ANNUAL REPORT 2015

Linamar Corporation

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LETTER TO OUR SHAREHOLDERS

Linamar Corporation

LETTER TO OUR SHAREHOLDERS

We are pleased to report to you on another very successful year at Linamar, another record in our history in terms of both sales and earnings performance. This represents five consecutive years of record results which we are very proud of!!

We would characterize 2015 as a year of strong growth through focused strategy execution, a great deepening of our global team, and solid financial and operational performance, exactly what we set out to do at the outset of the year.

Growth -- Innovation and Process Diversification

We enjoyed a very successful year in 2015 in terms of outstanding performance for our customers, focused execution of our vertical integration/process diversification strategies and securing targeted business wins to continue to support our growth into the future.

Innovation continues to play a key role in driving our competitiveness by meeting customer/consumer needs and enabling our growth. Our innovation agenda has 2 key paths; product innovation to develop products our customers need and process innovation to find ways to produce those products as cost effectively as possible.

Clearly, our product innovation agenda on the vehicle side is about light weighting, fuel efficiency and noise reduction. At Skyjack it continues to focus on simple, high quality, easy to use designs that our customers can rely on. Both have been winning innovation strategies in helping us to grow market share.

Process innovation happens every day in every plant and office as we continually challenge ourselves to find a better, quicker, more reliable, less costly way to do the work we do. We set new levels of achievement for ourselves this year in terms of our improvement systems and goals with great success which we saw in terrific bottom line performance.

Developing technology roadmaps for every priority product at Linamar was a key project for 2015. We only stay competitive if we can be continually delivering product innovation for our customers and that means putting a plan together for a variety of technology innovations to roll out over the coming years. **We created a dynamic, highly results focused engineering organization of teams of product engineers and business leaders for each of our priority products with a mandate to develop a technology roadmap for their product for the next decade that is innovative, achievable and marketable**.

A great example of their work is development projects underway for propulsion systems for electric and hybrid electric vehicles, both passenger car and light commercial vehicles. Two key projects are underway in both Canada and the US for light commercial delivery van customers to help electrify their fleets. We are excited about driving leading edge technology in this important growth area.

Skyjack also continues to innovate on the product side by continuing to develop and launch new boom products and telehandlers which are helping to deepen our market share in these products globally. Our rental house customers love the simple designs that keep our product in the field driving revenue and not in the shop costing money.

Process diversification was another key focus for 2015 in which we made significant progress and in which innovation also played a key role.

We acquired a global leader in Hatebur style forgings, Seissenschmidt AG to complement our first forging acquisition in North Carolina in 2014. Together these businesses have the capability to manufacture over 200 million forgings a year. Forging technology has advanced considerably in the last decade which is exactly what interested us in investing in the technology. New, near net shape forgings eliminate considerable weight in the vehicle as unnecessary material is removed at the outset of the manufacturing process. Less material means less weight, less machining, less cost and better fuel efficiency with lower emissions.

The businesses are also a huge complement to our gear machining capability which is world class. Linamar is the largest independent supplier of machined gears globally today with programs running or launching that will take us to more than 50 million machined gears produced annually within the next few years. With in-house forging and machining for gears we open up great possibilities in terms of design optimization for our customers to minimize weight even further and maximize system performance.

We took process diversification another step forward in 2015 with the establishment of our Light Metal Casting Group. We took 2 major strategic steps to establish what we believe will be the technology leader in the market for advanced light weight metal castings.

First, we established a Joint Venture (JV) and Global Strategic Alliance with GF Automotive, a division of Georg Fischer AG, a Swiss based technology leader in innovation and material development. GF Automotive has deep expertise in High Pressure Die Casting (HPDC) of Light Metal components. Their material development capabilities are extremely advanced as are their tooling and processing capabilities to permit casting of components of sufficient strength to replace steel stampings in vehicles. Together we will establish a JV in North Carolina to produce large HPDC light metal parts such as transmission cases, structural components and potentially cylinder blocks, all products of significant market potential. Construction will begin shortly on this brand new, state of the art facility and production will begin next summer. We will approach the market together globally through our independently owned facilities outside of North America in our Global Strategic Alliance.

Second, we acquired a global leader in aluminum gravity and low pressure die castings with a particular specialty in cylinder heads, Montupet SA. Montupet is a European based business, about €500 million in sales with 7 world class foundries. Montupet is also a powerhouse in both advanced material technologies and intricate coring capabilities to enable production of very thin walled castings that can optimize fuel efficiencies and reduce emissions dramatically. Cylinder heads are absolutely a priority product for us at Linamar as we are the global leader in machined heads and this acquisition significantly enhances our ability to again streamline design through a collaborative approach to machining and casting. Montupet also has developed capabilities in structural aluminum castings that can replace steel stampings in vehicles in complement to GF Automotive capabilities. Structural aluminum components are expected to represent more than 150 pounds per vehicle within the next 10 years and these 2 strategic plays set us up perfectly to be a leader in that market.

These strategic moves are a game changer for us at Linamar, giving us incredible flexibility, technology and cost and quality leadership to drive fantastic market share gains in several priority products.

Our customer performance was exceptional in 2015 with mature plants running at world class quality and delivery levels and programs representing more than $560 million of additional business launched during the year. We are really proud of the operational systems at Linamar which drive flawless launch and serial production in all our facilities.

Continued business wins have resulted in a backlog of nearly $3.8 billion in annualized sales still under launch at Linamar. In fact, 2015 was close to a record year in new business wins and we continue to quote a large book of opportunities. New business wins in total for the year were nearly $1 billion, with particular success seen around products for new 9 and 10 speed transmissions launching in North America to drive improved fuel efficiency, complex gear machining programs and continued penetration around global engine platforms in key products such as cylinder heads, blocks, camshafts and connecting rods. All in all, we have secured enough new business to see us well on our way to longer term growth goals; in fact we have nearly $7.7 billion of annual sales based on booked business already lined up to be reached by 2020.

All of this success is driving significant improvements in market share in all areas of our business. Content per vehicle is up in every region globally for our on highway vehicle business and Skyjack continues to grow market share particularly in new boom and telehandler products.

Market share growth is a key element in our growth strategy. **With market share growth we grow regardless of how much our markets are growing. As an example, our vehicle and access markets grew between 1 and 2% in 2015 whereas Linamar sales were up 24%.** In a timeframe of market volumes leveling or growing more lightly this is a key element to the Linamar story – we continue to target driving double digit growth regardless of flat or slightly growing global markets.

Deepening the Global Team – Mobility, Bench Strength, Teamwork

We have continued to build our global employee base, now over 23,000 strong, through a focus on readiness of our people to fill key positions globally whether they be in technical, leadership or support areas.

We have continued to focus on Leadership Development as a key priority through intensive internally developed programs supported by excellent internal and external resources.

Developing our technical strength is absolutely critical to our success whether in skilled trades, technologists, engineers, metallurgists or a variety of other technical support functions. Technical strength is what drives innovation in both product and process development, drives continuous improvement every day, and ensures we quote and purchase at optimal levels.

Our work starts externally where we are involved in many programs to encourage young people into a career in trades, science, technology, engineering and mathematics. We also have invested heavily in trades, engineering and accounting schools at nearby universities and colleges globally to help build fantastic programs and faculties and facilitate young people into these careers.

Internal development is the next step. **With more than 530 apprentices in our plants globally, continued setup training and international recruitment efforts we are definitely growing our bench of skilled tradespeople and gaining some momentum.**

Our Linamar Entrepreneurial Advancement Program (LEAP), continues to deliver in terms of developing young enthusiastic team members for managing our facilities. Each year we pick a handful of talented future leaders to put through a comprehensive cross functional multiyear training program designed to make them our General Managers of the future. LEAP is a pivotal part of helping us to deepen our leadership bench strength to support future growth.

Succession overall has been a key focus for us. We spent considerable time developing and launching a new program this year called Each One Teach One in which literally every manager in our company takes on the formal responsibility of teaching at least one person to perform their job, improve in the role they are already in, or take on an enhanced assignment. **We are each responsible for grooming our own successor and it is key we all realize we are only truly successful if those who follow us are at least as successful if not more so than we are!**

Turnover is at record lows, employee engagement is up and motivation levels high as we continue to strengthen and build the employee base.

Driving Improvements to Financial Performance – Simplified, Effective Systems, Focus on Margins and Living Lean

2015 was a year of exceptional financial performance in sales and earnings growth and cash generation at Linamar. **Sales reached a new record at $5.2 billion, up 24% or nearly $1 billion thanks to new program launches, our new forging business, a moderately growing global vehicle market and Skyjack's solid performance. Earnings also reached record levels at $437 million up an incredible $116 million or 36% driving another year of great margin improvements.** This contributed to a year of cash generation of nearly $34 million even after investing more than $100 million over our regular capital expenditure program to fund our forging acquisition. Our balance sheet to one of the strongest in our industry and giving us lots of flexibility to invest in further growth notably our Montupet acquisition.

2015 was a year to really focus on waste elimination and Living Lean. We dug into new areas to find ways to improve, reiterated lean concepts globally and pushed hard to really engage every single person in the company on our lean journey. Our results exceeded even high expectations around cost reduction and streamlining our processes and systems.

Return on Capital Employed improved dramatically to 24.1% compared to 23.4% last year and Return on Equity hit 22.2%, the highest level seen in more than a decade. Earnings growth exceeded sales growth in both the Powertrain/Driveline segment and the Industrial segment to drive great margin improvement which of course in return drove our terrific improvements. Return on Capital and Return on Equity remain the key driving metrics for us as a business – we must improve earnings but they must do so in proportion to the capital we utilize in order to build a strong business capable of continued growth.

Another area of focus in 2015 was simplification of systems to drive better accountability and accommodate a growing organization. We must rely on our entrepreneurs to run their businesses capably while maintaining enough consistency in process to mitigate risk to customers, shareholders and employees. We think we have struck the right balance with a retooling of our Global Operating System in 2015 to hone in on the absolutely critical systems and rules we need to follow globally. We took a book of approximately 40 global procedures down to 9 very specific procedures which all businesses will be held accountable for.

Our strategy at Linamar is the formula to this success.

Strategy

The overarching principle in strategy development at Linamar is to develop a strategy that will drive success in a variety of outcomes; a strategy based on optionality. That means identifying long term markets of opportunity, reviewing technology challenges and opportunities in each and assessing the likelihood of a variety of scenarios. We then endeavour to develop a strategy that is not betting on success in a particular market, technology or outcome but can in fact have great success regardless of outcomes. We can't predict technology changes – what we know is that change will come. We need to be ready to supply a variety of industries in a variety of products to ensure long term success.

Our enterprise strategy is to focus on "Diversified Manufactured Products to Power Vehicles, Motion, Work and Lives".

This scope gives us a wide range of markets we can focus on. As we look to the future we see a variety of interesting markets that will be significant over the next 100 years. Markets we are already well entrenched in like Transportation and Infrastructure will absolutely continue to be key markets and we will continue to build a broad portfolio of business for these markets. Other interesting markets include Energy, Agriculture and Food, Water, and Age Management, all of which we have some exposure to but not significant. We are interested in developing strategies for these markets to give Linamar added opportunities for growth in the long term.

Our business basically splits into 2 buckets – Precision Products where we make precision metallic forged or machined components, modules and systems for global vehicle, industrial and energy markets and Mobile Products where we make fabricated assemblies and vehicles for global access, industrial, agricultural, consumer and construction markets.

These markets are hugely opportunistic. Take the global vehicle machined component and assembly business as an example. There is roughly $3,000-$4,000 of content in the engine, transmission and driveline systems of a passenger car, much more in a commercial vehicle. **Coupled with global vehicle production volumes this represents a market that today is north of $500 billion and will grow to more than $650 billion over the next 5 years.** Approximately 70% of this work is still done by our OEM customers themselves but they are increasingly looking to tap into great supplier technology and efficiency by outsourcing this work. Powertrain/Driveline is the last major area of the vehicle to undergo this transition. This outsourcing won't happen overnight; it will take a decade or two to manifest itself. **This is exciting because it means a sustained period of time where Linamar can enjoy superior growth to what will come strictly from market growth.** Linamar is perfectly aligned to be the supplier of choice to these companies given our outstanding processing and product technology in every machined part in these systems and our unparalleled performance on quality and delivery for such.

Linamar will be a key driver of technology for vehicle electrification which will drive great growth potential.

Our vehicle product strategy in line with our strategic principle of optionality is centred around a variety of types of powertrains – Internal Combustion Engines (ICE), Hybrid Vehicles, Electric Vehicles and Fuel Cell Vehicles.

We see the most opportunities on Hybrid systems where we have all the potential of the engine, transmission and driveline in addition to the electric drive systems. Our E-Axle product which can be utilized to basically turn any vehicle architecture into a hybrid, will be a key product for us in this space and the pure electric vehicles. Our design is compact, lightweight and quiet and catching the attention of a number of vehicle manufacturers. We believe hybrid technology will be the dominant form of electrification in the vehicle given the better balance of power utilization on board and better impact overall on the environment than pure electric vehicles given the emissions related to the energy infrastructure.

