

# ANNUAL INFORMATION FORM

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For the year ended December 31, 2014

March 13, 2015



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## 1. CORPORATE STRUCTURE

### 1.1 Name and Incorporation

Linamar Corporation (“**Linamar**” or the “**Company**”) was incorporated pursuant to the Business Corporations Act (Ontario) on August 17, 1966. Linamar has subdivided its outstanding common shares several times since incorporation, most recently by Articles of Amendment dated May 1, 1998 when it subdivided each of its issued and outstanding common shares into three issued and outstanding common shares. Linamar has also undertaken a number of amalgamations with one or more of its wholly-owned subsidiaries since incorporation. The Company’s registered and head office is located at 287 Speedvale Avenue West, Guelph, Ontario, N1H 1C5.

Unless the context requires otherwise, the terms “**Linamar**” and “**Company**” used herein refer to Linamar Corporation and its subsidiaries.

### 1.2 Intercorporate Relationships

The following is a list of the principal subsidiaries of the Company as of December 31, 2014 and their respective jurisdictions of incorporation. The percentages of voting securities owned by the Company, or over which the Company exercises control or direction, are indicated.

Subsidiary	Jurisdiction of Incorporation	Ownership Percentage
Linamar Holdings Inc.	Ontario	100
Skyjack Inc. (“ <b>Skyjack</b> ”)	Ontario	100
Linamar Holding Nevada Inc.	US	100
Linamar Holdings de Mexico	Mexico	100
Linamar Antriebstechnik GmbH	Germany	100
Linamar (Barbados) Holding Inc.	Barbados	100

## 2. GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 Overview

Linamar Corporation (TSX:LNR) is a diversified global manufacturing Company of highly engineered products powering vehicles, motion, work and lives. The Company is made up of 2 operating segments – the Powertrain/Driveline segment and the Industrial segment, which are further divided into 3 operating groups – Machining & Assembly, Forging and Skyjack, all world leaders in the design, development and production of highly engineered products. The Company’s Machining & Assembly and Forging operating groups focus on precision metallic components, modules and systems for engine, transmission and driveline systems designed for global vehicle and industrial markets. The Company’s Skyjack division is noted for its innovative, high-quality mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers.

The Company conducts its operations in five geographic regions, Canada, the United States, Mexico, Asia Pacific and Europe. With more than 18,470 <sup>(1)</sup> employees in 48 <sup>(2)</sup> manufacturing locations, 5 Research & Development (“**R&D**”) centers and 15 sales offices all located in 14 different countries in North America, Europe, Australia and Asia, Linamar generated sales of \$4.2 billion in 2014. For 2014, the Company’s four largest customers (Ford, GM, Chrysler and Caterpillar “**CAT**”) accounted for 56.5% of consolidated revenue.

(1) This does not include the Seissenschmidt employee count, as the transaction did not officially close until January 2015.

(2) This includes all of the manufacturing facilities from acquisitions.

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The Company has grouped facilities mainly in three key divisions; Machining & Assembly, Forging and Skyjack. Each division has a Group President, Director of Finance, Director of Human Resources and a Vice President of Sales. Linamar believes this structure will fully support the expected future growth of the Company.

The reportable operating segments are the Powertrain/Driveline and Industrial Segments. Please refer to Section 3 of this Annual Information Form for a more detailed description of these operating and geographic segments

## **2.2 Facilities Expansions and New Programs**

### *Powertrain / Driveline Segment*

Through its precision machining businesses, Linamar principally engages in machining and assembly for the automotive industry and other global vehicle markets, on and off highway, which generally involves long-run processes for long-term contracts. Linamar has continued to add manufacturing space for its precision machining business over the past several years in order to facilitate the launch of new programs. Linamar continues to develop its manufacturing processes to include multiple component assemblies, and develop its product design capabilities as well.

Sales in the Asia Pacific region continued to grow throughout 2014. The Asia Pacific headquarters are in Wuxi, China, with the Asia Pacific Group President located there to oversee the work and expansion in this region. The Company also expanded its presence in China by building another facility in Tianjin and securing another manufacturing site in Wuxi. Some programs were launched in 2013, and in 2014, programs were launched in the Tianjin facility.

On June 4th, 2013, the Company announced that it has reached an agreement with Muhr und Bender KG (“**MKG**”) and Mubea Motorkomponenten GmbH (“**MMKG**”) for Linamar’s purchase of MMKG’s business of manufacturing and distributing assembled camshafts, located in Hildburghausen, Thale and Thale-Warnstedt, Germany. The purchase closed on October 1, 2013. The camshaft business is operated out of 3 locations in Germany and employed approximately 110 people.

On September 26, 2014, the Company announced that Carolina Forge Company, LLC (“**CFC**”) signed a definitive agreement for Linamar’s purchase of CFC’s business of high volume hot-forged product, located in Wilson, North Carolina. The purchase of CFC closed on September 30, 2014.

Also on September 26, 2014, the Company announced that the majority shareholders of Seissenschmidt AG (“**SEI**”) signed a definitive agreement for Linamar’s purchase of 66% of the shares of SEI, which also specializes in high-volume hot forgings. SEI has 3 primary locations in Germany, Hungary, and the United States. On November 21, 2014, the Company announced that they had signed a definitive agreement to acquire the remaining 34% of SEI shares. The acquisition of the remaining shares enables Linamar to fully consolidate operations and control of SEI creating a more effective entity better positioned to execute on Linamar’s strategy of offering integrated metal forming/machined solutions to its customers in certain targeted products such as gears. This entire transaction closed on January 15, 2015.

Combined annual sales of both CFC and SEI are expected to be close to \$450 million CAD and the combined employee base is approximately 1,150 people.

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### *Industrial Segment*

Linamar's Industrial Segment is comprised of its Skyjack division and an energy plant in Canada named Linergy Manufacturing <sup>(3)</sup> and a Hungarian fabrication facility named OROS which primarily manufactures equipment for the agricultural sector.

In 2012, Skyjack expanded its presence in Australia and Brazil. The remaining parts of the Consumer Products division (the trailer business) were sold in 2012. Skyjack continued to experience significant increases in profitability in 2014. This was primarily due to 1) higher margins resulting from favourable changes in foreign exchange rates; 2) increased demand and market share growth in the access equipment markets; and 3) favourable product mix to higher margin products; partially offset by increased management and sales costs supporting growth.

The OROS division continues to increase its scope of work in the contract assembly business for a variety of customers, new and existing. Linamar Hungary's OROS division experienced a significant decline in the agricultural and turf markets it supplies which had a small impact on the Industrial Segment sales in 2014.

The energy sector requires products and services the Company is well suited to provide. Linamar continues to pursue opportunities in the energy markets that leverage the Company's machining, assembly and design capabilities. At present, market opportunities are limited, particularly in the resource sectors, such as mining.

### **2.3 Significant Acquisitions and Dispositions**

The Company continues to pursue business opportunities that will further develop its product and process technology and/or utilize its machining and manufacturing expertise both outside and within the automotive sector.

Skyjack's Consumer Products division (trailer business) was sold in 2012.

On September 26, 2014, the Company announced that Carolina Forge Company, LLC ("**CFC**") signed a definitive agreement for Linamar's purchase of CFC's business of high volume hot forged product, located in Wilson, North Carolina. The purchase of CFC closed on September 30, 2014.

