005, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $107,136.

12. 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 Quarter Ended June 30, 2005

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "company") should be read in conjunction with its consolidated financial statements and related notes thereto as well as the annual MD&A for the year ended December 31, 2004. The accompanying interim consolidated financial statements and the notes thereto have not been reviewed by the company's external auditors pursuant to a review engagement applying review standards set out in the Canadian Institute of Chartered Accountants ("CICA") Handbook. This MD&A has been prepared as at August 9, 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, European and Asia Pacific 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 for the second quarter of 2005 and 2004:

(in millions of dollars, except content per vehicle numbers)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Sales	$ 578.8	$ 460.6	$ 1,108.3	$ 891.2
Gross Margin	77.8	63.9	141.3	122.6
Operating Earnings[1]	51.9	40.3	91.6	76.7
Earnings from Continuing Operations	29.8	24.6	52.2	46.4
Content per Vehicle – North America	$95.64	$76.49	$93.87	$74.51
Content per Vehicle – Europe	$7.15	$7.43	$7.47	$7.57

Overall Corporate Results

Second quarter sales increased by 25.7% or $118.2 million to $578.8 million, compared to $460.6 million in the same quarter last year. The second quarter contributed to a strong six months year to date where sales increased $217.1 million or 24.4% to $1,108.3 million from $891.2 million in 2004. The second quarter sales increase was lead by continued strong growth in North American Automotive Systems, related to both light vehicles, and medium and heavy trucks, the ramp up of new programs launched in recent periods (net of programs ending), and volume increases on other new and established programs. Second quarter sales for the Industrial segment increased 51.8% to $85.9 million, compared to $56.6 million in the same quarter 2004, as sales of Skyjack Inc. ("Skyjack") products continue to increase driven by customer demand volume increases. Europe segment sales have improved 13.6% to $39.8 million over the second quarter of 2004. Geographically and operationally, the Asia Pacific segment has been segregated from the Canadian and North American Automotive Systems segment during the quarter. This segment is currently experiencing losses as it incurs costs related to the commencement of operations.

The effect of the stronger Canadian dollar compared with the U.S. dollar in the first half of 2005 versus the first half of 2004 reduced sales by $45.1 million ($25.3 million for the second quarter). Sales would have otherwise increased by 29.4% year to date (31.2% for the quarter).

[1] **"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 earnings loss.

(in millions of dollars)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Gross Margin	$ 77.8	$ 63.9	$ 141.3	$ 122.6
Selling, general and administrative	25.9	23.6	49.7	45.9
Operating Earnings	$ 51.9	$ 40.3	$ 91.6	$ 76.7

Under Canadian GAAP, this financial measure does not have a standardized meaning and, therefore is unlikely to be comparable to similar measures presented by other issuers.

Operating earnings in the second quarter increased by 28.8% to $51.9 million, compared to $40.3 million for the same period last year. The company's operating earnings grew by $14.9 million or 19.4% for the first six months compared with 2004. Geographically, the improvement is attributed to growth in both the automotive and industrial businesses. Gross margin declined slightly due to changes in product mix and the effect of new automotive program launches yet to achieve full operational efficiency.

The operational segments also showed substantial growth in operating earnings. The growth is attributed to the volume increases in the North American Automotive Systems segment, while the Europe segment achieved an operating profit on sales increases for products with lower material content. The Industrial segment's earnings continue to expand, reaching $12.2 million for the quarter.

Earnings from continuing operations for the quarter were $29.8 million or 5.1% of sales compared to $24.6 million or 5.3% representing a 21.1% increase year over year. Year to date earnings from continuing operations were $52.2 million or 4.7% versus $46.4 million or 5.2% in 2004. The increased earnings can be attributed to increasing sales dollars and stable selling, general and administrative costs. In contrast, earnings growth was impacted by higher interest costs, and a slightly higher tax rate.

North American content per vehicle for the first quarter grew by 25.0% to $95.64 per vehicle compared to $76.49 for the same quarter in the prior year. European content per vehicle for the quarter decreased by 3.7% to $7.15 per vehicle compared to $7.43 for the same quarter in the prior year.

Sales

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Canada	$ 439.8	$ 344.9	$ 853.1	$ 672.9
U.S.	47.4	36.9	90.5	74.2
Mexico	35.1	33.2	66.3	61.7
Europe	56.5	45.6	98.1	82.4
Asia	-	-	0.3	-
Total external sales	$ 578.8	$ 460.6	$ 1,108.3	$ 891.2

Total sales were $578.8 million for the second quarter, an increase of $118.2 million or 25.7%, compared to sales of $460.6 million generated in 2004. Year to date sales growth of 24.4% was experienced for a total of $1,108.3 million. 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 lowered sales in the quarter by approximately $25.3 million and by $45.1 million year to date. Excluding the estimated effect of the stronger Canadian dollar on exchange rates, revenues would have increased by 31.2% in the quarter and 29.4% year to date.

Industrial product sales increases in the first half of 2005 were driven primarily by the 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 2005 to date were 8.4 million, down slightly from 8.5 million units in the prior year. For the second quarter production remained consistent at approximately 4.3 million units.

European vehicle production decreased 0.8% to 8.4 million units for the first half of the year from 8.5 million units in 2004. Production increased by 4.0% with approximately 4.4 million units produced in the quarter compared with approximately 4.3 million units produced in 2004.

Automotive Sales and Content Per Vehicle (i)

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.

	Three Months Ended June 30			Six Months Ended June 30		
North America	2005	2004	% Change	2005	2004	% Change
Vehicle Production Units (ii)	4.3	4.3	(0.8)%	8.4	8.5	(2.0)%
Automotive Sales (iii)	$408,973	$329,576	24.1%	$786,346	$636,673	23.5%
Content Per Vehicle	$95.64	$76.49	25.0%	$93.87	$74.51	26.0%
Europe	2005	2004	% Change	2005	2004	% Change
Vehicle Production Units (ii)	4.4	4.3	3.9%	8.4	8.5	(0.8)%
Automotive Sales (iii)	$31,601	$31,586	- %	$63,138	$64,402	(2.0)%
Content Per Vehicle	$7.15	$7.43	(3.7)%	$7.47	$7.57	(1.2)%

(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 thousands of dollars

The impact of the stronger Canadian dollar accounted for a reduction of approximately $24.5 million in total automotive revenue for North America and Europe in the second quarter and $43.5 million year to date. If the estimated impact of the stronger dollar is removed, total automotive revenues for these groups for the quarter would have increased $103.9 million or 28.8% and $191.9 or 27.4% for the year.