Electric vehicles also offer great growth opportunities for Linamar where our electronic axle can be utilized as well as a variety of machined parts in the electric motor assembly and importantly cast aluminum structural components which will increasingly replace steel stampings in the vehicle. These components can represent from $300 to $500 potential content in a vehicle, which means structural components alone have a market potential of as much as $50 billion!

A key element in both these types of vehicles is in the mechatronic area where electronics and mechanical systems come together. These products will be key in autonomous vehicles as well as all versions of electrified vehicles.

ICE vehicles continue to represent massive opportunity for Linamar as well. ICE vehicles are expected to continue to be the dominant technology in the market for at least the next 20 years but more importantly than that, even if the overall volumes decline the outsourcing

of content in the engine and transmission will still spin off massive additional addressable market in this area. The key to success here is developing and marketing technology that will help improve fuel efficiency and lower emissions through product design, light weighting and noise reduction, all key priorities of our product development organization.

The access market where our Skyjack business is based is also highly opportunistic. Although a smaller market at $10 billion globally, the number of players in this business is much smaller meaning the potential for a much larger slice of the market is very real.

Our growth strategy at Linamar remains focused in three key areas – Diversification, Globalization, and Green Technologies.

Diversification has taken many forms for us over the years at Linamar. It has meant expanding our product offering in our targeted markets as well as finding new customers and markets for the products we already make. Increasingly diversification is translating into process diversification as we vertically integrate forwards into more complex modules or assemblies of the products we already make and backwards into selective, strategic types of castings or forgings. This has been an area of significant focus for us and execution over the past 18 months as already described.

We have been steadily diversifying our product lineup at Skyjack as we add to our growing boom offering. Building out our telehandler lineup is under way and will be the next step in diversifying the Skyjack offering happening over the next few years. We have seen great success here with market share gains in booms and telehandlers seen in every global market in 2015.

Globalization is really just an element of diversification in terms of finding new geographic markets but is important in light of the huge impact that growing globally can bring us.

Look at the on highway vehicle business as an example. In 2015 the industry made approximately 18 million vehicles in North America while Europe made 21 million and Asia 45 million. Markets outside of North America are vastly larger than the markets within it.

Growth is prioritized in Europe and Asia to take advantage of these large markets even as we continue to grow strongly in North America thanks to additional outsourcing of targeted product.

In Europe the economy has stabilized and we are seeing opportunities for healthy suppliers with available cash such as ourselves needed to start to ramp production back up and to help launch new programs. With our recent acquisitions in Europe we have significantly grown our revenue, plant base and employee base in the region. Over 35% of our employee base now resides in Europe with a growing book of business in the region.

In China continued strong growth is creating many exciting opportunities for suppliers such as ourselves with proven technology and quality performance. We just completed construction on our 3rd plant in the region and are about to kick off construction on the 4th based on robust business wins in the region.

In India the auto market is really just starting to build to more meaningful levels which is creating opportunities in a variety of areas as our customers look for suppliers to help them put needed capacity in place. In 2015 we established our first foothold in India. We have rented and renovated a small facility in India, built a team and started launching some business. We are starting slowly in the region in order to build our understanding of the culture and business environment there.

Global expansion continues to play out very successfully as well for Skyjack who saw great market share growth in both Europe and Asia in 2015.

Finally focusing on **Green Technologies** is important because developing products that are more fuel efficient, drive lower emissions or are environmentally beneficial in some other way are the products the market is looking for. These are the markets of the future, whether it is more fuel efficient vehicles, rail products, wind energy installations or more efficient access equipment, and we want to be a key part of them. Today we have increased content in smaller, more fuel efficient vehicles such as cars, electric cars and crossovers. We have specifically targeted the smaller engines and multi speed or dual clutch technology transmissions. Our priority in product development is around light weighting, smaller packages and noise reduction, all to drive better fuel economy. A customer in our AWD system business called our product “the global benchmark” in terms of technology and capability. What a fantastic acknowledgement to the capabilities of our hard working R&D team!

As we turn to 2016, our focus continues in 3 key themes:

- **Driving Competitiveness through a clear focus on Innovation ;**
- **Deepening the Global Bench; and**
- **Simplification to improve efficiency and reduce waste.**

At Linamar we are very excited about our future growth plans. We have the business in hand to drive meaningful growth in the next several years, a market focus and strategy in massive growing markets to drive substantial opportunities for the longer term, the perfect combination for meeting both short and long term shareholder growth goals. We have a 1 year plan, a 5 year plan and a 100 year plan all centred on success, growth and balance.

We have the business, we have the markets, we have the innovation, we have a talented and growing group of people and we will continue to turn that into consistent sustainable growth for you our shareholders.

Sincerely,

Linda Hasenfratz
Chief Executive Officer

Jim Jarrell
President & Chief Operating Officer

MANAGEMENT DISCUSSION & ANALYSIS

Linamar Corporation

December 31, 2015 and December 31, 2014
(in millions of dollars)

LINAMAR CORPORATION
Management's Discussion and Analysis
For the Year Ended December 31, 2015

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Linamar Corporation ("Linamar" or the "Company") should be read in conjunction with its consolidated financial statements for the year ended December 31, 2015. This MD&A has been prepared as at March 9, 2016. The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS"). References to the term generally accepted accounting principles ("GAAP") refer to information contained herein being prepared under IFRS as adopted. All amounts in this MD&A are in millions of Canadian dollars, unless otherwise noted.

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.

OVERALL CORPORATE PERFORMANCE

Overview of the Business

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 4 operating groups – Machining & Assembly, Light Metal Casting, Forging and Skyjack, all world leaders in the design, development and production of highly engineered products. The Company's Machining and Assembly, Casting and Forging operating groups focus on precision metallic components, modules and systems for engine, transmission, driveline and body systems designed for global vehicle and industrial markets. The Company's Skyjack operating group is noted for its innovative, high quality mobile industrial equipment, notably its class-leading aerial work platforms and telehandlers. With more than 23,000 employees in 56 manufacturing locations, 6 R&D centers and 15 sales offices in 17 countries in North and South America, Europe and Asia, Linamar generated sales of $5.2 billion in 2015. For more information about Linamar Corporation and its industry leading products and services, visit www.linamar.com.

Overall Corporate Results

The following table sets out certain highlights of the Company's performance in 2015 and 2014:

	Three Months Ended December 31				Twelve Months Ended December 31			
(in millions of dollars, except content per vehicle figures)	2015 $	2014 $	+/- $	+/- %	2015 $	2014 $	+/- $	+/- %
Sales	1,243.0	1,003.0	240.0	23.9%	5,162.4	4,171.6	990.8	23.8%
Gross Margin	197.5	152.4	45.1	29.6%	852.7	664.4	188.3	28.3%
Operating Earnings (Loss)[1]	131.4	101.1	30.3	30.0%	597.0	447.4	149.6	33.4%
Earnings (Loss) from Continuing Operations	95.3	71.8	23.5	32.7%	436.7	320.6	116.1	36.2%
Net Earnings (Loss)	95.3	71.8	23.5	32.7%	436.7	320.6	116.1	36.2%
Net Earnings (Loss) per Share	1.46	1.11	0.35	31.5%	6.71	4.95	1.76	35.6%
Content per Vehicle – North America	155.08	131.01	24.07	18.4%	150.37	130.57	19.80	15.2%
Content per Vehicle – Europe	40.02	21.92	18.10	82.6%	39.47	19.84	19.63	98.9%
Content per Vehicle – Asia Pacific	6.75	5.94	0.81	13.6%	6.70	6.36	0.34	5.3%

The changes in these financial highlights are discussed in detail in the following sections of this analysis.

[1] For more information refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

BUSINESS SEGMENT REVIEW

The Company reports its results of operations in two business segments: Powertrain/Driveline and Industrial. The segments are differentiated by the products that each produces and reflects how the chief decision makers of the Company manage the business. The following should be read in conjunction with Note 29 to the Company's consolidated financial statements for the year ended December 31, 2015.

			Three Months Ended December 31 2015			Three Months Ended December 31 2014
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
(in millions of dollars)	$	$	$	$	$	$
Sales	1,100.5	142.5	1,243.0	879.9	123.1	1,003.0
Operating Earnings (Loss)	111.1	20.3	131.4	87.1	14.0	101.1

			Twelve Months Ended December 31 2015			Twelve Months Ended December 31 2014
	Powertrain /Driveline	Industrial	Linamar	Powertrain /Driveline	Industrial	Linamar
(in millions of dollars)	$	$	$	$	$	$
Sales	4,310.2	852.2	5,162.4	3,479.3	692.3	4,171.6
Operating Earnings (Loss)	440.8	156.2	597.0	337.7	109.7	447.4

Powertrain/Driveline Highlights

				Three Months Ended December 31				Twelve Months Ended December 31
	2015	2014	+/-	+/-	2015	2014	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	1,100.5	879.9	220.6	25.1%	4,310.2	3,479.3	830.9	23.9%
Operating Earnings (Loss)	111.1	87.1	24.0	27.6%	440.8	337.7	103.1	30.5%

Sales for the Powertrain/Driveline segment ("Powertrain/Driveline") increased by $220.6 million, or 25.1% in the fourth quarter of 2015 ("Q4 2015") compared with the fourth quarter of 2014 ("Q4 2014"). The sales increase in Q4 2015 was impacted by:

- higher sales resulting from favourable changes in foreign exchange rates;
- the acquisition of the forging businesses in Europe in Q1 2015; and
- significant levels of newly launched programs in North America and Europe.

The 2015 sales for Powertrain/Driveline increased by $830.9 million, or 23.9% compared with 2014. The same factors that impacted Q4 2015 also impacted the year-to-date ("YTD") results.

Q4 2015 operating earnings for Powertrain/Driveline were higher by $24.0 million, or 27.6% over Q4 2014. The Powertrain/Driveline segment experienced the following in Q4 2015:

- improved earnings as production volumes increased on launching programs;
- higher earnings resulting from favourable changes in foreign exchange rates across multiple currencies and Linamar's growing global presence; and
- earnings related to the acquisition of the forging businesses; partially offset by
- increased management and sales costs supporting growth.

The 2015 operating earnings increased by $103.1 million, or 30.5% compared with 2014. The same factors that impacted Q4 2015 also impacted the YTD results.

Industrial Highlights

	Three Months Ended December 31				Twelve Months Ended December 31			
	2015	2014	+/-	+/-	2015	2014	+/-	+/-
(in millions of dollars)	$	$	$	%	$	$	$	%
Sales	142.5	123.1	19.4	15.8%	852.2	692.3	159.9	23.1%
Operating Earnings (Loss)	20.3	14.0	6.3	45.0%	156.2	109.7	46.5	42.4%

The Industrial segment ("Industrial") product sales increased 15.8%, or $19.4 million, to $142.5 million in Q4 2015 from Q4 2014. The sales increase was due to:

- higher sales resulting from favourable changes in foreign exchange rates;
- significant market share growth for booms in North America, Europe and Asia Pacific;
- market share growth for scissors in Asia Pacific; and
- market share growth for telehandlers in North America; partially offset by
- somewhat lower sales for scissors in North America.

The 2015 sales for Industrial increased by $159.9 million, or 23.1% compared with 2014. The sales increase for 2015 was impacted by the same factors as Q4 2015.

Industrial segment operating earnings in Q4 2015 increased $6.3 million or 45.0% over Q4 2014. The increase in Industrial operating earnings was predominantly driven by:

- higher margins resulting from favourable changes in foreign exchange rates;
- increased volumes as described above; partially offset by
- increased management and sales costs supporting growth.

The 2015 operating earnings increased by $46.5 million, or 42.4% compared with 2014. The same factors that impacted Q4 2015 also impacted the YTD results.

AUTOMOTIVE SALES AND CONTENT PER VEHICLE[1]

Automotive sales by region in the following discussion are determined by the final vehicle production location and, as such, there are differences between these figures and those reported under the geographic segment disclosure, which are based primarily on the Company's location of manufacturing and include both automotive and non-automotive sales. These differences are the result of products being sold directly to one continent, and 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.

In addition to automotive Original Equipment Manufacturers ("OEMs"), the Company sells powertrain parts to a mix of automotive and non-automotive manufacturers that service various industries such as power generation, construction equipment, marine and automotive. The final application of some parts sold to these manufacturers is not always clear; however the Company estimates the automotive portion of the sales for inclusion in its content per vehicle ("CPV") calculations. The allocation of sales to regions is based on vehicle production volume estimates from industry sources, published closest to the quarter end date. As these estimates are updated, the Company's sales classifications can be impacted.