Also on September 26, 2014, the Company announced that the majority shareholders of SEI signed a definitive agreement for Linamar's purchase of 66% of the shares of SEI, which also specializes in high volume hot forgings. On November 21, 2014, the Company announced that they had signed a definitive agreement to acquire the remaining 34% of SEI shares. This entire transaction closed on January 15, 2015.

Linamar did not file a Form 51-102F4 – Business Acquisition Report ("**BAR**") on SEDAR for any of the acquisitions discussed in this section, as none of them exceeded the significance thresholds for filing a BAR.

(3) Linergy Manufacturing transitioned into the Powertrain/Driveline Segment during the course of 2014.

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## 2.4 Credit Facilities

At December 31, 2014 cash and cash equivalents was \$194.1 million, including unrepresented cheques of \$9.0 million. At December 31, 2014, the Company's syndicated revolving facility had available credit of \$603.9 million.

On March 21, 2012 the Company increased the facility limit by \$100 million to a maximum available under the facility of \$700 million. On April 24, 2013, the Company announced that it had amended and restated its revolving credit facility to take advantage of current market pricing and to extend the facility a further three years. The new agreement will expire on April 23, 2018. The facility size remains unchanged at \$700 million and there were no changes to the financial covenants.

## 2.5 Government Grants

A grant from the Ontario government of up to \$44.5 million is dependent upon the Company satisfying various program investment criteria and achieving a cumulative job target over the term of an agreement between the Company and the Ontario government. To date, the various program investment criteria have been satisfied. To the extent job targets are not met, a pro-rata claw-back arrangement exists. The term of the original agreement was January 14, 2005 through January 14, 2015. The term of the agreement has been extended for a further three years to January 14, 2018.

Skyjack and the Ontario government reached agreement for a grant of up to \$6.2 million related to various program expenditures incurred by Skyjack, achieving a cumulative job target in the period from May 2008 to December 2011 and maintaining a minimum job threshold thereafter to 2015. To date, the various program investment criteria and the cumulative job target have been satisfied. To the extent the minimum job threshold is not maintained to 2015, a pro-rata claw-back arrangement exists.

The Company and the Ontario government reached agreement for a grant of up to \$1.5 million related to various program expenditures incurred and achieving a cumulative job target in the period from April 2013 to March 31, 2017. The grant is dependent upon the Company satisfying various program expenditure criteria and achieving job targets over the term of the agreement. To the extent the program expenditures and/or job targets are not met, a pro-rata claw-back arrangement exists.

The Company and the Ontario government reached agreement for a grant of up to approximately \$50 million related to various program expenditures incurred and achieving job targets in the period from April 2014 to March 31, 2024. The grant is dependent upon the Company satisfying various program expenditure criteria and achieving job targets over the term of the agreement. To the extent the program expenditures and/or job targets are not met, a pro-rata claw-back arrangement exists.

Linamar has also arranged to receive grants based on investment criteria and job targets with several foreign governments, as follows:

• State of North Carolina and local governments	\$27,750,000
• Government of Germany	\$50,850,000
• Government of Hungary	\$14,930,000

Generally, to the extent that the program investment criteria and/or job targets are not achieved, a full or partial refund of the grants is required.

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## 2.6 Trends

Linamar is impacted by various economic, industry and technological trends occurring within the Company's external environment.

Automotive production levels are one of the largest significant factors impacting results. In 2014, light vehicle production was strong globally, posting a 2.8% increase over 2013. Despite certain risks and some economic uncertainty in Europe and South America, this trend is expected to continue through the five-year forecast horizon with global automotive production increasing from 87.2 million in 2014 to over 101 million vehicles by 2019. (The foregoing estimates are according to industry forecasting service IHS Automotive, January 2014.)

The Company expects that the industry will increase its focus on green and environmentally friendly technologies as automakers and governments set a course for a future of sustainable mobility within the transportation sector. This is in spite of recent downward pressure on the price of oil and gasoline. The long-term path towards the reduction of greenhouse gas emissions and aggressive fuel economy improvement targets will drive continued development in Linamar's core product areas. Hybrid and battery electric powered vehicles will become more prevalent within the industry but will only occupy a niche segment of the total vehicle market over the next 5-10 years.

Incremental improvements in conventional powertrain technologies such as engines and transmissions are viewed as the primary response to meeting much of the new legislated CAFE (U.S. Corporate Average Fuel Economy) and emissions requirements. Hybrid and battery electric powered vehicles will continue to play a role, but increased penetration of such technologies as gasoline direct injection, variable valve timing, turbocharging, stop/start, and the introduction of advanced 8, 9 and 10 speed automatic transmissions will be much more significant. The conventional internal combustion engine will continue its dominance in the North American market.

Original Equipment Manufacturer ("OEM") outsourcing of Linamar's key powertrain and driveline products and modules still presents a significant opportunity for the Company over the next 10-20 years. Availability of capital and selective investment will necessitate the future outsourcing of non-core operations such as machining and powertrain assembly work currently done in-house by the OEMs and mega Tier 1s to capable suppliers such as Linamar, who are well positioned to manufacture these components, modules and systems. Linamar has benefited from this trend over the past several years, which it expects to continue.

Rationalization of the automotive supply chain will persist as OEMs seek to reduce the number of suppliers they purchase from to forge closer relationships with key partners. Increasingly, automotive OEMs are creating common vehicle and powertrain architectures across all geographic regions to achieve greater economies of scale. Auto supplier companies with a broad global footprint and close ties with existing OEM customers will benefit from this. Linamar is seeing opportunities to launch new business in other regions of the world based off existing North American platform designs. This trend is expected to continue.

In 2014, Linamar continued to execute its strategy of both geographic and process diversification in order to fuel future sales growth. With the acquisitions of CFC and SEI, Linamar is now able to offer integrated metal forming/machined solutions to its customers in certain targeted products such as gears. These acquisitions will supplement Linamar's core powertrain business and enable Linamar to address market trends in light weighting and Noise Vibration Harshness design for products like gears, differentials, wheel bearings, hubs and sprockets with high-speed forging processes.

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Sales growth for Linamar Asia Group is expected to continue as China's auto production and economic outlook remain strong. Linamar opened a new Chinese facility in Tianjin in 2013 and continues to launch new programs as auto production in the region expands. Additionally, Linamar opened its first facility in India in 2014 which is expected to reach full-scale production in 2015.

Linamar has also been increasing its European manufacturing footprint with the acquisition of Mubea's camshaft business in Germany in 2013 and the opening of a new facility in Reinsdorf, Germany in 2014 to produce various engine components for OEM customers.

Linamar's Skyjack division continues to perform very well in its traditional scissor lift market. During 2014, Skyjack held its leading market share position in this segment and its expanding boom and telehandler lines continued to gain market acceptance, with sales up more than 30% for both lines. The aerial work platform business is heavily reliant on the non-residential construction sector. Skyjack continued to experience significant increases in profitability in 2014. Additionally, the Skyjack division's growing network of global sales and distribution offices is expected to positively impact sales with penetration of new regional markets. In 2012, Skyjack opened new facilities in both Australia and in Brazil. During 2014, Skyjack continued to experience sales gains from those regions despite being relatively new to the market.