During the second quarter of 2005 North American automotive sales increased by 24.1% over 2004 to $409.0 million. While North American vehicle production units decreased 0.8%. Content per vehicle for the quarter was $95.64, compared to $76.49 for 2004, an increase of 25.0%. For the year to date, North American automotive sales increased $149.7 million or 23.5% to $786.3 million, despite vehicle production decreasing 2.0%. For this same period content per vehicle increased 26.0% to $93.87 from $74.51 a year earlier.

North American automotive sales benefited from the ramping up of a number of new and expanding programs as well as customer driven volume increases. Significant programs which continued to contribute in the quarter were the Caterpillar Inc. ("CAT") iron cylinder head programs, the DaimlerChrysler ("DCX"), ATX differential cases, the General Motors Corporation ("GM") Gen IV connecting rod, DCX 9.25 carrier, Visteon Corporation ("Visteon") heavy duty differential case program launched during the quarter, and Ford Motor Company ("Ford") V10 head programs also launched in the second quarter of 2005. The CAT programs are used on medium and heavy truck applications while the DCX components are a light vehicle application, both these programs launched prior to 2005.

In the second quarter of 2005, European automotive sales were unchanged at $31.6 million. Vehicle production volumes have increased 3.9%, however content per vehicle declined 3.7% to $7.15 from

$7.43 in 2004. For the year, European automotive sales decreased slightly by 2.0% to $63.1 million from $64.4 million in 2004. Vehicle production was lower by 0.8% as compared with 2004 levels, with content per vehicle declining 1.2% over 2004 content of $7.57. The decline in content is partially due to the delay in certain camshaft programs. European automotive sales were negatively impacted by an anticipated decline in equivalent engines produced for Renault Group ("Renault") and the completion of the Audi Group camshaft program in Germany.

Automotive tooling sales for the quarter were $11.8 million as compared to $4.3 million in 2004, and $32.0 million year to date as compared to $10.7 million in 2004. For 2005 results for the quarter are primarily due to the Ford/GM 6R transmission program, the new DCX 3.7 crankshaft, and various programs for Allison Transmission, General Motors Corporation ("Allison"). For 2004 year to date tooling sales are due to the Eaton Corporation ("Eaton") 8.6 differential case program, and various programs for Allison.

Other Sales

Industrial product sales continue to grow reporting $98.7 million in the second quarter of 2005 compared to $66.3 million in the second quarter of 2004, primarily due to the sale of Skyjack's aerial lift platforms through customer driven volume increases. Year to date sales have increased to $175.0 million or 38.3% over the 2004 level of $126.5 million. Skyjack developed a reconditioning division during 2004 where machines from all manufacturers are reconditioned and returned to the rental market for fleet use.

Gross Margin

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Sales	$ 578.8	$ 460.6	$ 1,108.3	$ 891.2
Cost of Sales	467.8	368.5	900.7	712.4
Amortization	33.2	28.2	66.3	56.2
Gross Margin	$ 77.8	$ 63.9	$ 141.3	$ 122.6
Gross Margin Percentage	13.4%	13.9%	12.7%	13.8%

Gross margin after amortization was 13.4% for the quarter, a decline from 13.9% compared to the second quarter of 2004, but an increase from 12.0% reported in the first quarter of 2005. The change in margin is largely due to the impact of higher material content machining and assembly programs and increased tooling programs. The largest impact on material content was the addition of the DCX ATX differential case in the machining program. Assembly programs, such as the CAT C7 and C9 medium duty cylinder heads, launched mid year 2004, carry a higher material content than most current machining programs. Gross margin is also affected by the number of new programs that have launched which have yet to achieve their full operational efficiency. Skyjack also experiences higher material content compared to the core machining business; the growth in their sales has an impact on the gross margin percentage.

Labour as a percent of sales continues to improve as programs such as the highly automated DCX ATX, the Ford V8 and V10 cylinder heads, and DCX 9.25, which were all launched in 2004, and have reached full volumes in 2005. Labour gains are partially offset by labour costs associated with preparing to launch 2005 programs such as the Ford/GM 6F transmission programs, DCX 3.7L crankshafts, and the shafts for Detroit Diesel Corporation and Cummins Inc. For the first half of 2005, growth in the industrial reconditioning area has resulted in slightly increased labour rates as the business expands to service customer owned units in addition to the reconditioning and reselling business.

Amortization increased $5.0 million in the quarter over the second quarter of 2004 or $10.1 million for the first half of the year compared to the same period in 2004. However as a percent of sales, amortization declined for the quarter from 6.1% to 5.7% and, 6.3% to 6.0% year to date. As a percentage of assets employed, amortization costs have increased 0.4% to 9.4% from 9.0% year to date. The dollar value of assets in production has increased over the same quarter in 2004 by $82.3 million as more programs came online for production. The improvement, relative to sales, reflects reaching anticipated volumes and utilization of planned production capacity on the larger programs launched in 2004 such as the DCX ATX differential case program, the CAT cylinder heads program, the DCX 9.25 carrier program, the Ford/GM 6R transmission program, and the Eaton 8.6 differential case program.

Operating Earnings

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Gross Margin	$ 77.8	$ 63.9	$ 141.3	$ 122.6
Selling, general and administrative	25.9	23.6	49.7	45.9
Operating Earnings	$ 51.9	$ 40.3	$ 91.6	$ 76.7

Selling, general and administrative ("SG&A") costs, excluding currency exchange impacts, increased to $25.5 million in the second quarter 2005, compared to $23.7 million in the second quarter of 2004. As a percentage of sales, SG&A costs were lower at 4.4% as compared to 5.1% in the same quarter of 2004. Year to date SG&A costs were lower, as a percentage of sales, at 4.4% as compared to 5.3% year to date 2004. The main factor behind the SG&A dollar amount increase year to date is the company's continued growth of the internal sales force offset partially by the net collection of debts previously allowed for by Linamar Hungary RT ("Linamar Hungary") in 2004. During 2003 the company terminated the agreements with its external sales agents, which has resulted in ongoing sales force cost savings.

The company's effective foreign exchange hedging strategy has resulted in a nominal 2005 second quarter loss of $0.4 million compared with a gain of $0.1 million in 2004, and a $0.6 million 2005 year to date loss compared with a $1.1 million gain year to date in 2004. The company has mitigated significant increases in the Canadian dollar against other world currencies.

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 the first quarter of 2005 the company formed the Asia Pacific operating group. During the second quarter, this group has been segregated from the North American Automotive Systems segment as management believes this information would be useful to the readers of the consolidated financial statements. Accordingly, the company has restated segmented information for prior periods.