	Three Months Ended December 31				Twelve Months Ended December 31			
North America	2015	2014	+/-	%	2015	2014	+/-	%
Vehicle Production Units [2]	4.44	4.35	0.09	2.1%	18.01	17.49	0.52	3.0%
Automotive Sales [3]	$ 688.1	$ 569.5	$ 118.6	20.8%	$ 2,708.3	$ 2,283.5	$ 424.8	18.6%
Content Per Vehicle [1, 3]	$ 155.08	$ 131.01	$ 24.07	18.4%	$ 150.37	$ 130.57	$ 19.80	15.2%
Europe								
Vehicle Production Units	5.11	4.88	0.23	4.7%	20.82	20.02	0.80	4.0%
Automotive Sales	$ 204.4	$ 106.9	$ 97.5	91.2%	$ 821.8	$ 397.2	$ 424.6	106.9%
Content Per Vehicle	$ 40.02	$ 21.92	$ 18.10	82.6%	$ 39.47	$ 19.84	$ 19.63	98.9%
Asia Pacific								
Vehicle Production Units	12.17	11.54	0.63	5.5%	44.85	44.41	0.44	1.0%
Automotive Sales [3]	$ 82.1	$ 68.6	$ 13.5	19.7%	$ 300.5	$ 282.3	$ 18.2	6.4%
Content Per Vehicle [3]	$ 6.75	$ 5.94	$ 0.81	13.6%	$ 6.70	$ 6.36	$ 0.34	5.3%

North American automotive sales for Q4 2015 increased 20.8% from Q4 2014 in a market that saw an increase of 2.1% in production volumes for the same period. As a result, content per vehicle in Q4 2015 increased 18.4% from $131.01 to $155.08. The increase in content per vehicle was a result of increases on launching programs and added sales from the acquisition of the forging businesses.

European automotive sales for Q4 2015 increased 91.2% from Q4 2014 in a market that saw an increase of 4.7% in production volumes for the same period. As a result, content per vehicle in Q4 2015 increased 82.6% from $21.92 to $40.02. The increase in content per vehicle was a result of increases on launching programs and added sales from the acquisition of the forging businesses.

Asia Pacific automotive sales for Q4 2015 increased 19.7% from Q4 2014 in a market that saw an increase of 5.5% in production volumes for the same period. As a result, content per vehicle in Q4 2015 increased 13.6% from $5.94 to $6.75. The increase in content per vehicle was a result of increases on launching programs, added sales from the acquisition of the forging businesses and an increase in production volumes from OEM's that the company has significant business with.

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[1] Automotive Sales are measured as the amount of the Company's automotive sales dollars per vehicle, not including tooling sales. CPV does not have a standardized meaning and therefore is unlikely to be comparable to similar measures presented by other issuers. CPV is an indicator of the Company's market share for the automotive markets that it operates in.

[2] Vehicle production units are derived from industry sources and are shown in millions of units. North American vehicle production units used by the Company for the determination of the Company's CPV include medium and heavy truck volumes. European and Asia Pacific vehicle production units exclude medium and heavy trucks and the off-road (heavy equipment) market. All vehicle production volume information is as regularly reported by industry sources. Industry sources release vehicle production volume estimates based on the latest information from the Automotive Manufacturers and update these estimates as more accurate information is obtained. The Company will, on a quarterly basis, update CPV for the current fiscal year in its MD&A as these volume estimates are revised by the industry sources. The CPV figures in this MD&A reflect the volume estimates that were published closest to the quarter end date by the industry sources. These updates to vehicle production units have no effect on the Company's financial statements for those periods.

[3] Industry sources released updated vehicle production volume estimates by geographic region for 2014 during Q1 2015, which impacted the allocation of automotive sales to the North America and Asia Pacific regions. The impact of this restatement has been reflected in the analysis above.

RESULTS OF OPERATIONS

Gross Margin

(in millions of dollars)	Three Months Ended December 31 2015	Three Months Ended December 31 2014	Twelve Months Ended December 31 2015	Twelve Months Ended December 31 2014
Sales	$ 1,243.0	$ 1,003.0	$ 5,162.4	$ 4,171.6
Cost of sales before amortization	976.3	789.0	4,037.8	3,267.8
Amortization	69.2	61.6	271.9	239.4
Cost of Sales	1,045.5	850.6	4,309.7	3,507.2
Gross Margin	$ 197.5	$ 152.4	$ 852.7	$ 664.4
Gross Margin Percentage	15.9%	15.2%	16.5%	15.9%

Gross margin percentage increased to 15.9% in Q4 2015 from 15.2% in Q4 2014. Cost of sales before amortization as a percentage of sales decreased in Q4 2015 to 78.5% compared to 78.7% for the same quarter of last year.

The improved gross margin between Q4 2015 and Q4 2014 is a result of the items discussed earlier in this analysis such as:

- higher margins resulting from favourable changes in foreign exchange rates;
- improved margins as production volumes increased on launching programs in the Powertrain/Driveline segment;
- earnings related to the acquisition of the forging businesses in Europe in Q1 2015; and
- increased volumes in the Industrial segment as described above.

Q4 2015 amortization increased to $69.2 million from $61.6 million in Q4 2014 due to the acquisition of the forging businesses and the significant number of programs that have been launching over the past year. Amortization as a percentage of sales decreased to 5.6% of sales as compared to 6.1% in Q4 2014, which reflects the improved utilization of fixed assets.

2015 gross margin increased to 16.5% from 15.9% in 2014. The increase in the annual gross margin was a result of the same factors that impacted Q4 2015.

Selling, General and Administration

(in millions of dollars)	Three Months Ended December 31 2015	Three Months Ended December 31 2014	Twelve Months Ended December 31 2015	Twelve Months Ended December 31 2014
Selling, general and administrative	$ 72.4	$ 54.2	$ 266.0	$ 218.5
SG&A Percentage	5.8%	5.4%	5.2%	5.2%

Selling, general and administrative ("SG&A") costs increased to $72.4 million from $54.2 million in Q4 2014, and increased as a percentage of sales to 5.8% from 5.4% when compared to Q4 2014. Included in SG&A costs for the quarter were the following impacts:

- increased management and sales costs supporting growth;
- additional costs from acquired and expanded facilities; and
- costs associated with the acquisition of Montupet S.A.

On an annual basis, SG&A costs as a percentage of sales remained at 5.2% reflecting a similar pattern of higher dollar costs due to investments made to support launches, future growth and new facilities.

Finance Expense and Income Taxes

	Three Months Ended December 31		Twelve Months Ended December 31	
	2015	2014	2015	2014
(in millions of dollars)	$	$	$	$
Operating Earnings (Loss)	131.4	101.1	597.0	447.4
Finance Expenses	2.8	4.8	16.2	21.5
Provision for (Recovery of) Income Taxes	33.3	24.5	144.1	105.3
Earnings (Loss) from Continuing Operations	95.3	71.8	436.7	320.6
Net Earnings (Loss)	95.3	71.8	436.7	320.6

Finance Expenses

Finance expenses decreased $2.0 million during Q4 2015 from Q4 2014 to $2.8 million due to:

- higher interest earned on the higher levels of financed long-term receivables; partially offset by
- interest expense incurred in Europe as a result of the acquisition of the forging businesses in early Q1 2015.

In 2015, finance expenses decreased $5.3 million from 2014 to $16.2 million due to:

- higher interest earned on the higher levels of financed long-term receivables;
- reduced borrowing rates as a result of the maturity of the United States ("U.S.") $40 million Private Placement Notes on October 15, 2014 ("2014 Notes");
- lower borrowing rates on the revolving credit facility in 2015 versus 2014; partially offset by
- higher borrowing levels, and resulting interest expense, on the revolving credit facility in 2015 versus 2014 due to the acquisition of the forging businesses in Q1 2015.

The consolidated effective interest rate was 4.2% in both Q4 2015 and Q4 2014 (4.1% in 2015 versus 4.5% in 2014). The effective interest rate was lower in 2015 versus 2014 due to lower borrowing rates and the expiration of the 2014 Notes on October 15, 2014.

Provision for Income Taxes

The effective tax rate for Q4 2015 was 25.9%, a slight increase from the 25.5% rate in the same quarter of 2014. The effective tax rate in Q4 2015:

- increased over Q4 2014 based on downward adjustments booked in Q4 2014 to reduce the valuation allowance in Mexico and adjust tax reserves in the U.S. and Europe; primarily offset by
- a decrease due to a more favourable mix of foreign tax rates in Q4 2015 compared to Q4 2014; and
- a decrease based on downward adjustments recognized in the current quarter, in relation to the current tax of prior years.

The effective tax rate for 2015 was 24.8%, relatively unchanged from the 24.7% rate in 2014. The factors above that impacted the quarter had a similar impact for the year.

TOTAL EQUITY

Book value per share[1] increased to $34.66 per share at December 31, 2015 as compared to $25.67 per share at December 31, 2014.

During the year no options expired unexercised, 5,273 options were forfeited and 91,216 options were exercised.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, of which 65,174,826 common shares were outstanding as of March 9, 2016. The Company's common shares constitute its only class of voting securities. As of March 9, 2016, there were 1,578,545 options to acquire common shares outstanding and 4,350,000 options still available to be granted under the Company's share option plan.

[1] For more information refer to the "Non-GAAP and Additional GAAP Measures" section of this MD&A.

SELECTED FINANCIAL INFORMATION

Three Year Data

The following table sets out selected financial data relating to the Company's years ended December 31, 2015, 2014 and 2013. This financial data should be read in conjunction with the Company's consolidated financial statements for these years:

(in millions of dollars, except per share figures)	2015 $	2014 $	2013 $
Sales	5,162.4	4,171.6	3,595.5
Earnings (Loss) from Continuing Operations	436.7	320.6	229.8
Net Earnings (Loss)	436.7	320.6	229.8
Unusual Items	-	-	(13.7)
Net Earnings (Loss) - Adjusted	436.7	320.6	216.1
Total Assets	3,799.9	2,948.4	2,629.1
Total Long-term Liabilities	615.1	509.6	567.2
Cash Dividends declared per share	0.40	0.40	0.32
Earnings Per Share From Continuing Operations:			
Basic	6.71	4.95	3.55
Diluted	6.63	4.90	3.52
Earnings Per Share From Net Earnings:			
Basic	6.71	4.95	3.55
Diluted	6.63	4.90	3.52

The unusual items in the above table related to 2013 consisted of the following items:

1) In 2013, a customer program ended prematurely and an appropriate settlement for the sale of certain capital assets back to the customer and recovery of certain start-up costs previously incurred was negotiated. As a result, the company recorded a recovery of $6.3 million related to start-up costs previously incurred on the program.

2) During the fourth quarter of 2013, Linamar acquired certain assets from Muhr und Bender KG and Mubea Motorkomponenten GmbH ("MMKG") for MMKG's business of manufacturing and distributing assembled camshafts, in Germany, which resulted in a bargain purchase gain that was recognized during the quarter. The purchase price allocation method used for accounting determined that the fair value of assets were in excess of the purchase price. This difference is considered to be a bargain purchase gain which is required to be reported in the income statement under IFRS.

Summary of Quarterly Results

The following table sets forth unaudited information for each of the eight quarters ended March 31, 2014 through December 31, 2015. This information has been derived from the Company's unaudited consolidated interim 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 the financial position and results of operations for those periods.

(in millions of dollars, except per share figures)	Dec 31 2015 $	Sep 30 2015 $	Jun 30 2015 $	Mar 31 2015 $	Dec 31 2014 $	Sep 30 2014 $	Jun 30 2014 $	Mar 31 2014 $
Sales	1,243.0	1,273.9	1,368.1	1,277.5	1,003.0	1,020.7	1,105.1	1,042.7
Earnings (Loss) from Continuing Operations	95.3	107.6	120.1	113.7	71.8	79.4	89.7	79.7
Net Earnings (Loss)	95.3	107.6	120.1	113.7	71.8	79.4	89.7	79.7
Earnings (Loss) per Share from Continuing Operations:								
Basic	1.46	1.65	1.84	1.75	1.11	1.23	1.38	1.23
Diluted	1.45	1.64	1.83	1.73	1.09	1.21	1.37	1.22
Net Earnings (Loss) per Share:								
Basic	1.46	1.65	1.84	1.75	1.11	1.23	1.38	1.23
Diluted	1.45	1.64	1.83	1.73	1.09	1.21	1.37	1.22

The quarterly results of the Company are impacted by the seasonality of certain operational units. Earnings in the second quarter are generally positively impacted by the high selling season for the aerial work platform, other industrial and agricultural businesses. The third and fourth quarters are generally negatively impacted by the scheduled shutdowns at automotive customers and seasonal slowdowns in

the aerial work platform and agricultural businesses. The Company takes advantage of shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Three Months Ended December 31		Twelve Months Ended December 31	
	2015	2014	2015	2014
(in millions of dollars)	$	$	$	$
Cash generated from (used in):				
Operating Activities	266.2	197.8	691.9	546.5
Financing Activities	(38.0)	(51.3)	(130.7)	(193.0)
Investing Activities	(100.9)	(69.0)	(446.1)	(295.4)
Effect of Translation Adjustment	7.6	1.4	29.9	6.2
Net Increase/(Decrease) in Cash Position	134.9	78.9	145.0	64.3
Cash and Cash Equivalents – Beginning of Period	204.2	115.2	194.1	129.8
Cash and Cash Equivalents – End of Period	339.1	194.1	339.1	194.1
Comprised of:				
Cash on hand	319.8	188.1	319.8	188.1
Short-term deposits	29.9	15.0	29.9	15.0
Unpresented Cheques	(10.6)	(9.0)	(10.6)	(9.0)
	339.1	194.1	339.1	194.1

The Company's cash and cash equivalents (net of unpresented cheques) at December 31, 2015 were $339.1 million, an increase of $145.0 million compared to December 31, 2014.

Cash generated from operating activities was $266.2 million, an increase of $68.4 million from Q4 2014 due to an increase in net earnings over Q4 2014 and additional cash provided by a reduction in non-cash working capital as compared to Q4 2014. Cash generated from operating activities in 2015 was $691.9 million, $145.4 million more than was provided in 2014, primarily due to an increase in net earnings over 2014.