### **3. DESCRIPTION OF THE COMPANY'S BUSINESS**

#### **3.1 General**

Linamar is a diversified global manufacturing Company of highly engineered products powering vehicles, motion, work and lives. The Company's Powertrain/Driveline segment focused divisions are world leaders in the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets. The Company's Industrial segment is a world leader in the design and production of innovative mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers.

With more than 18,470 <sup>(4)</sup> employees in 48 manufacturing locations, 5 Research & Development ("R&D") centers and 15 sales offices all located in 14 different countries in North America, Europe, Australia and Asia, Linamar generated sales of \$4.2 billion in 2014. For more information about Linamar Corporation and its industry leading products and services, visit [www.linamar.com](http://www.linamar.com).

#### **3.2 Powertrain / Driveline Segment**

The Powertrain/Driveline segment derives revenues primarily from the collaborative design, development and manufacture of precision metallic components, modules and systems for global vehicle and power generation markets.

The Powertrain/Driveline segment manufactures precision-machined components and assemblies that are used in high-efficiency transmissions, engines and driveline systems. Its focus on transmissions is centered on gears, transmission cases, shafts, shafts and shell assemblies, clutch modules and clutch subcomponents, valve bodies, pumps, planetary gear assemblies, as well as housings/covers. In the driveline systems segment, the core product areas are power transfer units (PTUs), rear drive units (RDUs), and engineered gears. The Powertrain/Driveline segment also manufactures key components, systems and modules for today's modern engine. The primary engine components it manufactures are cylinder blocks and assemblies, cylinder heads and complete head assemblies, camshaft assemblies, connecting rods, flywheels, fuel rails and fuel body/pump assemblies as well as housings/covers, liners, vacuum pumps, oil pumps and water pumps. In addition, it has the capability to provide fully assembled niche engine programs.

(4) This does not include the Seissenschmidt employee count, as the transaction did not officially close until January 2015.

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The Powertrain/Driveline segment has 43 manufacturing locations, 3 R&D centers and 7 sales offices in 7 countries in North America, Europe and Asia.

The principal customers for the Powertrain/Driveline Segment are OEMs with operations in North America and their suppliers, including CAT, Chrysler, Ford and GM.

The Company's Powertrain/Driveline has operations in Europe. These European operations focus on full-service engineering and manufacturing support for all the Powertrain/Driveline products for the entire European automotive and commercial vehicle market. The same advanced manufacturing and leading-edge technologies are also employed in its agricultural and industrial products. These European operations have 17 manufacturing facilities (in Hungary, France, and Germany), 2 development centres (in Germany and Hungary) and 2 sales offices (in Hungary and France).

Linamar Hungary, part of the Company's European operations, machines and assembles highly engineered components and assemblies for the automotive industry, and manufactures corn heads and other agricultural components, subassemblies and equipment. It also manufactures and assembles other industrial products. Linamar Hungary operates through three separate divisions, two of which manufacture products primarily for the automotive sector and one of which manufactures agricultural equipment and other industrial equipment. The automotive divisions operate in two new facilities and one original building from the date Linamar Hungary was first purchased. Linamar Hungary's manufacturing facilities are located in Orosháza and Békéscsaba, Hungary.

Sales for the Powertrain/Driveline Segment increased by approximately \$445.3 million, or 14.7% to \$3.5 billion in 2014 compared with \$3.0 billion 2013. The 2014 sales increase was primarily impacted by:

- 1) higher sales resulting from favourable changes in foreign exchange rates;
- 2) increased North American sales as a result of the significant levels of newly launched programs;
- 3) increased European and Asian sales as a result of the ramp up of programs in launch and higher volumes on mature programs;
- 4) increased volumes from the Company's commercial vehicle and power generation business in Europe;
- 5) the acquisition of our new forging business in North Carolina acquired in Q4 2014; and
- 6) our new German camshaft business acquired in Q4 2013.

### **3.3 Industrial Segment**

The Industrial Segment serves a variety of markets as noted above but is most notably a leading manufacturer of aerial work platforms, focused on production of the industry's most reliable scissor lifts. Skyjack offers innovative products through creative engineering driven designs, complete customer and product support and the Skyjack commitment to exceed customers' expectations. The majority of Skyjack's sales are in the North American market. Products include both battery-powered and combustion engine powered scissor lifts, telescopic boom lifts, telehandlers and other aerial work platforms.

The Industrial Segment has 5 manufacturing locations, 2 R&D centers and 8 sales offices in 8 countries in North America, Europe, Australia and Asia.

The Industrial Segment's Energy division was established to focus on energy and heavy machining markets and is making inroads in each driving sales growth in 2013 and 2014.

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The Consumer Products division (trailer business) was sold in 2012. Linamar Hungary's OROS division experienced a significant decline in the agricultural and turf markets it supplies which had a small impact on the Industrial Segment sales in 2014.

The Industrial Segment's product sales increased 23.3% or \$130.8 million in 2013 to \$692.3 million in 2014. The sales increase was primarily due to:

- 1) higher sales resulting from favourable changes in foreign exchange rates;
- 2) significant increases in demand in the access equipment markets in North America, Europe and Asia;
- 3) market share growth for booms in North America, Asia and Europe;
- 4) market share growth for scissor lifts in Europe and Asia; and
- 5) partially offset by lower demand for agricultural equipment in Europe.

### 3.4 Sales and Marketing

Linamar's precision manufacturing operations sells its products directly to its customers in Canada and the United States through its Canadian and U.S. sales offices. The Company has now established sales offices in the United States, Mexico, the United Kingdom, Germany, Japan and China. The various internal divisions and subsidiaries of the OEMs generally initiate their own purchasing decisions and thus each OEM may constitute, in effect, several different purchasers.

A significant portion of Linamar's sales in its precision manufacturing operations are to the automotive industry. Companies which supply directly to the OEMs and which may be involved in the design, engineering, manufacture and quality control testing are generally referred to in the automotive industry as "**Tier 1**" suppliers. Tier 1 suppliers (including Linamar) may be awarded longer term purchase orders by OEMs as a result of their involvement in the development of components with the OEMs. Many parts are now being manufactured and assembled into components, assemblies, modules or systems by Tier 1 suppliers. OEMs purchase components, assemblies, modules or systems and then complete the assembly of the engine, transmission or vehicle. Tier 1 suppliers generally have the capability to supply these components, assemblies, modules or systems to the OEMs on a just-in-time basis, which helps OEMs reduce or otherwise manage inventory levels.

In producing assemblies, modules or systems for OEMs, Tier 1 suppliers may rely on other suppliers for some components or parts. Depending on their level of sophistication in respect of engineering, manufacturing and other relevant skills, these and other suppliers are generally referred to as either "**Tier 2**" or "**Tier 3**" suppliers.

Linamar believes that there are significant opportunities for growth as a result of the continued trend for OEMs to outsource to suppliers a greater proportion of the supply of components, assemblies, modules and systems within the powertrain and other areas, and in particular larger and more complex products with increased content and features. Additionally, as the product lifecycles of engines and transmissions tend to be relatively longer than those of other automotive systems, management believes that where Linamar has been able to obtain production contracts for new or redesigned product introductions from its customers, it will have an opportunity to supply such products for longer lifecycles. The production runs or lifecycles for engine and transmission components of the type produced by Linamar typically continue for between five and ten years.