Three of the company's six operating groups, Transmission, Engine, and Chassis are aggregated into the North American Automotive Systems segment. Substantially all automotive revenue for this group is derived from sales to major North American manufacturers. Europe and Asia Pacific stand alone as segments and are primarily 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.

Second quarter sales for the North American Automotive Systems segment recorded an increase of $84.1 million or 22.8% from $368.9 million to $453.0 million for 2005. Year to date sales for the same segment increased by $166.8 million or 23.3% to $883.4 million. The impact of the declining U.S. dollar against the Canadian dollar and the Mexican Peso is estimated to represent a sales reduction of approximately $23.7 million for the quarter and $42.0 million year to date, such that revenues would have otherwise increased by $107.7 million or 29.2% for the quarter and $208.8 million or 29.1% for the six months, on a consistent exchange rate basis. The programs having the largest impact on sales growth for the quarter include the realization of full production volumes for the DCX ATX differential case, the DCX 9.25 carrier, the continued growth with CAT programs, the new Ford V10 cylinder head, increased volumes on the Ford V8 cylinder heads, and the GM Gen IV connecting rod program.

Operating earnings increased by $5.8 million or 18.1% in the North American Automotive Systems segment to $37.9 million from $32.1 million in the second quarter of 2004. For the six month period operating earnings for this segment improved by $7.4 million or 11.5% to $71.8 million. Gains have been made as a result of programs launched in 2004 such as the DCX ATX differential case, Ford V8 and V10 cylinder heads, and the GM Gen IV connecting rod programs reaching full production volumes and achieving effective operating results. In 2005 new engine block and cylinder head programs were launched for GM, as well as a DCX 3.7L crankshaft program and several cam shaft and differential case programs. The high level of automation for the DCX ATX differential case and lower material costs experienced with the Gen IV project contributed to the earnings growth.

European sales for the second quarter of 2005 increased $4.7 million or 13.4% to $39.8 million from $35.1 million in the same quarter of 2004. Year to date sales improved by $7.5 million or 11.3% to $73.7 million. Gains were made in existing automotive programs for customers such as Robert Bosch GmbH (“Bosch”), Delphi Corporation (“Delphi”) and Danfoss Maneurop S.A., as well as sales of products used in industrial applications such as generators and elevators. The agriculture sales at Linamar Hungary were $9.1 million in the second quarter of 2005 compared with $5.9 million for the first quarter of 2005. The increase in second quarter sales was the result of the seasonal peak for agricultural business and, as a result, in growth in sales to North American customers.

Europe achieved a second quarter operating profit of $2.7 million compared with a loss of $0.1 million for the same quarter of 2004. Year to date, this segment earned operating profits of $2.4 million versus a loss of $1.3 million for the same period 2004. Continued improvements were noted in Linamar Antriebstechnik GmbH & Co. KG (“LAT”) where subcontract costs for hydro forming were reduced by the purchase of capital assets during the second quarter. An increase in agricultural sales at Linamar Hungary has resulted in improved earnings. A change in product mix from programs such as Honeywell International (“Honeywell”) automotive parts, and better cost controls have also increased earnings.

Sales for the Industrial segment increased $29.3 million or 51.8% to $85.9 million for the second quarter and year to date by $42.5 million or 39.2% over the prior year. The increase related entirely to increased sales of Skyjack aerial lift platforms.

Operating earnings in the Industrial segment improved in the second quarter as compared to 2004 by $3.9 million or 47.0%. Year to date results show an increase of $5.0 million or 36.8% compared with 2004. The results in this segment improved due to increased sales volumes.

Geographical

Canadian sales for the second quarter of 2005 were up $94.9 million or 27.5% to $439.8 million. Year to date sales improved $180.2 million or 26.8% to $853.1 million. Programs launched during 2004 such as the DCX ATX differential case, the DCX 9.25 carrier, the GM Gen IV connecting rod and the Ford V10 cylinder head have reached full production volumes in the quarter as compared to 2004 volumes. Skyjack’s aerial lift platform business continued to experience exceptional growth in both new unit parts sales and reconditioning services.

Operating earnings for the Canadian segment increased $7.3 million or 20.6% to $42.8 million in 2005 as compared to the same quarter of 2004. Year to date results improved $12.8 million or 19.3% over the same period 2004. The growth can be attributed to the production volumes gained near the end of 2004 now running at full volume through the first six months of 2005 on a number of programs, including the CAT programs, the DCX ATX differential case, the GM Gen IV connecting rods and the Ford V8 and V10 cylinder head programs. The increased sales experienced by the Skyjack operation have also contributed to better operating earnings due to volume and through a higher absorption of fixed costs inherent with the industrial business.

Sales in the U.S. segment increased $10.5 million to $47.4 million for the second quarter. Year to date segment sales increased $16.3 million or 22.0% to $90.5 million compared to 2004. The increase relates primarily to increased demand for Skyjack products, parts and service. Eagle Manufacturing LLC experienced sales growth on programs such as the International Truck and Engine Corporation bedplate program launched in 2003 and now achieving higher volumes due to the medium/heavy truck market growth and new programs commencing during the current quarter.

Operating earnings in the U.S. segment have improved by $4.9 million for the second quarter to $6.4 million. Year to date results improved $5.3 million or 96.4% to $10.8 million compared to 2004. Continuing cost improvements and increased sales volumes at Skyjack contributed significantly to the improvement. During the quarter, McLaren Performance Technologies Inc. experienced increased sales resulting in a reduction of operating losses.

Sales for Mexico have continued to grow in the second quarter of 2005 by $1.9 million to $35.1 million. Year to date sales improved by $4.6 million or 7.5% to $66.3 million compared to 2004. Higher pricing was experienced from Renault for reduced volumes on equivalent engines. Programs launched near the end of 2003 for GM and CAT contributed to the 2005 sales growth as they reached full production levels in 2005 on a comparative basis. The Eaton 8.6 differential case program was launched in the second half of 2004 and is realizing sales in 2005; however, low volumes caused by GM plant shut downs have reduced sales of certain GM transmission components resulting in a sales decline in the second quarter of 2005.

Operating earnings for the Mexican segment in the second quarter of 2005 have declined by $0.7 million to $0.6 million as compared to $1.3 million in 2004. Year to date results declined $2.9 million to a loss of $0.4 million compared to 2004. In 2005, the new programs for CAT and GM have reached more efficient operational levels. However, volume reductions in certain GM transmission component sales in addition to the delayed launch of the Eaton 8.6 differential case program along with higher material costs and freight cost on the Eaton 11.5 differential case program have eroded operating earnings. Shipments of the Eaton 8.6 differential case commenced in the second quarter of 2005.