During the quarter, financing activities used $38.0 million due to repayments on short-term and long-term debt. Financing activities used $130.7 million in 2015 due to repayments on short-term debt, long-term debt and higher levels of financed long-term receivables as compared to 2014.

Investing activities used $100.9 million in Q4 2015 mainly for the purchase of property, plant and equipment. Investing activities used $446.1 million in 2015 mainly for the purchase of property, plant and equipment, and the acquisition of the forging businesses in Europe.

Operating Activities

	Three Months Ended December 31		Twelve Months Ended December 31	
	2015	2014	2015	2014
(in millions of dollars)	$	$	$	$
Net earnings (loss) for the period	95.3	71.8	436.7	320.6
Adjustments to earnings	77.9	59.5	295.4	263.9
	173.2	131.3	732.1	584.5
Changes in non-cash working capital	93.0	66.5	(40.2)	(38.0)
Cash generated from (used in) operating activities	266.2	197.8	691.9	546.5

Cash generated from operations before the effect of changes in non-cash working capital increased $41.9 million in Q4 2015 to $173.2 million, compared to $131.3 million in Q4 2014. The annual cash generated from operations before the effect of changes in non-cash working capital increased $147.6 million to $732.1 million from $584.5 million in 2014.

Non-cash working capital for Q4 2015 decreased $93.0 million, compared to a decrease of $66.5 million in Q4 2014, primarily due to decreases in accounts receivable. The change in non-cash working capital remained relatively consistent in 2015 compared to 2014.

Financing Activities

(in millions of dollars)	Three Months Ended December 31 2015 $	2014 $	Twelve Months Ended December 31 2015 $	2014 $
Net (repayments of)/proceeds from short term bank borrowings	(16.7)	-	(16.3)	-
Net (repayments of)/proceeds from long-term debt	(22.6)	(46.0)	(29.9)	(154.2)
Proceeds from government long-term debt	1.4	2.8	13.5	16.8
Proceeds from exercise of stock options	0.8	4.5	1.3	4.9
(Increase) decrease in long-term receivables	2.7	(4.8)	(58.9)	(15.7)
Dividends to shareholders	(6.5)	(6.5)	(26.0)	(25.9)
Interest received (paid)	2.9	(1.3)	(14.4)	(18.9)
Cash generated from (used in) financing activities	(38.0)	(51.3)	(130.7)	(193.0)

Financing activities for Q4 2015 used $38.0 million of cash compared to $51.3 million used in Q4 2014. Financing activities in 2015 used $130.7 million of cash compared to $193.0 million used in 2014.

Investing Activities

(in millions of dollars)	Three Months Ended December 31 2015 $	2014 $	Twelve Months Ended December 31 2015 $	2014 $
Payments for purchase of property, plant and equipment	(99.8)	(67.4)	(341.6)	(263.5)
Proceeds from disposal of property, plant and equipment	0.3	0.7	7.7	22.8
Payments for purchase of intangible assets	(1.4)	(1.4)	(3.2)	(6.3)
Business acquisitions	-	(0.9)	(109.0)	(48.4)
Cash generated from (used in) investing activities	(100.9)	(69.0)	(446.1)	(295.4)

Cash spent on investing activities for Q4 2015 was $100.9 million, up from Q4 2014 levels of $69.0 million due to the purchase of property, plant and equipment. Cash spent on investing activities in 2015 was $446.1 million, an increase of $150.7 million from 2014 levels of $295.4 million primarily due to the acquisition of the European forging businesses and due to the purchase of property, plant and equipment as a result of the continued ramp up of programs that are currently being launched.

Capital Resources

The Company's financial condition remains solid given its strong balance sheet, which can be attributed to the Company's low cost structure, reasonable level of debt, prospects for growth and significant new program launches. Management expects that all future capital expenditures will be financed by cash flow from operations or utilization of existing financing facilities.

At December 31, 2015, cash on hand was $319.8 million, and the Company's credit facility had available credit of $586.1 million.

In January 2016, the Company amended and restated the credit facility in connection with the acquisition of Montupet S.A. The amended and restated credit facilities include a non-revolving term credit facility in the aggregate principal amount of up to $600 million and the continuation and increase of the previously existing revolving credit facility to the aggregate principal amount of up to $950 million. Both the new term and revolving facilities expire in 2021 and are under terms and conditions largely consistent with Linamar's previous existing credit facility. The amended and restated credit facilities provide for Euro drawings. The Euro denominated debt used to purchase the net assets of Montupet S.A. will be designated as a net investment hedge. Please see Notes 17 and 30 of the Company's consolidated financial statements for the year ended December 31, 2015.

Commitments and Contingencies

The following table summarizes contractual obligations by category and the associated payments for the next five years:

(in millions of dollars)	Total $	Not later than 1 year $	Later than 1 year and not later than 5 years $	Later than 5 years $
Long-Term Debt Principal, excluding Capital Leases	518.6	1.8	302.9	213.9
Capital Lease Obligations[1]	29.6	9.0	18.1	2.5
Operating Leases	27.2	10.5	13.8	2.9
Purchase Obligations[2]	105.1	105.1	-	-
Total Contractual Obligations	680.5	126.4	334.8	219.3

The Company occasionally provides guarantees to third parties who, in turn, provide financing to credit worthy Linamar customers under finance leases for certain industrial access products as discussed in Note 8 of the Company's consolidated financial statements for the year ended December 31, 2015. In addition, the Company has provided limited guarantees within the purchase agreements of derecognized receivables as discussed in Notes 9 and 32 of the Company's consolidated financial statements for the year ended December 31, 2015.

From time to time, the Company may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. These claims are described in Note 16 of the Company's consolidated financial statements for the year ended December 31, 2015.

Foreign Currency Activities

The Company pursues a strategy of balancing its foreign currency cash flows, to the largest extent possible, in each region in which it operates. The Company's foreign currency outflows for the purchases of materials and capital equipment denominated in foreign currencies are naturally hedged when contracts to sell products are denominated in those same foreign currencies. To manage the residual exposure, the Company employs hedging programs, where rate-appropriate, through the use of forward exchange contracts. The contracts are purchased based on the projected net foreign cash flows from operations.

The amount and timing of forward contracts is dependent upon a number of factors, including anticipated production delivery schedules, anticipated customer payment dates, anticipated foreign currency costs, and expectations with respect to future foreign exchange rates. The Company 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 relationship banks in our credit facility. Despite these measures, significant long-term movements in relative currency values could affect the Company's results of operations. The Company does not currently hedge the business activities of its 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, British pound, Hungarian forint, Mexican peso, Chinese renminbi, Japanese yen, Australian dollar, South Korean won, Swedish krona, Brazilian real and Indian rupee.

The Company is committed to long-dated forward contracts to buy U.S. dollars to hedge the changes in exchange rates on the principal portion of the U.S. $130 million Private Placement Notes due 2017 ("2017 Notes") that were placed during 2010 and the U.S. $130 million Private Placement Notes due 2021 ("2021 Notes") that were placed during 2011. These forward exchange contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings with reclassifications to net earnings for the effective portion to match the net earnings impact of the principal portion.

The Company is committed to a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments related to the 2017 Notes and the 2021 Notes. These forward exchange contracts qualify as cash flow hedges for accounting purposes and any fair value unrealized gains and losses are included in other comprehensive earnings with reclassifications to net earnings for the effective portion to match the net earnings impact of the coupon portion.

The Company was committed to long-dated forward contracts to buy U.S. dollars to hedge the changes in exchange rates on the principal portion of the 2014 Notes that were placed during 2004. These forward exchange contracts qualified as fair value hedges for accounting purposes and any fair value unrealized gains and losses were included in net earnings. These forward contracts expired on October 15, 2014, with the maturity of the 2014 Notes on the same date.

[1] Capital Lease Obligations includes the interest component in accordance with the definition of minimum lease payments under IFRS.
[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.

For a summary of the Company's forward contracts and risks related to the Company's financial instruments please see Note 6 and 32, respectively, of the Company's consolidated financial statements for the year ended December 31, 2015.

Off Balance Sheet Arrangements

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 11 years, and the majority of lease arrangements are renewable at the end of the lease period at market rates. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 6 years and require notice for termination of the agreements. The Company expects that existing leases will either be renewed or replaced, or alternatively, capital expenditures will be incurred to acquire equivalent capacity.

For a summary of these lease commitments please see Note 27 of the Company's consolidated financial statements for the year ended December 31, 2015.

TRANSACTIONS WITH RELATED PARTIES

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements in the aggregate amount of $19.0 million at December 31, 2015 ($6.8 million at December 31, 2014) paid to a company owned by the spouse of an officer and director. Included in the cost of sales is maintenance costs and rent of $2.3 million for 2015 ($1.0 million for 2014) 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 the same company at December 31, 2015 were $3.5 million ($2.4 million as at December 31, 2014).

The Company has designed an independent process to ensure all related party transactions are transacted at estimated fair value.

CURRENT AND PROPOSED TRANSACTIONS

Seissenschmidt AG

On January 15, 2015, the Company completed its acquisition of 100% of the shares of Seissenschmidt AG ("Seissenschmidt"). Seissenschmidt is in the business of high volume hot forgings and has three primary locations in Germany, Hungary and the United States. The Company pursued this acquisition because of the fit with its strategy of offering integrated metal forming/machined solutions to its customers in certain targeted products such as gears. The acquisition will supplement the Company's core powertrain business, leverage its business in driveline, gear based products and enable the Company to address the market trends in light weighting and Noise, Vibration and Harshness design for products like gears, differentials, wheel bearings, hubs and sprockets with high speed forging processes.

The purchase price of the net identifiable assets acquired amounted to $109.0 million.

GF Linamar LLC

On July 16, 2015, Linamar and GF Automotive, a leading manufacturer of light-weight cast components and systems for automotive and industrial applications, agreed to cooperate in North America, Europe, and Asia to provide integrated casting and machining solutions to automotive, industrial, and commercial customers. Together, the parties will utilize combined resources and capabilities to provide light-weight best-in-class solutions for large powertrain, driveline and structural components.

Within their Global Partnership, Linamar and GF Automotive have agreed to build a new jointly owned light metal foundry in the southeastern United States. The new jointly-owned entity, named GF Linamar LLC, will provide light metal high-pressure die castings for powertrain, driveline and structural components to the NAFTA market. The foundry is scheduled to begin production mid-2017. In addition, Linamar plans to offer machining services on site to provide optimal integrated cast and machined solutions at the best value, design and quality to our customers.

Montupet S.A.

On October 15, 2015, the Company announced its intention to file a Tender Offer for 100% of the outstanding shares and voting rights of Montupet S.A. ("Montupet"). The filing of the Tender Offer with the Autorité des Marchés Financiers ("AMF"), the French Regulatory Authority, opened to the public in early December 2015 and closed January 21, 2016 (the "First Offer") and pursuant to article 232-4 of the AMF General Regulations, the Offer was reopened and closed on February 11, 2016 (the "Second Offer"). After the Second Offer, the Company owned 96.85% of the then outstanding shares and purchased the remaining shares to reach 100% for a purchase price of $1,187.3 million at February 25, 2016. Montupet is a global leader in the design and manufacture of complex aluminum castings for the

global automotive industry with sales and production facilities diversified across several European countries, North America and Asia. Please see Note 17 and 30 of the Company's consolidated financial statements for the year ended December 31, 2015 for more information.

RISK MANAGEMENT

The following risk factors, as well as the other information contained in this MD&A, and the Company's Annual Information Form for the year ended December 31, 2015 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements related to the Company.

Competition, Outsourcing and Insourcing

The Company faces numerous sources of competition, including its OEM customers and their affiliated parts manufacturers, other direct competitors and product alternatives. In many product areas, the primary competition comes from in-house divisions of the OEMs.

As the Company's customers have faced increased cost pressures, some have decided to "outsource" some of their requirements. This outsourcing has continued to represent an additional source of new business for the Company. However, because of various factors affecting the OEMs, such as the level of consumer spending on automobiles, labour contracts, and other economic factors, the OEMs are constantly facing volume changes and decisions on whether to outsource work or not; such changes and decisions are reflected in the Company's results through reduced volume on some existing programs and the ability to bid on, and receive, new business.

Other competition in metal machining and assembly work comes from high precision machining companies which typically have several manufacturing locations and substantial capital resources to invest in equipment for high volume, high precision, and long-term contracts. Several of these companies are heavily involved in the automotive industry and are suppliers to major OEMs.

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

Sources and Availability of Raw Materials

The primary raw materials utilized by the precision machining operations are iron and aluminum castings and forgings, which are readily obtained from a variety of suppliers globally that support the Company's operations. The Company is not dependent on any one supplier. A disruption in the supply of components could cause the temporary shut-down and a prolonged supply disruption, including the inability to re-source or in-source production of a critical component, could have a material adverse effect on the Company's business.

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

Labour Markets and Dependence on Key Personnel

For the development and production of products, the ability for the Company to compete successfully will depend on its ability to acquire and retain competent trades people, management, and product development staff that allow the Company to quickly adapt to technological change and advances in processes. Loss of certain members of the executive team or key technical leaders of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Competition for personnel throughout the industry is intense. The Company may be unable to retain its key employees or attract, assimilate, train or retain other necessary qualified employees, which may restrict its growth potential.

