Linamar Memo to Shareholders:
RE: US Administration Plan to Impose 25% Tariffs on Canadian Goods

February 3, 2025

Dear Shareholder,

We are writing to give you an update on the tariff situation following the announcements over the weekend of tariffs imposed on trade starting tomorrow, Tuesday February 4th.

The key messages are:

1) This is a fluid situation and we are keeping close to the situation and customers to manage it
2) Tariffs on product shipping to the US are across the board, tariffs on product shipping to Canada and Mexico are more targeted and don't include most manufactured products meaning the most impactful tariffs for us will be those imposed by the US
3) Because the tariffs imposed by the US include auto parts we are likely to see our customers slow or cease production in the near term

Here is a recap on what has happened so far:

The US has imposed 25% tariffs on all product exported into the US from Canada and Mexico and an additional 10% tariff on products exported from China into the US effective Tuesday February 4th. This means our customers in the US, who are the importers of record of the vast majority of our products, will have to pay 25% of the value of our shipments into the US. It is worth noting that these tariffs are in violation of the free trade agreement, USMCA, negotiated by President Trump in his first term in office.

In response, the government of Canada has imposed a tariff of 25% on a basket of specific products, some will take effect Tuesday February 4th and a second basket of products as of February 25th. The Canadian list of products on which a tariff will be imposed have been focused on products Canadian consumers and businesses have alternative sources for and on products the US is most reliant on Canada to provide in hopes to minimize the impact on Canadians and Canadian business. They in general do not include auto parts/parts critical to manufacturing operations.

The Mexican government has also announced a plan to impose tariffs on US goods imported into Mexico without full detail on which products will be impacted, although they have said auto will be excluded for the time being. Notably, the latest development is an apparent pause or delay of tariffs against Mexico in light of a strong Mexican commitment to increasing border security.

Our Canadian operations to a large extent and to a lesser extent our Mexican do export product into the US so **our customers will be faced with paying the tariffs on product we ship to them when imposed.**
Our other global operations in general do not export to the US so will not be overtly impacted by these tariffs although there is some small impact on programs in Europe and Asia.

What does this mean for Linamar and for you?

Mobility

For our automotive customers it is not possible to shift supply sources to alternative sources quickly. Highly engineered parts and systems such as ours and other components in the industry take months or years to tool up, test and validate meaning our customers if they choose to continue to produce will be forced to pay these fees for an extended period of time.

Because the auto industry is highly integrated across the 3 countries our customers will be faced with paying billions of dollars of tariffs on their product supplied from Canada, Mexico and China which will simply not be affordable for them. They can try to pass on the cost increase to consumers but it is highly unlikely the consumer will be willing to pay so much more for a vehicle.

As a result, we estimate that our customers will choose to stop production once their inventories of supplied product from Canada and the US runs out which is likely to be quite soon.
We are in close contact with our customers to understand their planned reaction to the imposition of the tariffs which is of course very fluid in this dynamic environment.
We hope that our customers will be vocal in their opposition to the tariffs on auto parts with the US administration to pressure the tariffs to be dropped.

Industrial

For our industrial businesses our customers do have some choices with respect to buying the type of product we make to some extent. We have some competitors building product in the US for some but not all of our products. That said, our American competitors only have so much capacity to fill customer orders meaning a need for our industrial businesses to still supply product.
We have taken some early action in this regard to prioritize US bound orders and to also have placed a buffer of inventory of our industrial products already in warehouses in the US. This will allow us to continue to ship tariff free to our customers until that inventory runs out.
It is our hope that this strategy will buy us some time until the tariffs are lifted from Canadian and Mexican imports into the US.

Linamar Response

We have been asked if we plan to close plants in Canada and Mexico and shift product to the US in response to these tariffs. **The answer to that is a strong NO.**
We make decisions on our manufacturing footprint on long term fundamentals, things like availability of talent, access to a cost-effective supply chain, costs in a jurisdiction as well as availability, cost and cleanliness of important inputs such as energy or water.
We don't make decisions on manufacturing footprint on something as short term as a tariff. A tariff, as we are seeing, can be imposed tomorrow and dropped the next day.

Our Canadian plants have our deepest talent pool and are our most productive facilities in the world. Our Mexican plants are devoted to continuous improvement and achieve it every day.
We will not incur billions of dollars of cost to shift production locations for something that can change on a whim of government. Not to mention the negative impact on thousands of our employees and their families.
We are working closely with our sales and purchasing teams to gather information and quantify what we know so far to ensure our team is fully up to speed at all times in this dynamic environment.

In Summary
We remain committed to our employees and our facilities in all 3 countries. We have fantastic teams in the US as well that also work hard to drive improvement every day and win new business and we will continue to do so there, just as we will in Canada, Mexico, and for that matter Europe and China.
Lastly, remember tariffs don't create prosperity they destroy it. No imposition of a tariff regime in history has resulted in prosperity, only inflation, a decline in productivity and economic depression.
In the end we all want the same outcomes, a healthy economy with good job opportunities for all of our countries and a good way of life for all our people.
We will stay focused, responsive to our customers needs, opportunistic for where we might find opportunity in this chaos, and continue to drive every day for better and better efficiency and productivity. In the end, the most efficient and the most innovative among us will win, and we are a winning team at Linamar.
We have no doubt we will work through these challenges and achieve that outcome. We will keep you informed as quickly as we can to new developments in the situation.

Best wishes,

Linda Hasenfratz
Executive Chair

Jim Jarrell
CEO and President

ADDENDUM

Key Facts

A reminder of some facts that are important to know:

Auto Specific:

- We have had free trade in the auto sector between Canada and the US since 1965, expanded to include Mexico with NAFTA in 1992, and have built a thriving highly integrated automotive industry around that premise employing millions of workers across the 3 countries **with the largest employment in the auto industry being in the US**
- The export to import ratio for the auto industry for the US and Canada is 96.3% -- an almost perfect balance -- $82 billion bought from Canada, $79 billion sold to Canada

Broader Trade Observations:

- The overall export to import ratio for the US and Canada is 85%, **the most equally balanced trade among the US's 10 largest trading partners**. The relatively small deficit of 15% of US exports represents just 5.2% of Americas global trade deficit of $1.16 trillion.
- The ~$60 billion dollar trade deficit with Canada represented by the 15% gap is entirely due to energy trade; having energy supplied by a trusted neighbour is a good thing
  - **In fact, excluding energy the US runs a trade surplus on goods with Canada, the US ships ~$30 billion more to Canada than Canada ships to the US**
- The overall export to import ratio for the US and Mexico is 66%, the second most equally balanced trade among the US's 10 largest trading partners. The deficit of 33% of US exports represents just 14.6% of America's global trade deficit. The US ships $322 billion of product to Mexico, Mexico ships $475 billion of product to the US.
- It is an interesting observation that the countries with the 2 highest ratios of US Exports to Imports globally, those with the most balanced trade, are the countries the US operates in a long-running, thriving free trade agreement with; NAFTA. To have imposed 25% tariffs on the countries they have the MOST balanced trade with when the rest of the world enjoys dramatically more imports into the US than is exported to them and are levied a tariff of just 2.5% is illogical.

These facts are important to understand as we are hopeful that they will serve to minimize the timeframe in which tariffs are imposed on America's greatest allies and trading partners, Canada and Mexico.