Sales in Europe were $56.5 million, an increase of $10.9 million over the second quarter of 2004. Sales for the current six month period increased $15.7 million or 19.1% to $98.1 million compared to 2004. Skyjack's European operations, the growing volumes on programs such as the Bosch pump program and various industrial products manufactured at Linamar Hungary are significant contributors to the sales growth. Agricultural sales reported a seasonal upswing and greater North American penetration in the current second quarter. The majority of Skyjack's sales are in the North American market with the European market representing 16.0% of its sales year to date.

Operating earnings in the European segment have increased by $0.9 million over the second quarter of 2004. For the six month period, operating earnings improved by $0.9 million or 39.1% to $3.2 million. Skyjack Europe experienced an increase in earnings, partially offset by exchange losses in 2005 due to the strengthening Canadian dollar against the Euro and the Pound Sterling.

NET EARNINGS AND BALANCE SHEET DATA

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

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars, except per share amounts)	2005	2004	2005	2004
Sales	$ 578.8	$ 460.6	$ 1,108.3	$ 891.2
Gross Margin	77.8	63.9	141.3	122.6
Operating Earnings	51.9	40.3	91.6	76.7
Net interest expense	(4.9)	(3.1)	(9.0)	(5.9)
Dilution loss	-	-	-	(0.2)
Other income	0.3	0.1	0.4	0.5
Provision for Income Taxes	(16.1)	(11.8)	(28.9)	(23.5)
Non-Controlling Interests	(1.4)	(0.9)	(1.9)	(1.2)
Earnings from Continuing Operations	$ 29.8	$ 24.6	$ 52.2	$ 46.4
Results of Discontinued Operations	-	(1.5)	-	(3.1)
Net Earnings for the Period	$ 29.8	$ 23.1	$ 52.2	$ 43.3
Earnings Per Share From Continuing Operations				
Basic	$ 0.42	$ 0.35	$ 0.74	$ 0.66
Diluted	0.42	0.35	0.73	0.65
Net Earnings Per Share				
Basic	$ 0.42	$ 0.32	$ 0.74	$ 0.61
Diluted	0.42	0.32	0.73	0.61
Total Long-Term Liabilities			$ 353.4	$ 210.4
Cash Dividends declared per share			0.06	0.04
Total Assets			$ 1,523.6	$ 1,467.1

Net Earnings and Earnings per Share

The effective tax rate for the second quarter of 2005 was 34.0%, an increase from 31.6% in the second quarter of 2004 and 29.9% for the 2004 year. The effective tax rate was impacted by the results generated by operations in Mexico and Hungary. Certain Mexican facilities have experienced losses in the quarter which have not been tax affected. Other Mexican operations have earnings which are taxed at an effectively higher rate as the result of government regulated profit sharing taxes. The Hungarian operations enjoy the benefit of a tax holiday through a tax credit system which management expects will continue until 2011.

During 2004, the company recognized the benefit of Canadian Scientific Research and Experimental Development tax credits which are not subject to provincial taxes in Ontario. As well, during the fourth quarter of 2004, $3.6 million was recognized in relation to certain asset taxes, loss carry forwards and timing differences for the Mexican facilities. Removing this impact, the 2004 annual rate would have been 32.6%.

Net earnings from continuing operations for the quarter improved $5.2 million to $29.8 million from $24.6 million in 2004. As a percentage of sales the net earnings in the second quarter of 2005 was 5.1% whereas in 2004 it was 5.3% of sales. When excluding interest and taxes net earnings as a percentage of sales was 8.8% for the quarter whereas in 2004 it was 8.6% of sales. Excluding higher interest costs and taxes, the improvement is due to programs launching in 2004 that have now reached full production volumes and utilize program resources more effectively net of new programs starting. These include highly automated lines such as the DCX ATX differential case program.

Interest

During the second quarter, interest on long-term debt increased by $2.5 million over last year from $1.7 million to $4.2 million. Year to date interest on long-term debt increased by $4.8 million to $8.2 million. The increase is primarily due to the private placement in October of 2004. The consolidated year to date effective interest rate was lower in 2004 at 4.3% as compared to 5.4% in 2005 due to both the new private placement and increasing LIBOR rates. Partially offsetting the increases are lower effective rates on Euro debt held by Linamar Hungary. The Euro debt in Hungary affords a lower rate of interest compared to Hungarian Forint based debt and assists Linamar Hungary in reducing exchange exposure as the company's Euro based sales grow.

Other interest expense is lower by $0.7 million for the quarter as compared to the second quarter of 2004 reflecting the receipt of the private placement funds in October of 2004 reducing the need for short-term borrowings.

SUMMARY OF QUARTERLY RESULTS OF OPERATIONS

The following table sets forth unaudited information for each of the eight quarters ended September 30, 2003 through June 30, 2005. 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)	Sept 30, 2003	Dec 31, 2003	Mar 31, 2004	June 30, 2004	Sept 30, 2004	Dec 31, 2004	Mar 31, 2005	Jun 30, 2005
Sales	366.8	402.8	430.6	460.6	478.7	474.2	529.5	578.8
Earnings from								
Continuing Operations	14.5	1.0	21.7	24.6	19.8	24.2	22.4	29.8
Earnings Per Share from Continuing Operations								
Basic	0.21	0.01	0.31	0.35	0.28	0.34	0.32	0.42
Diluted	0.21	0.01	0.31	0.34	0.28	0.34	0.32	0.42
Net Earnings (Loss) Per Share								
Basic	0.18	(0.02)	0.29	0.32	0.36	0.34	0.32	0.42
Diluted	0.18	(0.02)	0.29	0.32	0.35	0.34	0.32	0.42

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, other industrial, and agricultural businesses. The third quarter is generally negatively impacted by the scheduled summer shutdowns at 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

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Cash provided from (used for):				
Operating Activities	$ 65.5	$ 33.2	$ 66.0	$ 65.1
Financing Activities	(30.3)	22.6	(5.8)	32.0
Investing Activities	(41.2)	(67.1)	(87.0)	(136.8)
Effect of Translation Adjustment	-	-	(0.1)	0.4
Decrease in Cash Position	(6.0)	(11.3)	(26.9)	(39.3)
Cash Position – Beginning of Period	(8.3)	1.3	12.6	29.3
Cash Position – End of Period	$ (14.3)	$ (10.0)	$ (14.3)	$ (10.0)
Comprised of:				
Cash	19.8	20.0	19.8	20.0
Unpresented Cheques	(34.1)	(30.0)	(34.1)	(30.0)
	$ (14.3)	$ (10.0)	$ (14.3)	$ (10.0)

Linamar's cash position (net of unpresented cheques) at June 30, 2005 was a credit of $14.3 million, a decrease of $4.3 million from the same period in the prior year. Cash proceeds from operating activities in the second quarter of 2005 are higher compared to the second quarter of 2004 due to improved operating activities driven by increased sales volumes. Non-cash working capital remained steady with increased accounts payable and reduced inventories, offset by increased accounts receivable.