Dependence on Certain Customers

The Company's Powertrain/Driveline segment has a limited number of customers that individually account for more than 10% of its consolidated revenues or receivables at any given time. The global precision machining industry is characterized by a large number of

manufacturers. As a result, manufacturers such as the Company tend to have a relatively small share of the markets they serve. Nonetheless, the Company believes that it is currently the sole supplier being used by its customers worldwide for products that represent more than half of the Company's consolidated sales.

Typically, sales are similarly concentrated for the Industrial segment as product distribution is largely through major rental companies. Through its Skyjack subsidiary, the Company engages in the production and sale of aerial work platforms and telehandlers. There is a relatively defined sales cycle in this industry segment, as it is closely related to, and affected by, product life cycle and the construction sector. Therefore, the risks and fluctuations in the construction industry in the countries that Skyjack operates in also affect Skyjack's sales.

Any disruption in the Company's relationships with these major customers or any decrease in revenue from these major customers, as a consequence of current or future conditions or events in the economy or markets in general or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

Technological Change and Product Launches

The automotive and non-automotive precision machining industry may encounter technological change, new product introductions, product abandonment, and evolving industry requirements and standards. Accordingly, the Company believes that its future success depends on its ability to launch new programs as well as enhance or develop current and future products at competitive prices and in a timely manner. The Company's inability, given technological or other reasons, to enhance, develop, or launch products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. In addition, there can be no assurance that products or technologies developed by other companies will not render the Company's products uncompetitive or obsolete.

Foreign Currency Risk

Although the Company's financial results are reported in Canadian dollars, a significant portion of the Company's revenues and operating costs are realized in other currencies. Fluctuations in the exchange rates between these currencies may affect the Company's results of operations.

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 to foreign currency risk, if material, the Company will employ hedging programs as appropriate. The Company uses forecasted future cash flows of foreign currencies to determine the residual foreign exchange exposure. The purpose of the Company's foreign currency hedging activities is to minimize the effect of exchange rate fluctuations on business decisions and the resulting uncertainty on future financial results. From time to time the Company will incur foreign denominated debt to finance the acquisition of foreign operations. In these cases the Company may elect to designate the foreign denominated debt as a net investment hedge of the foreign operation.

Cost Absorption and Production Orders

Through its Powertrain/Driveline businesses, the Company principally engages in machining and assembly for the automotive industry, which generally involves long-run processes for long-term contracts. Long-term contracts support the long-term sales of the Company but these contracts do not guarantee production volumes and as such the volumes produced by the Company could be significantly different than the volume capacity for which the contract was awarded.

Contracts for customer programs not yet in production generally provide for the supply of components for a customer's future production levels. Actual production volumes may vary significantly from these estimates. These contracts can be terminated by a customer at any time and, if terminated, could result in the Company incurring pre-production, engineering and other various costs which may not be recoverable from the customer.

Long term supply agreements may also include mutually agreed price reductions over the life of the agreement. The Company attempts to offset price concessions and costs in a number of ways, including through negotiations with our customers, improved operating efficiencies and cost reduction efforts.

Acquisition and Expansion Risk

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

acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

Foreign Business Risk

The Company's operations in Europe, the America's, and Asia, are subject to general business risks that do not exist in Canada or the United States. The political climate and government policies are less stable and less predictable in certain of these countries. As well, certain countries do not currently have the same economic infrastructure as exists in Canada or the United States.

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

Expansion of the Company's operations in non-traditional markets is an important element of our strategy and, as a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable.

Cyclicality and Seasonality

The demand for the Company's products is cyclical and is driven by changing market conditions in which the Company's sells into. Current or future conditions or events in the economy or markets in general, or in the automotive (including medium/heavy duty trucks) and industrial industries in particular, could have a material adverse effect on the Company's business, financial condition, or results of operations.

Historically, earnings in the second quarter are positively impacted by the high selling season for both the access equipment and agricultural businesses. Vehicle production is typically at its lowest level during the months of July and August due to model changeovers by the OEMs and in December for maintenance shut-down periods. Since the Company's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level at this time. The Company takes advantage of summer and winter shutdowns for maintenance activities that would otherwise disrupt normal production schedules.

Capital and Liquidity Risk

The Company is engaged in a capital-intensive business and it has fewer financial resources than some of its principal competitors. There is no assurance that the Company will be able to obtain additional debt or equity financing that may be required to successfully achieve its strategic plans.

The Company's current credit facility, the 2017 Notes and the 2021 Notes require the Company to comply with certain financial covenants. There can be no assurance of the Company's ability to continue to comply with its financial covenants, to appropriately service its debt or to obtain continued commitments from debt providers or additional equity capital given current or future conditions or events in the economy or markets in general or in the Company's Powertrain/Driveline and Industrial segments in particular.

Legal Proceedings and Insurance Coverage

The Company may be threatened from time to time in the ordinary course of conducting its business with, or may be named as a defendant in, various legal and regulatory proceedings, including securities, environmental or occupational health and safety regulatory proceedings, as well as product liability claims, warranty or recall claims, or other consequential damages claims. A significant judgment against the Company, or the imposition of a significant fine or penalty as a result of a finding that the Company has failed to comply with laws or regulations, could have a material adverse effect on the Company.

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

Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivables. The Company's credit risk for cash and cash equivalents is reduced as balances are held with major financial institutions. A substantial portion of the Company's accounts receivables are with large customers in the automotive, truck and industrial sectors and are subject to

credit risks normal to those industries. The Company cannot ensure that its customers will not experience financial difficulties in the future and therefore the Company may not be able to collect all of its receivables.

Emission Standards

Recent changes in emission standards in the United States and in certain states, such as California, may affect the future sale of certain automotive products. Even though the Company continues to implement changes to certain products via specifications from customers, there can be no assurance that the Company will be able to keep pace with these changes. The introduction of the experimental fuel cell automobile by all major automotive manufacturers may affect the products and processes the Company employs, the effect of which is currently undetermined.

Tax Laws

The tax laws in Canada and abroad are continuously changing and no assurance can be given that Canadian federal or provincial tax laws or the tax laws in foreign jurisdictions will not be changed in a manner that adversely affects the Company. Over the past several years, many countries have reduced their tax rate in an effort to attract new business investment. There is no assurance that this trend will continue or that tax rates will remain unchanged. The Company currently has tax losses and credits in a number of countries and given unforeseen changes in tax laws, may not continue indefinitely. Also, the Company's expansion into emerging markets subjects the Company to new tax regimes that may change based on political or social conditions.

Securities Laws Compliance and Corporate Governance Standards

The securities laws in Canada and abroad may change at any time. The impact of these changes on the Company cannot be predicted.

Environmental Matters

The Company's manufacturing operations are subject to a wide range of environmental laws and regulations imposed by governmental authority in the jurisdictions in which the Company conducts business, including among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. Changes in laws and regulations, however, and the enforcement of such laws and regulations, are ongoing and may make environmental compliance, such as emissions control, site clean-ups and waste disposal, increasingly expensive. Senior management regularly assesses the work and costs required to address environmental matters, but is not able to predict the future costs (whether or not material) that may be incurred to meet environmental obligations. Senior management is not aware of any material environmental liability facing the Company at this time.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the Canadian Securities Administrators ("CSA") requires Chief Executive Officers ("CEOs") and Chief Financial Officers ("CFOs") to certify that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed and are effective in providing reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

As of December 31, 2015, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's management, inclusive of the CEO and the CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all error and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective in providing reasonable, not absolute assurance that the objectives of our disclosure control system have been met.

Internal Control over Financial Reporting

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable

assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

As of December 31, 2015, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the CEO and the CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the CEO and the CFO have concluded that, subject to the inherent limitations noted above, the Company's internal control over financial reporting is effective in providing reasonable, not absolute assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2015, which has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

Impairment of Non-Financial Assets

Management assesses goodwill and non-financial assets for impairment based on the accounting policies stated in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2015.

The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions. The recoverable amounts of CGU's have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of the length and extent of the current economic conditions that are impacting the overall global economy.

Current Income Taxes

The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be

implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Useful Lives of Depreciable Assets

Due to the significance of property, plant and equipment on the Company's statement of financial position, the Company considers the amortization policy relating to property, plant and equipment to be a "critical accounting estimate". The Company considers the expected useful life of the assets, expected residual value, and contract length when setting the amortization rates of its assets. Judgement is involved when establishing these estimates as such factors as technological innovation, maintenance programs, and relevant market information must be taken into consideration. The asset's residual values, useful lives and amortization methods are reviewed at the end of each reporting period and are adjusted if expectations differ from previous estimates. If circumstances impacting these assumptions and estimates change, the change in accounting estimates may represent a material impact to the consolidated financial statements.

RECENT ACCOUNTING CHANGES AND EFFECTIVE DATES

Refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2015 for information pertaining to accounting changes effective in 2015 and for information on issued accounting pronouncements that will be effective in future fiscal years.

NON-GAAP AND ADDITIONAL GAAP MEASURES

Non-GAAP Measures

The Company uses the following non-GAAP financial measures: net earnings (loss) – adjusted; net earnings (loss) per share – adjusted; and book value per share. The Company believes these non-GAAP financial measures provide useful information to both management and investors in assessing the financial performance and financial condition of the Company.

Certain expenses and income that must be recognized under GAAP are not necessarily reflective of the Company's underlying operational performance. For this reason, management uses certain non-GAAP financial measures to exclude the impact of these items when analyzing consolidated and segment underlying operational performance, on a consistent basis. The exclusion of certain items does not imply that they are non-recurring.

These non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and therefore they are unlikely to be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Net Earnings (Loss) – Adjusted

The Company believes net earnings (loss) – adjusted is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net earnings (loss) – adjusted is calculated as net earnings (loss) as presented in the Company's consolidated financial statements less any unusual items that are considered not to be indicative of underlying operational performance. See the "Overall Corporate Results" section of this MD&A for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of net earnings (loss) – adjusted to GAAP net earnings (loss).

Net Earnings (Loss) per Share – Adjusted

The Company believes net earnings (loss) per share – adjusted is useful in assessing the Company's underlying operational performance and in making decisions regarding the ongoing operations of the business. Net earnings (loss) per share – adjusted is calculated as net earnings (loss) - adjusted (as defined above) divided by the weighted average number of shares outstanding as at the period end date. See the "Overall Corporate Results" section of this MD&A for a description of the unusual items impacting the operational performance discussed in this MD&A and a reconciliation of net earnings (loss) per share – adjusted to GAAP net earnings (loss) per share.

Book Value per Share

This measure, as used by the chief operating decision makers and management, indicates the value of the Company based on the carrying value of the Company's net assets. Book value per share is calculated by the Company as total equity divided by shares outstanding at the end of the period.

(in millions of dollars except share and per share figures)	December 31 2015	December 31 2014
Total equity	$ 2,258.7	$ 1,670.6
Shares outstanding at the end of the period	65,173,426	65,082,210
Book value per share	$ 34.66	$ 25.67

Additional GAAP Measures

IFRS mandates certain minimum line items for financial statements and requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of an entity's financial position and performance. The Company presents the following additional GAAP measures in the Company's consolidated financial statements.

Operating Earnings

Operating earnings (loss) is calculated as net earnings (loss) before taxes and finance expenses, as presented on the Company's consolidated statements of earnings. This measure, along with other GAAP and non-GAAP measures are used by the chief operating decision makers and management to assess operating performance and the effective use and allocation of resources and to provide more meaningful comparisons of operating results.