The Company usually receives contracts to produce particular parts for multiple model years. Firm orders are usually only created when Linamar receives a release under such a contract, authorizing it to produce and deliver specific quantities of the product. Such releases are generally issued for planning, raw material and production purposes over a three to four month period in advance of anticipated delivery dates. The actual number of parts produced by the Company under any specific contract in any given year is dependent upon the number of vehicles produced by the OEM of the specific model or model type in which the part is incorporated. OEM production levels of a particular vehicle model or engine or transmission type may vary significantly from OEM

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estimates and such production may be delayed or cancelled, sometimes with little compensation to Linamar. Although OEMs are not usually contractually committed to using a particular manufacturer to supply a product throughout the time the OEM requires such product, it has been Linamar's experience that, once it has received a commercial production order to produce a part for a particular vehicle model or model type, it will ordinarily continue to produce the part throughout the time the OEM utilizes such part for that vehicle.

The Company also obtains production programs on a re-sourcing basis. Such programs are typically already in production at OEM facilities or at the facilities of one of the Company's competitors and are, for various reasons, such as capacity or production problems, re-sourced to Linamar for production at its facilities.

### **3.5 Quality Control**

Linamar has identified and pursues quality control as a key driver of its business. The Company has invested heavily in advanced measuring and monitoring equipment and utilizes a program known as "Statistical Process Control". This program gives a machine operator the ability to rectify deviations that might otherwise lead to quality problems or unnecessary machine wear. The Company also performs ongoing machine, process and gauge capability studies to ensure that quality and productivity are maintained or improved where possible. At December 31, 2014, the Company had a combined total of 42 facility registrations for ISO-9000 or TS16949 as registered suppliers. Linamar's active pursuit of these registrations demonstrates to its customers the Company's dedication to quality. Linamar's dedication to the quality of the environment is also demonstrated by the fact that Linamar also maintains a combined total of 40 facility ISO-14001 registrations.

The Company traditionally has experienced a very low level of warranty claims. As Linamar becomes more involved in the design of products, however, it is possible that in the future the number of such claims may rise.

Linamar has, since 2002, followed the Linamar Production System ("**LPS**"), which is based upon the Toyota Production System. LPS is aimed at eliminating waste both in the production process and throughout the organization to help the Company achieve its goal of being a lean, cost effective entity. LPS can be divided into three steps. The first step in the system is to develop value stream maps which allow the Company to determine its current processes, the changes it wants to implement to improve these processes and the method for implementing the changes. The second step involves the establishment of standardized work instructions and the development of the best possible work instructions for an activity to eliminate waste. The last step of this system is the implementation of a 5S Work Place Organization Plan. The 5Ss are letters from words that lead to work place organization – sort, straighten, sweep, standardize and sustain. Throughout 2014, LPS has been successfully implemented at each facility and continues to be an ongoing focus of activity.

### **3.6 Research and Development**

Linamar's research and development activities encompass both process and product development. Much activity is undertaken at each facility by the regular line personnel in response to opportunities as they arise.

The Company has four development centres – one in Ontario and one each in Michigan, Germany and Hungary. The Company's McLaren Performance development centre provides much needed capabilities in terms of product design, development, testing and analysis. McLaren Performance is historically known for its expertise in the engine area but has gained extensive knowledge in transmission and driveline systems within the last several years mostly due to the investments and growing product expertise of the Company's driveline systems operating group.

As noted in section 2.5, both the Company and Skyjack have entered into an investment agreement with the government of Ontario, the focus of which will be on research and development. Please refer to section 2.5 for a full description thereof.

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### 3.7 Intellectual Property Rights

Linamar uses its patents, trademarks and copyrights in its manufacturing businesses, and both licenses to third parties, and is licensed to use third party, intellectual property. The Company's intellectual property rights are an important asset, but the loss of any particular right would not have a material effect on its business.

### 3.8 Engineering and Design

Linamar's employees and sales representatives attempt to become involved as early as possible in the OEM vehicle, engine and transmission development programs and to develop components, modules or systems that either replace products currently produced by Linamar or represent strategically important product opportunities for Linamar. It has been the Company's experience that early involvement by a supplier in the development cycle of a new vehicle model or new engine or transmission type often leads to orders for commercial production of the components, modules or systems for such vehicles, engines or transmissions.

It has become increasingly common for OEMs to identify a supplier as the source for a component, module or system during the product design phase, provided the supplier meets various price, service and quality standards. When a supplier is pre-sourced in this manner, the OEM and supplier cooperate on design, product and process engineering and establish the selling price and other relevant considerations through a negotiation process.

Linamar recognizes that in order to remain a Tier 1 supplier, it must maintain its ability to provide complete engineering, development, prototype, testing and production capabilities. As of December 31, 2014, McLaren Performance, plus the engineering and design staff, consisted of approximately 1,235 people in all Linamar plants. The technical expertise of the Company continues to play a key factor in being awarded significant design programs for the Big Three OEM's, including major PTU and RDU (Power Transfer Units / Rear Drive Unit) programs. This work has been won as a result of Linamar's increased focus on people and testing capabilities in the engineering and design area.

Linamar's engineering employees use a variety of CAD/CAM systems and work closely with production personnel in providing engineering support as required. Large projects sometimes require supplementing in-house engineering capabilities through the use of subcontractors and other external services. Linamar strives to maintain its technical and engineering staff at approximately 4,600 or 25% of its workforce. Linamar initially worked with non-automotive customers in order to gain the experience necessary for automotive components. For example, the Company has been successful in designing and developing axles for the access equipment industry and trans-axles for the utility vehicle industry. Linamar is now recognized as a full service supplier for power transfer units, transmission shafts, differential assemblies, clutch structural components and transmission support assemblies.

OEMs, particularly in North America, provide varying levels of engineering specifications to suppliers when sourcing parts, components, modules or systems. In some instances, the OEMs will provide basic functional parameters and the supplier will be expected to take total responsibility for engineering and the related technologies. These projects typically involve a greater investment by Linamar in engineering and related costs and may, depending on the value added and other factors, yield a higher margin than other projects. At the other extreme, OEMs may retain complete engineering control and require that the supplier manufacture the particular product to the OEM's specifications. In between these two extremes are projects where OEMs provide functional and space parameters and certain specifications to the supplier, but the engineering responsibility remains a cooperative effort between the OEM and the supplier.

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### 3.9 Operating Philosophy

Linamar Corporation is organized along product/process and geographic lines in order to maximize customer satisfaction, efficiency and operational results. The Company is structured into individual operating groups each led by a Group President reporting into our President and Chief Operating Officer. In addition, the Company also utilizes a functional structure to reinforce its policies and standardization across the organization. Currently the Company utilizes nine global functional. Each area specializes in providing technical expertise, standard operating policies and shared best practices across all Linamar operations. These nine functional areas are identified:

1. Business Development
2. Corporate Development
3. Manufacturing and Product Launch
4. Purchasing and Supplier Quality
5. Finance
6. Information Technology
7. Human Resources
8. Sales
9. Quality

Linamar's organizational structure allows the Company to focus on performance, opportunity and innovation. The creation of the Company's two operating segments, Powertrain/Driveline and Industrial, align facilities around specific components, assemblies and modules. The Company has organized its divisions to create "centres of excellence" to deliver superior quality, development, and product launch capabilities. Each facility in a group is operated as a separate profit centre managed by a general manager with production expertise who has discretion, within broad guidelines established by the Group's management, to determine rates of pay, hours of work, sources of supply and contracts to be performed.