During the second quarter, financing activities used $30.3 million, primarily due to the repayment of short term borrowings. In 2004 short term borrowings provided cash of $23.6 million. Year to date proceeds from short term borrowings have declined by $32.8 million mostly due to a repayment in short-term borrowings of $24.4 million in the second quarter. Increases in the company's dividend payout policy have consumed an additional $1.4 million in the second quarter and $2.8 million year to date, as the dividend rate increased to $0.06 from $0.04 per share.

Investing activities continue to be dominated by payments for the purchase of property, plant and equipment in 2005, albeit at a reduced rate from 2004. Long-term receivables continue to be collected or sold under a portfolio purchase agreement signed at the end of 2004.

Operating Activities

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Earnings from continuing operations	$ 29.8	$ 24.6	$ 52.2	$ 46.4
Items not involving current cash flows	33.5	25.7	65.6	54.6
Cash provided from operations	$ 63.3	$ 50.3	$ 117.8	$ 101.0
Net change in non-cash working capital	1.8	(17.6)	(52.5)	(38.5)
Deferred gain	-	-	-	2.8
Cash flow – continuing operations	$ 65.1	$ 32.7	$ 65.3	$ 65.3
Cash flow – discontinued operations	0.4	0.5	0.7	(0.2)
Cash provided by operating activities	$ 65.5	$ 33.2	$ 66.0	$ 65.1

Cash provided by continuing operations, before the effect of changes in non-cash working capital, increased to $63.3 million in the second quarter of 2005 from $50.3 million in 2004. Year to date this was

$117.8 million compared with $101.0 million in 2004. Cash provided from operations are driven by large programs initiated in 2004 meeting anticipated full volumes in 2005.

Incremental proceeds from non-cash working capital for the current quarter were $1.8 million, compared to an investment of $17.6 million for the second quarter of 2004. Year to date non-cash working capital consumed cash of $52.5 million versus $38.5 million in 2004. The second quarter benefit compared to the prior year resulted primarily from increases in accounts and taxes payable along with a decrease in inventories, partially offset by increases in accounts receivable from higher levels of tooling sales driven by the ramp up of programs following a year of heavy capital spending. The year to date working capital consumption of cash was a direct result of increased accounts receivable, only partially offset by reduced inventories and increased accounts payable.

Financing Activities

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	2005	2004	2005	2004
Proceeds from (repayment of) short-term bank borrowings	$ (24.4)	$ 23.6	$ 5.7	$ 38.5
Proceeds from long-term debt	0.3	5.6	0.3	7.8
Repayment of long-term debt	(2.2)	(3.8)	(3.6)	(8.6)
Proceeds from common share issuance	0.2	-	0.3	-
Dividends to shareholders	(4.2)	(2.8)	(8.5)	(5.7)
Cash provided by (used in) financing activities	$ (30.3)	$ 22.6	$ (5.8)	$ 32.0

Financing activities consumed $30.3 million of cash during the second quarter of 2005, compared to generating $22.6 million in 2004. For the six month period financing activities consumed $5.8 million versus providing $32.0 million in 2004.

During the quarter, short term borrowings of $24.4 million were repaid due to strong operating cash flows generated by large programs initiated in 2004 meeting anticipated full volumes in 2005. Year to date short term borrowings have provided $5.7 million while in 2004 $38.5 million was provided. Linamar Hungary continues to replace short-term Forint borrowings with long-term Euro debt, thereby reducing financing costs.

The company renewed the revolving term facility under its Canadian syndicated credit agreement for another year during the fourth quarter of 2004. At the end of the quarter, there was $139.7 million in credit available in the revolving term facility and the non-revolving facility requires that it be fully drawn at all times. There is a total of $302.0 million Canadian of available credit.

Stock options were exercised in the second quarter of 2005 for proceeds of $240 thousand and $273 thousand year to date. The company continued its dividend policy with payments made quarterly on 70,651,476 common shares at a rate of $0.06 per share in 2005 as compared to $0.04 per share in 2004.

Investing Activities

(millions of dollars)	Three Months Ended June 30 2005	Three Months Ended June 30 2004	Six Months Ended June 30 2005	Six Months Ended June 30 2004
Payments for purchases of capital assets	$ (50.2)	$ (66.0)	$ (96.3)	$ (128.2)
Proceeds from disposal of capital assets	3.3	0.6	5.1	0.7
Investment by minority shareholders	-	-	-	3.7
Investment in other long-term assets	(0.2)	(1.2)	(0.6)	(1.9)
Decrease (increase) of investment in long-term receivables	5.9	(0.8)	4.8	(11.1)
Other	-	0.3	-	-
Cash used in investing activities	$ (41.2)	$ (67.1)	$ (87.0)	$ (136.8)

As at June 30, 2005, outstanding commitments for capital expenditures under purchase orders and contracts amounted to $107.1 million (December 31, 2004 - $93.7 million).

Cash spent on investing activities for the second quarter of 2005 was $41.2 million while, during the second quarter of 2004, the total spent was $67.1 million which exceeds the 2005 levels by $25.9 million. During the first half of 2004, capital expenditures were high for the ramp up of various programs. Year to date 2005, the company invested in capital equipment for the DCX 3.7L crankshaft program, the Ford/GM 6F transmission program, the Perkins head and block program, and the GEN IV program. These programs account for a significant portion of the investment in capital equipment during the first six months of the year.

During 2004, the company increased long term receivables as part of the financing arrangements which are key to success in the aerial lift marketplace. During the second quarter of 2005, the company sold additional long-term receivables under the portfolio purchase agreement as disclosed in the company's consolidated financial statements as at December 31, 2004.

Financing Resources

At June 30, 2005, cash on hand was $19.8 million, with unpresented cheques and short-term bank borrowings of $93.4 million. At this time, the company's syndicated revolving facility had available credit of $139.7 million. Of the company's consolidated long-term debt, 3.8% of the $311.2 million is due and payable in the next 12 months.