SUMMARY OF CONTENT PER VEHICLE BY QUARTER

Estimates as of December 31, 2015	Three Months Ended				Year to Date			
	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015
North America								
Vehicle Production Units	4.40	4.67	4.50	4.44	4.40	9.07	13.57	18.01
Automotive Sales	$ 654.5	$ 688.7	$ 676.9	$ 688.1	$ 654.5	$ 1,343.2	$ 2,020.2	$ 2,708.3
Content Per Vehicle	$ 148.84	$ 147.40	$ 150.31	$ 155.08	$ 148.84	$ 148.10	$ 148.83	$ 150.37
Europe								
Vehicle Production Units	5.44	5.47	4.80	5.11	5.44	10.91	15.71	20.82
Automotive Sales	$ 208.5	$ 200.7	$ 208.2	$ 204.4	$ 208.5	$ 409.2	$ 617.4	$ 821.8
Content Per Vehicle	$ 38.32	$ 36.69	$ 43.35	$ 40.02	$ 38.32	$ 37.50	$ 39.29	$ 39.47
Asia Pacific								
Vehicle Production Units	11.61	10.96	10.11	12.17	11.61	22.57	32.68	44.85
Automotive Sales	$ 75.8	$ 75.1	$ 67.6	$ 82.1	$ 75.8	$ 150.8	$ 218.4	$ 300.5
Content Per Vehicle	$ 6.52	$ 6.85	$ 6.68	$ 6.75	$ 6.52	$ 6.68	$ 6.68	$ 6.70

Estimates as of September 30, 2015	Three Months Ended			Year to Date		
	Mar 31 2015	Jun 30 2015	Sep 30 2015	Mar 31 2015	Jun 30 2015	Sep 30 2015
North America						
Vehicle Production Units	4.39	4.68	4.51	4.39	9.07	13.59
Automotive Sales	$ 657.5	$ 693.0	$ 676.9	$ 657.5	$ 1,350.5	$ 2,027.4
Content Per Vehicle	$ 149.71	$ 147.98	$ 150.01	$ 149.71	$ 148.82	$ 149.21
Europe						
Vehicle Production Units	5.44	5.47	4.80	5.44	10.91	15.70
Automotive Sales	$ 206.5	$ 197.6	$ 208.2	$ 206.5	$ 404.1	$ 612.3
Content Per Vehicle	$ 37.94	$ 36.15	$ 43.43	$ 37.94	$ 37.04	$ 38.99
Asia Pacific						
Vehicle Production Units	11.61	10.96	10.35	11.61	22.57	32.92
Automotive Sales	$ 75.3	$ 74.0	$ 67.5	$ 75.3	$ 149.3	$ 216.8
Content Per Vehicle	$ 6.48	$ 6.76	$ 6.52	$ 6.48	$ 6.62	$ 6.59

Change in Estimates from Prior Quarter	Three Months Ended			Year to Date		
	Mar 31 2015 +/-	Jun 30 2015 +/-	Sep 30 2015 +/-	Mar 31 2015 +/-	Jun 30 2015 +/-	Sep 30 2015 +/-
North America						
Vehicle Production Units	0.01	(0.01)	(0.01)	0.01	-	(0.02)
Automotive Sales	$ (3.0)	$ (4.3)	$ -	$ (3.0)	$ (7.3)	$ (7.2)
Content Per Vehicle	$ (0.87)	$ (0.58)	$ 0.30	$ (0.87)	$ (0.72)	$ (0.38)
Europe						
Vehicle Production Units	-	-	-	-	-	0.01
Automotive Sales	$ 2.0	$ 3.1	$ -	$ 2.0	$ 5.1	$ 5.1
Content Per Vehicle	$ 0.38	$ 0.54	$ (0.08)	$ 0.38	$ 0.46	$ 0.30
Asia Pacific						
Vehicle Production Units	-	-	(0.24)	-	-	(0.24)
Automotive Sales	$ 0.5	$ 1.1	$ 0.1	$ 0.5	$ 1.5	$ 1.6
Content Per Vehicle	$ 0.04	$ 0.09	$ 0.16	$ 0.04	$ 0.06	$ 0.09

FORWARD LOOKING INFORMATION

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Linamar Corporation

December 31, 2015 and December 31, 2014
(in thousands of dollars)

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management of Linamar Corporation (the "Company") is responsible for the preparation of all information included in this annual report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, and necessarily include some amounts that are based on management's best estimates and judgements. Financial information included elsewhere is this annual report is consistent with that in the consolidated financial statements.

Management maintains a system of internal accounting controls to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that the assets are safeguarded from loss or unauthorized use.

The Company's external auditors, appointed by the shareholders, have prepared their report, which outlines the scope of their examination and expresses their opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for assuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Company.

The Audit Committee meets periodically with management and with the auditors to review and to discuss accounting policy, auditing and financial reporting matters. The Committee reports its findings to the Board of Directors for their consideration in reviewing and approving the consolidated financial statement for issuance to the shareholders.

Linda Hasenfratz
Chief Executive Officer

Dale Schneider
Chief Financial Officer

March 9, 2016

INDEPENDENT AUDITOR'S REPORT

March 9, 2016

Independent Auditor's Report

To the Shareholders of
Linamar Corporation

We have audited the accompanying consolidated financial statements of Linamar Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Linamar Corporation and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Waterloo, Ontario

LINAMAR CORPORATION
Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	December 31 2015 $	December 31 2014 $
ASSETS		
Cash and cash equivalents	339,079	194,052
Accounts and other receivables (Notes 7, 22)	790,534	626,504
Inventories (Note 10)	544,516	454,689
Income taxes recoverable (Note 11)	3,787	7,487
Current portion of long-term receivables (Note 8)	45,380	24,105
Current portion of derivative financial instruments (Note 6)	4,646	1,759
Other current assets	13,081	10,310
Total Current Assets	1,741,023	1,318,906
Long-term receivables (Note 8)	137,959	81,139
Property, plant and equipment (Note 12)	1,721,882	1,402,495
Deferred tax assets (Note 11)	54,447	59,773
Goodwill (Note 13)	29,807	24,077
Intangible assets (Note 14)	23,590	26,949
Derivative financial instruments (Note 6)	91,196	35,072
Total Assets	3,799,904	2,948,411
LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	843,577	706,475
Provisions (Note 16)	26,198	22,605
Income taxes payable (Note 11)	45,477	36,488
Current portion of long-term debt (Note 17)	10,839	2,620
Total Current Liabilities	926,091	768,188
Long-term debt (Note 17)	537,410	434,499
Deferred tax liabilities (Note 11)	77,736	75,072
Total Liabilities	1,541,237	1,277,759
EQUITY		
Capital stock (Note 18)	118,609	116,701
Retained earnings	1,890,473	1,479,848
Contributed surplus (Note 19)	21,094	19,187
Accumulated other comprehensive earnings (loss)	228,491	54,916
Total Equity	2,258,667	1,670,652
Total Liabilities and Equity	3,799,904	2,948,411

The accompanying Notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:

Frank Hasenfratz

Director

Linda Hasenfratz

Director

LINAMAR CORPORATION
Consolidated Statements of Earnings
For the years ended December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars, except per share figures)

	2015 $	2014 $
Sales	5,162,450	4,171,561
Cost of sales (Note 20)	4,309,732	3,507,177
Gross Margin	852,718	664,384
Selling, general and administrative (Note 20)	265,975	218,477
Other income and (expenses) (Note 24)	10,283	1,475
Operating Earnings (Loss)	597,026	447,382
Finance expenses (Note 25)	16,239	21,488
	580,787	425,894
Provision for (recovery of) income taxes (Note 11)	144,116	105,334
Net Earnings (Loss) for the Year	436,671	320,560
Net Earnings (Loss) per Share: (Note 26)		
Basic	6.71	4.95
Diluted	6.63	4.90

The accompanying Notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION
Consolidated Statements of Comprehensive Earnings
For the years ended December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars)

	2015 $	2014 $
Net Earnings (Loss) for the Year	436,671	320,560
Items that may be reclassified subsequently to net income		
Unrealized gains (losses) on translating financial statements of foreign operations	172,694	16,955
Change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	59,388	25,123
Tax impact of change in unrealized gains (losses) on derivative instruments designated as cash flow hedges	(15,020)	(6,296)
Reclassification to earnings of gains (losses) on cash flow hedges	(58,214)	(25,090)
Tax impact of reclassification to earnings of gains (losses) on cash flow hedges	14,727	6,288
Other Comprehensive Earnings (Loss)	173,575	16,980
Comprehensive Earnings (Loss) for the Year	610,246	337,540

The accompanying Notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars)

	Capital stock $	Retained earnings $	Contributed surplus $	Cumulative translation adjustment $	Hedging reserve $	Total Equity $
Balance at January 1, 2014	109,474	1,185,229	19,699	38,657	(721)	1,352,338
Net earnings (loss)	-	320,560	-	-	-	320,560
Other comprehensive earnings (loss)	-	-	-	16,955	25	16,980
Comprehensive Earnings (Loss)	-	320,560	-	16,955	25	337,540
Share-based compensation	-	-	1,827	-	-	1,827
Shares issued on exercise of options	7,227	-	(2,339)	-	-	4,888
Dividends	-	(25,941)	-	-	-	(25,941)
Balance at December 31, 2014	116,701	1,479,848	19,187	55,612	(696)	1,670,652
Net earnings (loss)	-	436,671	-	-	-	436,671
Other comprehensive earnings (loss)	-	-	-	172,694	881	173,575
Comprehensive Earnings (Loss)	-	436,671	-	172,694	881	610,246
Share-based compensation	-	-	2,473	-	-	2,473
Shares issued on exercise of options	1,908	-	(566)	-	-	1,342
Dividends	-	(26,046)	-	-	-	(26,046)
Balance at December 31, 2015	118,609	1,890,473	21,094	228,306	185	2,258,667

The accompanying Notes are an integral part of these consolidated financial statements.

LINAMAR CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and December 31, 2014
(in thousands of Canadian dollars)

	2015 $	2014 $
Cash generated from (used in)		
Operating Activities		
Net earnings (loss) for the year	436,671	320,560
Adjustments for:		
Amortization of property, plant and equipment	265,204	233,357
Amortization of other intangible assets	8,575	9,180
Deferred income taxes	8,509	1,451
Share-based compensation	2,473	1,827
Finance expense	16,239	21,488
Other	(5,573)	(3,369)
	732,098	584,494
Changes in non-cash working capital		
(Increase) decrease in accounts and other receivables	30,044	(15,675)
(Increase) decrease in inventories	(9,721)	(59,270)
(Increase) decrease in other current assets	(1,019)	(2,115)
Increase (decrease) in income taxes	8,584	282
Increase (decrease) in accounts payable and accrued liabilities	(63,827)	38,118
Increase (decrease) in provisions	(4,302)	712
	(40,241)	(37,948)
Cash generated from (used in) operations	691,857	546,546
Financing Activities		
Proceeds from (repayments of) short-term borrowings	(16,313)	-
Repayments of long-term debt	(29,864)	(154,242)
Proceeds from long-term debt	13,481	16,805
Proceeds from exercise of stock options	1,342	4,888
(Increase) decrease in long-term receivables	(58,868)	(15,719)
Dividends to shareholders	(26,046)	(25,941)
Interest received (paid)	(14,417)	(18,828)
Cash generated from (used in) financing activities	(130,685)	(193,037)
Investing Activities		
Payments for purchase of property, plant and equipment	(341,643)	(263,523)
Proceeds on disposal of property, plant and equipment	7,730	22,758
Payments for purchase of intangible assets	(3,147)	(6,318)
Business acquisitions, net of cash acquired	(109,021)	(48,392)
Cash generated from (used in) investing activities	(446,081)	(295,475)
	115,091	58,034
Effect of translation adjustment on cash	29,936	6,175
Increase (decrease) in cash and cash equivalents	145,027	64,209
Cash and cash equivalents - Beginning of Year	194,052	129,843
Cash and cash equivalents - End of Year	339,079	194,052
Comprised of:		
Cash on hand	319,844	188,088
Short-term deposits	29,845	14,952
Unpresented cheques	(10,610)	(8,988)
	339,079	194,052

The accompanying Notes are an integral part of these consolidated financial statements.

1 General Information

Linamar Corporation and its subsidiaries (together, the "Company") is a diversified global manufacturing company of highly engineered products. The Company is incorporated in Ontario, Canada with common shares listed on the Toronto Stock Exchange. The Company is domiciled in Canada and its registered office is 287 Speedvale Avenue West, Guelph, Ontario, Canada.

The annual consolidated financial statements of the Company for the year ended December 31, 2015 were authorized for issue in accordance with a resolution of the Company's Board of Directors on March 9, 2016.

2 Basis of Preparation

The Company has prepared its consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Issues Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting.

3 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Measurement

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

Basis of Consolidation

Subsidiaries are all entities over which the Company has control. All subsidiaries are wholly owned. These consolidated financial statements include the accounts of the Company and its subsidiaries. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and are deconsolidated from the date that control ceases. All significant inter-company transactions are eliminated on consolidation.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value (at the date of exchange) of the assets acquired, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the acquisition cost over the fair value of the net assets acquired and liabilities and contingent liabilities recognized, is recorded in assets as goodwill. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognized and estimated at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with the applicable standard either in net earnings or as a change to other comprehensive earnings. If the contingent consideration is classified as equity, it shall not be re-measured and shall be accounted for within equity.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers for the Company who are responsible for allocating resources and assessing performance of the operating segments have been identified as the senior executive group that makes strategic decisions.

Foreign Currency Translation

Functional and presentation currency

The Company's consolidated financial statements are presented in Canadian dollars ("dollars"), which is also the Company's functional currency. Each entity in the Company maintains its accounting records in its functional currency. An entity's functional currency is the currency of the principal economic environment in which it operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average exchange rate of the reporting period. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated at period end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign exchange gains and losses arising from borrowings are presented in the statement of earnings within finance expenses and all other foreign exchange gains and losses are presented within operating earnings except for those which relate to qualifying cash flow hedges or are attributable to part of the net investment in a foreign operation, which are presented in other comprehensive earnings within accumulated other comprehensive earnings until realized.

Foreign Operations

For the purposes of presenting consolidated financial statements, the results and financial position of all entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities are translated at the closing rate at the reporting period end date;
b) Income and expenses are translated at average exchange rates for the reporting period; and
c) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to equity. When a foreign operation is sold or there is a disposal involving a loss of control, exchange differences that were recorded in equity are recognized in the statement of earnings as part of the gain or loss on sale or disposal.