The independence of each facility within a group allows Linamar to react quickly to new business opportunities. It also allows operational decision-making and cost control to occur at the group and facility level, thus permitting the monitoring of each profit centre and the effective implementation of management incentive programs. The Company encourages its groups and each of their facilities to use Cost Attack Teams ("**CATs**") to promote efficiency and continuous improvement. CATs focus on a particular product or process and analyze such factors as the utilization of equipment, tools and manpower, interaction with sub-contractors and the movement of parts and products around the facility to identify potential efficiency gains. CATs have been known to achieve approximately 5–10% in cost savings.

Linamar coordinates its quoting process for new business through the individual operating groups targeted to produce the program. The Operating Group Office will coordinate this quoting activity, with input from applicable facilities, and have final approval authority. The Company continues to expand its estimating, quoting and product development resources in order to better meet the expanding needs and expectations of its customers.

Linamar utilizes program management systems in its manufacturing operations to manage product supply from initial concept on through to commercial production and in respect of continuous improvement processes. These systems generally involve cross-functional teams in each plant and incorporate policies and procedures which meet or exceed TS-16949 (Quality operating standard for automotive industry) quality guidelines. Linamar has also established a Technical Review Board comprised of a team of cross-functional experts from manufacturing facilities which determines and tests best practices and optimum use of technology.

### 3.10 Employees

At December 31, 2014, the Company had 18,470 employees worldwide working mainly in the following countries and reportable operating segments:

By Country	Approximate No. of Employees
Canada	8,465
Germany	1,139
Hungary	2,467
France	352
Mexico	3,763
United States	1,002
Asia Pacific	1,225
Europe (Other)	57

By Reportable Operating Segment	Approximate No. of Employees
Powertrain / Driveline Segment	14,611
Industrial Segment	1,745

The Company strives to maintain good relationships with its employees and has a history of resolving labour issues amicably. All facilities have regular employee meetings to keep employees informed of changes within the Company. The Company utilizes a “balanced scorecard” incentive program as part of a program the Company refers to as its “Stepping Stool of Success”. This program monitors how each separate facility is performing against key measurables in the three areas of customer satisfaction, employee satisfaction and financial satisfaction. This program links the compensation of all employees to achievement of specific goals and provides feedback on successes and areas for improvement.

The health and safety of all employees in the workplace is a priority. Linamar’s global total injury frequency rate is 3.00 versus an industry rate of 6.73 <sup>(5)</sup>. This is 55% lower than the average industry rate. Linamar has also mandated that all plants be registered under the OHSAS 18001. As at December 31, 2014, 37 out of 45 or 82% of its plants were successfully registered, with the others scheduled to be registered within the next 12-18 months. This registration requires all facilities to have an independent third party audit annually at a minimum with the internal audit requirements in place to maintain registration.

Employees working in the facilities located in Mexico, France, Hungary and China are covered by labor contracts. No employees working in Canada, the United States or Germany are subject to a collective agreement.

(5) This global total injury frequency rate = (the number of incidences divided by the total productive hours x 200,000) [200,000 represents the number of hours 100 employees work in one year as defined by the Industrial Accident Prevention Association.]

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### **3.11 Manufacturing Facilities**

The Powertrain/Driveline Segment has 43 manufacturing locations, 3 R&D centers and 7 sales offices in 7 countries in North America, Europe and Asia.

The principal facilities utilized by the Powertrain/Driveline Segment range in size from 70,000 to 150,000 square feet and generally operate at or near 90 to 95% of production capacity. Most of Linamar's existing manufacturing facilities can be adapted to a variety of manufacturing processes without significant capital expenditures, other than for new equipment. Importantly, Linamar focuses on utilizing flexible, modular CNC (Computer Numerical Control) programmable machines to tool up its programs, meaning equipment can be easily and for low cost retooled for another program as required to meet changing customer capacity requirements. This means production lines are scalable to match customer demand as it might increase or decrease, allowing the company to reallocate equipment to new programs, shifting what are normally fixed costs and allowing growth even in times of limited capital spend.

### **3.12 Contingencies**

Linamar is involved in certain lawsuits and claims. Management is of the opinion that the Company will not incur any additional material liability from such lawsuits and claims other than the amounts already provided for in the Company's financial statements for the year ended December 31, 2014.

## **4. RISK FACTORS AND RISK MANAGEMENT**

The Company's discussion of risk and risk management is contained in the pages 13 to 17 Risk Management section of the Company's Management's Discussion and Analysis ("**MD&A**") for the year ended December 31, 2014, which discussion is incorporated herein by reference. A copy of the MD&A can be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **5. DIVIDENDS**

Since 1995, Linamar has paid quarterly dividends based on performance in prior years and expected performance. In respect to the quarter ended December 31, 2014, the Board of Directors approved an eligible dividend of \$0.10 per share on the common shares of the Company, payable on or after April 16, 2015 to shareholders of record on April 2, 2015.

The Company declared cash dividends of \$0.32 per share for 2012, \$0.34 per share for 2013 and \$0.40 per share in 2014 (though, as mentioned above, the last quarter's dividend is paid out in 2015).

The payment and amount of future dividends is in the discretion of the Board of Directors and is subject to, among other things, prevailing financial, economic, operating and other relevant circumstances, including earnings, cash flow, capital requirements and the financial condition of the Company.

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## 6. DESCRIPTION OF CAPITAL STRUCTURE

### 6.1 General Description of the Capital Structure

The Company is authorized to issue an unlimited number of common shares and an unlimited number of special shares issuable in series.

The material characteristics of the common shares are: a holder of any common shares (a) shall be entitled to receive notice of, to attend and to vote at all meetings of shareholders and to one vote for each common share held at any such meeting, except meetings at which only holders of a specified class of shares (other than common shares) or a specified series of shares are entitled to vote; (b) shall be entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive any dividend if, as and when declared by the Board of Directors of the Company, properly applicable to the payment of dividends in such amounts and payable in such manner as the Board of Directors may from time to time determine; and (c) shall be entitled to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, to receive the remaining property of the Company upon dissolution.

The material characteristics of the special shares, as a class, are: the special shares may be issued at any time or from time to time in one or more series, each series to be a fixed number set by the Company's Board of Directors. With respect to each series: (a) the Company's Board of Directors shall determine the designation, rights, privileges, restrictions, conditions and other provisions to be attached to the special shares of each such series; (b) the special shares of each series shall rank on a parity with the special shares of every other series with respect to priority in the payment of dividends and with respect to priority on return of capital, or any other distribution of assets of the Company, in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary ("liquidation dissolution"); and (c) the special shares of each series shall be entitled to a preference over the junior shares of the Company (as hereinafter defined) with respect to priority in the payment of dividends on liquidation dissolution, and, the Directors may give the special shares of any series such other preferences over the junior shares, as they see fit. "Junior shares" mean the common shares of the Company and any other shares of the Company that may rank junior to the special shares with respect to priority in the payment of dividends and with respect to priority on a liquidation dissolution.