Contractual Obligations

Please see the December 31, 2004 annual MD&A for a table summarizing contractual obligations by category.

The balance of purchase obligations[2] is $107.1 million at June 30, 2005, up from $93.7 million at December 31, 2004. Long-term debt and capital lease obligations[3] have not significantly changed during the quarter and year to date. Transactions for long-term debt include repayments of $2.2 million for the quarter, $3.6 million year to date, and proceeds of $0.3 million for the quarter and year to date. Short-term debt transactions include repayments of $24.4 million for the quarter, and proceeds of $5.7 million

[2] **"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.

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

year to date, in accordance with terms similar to those as set out in the annual consolidated financial statements.

Shareholders' Equity

Book Value Per Share[4] grew to $10.47 at June 30, 2005, as compared to $9.81 at December 31, 2004, and $9.46 at June 30, 2004. Earnings net of dividends contributed $25.5 million to retained earnings for the quarter and $43.7 million year to date. During the second quarter 21,000 options were exercised for total proceeds of $240 thousand. The number of options outstanding as at June 30, 2005 is 2,985,000.

Cumulative translation adjustment has decreased slightly by $2.9 million to $33.5 million since December 31, 2004 and represents the unrealized foreign exchange loss on Linamar's net investment in its self-sustaining foreign subsidiaries. This change is predominantly the result of the weakening Canadian dollar relative to the Mexican Peso.

Management has determined that it is now appropriate to treat the operations of the company's subsidiary LAT as self-sustaining. Effective July 1, 2005, the net investment of this operation will be translated using the current rate method with exchange adjustments arising from translation deferred and recorded as a separate component of shareholders' equity. The reliance on the parent company has been significantly reduced during the 2005 year. Based on the growing independence and dedicated LAT management team, the treatment of the operation is appropriate as self-sustaining.

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. The company'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 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 the company's results of operations. Linamar does not hedge the business activities of its self-sustaining foreign subsidiaries and, accordingly, 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.

[4] **"Book Value Per Share"**, as used by the chief operating decision makers and management, indicates the value of the company based on the carrying value of the company's net assets. Book value per share is calculated by the company as Shareholders' Equity divided by shares outstanding at quarter-end.

(in millions of dollars except share and per share figures)	June 30, 2005	December 30, 2004	June 30, 2004
Shareholders' Equity	$ 739.5	$ 692.6	$ 667.6
Shares outstanding at quarter-end	70,651,476	70,627,476	70,603,476
Book Value Per Share	$ 10.47	$ 9.81	$ 9.46

Under Canadian GAAP, this financial measure does not have a standardized meaning and, therefore is unlikely to be comparable to similar measures presented by other issuers.

At June 30, 2005, 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 or buy British pounds, Euros and two long-dated U.S. dollar forwards. 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 June 30, 2005, the net unrecognized loss on the U.S. contracts was approximately $4.6 million (December 31, 2004 - $0.7 million gain). The unrecognized net gain on the British pound contracts was approximately $0.1 million (December 31, 2004 – $0.1 million). The unrecognized net loss on Euros was approximately $0.1 million (December 31, 2004 – Nil).

During the prior two years, the company placed forward contracts to buy U.S. dollars, effectively locking in gains on forward contracts. This transaction resulted in cash proceeds of $4.9 million for 2004 and $30.5 million in 2003. The gains have been deferred and have been amortized to revenue based on the terms of the original underlying contracts. As at June 30, 2005, the balance remaining to be amortized is $4.6 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. This arrangement remains unchanged at June 30, 2005.

There were no significant changes during the quarter year to date of the contractual obligations described in the December 31, 2004 annual MD&A. Please refer to the annual MD&A for the table summarizing contractual obligations including the above leases for transport trucks and trailers. Also, please see the notes to the annual consolidated financial statements for a total by year of the company's various operating leases, including transport trucks and trailers, office equipment, computers, fork trucks, and other such items.

Guarantees

Linamar is a party to certain financial guarantees as disclosed in Note 10 of the June 30, 2005 interim consolidated financial statements. The company is also exposed to certain financial guarantees and contingent liabilities on government assistance as discussed in Notes 13, 22, and 23 of the December 31, 2004 annual consolidated financial statements.

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 $1.9 million (December 31, 2004 - $5.3 million) to Kiwi-Newton Construction Ltd., a company owned by the spouse of an officer and a director. Cost of sales contain maintenance costs of $0.4 million (December 31, 2004 - $0.7 million) by the same company. Selling, general and administrative expenses include a recovery of approximately $Nil (December 31, 2004 - $0.1 million) 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.

Lease costs, included in cost of sales, of $0.1 million (December 31, 2004 - $0.3 million) related to property leased from a company owned by two directors.

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

Proposed Transactions

The company has no transactions currently proposed as at August 9, 2005.

RISK MANAGEMENT

Please see the December 31, 2004 annual MD&A for a listing of the company's various risks and how these risks are managed. There were no significant changes during the quarter year to date of the risks described in the December 31, 2004 annual MD&A.

CRITICAL ACCOUNTING ESTIMATES

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

Please see the annual MD&A for the year ended December 31, 2004 for a discussion of critical accounting estimates for the Impairment of Goodwill and Other Intangibles, Future Income Tax Assets and Liabilities, Impairment of Long-Lived Assets, and Stock-Based Compensation. There were no significant changes in the assumptions used and balances of these critical accounting estimates for the year to date.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTIONS

The following accounting policies and pronouncements were adopted during the two quarters ended June 30, 2005:

a) 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. The company adopted the new guideline effective January 1, 2005. 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 and compliance with AcG-15 has not had an effect on the company's financial condition.

b) In 2003 the company purchased Salzgitter Antriebstechnik GmbH & Co. KG, which now operates as LAT. Part of that acquisition included a customer contract valued at $8.7 million. While previously this intangible asset had not been amortized as the contract was yet to begin, production commenced in June 2005. CICA Handbook Section 3062 "Goodwill and other intangible assets" ("CICA 3062") establishes criteria for the amortization of the asset. Alternatives available for the amortization of the asset include straight line over the life of the contract, straight line by units of production and diminishing balance. The company has adopted the policy of amortizing this and similar assets over the remaining life of the contract, on a straight line basis once production has physically started as this most closely reflects the benefit of the asset and is not subject to unpredictable volumes of production. If the underlying contract is extended then the amortization period should be reassessed when such information becomes available. The term of amortization for each asset will be reviewed at least annually. Amortization of this intangible asset is expected to be complete by June 2009. In the event that the contract length is amended, the unamortized balance will be amortized over the remaining period.