Financial Instruments

A financial instrument is any contract that at the same time gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized as soon as the Company becomes a contracting party to the financial instrument. Financial instruments stated as financial assets or financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held to maturity" investments, "available for sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities are classified "at fair value through profit or loss" or "other financial liabilities". Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Classification and fair value of financial instruments:

a) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, accounts and other receivables and long-term receivables in the statement of financial position. They are recorded at cost, which upon their initial measurement is equal to their fair value. The carrying amounts of accounts and other receivables approximate their fair values due to the relatively short periods to maturity. Subsequent measurements on long-term receivables are recorded at amortized cost using the effective interest method.

b) Other financial liabilities include short-term bank borrowings, accounts payable and accrued liabilities and long-term debt. They are recorded at cost, which upon their initial measurement is equal to their fair value. The carrying amounts of short-term bank borrowings and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity. Subsequent measurements of the long-term debt are recorded at amortized cost using the effective interest method. Debt issue and other transaction costs are netted against the carrying value of the long-term debt and are then amortized over the life of the debt using the effective interest rate method.
c) Cash flow hedges are derivative financial instruments measured at fair value at the end of each period with the gains or losses resulting from re-measurement recognized in other comprehensive earnings, with any ineffective portion recognized in net earnings.
d) Fair value hedges are derivative financial instruments measured at fair value at the end of each period with the gains or losses resulting from re-measurement recognized in net earnings together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Fair Value Measurement

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Level 1, 2 and 3 classifications utilized by the Company are defined as follows:

Level 1 - Fair values are determined using inputs from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Fair values are determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Derivative financial instruments are valued based on observable market data.

Level 3 - Fair values are determined based on inputs which are not based on observable market data.

The fair value hierarchy is used for all fair value measurement requirements. The Company recognizes transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Hedge Accounting

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company applies hedge accounting for certain foreign exchange forward contracts as cash flow hedges. The Company applies hedge accounting for its long-dated foreign exchange forwards as cash flow hedges. Amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the hedged transaction occurs. The fair values are determined based on observable market data.

The Company may designate certain portions of its foreign denominated long-term debt as a net investment hedge. Hedges of net investments are accounted for similarly to cash flow hedges with amounts accumulated in other comprehensive earnings. The amounts accumulated in other comprehensive earnings are reclassified to net earnings in the period in which the foreign operation is partially disposed of or sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in accumulated other comprehensive earnings at that time remains in accumulated other comprehensive earnings until the forecasted transaction is eventually recognized in net earnings. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in accumulated other comprehensive earnings is immediately transferred to net earnings.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and short-term deposits with the term to maturity at the date of purchase of three months or less.

Receivables
Receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowances for doubtful accounts. The allowance for bad debts is determined by taking into consideration the age of the receivables, the Company's prior experience with the customer including their ability to pay, and/or an assessment of the current economic conditions. Receivables and allowance for bad debts are written off when the balance is no longer considered to be collectible.

Sale of Receivables
The sale of receivables is recognized when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a borrowing for the proceeds received.

Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of finished goods and work-in-process is comprised of material costs, direct labour costs and other direct costs and related production overheads (based on normal operating capacity). Costs are allocated to inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses.

The amount of inventories recognized as an expense during the period is shown as costs of sales. Impairment losses for inventories are recorded when the net realizable value is lower than cost. The impairment losses may be reversed if the circumstances which caused them no longer exist.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost less accumulated amortization and impairment. Amortization of property, plant and equipment commences when they are ready for their intended use. Amortization is charged to earnings in amounts sufficient to depreciate the cost of property, plant and equipment over their estimated useful lives using the diminishing balance and straight-line methods as follows:

Land-use rights	Straight-line over the life of the contract
Buildings	5% diminishing balance
Machinery	Straight-line over 5 - 20 years or 15% - 20% diminishing balance
Office equipment	Straight-line over 2 - 3 years or 20% diminishing balance
Transportation equipment	10% - 30% diminishing balance
Tooling	Straight-line over 1 year

Where components of more substantial assets have differing useful lives, these are depreciated separately. Subsequent costs are capitalized in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The asset's residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Repair and maintenance costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

Intangibles

Intangible assets acquired through purchase are initially measured at cost. Intangible assets acquired through business combinations are initially measured at fair value at the date of acquisition. Amortization is charged to earnings in amounts sufficient to depreciate the cost of intangible assets over their estimated useful lives using the straight-line method or a unit of production basis as follows:

Trade names	Straight-line over 20 years
Customer relationships	Straight-line over 12 years
Technology	Straight-line over 10 years
Product development costs	Unit of production basis

The asset's residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortized but is reviewed for impairment annually, or more frequently when there is an indication of impairment.

Research and Development

Research costs are expensed as incurred. Where the criteria under IFRS are met, development costs are accounted for as intangible assets and capitalized and amortized. Investment tax credits related to research and development are credited against the related qualifying expense or against the carrying amount of the related asset.

Start-up Costs

All start-up costs, including pre-production and organization costs, are expensed as incurred.

Impairment of Non-Financial Assets

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU's") expected to benefit from the synergies of the combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the assets are grouped at the lowest level for which there are separately identifiable cash inflows and the Company estimates the recoverable amount at the CGU level. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of the fair value less costs of disposal or value in use. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the full impairment loss is charged against earnings and the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the unit on a pro-rata basis to the carrying amount of each asset in the unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in net earnings. Any impairment loss recognized for goodwill is not reversed in a subsequent period.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets are capitalized as part of the acquisition costs of the qualified asset. All other borrowing costs are recognized in net earnings.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Company as a lessee

The Company leases certain property, plant and equipment under both finance leases and operating leases.

Payments made under operating leases are charged to net earnings on a straight-line basis over the period of the lease.

Assets leased by the Company that qualify as finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments under finance leases are allocated between finance charges and a reduction of the outstanding lease obligation. Finance charges are recognized immediately in net earnings, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Company as a lessor

The Company leases certain industrial access products to customers under both finance leases and operating leases. Amounts due from lessees under operating lease arrangements are recognized as revenue over the course of the lease arrangement. Contingent rents are recognized as revenue in the period in which they are earned. Amounts due from lessees under finance lease arrangements are recognized as receivables at the amount of the Company's net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Company's net investment outstanding.

Government Grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all required conditions.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants relating to costs are deferred and recognized in net earnings over the period necessary to match them with the costs that they are intended to compensate. These government grants are presented as a reduction of the related expense. Government grants relating to property, plant and equipment are recognized as a reduction in the carrying amount of the related asset.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows. The increase in the provision due to passage of time is recognized as interest expense.

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring costs is recognized when the Company has a detailed formal plan for the restructuring and has notified the affected parties.

Pension Costs

The Company has various contributory and non-contributory defined contribution pension plans which cover most employees. The Company pays these contributions to a privately administered pension insurance plan after which the Company incurs no further payment obligations. The contributions are accrued and recognized as employee benefit expense when they are due.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable earnings for the reporting period. Taxable earnings differs from earnings as reported in the consolidated statement of earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in each jurisdiction that the Company operates in.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable earnings will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable earnings against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in net earnings, except when they relate to items that are recognized outside net earnings (whether in other comprehensive earnings or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business acquisition. In the case of a business acquisition, the tax effect is included in the accounting for the business acquisition.

Revenue Recognition

Revenue from the sale of products is recognized when the risks and rewards incidental to ownership are transferred. This generally corresponds to when goods are shipped to customers. Revenue from services is recognized when services are rendered.

Revenue from the sale of tooling is recognized once the tooling is substantially complete and the customer approves the initial production sample.

Engineering services are accounted for as a separate revenue element only in circumstances where the engineering has value to the customer on a standalone basis. Revenues from significant engineering services contracts that qualify as separate revenue elements are recognized on a percentage of completion basis. Percentage of completion is generally determined based on the proportion of accumulated expenditures to date as compared to total anticipated expenditures. If estimated costs to completion indicate a loss on the contract, the loss is recognized immediately.

Share-based Compensation

Under the Company's share-based compensation plan, the Company with the approval of the Board of Directors may grant equity-settled stock options and, if they so choose, tandem share appreciation rights ("SARs") to its key employees and directors.

The Company recognizes a compensation expense for stock options granted and measures the compensation expense at fair value calculated on the grant date using the Black-Scholes option pricing model. The expense is recognized on a graded-vesting basis in which the fair value of each tranche is recognized over its respective vesting period when all of the specified vesting conditions are satisfied.

Accumulated Other Comprehensive Earnings Reserves

Hedging reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge and net investment hedge relationships incurred as at the reporting date.

Cumulative translation adjustment

The cumulative translation adjustment reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

4 Changes in Accounting Policies

New Standards and Amendments Adopted

The following new standards and amendments became effective during the current fiscal year. The adoption of these new standards and amendments did not impact the Company's net earnings or financial position.

IAS 19 Employee Benefits

The IASB amended this standard for contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

The following standards have been amended to reflect Annual Improvements issued by the IASB:

IFRS 8 Operating Segments

The IASB amended this standard to require disclosure of the judgements made by management in aggregating operating segments along with the requirement to include a reconciliation of segment assets to the entity's assets when segment assets are reported.

IFRS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The IASB amended these standards to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 Related Party Disclosures

The IASB amended this standard to include, as a related party, an entity that provides key management personnel services to the reporting entity.

IFRS 3 Business Combinations

The IASB amended this standard to clarify the scope exemption for joint arrangements.

IAS 40 Investment Property
The IASB amended this standard to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

New Standards and Interpretations Not Yet Adopted

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards, amendments and interpretations may have been issued but are not expected to have a material impact on the Company's financial statements.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2016, the IASB amended these standards to clarify that the use of revenue-based depreciation and amortization methods is not appropriate and to provide a rebuttable presumption for intangible assets. The Company does not anticipate a significant impact to the financial statements related to these amendments.

The following standards have been amended to reflect Annual Improvements issued by the IASB:

IAS 19 Employee Benefits
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2016, the IASB amended this standard to clarify guidance on discount rates for post-employment benefit obligations. The Company does not anticipate a significant impact to the financial statements related to this amendment.

IAS 34 Interim Financial Reporting
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2016, the IASB amended this standard to clarify what is meant by 'information disclosed elsewhere in the interim financial report' and require a cross reference to the location of that information. The Company does not anticipate a significant impact to the financial statements related to this amendment.

IAS 1 Presentation of Financial Statements
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2016, the IASB amended this standard to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Company does not anticipate a significant impact to the financial statements related to these amendments.

IFRS 15 Revenue from Contracts with Customers
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the IASB issued this new standard to replace *IAS 18 Revenue* and *IAS 11 Construction Contracts.* The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Management is currently assessing the impact that this new standard will have on the financial statements of the Company.

IFRS 9 Financial Instruments
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the final version of IFRS 9 was issued in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model

being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of the entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. Management is currently assessing the impact that this new standard will have on the financial statements of the Company.

IFRS 16 Leases
Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2019, the IASB issued this new standard to replace *IAS 17 Leases.* The new standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognized in respect of all leases (subject to limited exceptions for short-term leases and lease of low value assets). Management is currently assessing the impact that this new standard will have on the financial statements of the Company.

5 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions or conditions. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities and most critical judgements in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

Impairment of Non-Financial Assets
The Company believes that the estimate of impairment for goodwill and non-financial assets is a "critical accounting estimate" because management is required to make significant forward looking assumptions. The recoverable amounts of CGU's have been determined based on the higher of fair value less costs of disposal or value in use calculations, which require the use of estimates. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes may affect the fair value of estimates used. No known trends, commitments, events or other uncertainties are currently believed to materially affect the assumptions used with the exception of the length and extent of the current economic conditions that are impacting the overall global economy.

Current Income Taxes
The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred Income Tax Assets and Liabilities
Deferred income tax assets and liabilities result from timing differences between the financial reporting and tax bases of assets and liabilities. Loss carry forwards also comprise a portion of the temporary differences and result in a deferred income tax asset. Deferred income tax assets are only recognized to the extent that management considers it probable that a deferred income tax asset will be realized. The assessment for the recognition of a deferred tax asset requires significant judgement. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Useful Lives of Depreciable Assets

Due to the significance of property, plant and equipment on the Company's statement of financial position, the Company considers the amortization policy relating to property, plant and equipment to be a "critical accounting estimate". The Company considers the expected useful life of the assets, expected residual value, and contract length when setting the amortization rates of its assets. Judgement is involved when establishing these estimates as such factors as technological innovation, maintenance programs, and relevant market information must be taken into consideration. The asset's residual values, useful lives and amortization methods are reviewed at the end of each reporting period and are adjusted if expectations differ from previous estimates. If circumstances impacting these assumptions and estimates change, the change in accounting estimates may represent a material impact to the consolidated financial statements.

6 Financial Instruments

The comparison of fair values to carrying amounts of financial assets and financial liabilities along with the fair value hierarchy for financial assets and financial liabilities carried at fair value on a recurring basis is as follows:

		December 31, 2015		December 31, 2014	
	Subsequent Measurement	Carrying Value Asset (Liability) $	Fair Value $	Carrying Value Asset (Liability) $	Fair Value $
Long-term receivables	Amortized cost (Level 2)	183,339	194,153	105,244	112,867
Derivative financial instruments					
US dollar interest payment forward contracts	Fair value (Level 2)	16,621	16,621	8,097	8,097
US dollar debt principal forward contracts	Fair value (Level 2)	79,221	79,221	28,734	28,734
Long-term debt	Amortized cost (Level 2)	(548,249)	(580,997)	(437,119)	(468,222)

The fair value of cash and cash equivalents, accounts and other receivables, short-term bank borrowings and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturities of these instruments. The fair value of the derivative financial instruments, long-term receivables and long-term debt are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. There were no transfers between Level 1 and Level 2 during the year.