To date, only common shares of the Company have been issued. As of December 31, 2014, there were 65,082,210 common shares of the Company outstanding. There are no special shares of any series issued or outstanding.

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## 7. MARKET FOR SECURITIES

The common shares of the Company are listed and posted for trading on the Toronto Stock Exchange under the trading symbol "LNR".

The price range and total volume of trading of the common shares of Linamar Corporation on the Toronto Stock Exchange for the period from January 2014 to December 2014 are as follows:

	High Price (\$/share)	Low Price (\$/share)	Close Price <sup>(1)</sup> (\$/share)	Total Volume
January	46.43	41.39	42.78	2,605,954
February	48.50	42.15	48.13	1,866,640
March	51.89	46.81	51.00	3,176,520
April	56.98	51.01	54.87	2,667,706
May	63.77	52.01	60.25	3,302,839
June	67.67	59.56	62.95	3,595,350
July	65.56	59.28	59.36	3,026,455
August	66.00	58.10	62.76	3,526,576
September	63.60	55.69	57.80	2,967,095
October	58.46	48.13	57.57	4,533,308
November	67.99	57.00	67.24	3,815,500
December	72.60	62.48	70.95	2,700,963

(1) Closing price on the last trading day of the month.

## 8. DIRECTORS AND OFFICERS

The following table sets forth information with respect to each of the directors of Linamar. Each director will hold office until the close of the next annual meeting of shareholders of the Company or until his or her successor is elected or appointed. The Board of Directors has established two standing committees, an Audit Committee and a Human Resources and Corporate Governance Committee, and has prescribed their respective responsibilities and mandates. The Audit Committee and the Human Resources and Corporate Governance (“**HRCG**”) Committee are both comprised of entirely outside directors.

### Name, Address, Occupation and Security Holdings

Name & Municipality of Residence	Director Since <sup>(3)</sup>	Other Positions and Offices currently held with the Company	Principal Occupation
<b>Frank Hasenfratz</b> Ariss, Ontario, Canada	1966	Chairman of the Board	Chairman of the Board of the Company
<b>Linda Hasenfratz</b> Guelph, Ontario, Canada	1998	Chief Executive Officer	Chief Executive Officer of the Company
<b>Mark Stoddart</b> Guelph, Ontario, Canada	1999	Chief Technology Officer and Executive Vice President of Sales & Marketing	Chief Technology Officer and Executive Vice President of Sales & Marketing of the Company
<b>William Harrison</b> <sup>(1)(2)</sup> Puslinch, Ontario, Canada	1990	None	Retired Chairman and Chief Executive Officer of Lift Technologies Inc. (manufacturing)
<b>Terry Reidel</b> <sup>(1)(2)</sup> Kitchener, Ontario, Canada	2003	None	Retired President and Chief Operating Officer of Kuntz Electroplating Inc. (manufacturing)
<b>Dennis Grimm</b> <sup>(1)(2)</sup> Kitchener, Ontario, Canada	2014	None	Retired Partner at PriceWaterhouse Coopers (“ <b>PwC</b> ”) – Managing Partner Waterloo Region and Chairman of its Governance Committee (accounting firm)

(1) Member of Audit Committee

(2) Member of Human Resources Corporate and Governance Committee

During the last five years, all of the Company’s directors have held the principal occupations noted above, with the exception of Mr. Grimm who was the Managing Partner of PwC Waterloo Region up to his retirement in 2010.

## Officers

The following table sets forth information with respect to the current executive officers of the Company.

Name & Municipality of Residence	Principal Occupation
<b>Linda Hasenfratz</b> Guelph, Ontario, Canada	Chief Executive Officer
<b>Jim Jarrell</b> Guelph, Ontario, Canada	President & Chief Operating Officer
<b>Mark Stoddart</b> Guelph, Ontario, Canada	Chief Technology Officer and Executive Vice President of Sales & Marketing
<b>Roger Fulton</b> Burlington, Ontario, Canada	Executive Vice President, Human Resources, General Counsel and Corporate Secretary
<b>Dale Schneider</b> Guelph, Ontario, Canada	Chief Financial Officer
<b>Brad Boehler</b> London, Ontario, Canada	President, Skyjack Inc.
<b>Ken McDougall</b> Guelph, Ontario, Canada	Group President Linamar Manufacturing Americas
<b>Brian Ahlborn</b> Bloomfield Hills, Michigan, USA	Group President Linamar Driveline Systems Group - Global and Linamar Industrial, Commercial and Energy Group - North America
<b>Wenzhang (Henry) Huang</b> Shanghai, China	Group President, Linamar Manufacturing, Asia Group

During the last five years, the Company's executive officers have held the principal occupations noted above except for: (i) Mr. Schneider, who was Corporate Controller until December 2010 and EVP of Finance until his appointment to the position of Chief Financial Officer in November 2011; (ii) Mr. Boehler, who was Vice President, Engineering until 2011. In April 2011, Mr. Boehler took on the additional responsibilities of Vice President, Sales and Marketing and in July 2011 became the interim President of Skyjack, until his formal appointment in that position in January 2012. (iii) Mr. McDougall, who was Group President Powertrain Mexico from September 2009 to December 31, 2010. (iv) Mr. Ahlborn, who was the Chief Executive Officer at Transonic Combustion Inc. from January 2008 to September 2010 and the Group President Linamar Driveline Systems from December 2010 to November 2012. and (v) Mr. Huang, who was Vice President and General Manager of EMCON Technologies from October 2006 to March 2010. Then he operated his own consulting firm from April 2010 to October 2011. In November 2011, he was hired by the Company as Group President, Linamar Manufacturing, Asia Group

As at the date hereof, the directors and executive officers of the Company, as a group of 13 persons, owned beneficially or exercised control or direction over a total of 19,218,970 common shares (representing approximately 29.53% of the outstanding shares of the Company as of December 31, 2014).<sup>(6)</sup>

## 9. AUDIT COMMITTEE

### 9.1 Audit Committee Charter

Attached as Appendix "A" to this Annual Information Form is the charter for the Company's Audit Committee (the "Audit Committee").

### 9.2 Composition of the Audit Committee

Members of the Audit Committee are Terry Reidel, William Harrison and Dennis Grimm. Each member of the Audit Committee is independent and financially literate. For more information, please see the Corporation's Management Information Circular for the annual meeting of shareholders of the Company scheduled for May 7, 2015, which circular will be filed at [www.sedar.com](http://www.sedar.com).

(6) Excluding the large minority shareholding positions of Mr. and Ms. Hasenfratz, the remaining 11 directors and executive officers of the Company as a group owned 99,653 common shares representing approximately 0.15% of the outstanding shares of the Company as of December 31, 2014.