> Intangible assets that are subject to amortization, which currently consist entirely of customer contracts, are assessed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Any impairment is recorded as a separate charge against earnings and a reduction of the carrying value of the intangible asset. These assets are amortized over the remaining term of the related customer contract on a straight line basis. If the underlying contract is extended then the amortization period is reassessed. The term of amortization for each asset is reviewed annually.

c) Existing policies for depreciating equipment are to use the straight line method over 5 to 7 years or 15% to 20% diminishing balance method. A block of heat treating furnaces has been installed in a certain plant. This equipment is versatile and has multiple applications, and due to the size and nature of this equipment the company has established a separate category of asset. CICA Handbook Section 3061 “Property, plant and equipment” (“CICA 3061”) provides guidance on matters to consider when determining the method and period of amortization for assets. Practical methods of amortization include straight line and diminishing balance. The equipment is technologically mature and is expected to remain viable for many years. Wear on the equipment is expected to be constant over the life, thus the company has adopted the policy of amortizing the asset on a straight line basis over ten years, commencing April 2005.

> Property, plant and equipment are recorded at cost. Amortization is charged to earnings in amounts sufficient to amortize the cost of property, plant and equipment over their estimated useful lives using the diminishing balance and straight line methods as follows:
>
> Machinery – straight line over 5 – 10 years or 15% - 20% diminishing balance

The following accounting pronouncements will be adopted by the company after June 30, 2005:

a) In 2005, the CICA issued Handbook Section 1530 “Comprehensive Income” (“CICA 1530”). CICA 1530 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 3251 “Equity”, CICA 3855 “Financial Instruments – Recognition and Measurement”, CICA 3861 “Financial Instruments – Disclosure and Presentation”, CICA 3865 “Hedges”, CICA 3051 “Investments”, and CICA 1651 “Foreign Currency Translation”. CICA 1530 requires companies to present comprehensive income and its components, as well as net income, as a separate and distinct financial statement. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. A component of comprehensive income is other comprehensive income which comprises of revenues, expenses, gains and losses, in accordance with primary sources of GAAP. Comprehensive income will include exchange gains and losses arising from the translation of the financial statements of the company’s self-sustaining foreign operations (as per CICA 1651 “Foreign Currency Translation” below), gains and losses arising from changes in the fair values of available-for-sale financial assets (as per CICA 3855 “Financial Instruments – Recognition and Measurement” below), and the change in fair values of effective cash flow hedging instruments (as per CICA 3865 “Hedges” below). Other than presentation and disclosure, the adoption of CICA 1530 is not expected to have an effect on the company’s consolidated financial condition.

b) In 2005, the CICA reissued Handbook Section 3251 “Equity” (“CICA 3251”) replacing Handbook Section 3250 “Surplus”. CICA 3251 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 “Comprehensive Income”, CICA 3855 “Financial Instruments – Recognition and Measurement”, CICA 3861 “Financial Instruments – Disclosure and Presentation”, CICA 3865 “Hedges”, CICA 3051 “Investments”, and CICA 1651 “Foreign Currency Translation”. CICA 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The main feature of this section is a requirement for an enterprise to present separately each of the changes in equity during the period, including accumulated other comprehensive income, as well as components of equity at the end of the period. Other than disclosure, the adoption of CICA 3251 is not expected to have an effect on the company’s consolidated financial condition.

c) In 2005, the CICA issued Handbook Section 3855 “Financial Instruments – Recognition and Measurement” (“CICA 3855”). CICA 3855 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 “Comprehensive Income”, CICA 3251 “Equity”, CICA 3861 “Financial Instruments – Disclosure and Presentation”, CICA 3865 “Hedges”, CICA 3051 “Investments”, and CICA 1651 “Foreign Currency Translation”. CICA 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. CICA 3855’s primary items or changes include: financial assets are now classified as held for trading, held to maturity, loans and receivables, or available for sale; almost all derivatives, including embedded derivatives that are not closely related to the host contract, are classified as held for trading; financial assets and financial liabilities held for trading are measured at fair value with gains and losses recognized to net income in the periods in which they arise, unless they are part of a hedging relationship; financial assets held to maturity, loans and receivables, and financial liabilities other than those held for trading, are measured at amortized cost; financial assets available for sale are measured at fair value with gains and losses recognized to other comprehensive income until the financial asset is derecognized or becomes impaired; investments in equity instruments that do not have a quoted market price in an active market, other than those held for trading, are measured at cost; an company may elect on initial recognition to measure any financial instrument at fair value with gains or losses recognized in net income in the periods in which they arise. The adoption of CICA 3855, based on its new recognition standards, is expected to have an effect on the company’s consolidated financial condition but that effect has yet to be quantified.

d) In 2005, the CICA reissued Handbook Section 3861 “Financial Instruments – Disclosure and Presentation” (“CICA 3861”) replacing CICA 3860. CICA 3861 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 “Comprehensive Income”, CICA 3251 “Equity”, CICA 3855 “Financial Instruments – Recognition and Measurement”, CICA 3865 “Hedges”, CICA 3051 “Investments”, and CICA 1651 “Foreign Currency Translation”. CICA 3861 establishes standards for accounting policy disclosures, a description of risk management objectives and policies, and sets standards for disclosures about fair value and hedges of anticipated future transactions. Other than disclosure, the adoption of CICA 3861 is not expected to have an effect on the company’s consolidated financial condition.

e) In 2005, the CICA issued Handbook Section 3865 “Hedges” (“CICA 3865”). CICA 3865 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 “Comprehensive Income”, CICA 3251 “Equity”, CICA 3855 “Financial Instruments – Recognition and Measurement”, CICA 3861 “Financial Instruments – Disclosure and Presentation”, CICA 3051 “Investments”, and CICA 1651 “Foreign Currency Translation”. CICA 3865’s primary items or changes include: the previous guidance as provided in the withdrawn AcG-13 “Hedging Relationships” section; hedges are designated as either fair value hedges, cash flow hedges or hedges of a net investment in a self-sustaining foreign operations; for fair value hedges, the gain or loss from remeasuring a derivative hedging item at fair value or, for a non-derivative hedging item, from remeasuring the foreign currency component of its carrying amount, is recognized in net income in the period of change together with the offsetting loss or gain on the hedged item attributable to the hedged risk. The carrying amount of the hedged item is adjusted for the effect of the hedged risk; for cash flow hedges and a hedge of a net investment in a self-sustaining foreign operation, the effective portion of the hedging item's gain or loss is initially reported in other comprehensive income and subsequently reclassified to net income when the offsetting loss or gain on the hedged item affects net income; and new disclosures about the company's accounting for designated hedging relationships. The adoption of CICA 3865, based on its new recognition standards, is expected to have an effect on the company's consolidated financial condition but that effect has yet to be quantified.