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### 9.3 Relevant Education and Experience

Mr. Reidel has extensive financial experience. He is the recently retired President and Chief Operating Officer of Kuntz Electroplating Inc., a Kitchener-Waterloo company founded in 1948. Mr. Reidel joined Kuntz in March of 2001 as Vice President- Finance. Prior to joining Kuntz, Mr. Reidel spent 39 years with accounting firm of Ernst and Young and was Office Managing Partner of their Waterloo Region Office. Mr. Reidel earned his C.A. designation from Queen's University in 1967. Mr. Reidel is also a director on several public boards. Mr. Reidel holds the following designations, FCPA and FCA.

Mr. Harrison attended the University of Guelph and the University of Toronto, receiving degrees in Honours Science and Mechanical Engineering. Mr. Harrison then joined the Allis Chalmers Corporation working in Canada, the United States and Europe as a General Manager and Vice President. He attended York University's Faculty of Business post graduate studies. Mr. Harrison then spent 21 years as President and Chief Executive Officer of Kenhar Corporation, a global supplier of components to the Materials Handling and Industrial Mobile Equipment Industry, with operations in North America, Europe, China, Korea and Japan. Mr. Harrison then took on the responsibilities of Executive Vice President and Director of Cascade Corporation in 1997 and 1998 and from 1999 to 2008 was Chairman and CEO of Lift Technologies Inc, manufacturers of masts and attachments for the Material Handling and Container Handling Industries, with operations in North America, Italy, Germany and Sweden. Currently, Mr. Harrison involves himself in business activities through his investment company, Rahnek Ltd. His other interests include: fundraising for the Guelph General Hospital, the University of Guelph and Sunrise Equestrian Centre.

Mr. Grimm is a Chartered Accountant and also has his CPA, FCPA and FCA designations. He attended Waterloo Lutheran University (Wilfred Laurier) and graduated with a Bachelor of Arts degree in History and Political Science. In 1972, he completed an MBA in Accounting and Finance at McMaster University. Mr. Grimm was an active member of the Canadian Institute of Chartered Accountants from 1976-2012 and the American Institute of Certified Public Accountants from 1995-2012. During his career, he was a partner at KPMG in the firm's audit group for 23 years from 1972 to 1995. He then practiced as an audit partner at PwC for 15 years starting in 1995. Of note, he was the Managing Partner of PwC Waterloo Region up to his retirement in 2010 and chaired its Governance Committee. Mr. Grimm does not currently supply services to Linamar and has not done so in the past three years.

### 9.4 Pre-Approved Policies and Procedures

All non-audit services to be provided to the Company or its subsidiary entities must be approved by the Audit Committee prior to the auditors providing such services.

### 9.5 External Auditor Service Fees

For the financial years ended December 31, 2014 and December 31, 2013, the auditors of the Company, PwC charged the following fees to the Company:

Type of service	Fiscal 2014 (\$)	Fiscal 2013 (\$)
Audit fees	811,628	922,693
Audit related fees	36,952	21,481
Tax fees	57,687	57,391
All other fees	55,132	116,198
<b>Total</b>	<b>961,399</b>	<b>1,117,763</b>

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## **10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

During the year ended December 31, 2014, other than as described below, no Director, executive officer or principal shareholder of the Corporation, nor any associate or affiliate thereof, has had any material interest, direct or indirect, in any transaction which has materially affected or will materially affect the Corporation or any of its shareholders.

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements in the aggregate amount of \$6.8 million (2013 - \$4.3 million) paid to a company owned by the spouse of an officer and director. Included in cost of sales is maintenance costs and rent of \$1.0 million (2013 - \$0.8 million) paid to the same company. The maintenance and construction costs represent general contracting and construction activities related to plant construction, improvements, additions and maintenance for a number of facilities. Amounts owed to this company at December 31, 2014 were \$2.4 million (2013 - \$1.3 million).

The Corporation has designed an independent process to ensure building construction and improvements are transacted at fair value.

## **11. TRANSFER AGENTS AND REGISTRARS**

The Company's transfer agent and registrar is Computershare Investor Services Inc., located at 100 University Avenue, 8th floor, Toronto, Ontario M5J 2Y1.

## **12. INTERESTS OF EXPERTS**

The auditors of the Company are PwC. The Company believes that PwC does not hold any interests in the securities of Linamar.

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### 13. ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of management and others in material transactions, is contained in the Company's management information circular for the annual meeting of shareholders scheduled for May 7, 2015. Additional financial information, including the comparative consolidated financial statements, and management's discussion and analysis of the financial condition and results of operations of the Company is provided in the Company's Annual Report for the year ended December 31, 2014.

The Company will provide to any person, upon request to the Secretary of the Company, a copy of this Annual Information Form, together with a copy of any documents, or the pertinent pages of any document, incorporated by reference herein, a copy of the comparative financial statements of the Company for the year ended December 31, 2014, together with the accompanying report of the auditors and a copy of any interim financial statements of the Company subsequent to such financial statements, a copy of the Management Information Circular with respect to the most recent meeting of shareholders that involved the election of Directors and one copy of any annual filing instead of the Management Information Circular. The Company may require the payment of a reasonable charge before providing such documents to a person that is not a shareholder. If the securities of the Company are in the course of a distribution pursuant to a short form prospectus or if a preliminary short form prospectus has been filed in respect of a distribution of the Company's securities, the Company will provide to any person (without charge), upon request to the Secretary of the Company, any of the documents referred to above and a copy of any other document not referred to above that is incorporated by reference into the preliminary short form prospectus or the short form prospectus.

**A Note on Forward Looking Information.** Certain information provided by Linamar in this Annual Information Form and other documents issued 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 Annual Information Form include, but are not limited to, changes in the various economies in which Linamar operates, fluctuations in interest rates and currency exchange 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 forward 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.

## APPENDIX A

### Mandate of the Audit Committee

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#### PURPOSE OF AUDIT COMMITTEE

The Audit Committee has been formed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- review and report to the Board on the financial statements, related MD&A and other financial disclosures of the Company;
- monitor the integrity of the financial reporting process and system of internal controls in respect of the Company's financial reporting and accounting compliance;
- monitor the management of the principal risks that could impact the financial reporting and related disclosure of the Company; and
- monitor the independence, qualifications and performance of the Company's external auditors and internal auditing department.
- monitor the Company's compliance with legal and regulatory requirements in all jurisdictions in which the Company carries on business.
- establish and monitor procedures for adherence to reporting requirements.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and has direct access to the external auditors as well as any officer or employee of the Company.

#### AUDIT COMMITTEE COMPOSITION, MEETINGS AND ORGANIZATION

##### Composition:

The Audit Committee members shall meet the requirements of the Business Corporations Act (Ontario) (the "OBCA") and National Instrument 52-110. The Audit Committee shall be comprised of three or more directors as determined by the Board, a majority of whom must be resident Canadians (as defined in the OBCA), each of whom shall be independent directors (as defined in Schedule "A") and none of whom shall be officers or employees of the Company or its affiliates. All members of the Audit Committee shall be financially literate (as defined in Schedule "A"). A director who is not financially literate may be appointed to the Audit Committee provided that such director becomes financially literate within a reasonable period of time following his or her appointment.

##### Appointment of Members and Chair:

Members of the Audit Committee shall be appointed by the Board on the recommendation of the Human Resources and Corporate Governance Committee and shall serve at the pleasure of the Board, or until the close of the next annual meeting of shareholders of the Company. If the Chair of the Audit Committee is not designated or present at a duly called meeting of the Audit Committee, the members of the Audit Committee may designate a Chair by a majority vote of the Audit Committee membership.