f) In 2005, the CICA reissued Handbook Section 3051 "Investments" ("CICA 3051") replacing Handbook section 3050 "Long-Term Investments". CICA 3051 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", and CICA 1651 "Foreign Currency Translation". CICA 3051 requires portfolio investments be accounted for in accordance with new Handbook Section CICA 3855. CICA 3051 outlines that an other-than-temporary decline in value of an investment occurs when there is a significant or prolonged decline in the fair value of an investment below its carrying value and this is evidence of an other-than-temporary loss in value of an investment. Other than additional guidance, the adoption of CICA 3051 is not expected to have an effect on the company's consolidated financial condition.

g) In 2005, the CICA issued Handbook Section 1651 "Foreign Currency Translation" ("CICA 1651") replacing CICA 1650 "Foreign Currency Translation". CICA 1651 requires that all companies comply with the new Handbook Section for fiscal years beginning on or after October 1, 2006. Companies adopting this Section for a fiscal year beginning before October 1, 2006 must also adopt CICA 1530 "Comprehensive Income", CICA 3251 "Equity", CICA 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", and CICA 3051 "Investments". CICA 1651 requires companies to include, as a component of other comprehensive income, the exchange gains and losses arising from the translation of the financial statements of the company's self-sustaining foreign operations. The effect on the company's financial position is the reclassification of the cumulative translation adjustment from the balance sheet to comprehensive income.

h) In 2005, the CICA issued Handbook Section 3831 "Non-monetary transactions" ("CICA 3831"), replacing Section 3830 "Non-monetary transactions". CICA 3831 requires that an asset exchanged or transferred in a non-monetary transaction must be measured at its fair value except when: the transaction lacks commercial substance (when the company's future cash flows are expected to change significantly as a result of the transaction); the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange; neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or the transaction is a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation. In these cases the transaction must be measured at the carrying value.

Congruent guidance for related party non-monetary transactions is provided in CICA Handbook Section 3840 "Related party transactions" ("CICA 3840") and in CICA Handbook Section 1581 "Business combinations" ("CICA 1581") references to "culmination of the earnings process" have been removed.

CICA 1581, CICA 3831 and CICA 3840 are effective for non-monetary transactions in periods beginning on or after January 1, 2006. Accordingly the company plans to adopt the new requirements effective January 1, 2006. The adoption of CICA 1581, CICA 3831 and CICA 3840 are not expected to have an effect on the company's consolidated financial condition.

OUTSTANDING SHARE DATA

Linamar is authorized to issue an unlimited number of common shares, of which 70,651,476 common shares were outstanding as of August 9, 2005. As of August 9, 2005, options to purchase 2,985,000 common shares were outstanding under Linamar's share option plan.

OUTLOOK

During the next few years, Linamar anticipates continued growth in both sales and earnings. The company 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 15-20% in North America, and 0-5% in Europe due to a change in estimated production volumes. Asia Pacific expects to report a content component by the end of 2005 which will experience multiple increases for a few years thereafter while facilities continue to ramp up.

Sales growth projections are based on program launches which include transmission business (such as differential cases for DCX, Visteon, and Eaton, WK transmission carriers and differential cases, Ford/GM 6R and 6F transmission components, other transmission carriers, as well as output and coupler shafts), engines business (such as V10 cylinder heads, 3.7L crankshafts, 4.0L, 3.5L, 3.9L and Gen IV and NG6 camshafts, 6.1L engine block, 3.5L V6 heads, blocks and camshafts), chassis business (Visteon gear hub and wheel housing), and continued strength in the industrial products category. Linamar also supplies the medium and heavy truck markets. In 2004, these markets recovered significantly, with expectations for continued strength in 2005 and beyond but softening possibly in 2007.

Earnings growth expectations are based on launch and sales ramp-ups of the programs noted as well as maturity in 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, long term performance will show improvement with the exception of 2005 where Linamar de Mexico S.A. de C.V. is being affected by GM shutdowns and other launch delays. 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 business based in Hungary will steadily grow in both sales and earnings as programs with Denso Corporation and Delphi (common rails and hydraulic manifolds), Bosch (pump housing) and Honeywell (turbo housings) take effect in the automotive sectors. The industrial and agricultural business will also show some growth. Other Linamar Hungary product areas remain difficult to forecast and predict because markets can be affected by the presence or lack of government subsidies available to purchasers (i.e. agriculture), the success of customer products in very competitive markets (i.e. construction equipment) or market acceptance of new customer technologies (i.e. ATI Inc. vehicle track systems).

In the company's industrial products business, which is comprised of 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 current economic conditions continue. In 2004, strong sales growth for Skyjack occurred not only in North America but also in the United Kingdom and the rest of Europe. Performance by market is very difficult to predict. The significant increase in Skyjack sales in 2004 over 2003 is expected to continue through 2005 as the market will remain strong although growth will increase at a slower rate. Growth is also dependent upon the re-introduction of booms expected in 2006 as well as possibly other related products and penetration into other Asia and European markets not already served.

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 manufacturing principles found in the Toyota Motor Corporation's Production System.

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

The company believes that it is uniquely positioned with its core competencies in precision machining and manufacturing processes, and 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.

The stronger Canadian dollar has the impact of lowering sales and to the extent that the company purchases material or supplies in U.S. dollars, this effect is substantially reduced. Equipment is also purchased in U.S. dollars; when the Canadian dollar strengthens, the equipment cost is reduced as is depreciation over future years. Since Linamar's business is capital intensive, U.S. dollar purchases have a notable positive impact on earnings. The company also employs a hedging strategy for net U.S. dollar positive cash flow.

FORWARD LOOKING INFORMATION

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

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, Linamar. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this MD&A and elsewhere in the Quarterly and Annual Reports include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates, environmental emission and safety regulations, the extent of OEM outsourcing, industry cyclicality, trade and labour disruptions, world political events, pricing concessions and cost absorptions, delays in program launches, the company's dependence on certain engine and transmission programs and major OEM customers, currency exposure, technological developments by Linamar's competitors, governmental, environmental and regulatory policies and changes in the competitive environment in which Linamar operates.

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

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