##### Meetings:

The Audit Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Audit Committee Chair, any member of the Audit Committee, the external auditors or the Chairman of the Board may, with reasonable notice, call a meeting of the Audit Committee by notifying the secretary of the Board who will notify the members of the Audit Committee. The external auditors are entitled to receive notice of every meeting of the Audit Committee and to attend and be heard at such meetings. A majority of the members of the Audit Committee shall constitute a quorum. The Audit Committee Chair shall prepare and approve an agenda in advance of each meeting.

## **APPENDIX A**

### **Mandate of the Audit Committee**

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The Audit Committee should meet privately at least annually with management, the external auditors, and as a committee to discuss any matters that the Audit Committee or any of these groups believe should be discussed.

#### **Access to Outside Advisors:**

The Audit Committee shall have the authority to retain external legal counsel and other advisors to assist it in fulfilling its responsibilities. The Company shall provide appropriate funding, as determined by the Audit Committee, for the services of these advisors.

#### **AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES**

The Audit Committee shall review and report to the Board on the Company's annual audited financial statements, unaudited quarterly financial statements, related MD&A, annual and interim earnings press releases and other related financial disclosures (including financial disclosures of the Company provided in prospectuses) prior to filing or distribution. The Audit Committee's review should include discussions with management and the external auditors of significant issues regarding accounting principles, practices, and significant management estimates and judgments.

At least annually, in consultation with management and the external auditors, the Audit Committee shall consider the integrity of the Company's financial reporting processes and internal controls. The Audit Committee shall discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures. The Audit Committee shall also review significant findings prepared by the external auditors together with management's responses.

The Audit Committee shall review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and the steps Management has taken to monitor, control and report thereon and provide the Audit Committee's view to the Board. The Audit Committee shall review and assess the adequacy of this Mandate at least annually and submit this Mandate to the Board for approval.

The Audit Committee will review any material changes in accounting standards and securities policies or regulation relevant to the Company's financial statements.

The Audit Committee shall review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards.

The Audit Committee shall review the process relating to and the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Company's quarterly and annual consolidated financial statements.

The Committee shall review annually a letter of certification from the Chief Executive Officer on the Company's compliance with the Code of Conduct.

## **APPENDIX A**

### **Mandate of the Audit Committee**

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#### **External Auditors**

The Audit Committee is responsible for overseeing the work of the external auditors who report directly to the Committee. The Audit Committee shall, at least annually, review the independence and performance of the external auditors, including the qualifications and performance of the lead partners of the external auditors, and recommend to the Board the appointment and the compensation of the external auditors or approve any discharge of the external auditors when circumstances warrant.

The Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the external auditors.

At least annually, the Audit Committee shall review and discuss with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence.

At least annually, the Audit Committee shall review the external auditors' audit plan and discuss and approve the audit scope, staffing, locations, reliance upon management, and general audit approach.

Prior to releasing the year-end financial results, the Audit Committee shall discuss the results of the audit with the external auditors and discuss any matters required to be communicated to audit committees in accordance with the standards established by the Canadian Institute of Chartered Accountants.

The Audit Committee shall consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in the Company's financial reporting.

The Audit Committee shall review with the external auditors any audit problems or difficulties and management's response thereto.

#### **Internal Audit Department and Compliance**

At least annually, the Audit Committee shall review the independence of the internal audit department from management and review any difficulties encountered by the internal audit department in the course of its internal audit.

At least annually, the Audit Committee shall review with the Company's counsel any legal matters that could have a significant impact on the organization's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or government agencies.

At least annually, the Audit Committee shall review the report on compliance with the Company's Code of Conduct and any instances of material deviation therefrom with corrective actions taken.

## **APPENDIX A**

### **Mandate of the Audit Committee**

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#### **Other Audit Committee Responsibilities**

At least annually, the Audit Committee shall assess its effectiveness and each of its members against this Mandate and report the results of the assessment to the Board.

At least annually, the Audit Committee shall disclose this Mandate to shareholders, as required by applicable law. The Audit Committee shall maintain minutes of its meetings and periodically report to the Board on significant results of its activities and deliberations.

The Audit Committee shall review senior financial and accounting personnel succession planning within the Company.

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company. This policy is defined in the Standard Practice Manual, # 4-000X.

The Audit Committee shall receive reports from management in respect of procedures established for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

The Chair of the Audit Committee shall coordinate orientation and continuing director development programs relating to this Mandate for Audit Committee members

#### **CURRENCY OF THE AUDIT COMMITTEE MANDATE:**

*This Mandate was last approved by the Board of Directors on August 7, 2014.*

(1) Derived from National Instrument 52-110 – Audit Committees

## SCHEDULE “A”

### Definitions <sup>(1)</sup>

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#### Meaning of Independence

1. A member of the Audit Committee is independent if the member has no direct or indirect material relationship with the Company.
2. For the purposes of Section 1, a material relationship means a relationship which could, in the view of the Company’s Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.
3. Despite Section 2, the following individuals are considered to have a material relationship with the Company:
  - a. an individual who is, or has been within the last three years, an employee or executive officer of the Company;
  - b. an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
  - c. an individual who is a partner or employee of a firm that is the internal or external auditor of the Company, or was within the last three years a partner or employee of that firm and personally worked on the Company’s audit within that time;
  - d. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual, is a partner or employee of a firm that is the internal or external auditor of the Company; or is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice; or was within the last three years a partner or employee of that firm and personally worked on the Company’s audit within that time;
  - e. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company’s current executive officers serve or served at that same time on the entity’s compensation committee; and
  - f. an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12 month period within the last three years;
  - g. an individual who:
    - i. accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary entity of the Company, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any Board committee, or as a part-time chair or vice-chair of the Board or any Board committee; or
    - ii. is an affiliated entity of the Company or any of its subsidiary entities.
4. Despite Section 3, an individual will not be considered to have a material relationship with the Company solely because:
  - a. he or she had a relationship identified in Section 3 if that relationship ended before March 30, 2004; or
  - b. he or she had a relationship identified in Section 3 by virtue of Section 9.
5. For the purposes of Sections 3(c) and (d), a partner does not include a fixed income partner whose interest in the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with an internal or external auditor if the compensation is not contingent in any way on continued service.

(1) Derived from National Instrument 52-110 – Audit Committees

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6. For the purposes of Section 3(f), direct compensation does not include (i) any remuneration for acting in his or her capacity as a member of the Board of Directors or any Board committee or (ii) any fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent in any way on continued service.

7. For the purposes of Section 3(g):

- a. the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
  - i. an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
  - ii. an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any subsidiary entity of the Company; and

b. compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company if the compensation is not contingent in any way on continued service.

8. Despite Section 3, a person will not be considered to have a material relationship with the Company solely because he or she:

- a. has previously acted as an interim Chief Executive Officer of the Company; or
- b. acts, or has previously acted, as a chair or vice-chair of the Board of Directors or any Board committee on a part-time basis.

9. For the purposes herein (other than Sections 3(g) and (7)), reference to the Company includes a subsidiary entity of the Company.

Meaning of Financial Literacy -- An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.