Specific valuation techniques used to value financial instruments include:

a) Quoted market prices for similar instruments;
b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date;
c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Derivative Financial Instruments ("Derivatives")

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values related to the hedged item. Some of the derivatives used meet hedge effectiveness criteria and are designated in a hedge accounting relationship. There are controls in place to detect the holding or issuance of derivative financial instruments for trading or speculative purposes.

The summary of derivative financial instruments is as follows:

	Cash Flow Hedge (notional values in foreign currency) $	Amount of gain/(loss) recognized in other comprehensive earnings CAD$	Amount of gain/(loss) reclassified from other comprehensive earnings to earnings (effective portion) CAD$
(i) US dollar interest payment forward contracts	51,558 USD	7,414	-
(ii) US dollar debt principal forward contracts	260,000 USD	51,974	(58,214)
Year Ended December 31, 2015		59,388	(58,214)

	Cash Flow Hedge (notional values in foreign currency) $	Amount of gain/(loss) recognized in other comprehensive earnings $	Amount of gain/(loss) reclassified from other comprehensive earnings to earnings (effective portion) CAD$
(i) US dollar interest payment forward contracts	64,753 USD	4,160	-
(ii) US dollar debt principal forward contracts	260,000 USD	20,963	(25,090)
Year Ended December 31, 2014		25,123	(25,090)

Any gains or losses reclassified to earnings are recognized through finance expenses.

(i) US Dollar Interest Payment Forward Contracts

Cash Flow Hedges

In 2012, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2021. The forward exchange contracts have been designated as cash flow hedges for accounting purposes.

In 2011, the Company entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments on the USD $130 million of senior unsecured Notes due 2017. The forward exchange contracts have been designated as cash flow hedges for accounting purposes. Further terms of the forward exchange contracts are disclosed in Note 17.

(ii) US Dollar Debt Principal Forward Contracts

Cash Flow Hedges

In 2011, the Company completed the placement of USD $130 million of senior unsecured Notes due 2021. During the first quarter of 2012, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts have been designated as cash flow hedges for accounting purposes.

In 2010, the Company completed the placement of USD $130 million of senior unsecured Notes due 2017. During the first quarter of 2011, the Company entered into a long-dated forward exchange contract to lock in the exchange rate on the principal repayment component upon maturity of the Notes and to hedge the effective changes in exchange rates. The long-dated forward exchange contracts have been designated as cash flow hedges for accounting purposes.

Fair Value Hedges

The Company elected to apply hedge accounting to its long-dated foreign exchange forward contract on USD $40 million of senior unsecured Notes due 2014 which is accounted for as a fair value hedge. The hedge matured during 2014. The derivative designated as the hedging item was measured at fair value at the end of each period and the gains or losses resulting from this measurement were recognized in net earnings. To the extent that the hedge was effective, the gains or losses resulting from the measurement of the derivative designated as the hedging item offsets the hedged risk attributable to the hedged item. For the year ending December 31, 2014, the Company recognized an effective portion on the derivative designated as the hedging item of a gain of $7,586. The ineffective portion of the hedging item amounted to a loss of $55, net of $25 in related income taxes. There was no impact for the year ending December 31, 2015.

Further terms of the long-dated foreign exchange forward contracts are disclosed in Note 17.

7 Accounts and Other Receivables

	December 31 2015 $	December 31 2014 $
Accounts and other receivables	796,316	629,412
Less: allowance for doubtful accounts	5,782	2,908
Accounts and other receivables - net	**790,534**	**626,504**

8 Leases

(i) Finance Lease Receivables

The Company enters into finance lease arrangements for certain of its industrial access products. The average term of the lease arrangements is 3 to 5 years. There are no contingent rent arrangements related to these lease arrangements.

	Minimum lease payments receivable		Present value of minimum lease payments receivable	
	December 31 2015 $	December 31 2014 $	December 31 2015 $	December 31 2014 $
Not later than 1 year	49,221	27,242	43,395	22,577
Later than 1 year and not later than 5 years	134,310	68,845	120,892	61,297
Later than 5 years	5,119	7,510	4,517	7,306
	188,650	103,597	168,804	91,180
Less: unearned finance income	19,846	12,417	-	-
Present value of minimum lease payments receivable	168,804	91,180	168,804	91,180

The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount of the receivables. None of the finance lease receivables at December 31, 2015 or December 31, 2014 are either past due or considered impaired.

(ii) Operating Leases

The Company leases certain of its industrial access products to customers under non-cancellable operating lease arrangements. The lease terms are between 1 and 6 years, and the majority of lease arrangements include purchase options at market rates at the end of the lease period. In addition, some lease arrangements include a clause in which rental income earned by the Company is contingent on the customer renting the equipment. During the year ended December 31, 2015, contingent rental income earned was $120 ($549 for the year ended December 31, 2014).

Assets under operating leases included in inventory as of December 31, 2015 were $9,758 ($8,280 at December 31, 2014).

The future minimum lease payments receivable were as follows:

	December 31 2015 $	December 31 2014 $
Not later than 1 year	1,787	882
Later than 1 year and not later than 5 years	5,208	519
Later than 5 years	620	-
	7,615	1,401

9 Sale of Receivables

The Company sells a portion of its receivables through various purchase agreements. Under the agreements, the receivables are usually sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company receives no fee for administration of the collection of such receivables. The Company has derecognized the receivables as substantially all of the risks and rewards of ownership of the assets have been transferred. Although the receivables have been derecognized, the Company has provided limited guarantees within the purchase agreements in regards to the risk of default. At December 31, 2015, the maximum exposure to loss is $6,929 ($5,433 at December 31, 2014).

10 Inventories

	December 31 2015 $	December 31 2014 $
General stores	99,823	81,120
Raw materials	161,506	140,429
Work-in-process	135,196	91,683
Finished goods	147,991	141,457
	544,516	454,689

The cost of inventories recognized as an expense during the year ended December 31, 2015 was $3,843,772 (2014 - $3,113,691).

A provision for obsolescence for slow moving inventory items is estimated by management based on historical and expected future sales and is included in cost of goods sold. Lower of cost or net realizable value adjustments are made on a regular basis. In the year ended December 31, 2015 the Company recognized a charge to cost of goods sold for the write-down of slow moving and obsolete inventory, and adjustments to net realizable value aggregating $36,466 (2014 - $26,678). In the year ended December 31, 2015 the Company recognized a gain to cost of goods sold for reversal of inventory provisions with a value of $423 (2014 – $1,587). The inventory balance has been reduced by a provision of $57,759 as at December 31, 2015 ($44,135 as at December 31, 2014).

11 Income Taxes

(i) Income Tax Recognized in Net Earnings

	2015		2014	
	$	%	$	%
Earnings before taxes	580,787		425,894	
Combined basic Canadian Federal and Ontario Provincial income taxes, including manufacturing and processing reduction	145,197	25.00%	106,474	25.00%
Increase (decrease) in income taxes resulting from:				
Effect of expenses that are not deductible in determining taxable earnings	1,813	0.31%	1,827	0.43%
Effect of unused tax losses not recognized as deferred tax assets	5,794	1.00%	3,859	0.91%
Effect of previously unrecognized deferred tax assets and unrecognized unused tax losses	(146)	-0.03%	(5,222)	-1.23%
Effect of different tax rates of subsidiaries operating in other jurisdictions	(5,851)	-1.01%	(3,721)	-0.87%
Adjustments recognized in the current year in relation to the current tax of prior years	(2,715)	-0.46%	1,097	0.26%
Other	24	0.00%	1,020	0.23%
Income tax expense and effective income tax rate	144,116	24.81%	105,334	24.73%
Current tax	135,607		103,883	
Deferred tax	8,509		1,451	
Income tax expense	144,116		105,334	

The tax rate used in the reconciliation above is the Canadian corporate tax rate of 25.0% (2014 – 25.0%). Deferred income tax expense (recovery) directly recognized in equity for the year was $293 (2014 – expense of $8).

(ii) Deferred Tax Balances

	December 31 2015	December 31 2014
	$	$
Tax benefit of tax credits and loss carry forwards	13,788	22,937
Goodwill deductible for tax	1,494	1,738
Tax benefit (liability) of derivative financial instruments	(504)	67
Other assets - tax value in excess of book value	55,552	36,033
Cumulative tax amortization in excess of book amortization	(85,081)	(68,331)
Other liabilities - book value in excess of tax value	(8,538)	(7,743)
Deferred tax net position	(23,289)	(15,299)

Reconciliation of deferred tax net balance:

	2015	2014
	$	$
At January 1	(15,299)	(18,902)
Tax recovery (expense) during the period recognized in earnings	(8,509)	(1,451)
Tax recovery (expense) during the period recognized in other comprehensive earnings	(293)	(8)
Net tax benefit of tax credits earned (received) in the year	-	3,510
Impact of foreign currency translation adjustment	3,658	1,918
Net tax liability related to business acquisition	(3,474)	-
Other	628	(366)
At December 31	(23,289)	(15,299)

Net deferred tax balances in the statement of financial position are comprised of the following:

	December 31 2015 $	December 31 2014 $
Deferred tax assets to be recovered after more than 12 months	73,378	63,628
Deferred tax assets to be recovered within 12 months	7,034	4,696
Total deferred tax assets	80,412	68,324
Deferred tax liabilities to be utilized after more than 12 months	(97,688)	(81,555)
Deferred tax liabilities to be utilized within 12 months	(6,013)	(2,068)
Total deferred tax liabilities	(103,701)	(83,623)
Deferred tax balances (net)	(23,289)	(15,299)

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. Unrecognized deferred tax assets were as follows:

	December 31 2015 $	December 31 2014 $
Tax losses	15,820	10,175
Unused tax credits	1,426	2,027
Temporary differences	1,630	1,292
Total deferred tax assets not recognized	18,876	13,494

No deferred tax is recognized on the unremitted earnings of non-Canadian subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings of non-Canadian subsidiaries was approximately $631,103 (2014 - $330,091).

12 Property, Plant and Equipment

	Land	Land use rights	Buildings	Machinery	Office equipment	Transportation equipment	Tooling	Total
	$	$	$	$	$	$	$	$
Cost	28,452	3,806	316,459	2,152,208	9,643	16,457	9,180	2,536,205
Accumulated amortization	-	(124)	(88,528)	(1,112,683)	(5,498)	(11,243)	(6,553)	(1,224,629)
Net book amount at January 1, 2014	28,452	3,682	227,931	1,039,525	4,145	5,214	2,627	1,311,576
Effect of cumulative translation adjustment	5	238	(2,335)	6,278	9	(14)	28	4,209
Additions, net of government grants	239	949	14,099	257,216	1,246	15,338	10,278	299,365
Business acquisition (Note 30)	1,271	-	2,864	21,267	-	277	18	25,697
Impairment provision	-	-	-	(543)	-	-	-	(543)
Disposals	-	-	(767)	(3,640)	(11)	(34)	-	(4,452)
Amortization	-	(83)	(13,102)	(212,124)	(1,896)	(776)	(5,376)	(233,357)
Net book amount at December 31, 2014	29,967	4,786	228,690	1,107,979	3,493	20,005	7,575	1,402,495
Cost	29,967	5,003	327,695	2,332,909	9,281	21,145	15,353	2,741,353
Accumulated amortization	-	(217)	(99,005)	(1,224,930)	(5,788)	(1,140)	(7,778)	(1,338,858)
Net book amount at December 31, 2014	29,967	4,786	228,690	1,107,979	3,493	20,005	7,575	1,402,495
Effect of cumulative translation adjustment	2,184	668	14,680	86,307	228	179	577	104,823
Additions, net of government grants	1,385	(1,198)	41,189	299,711	2,739	1,295	8,831	353,952
Business acquisition (Note 30)	9,754	419	19,250	104,156	602	242	-	134,423
Impairment provision	-	-	-	(717)	-	-	-	(717)
Disposals	(221)	(387)	(200)	(5,541)	(207)	(1,334)	-	(7,890)
Amortization	-	(73)	(14,925)	(235,640)	(1,888)	(2,283)	(10,395)	(265,204)
Net book amount at December 31, 2015	43,069	4,215	288,684	1,356,255	4,967	18,104	6,588	1,721,882
Cost	43,069	4,527	403,673	2,797,151	11,047	21,423	18,017	3,298,907
Accumulated amortization	-	(312)	(114,989)	(1,440,896)	(6,080)	(3,319)	(11,429)	(1,577,025)
Net book amount at December 31, 2015	43,069	4,215	288,684	1,356,255	4,967	18,104	6,588	1,721,882

Amortization expense of $263,317 (2014 - $231,460) has been charged in cost of sales, $1,887 (2014 - $1,897) in selling, general and administration.

As of December 31, 2015, property, plant and equipment includes $236,997 (December 31, 2014 - $144,688) of assets in the course of construction for production purposes and are recorded at cost in accordance with the Company's accounting policy. Amortization of these assets commences when the assets are ready for their intended use.

The Company leases machinery under cancellable and non-cancellable finance lease agreements with terms between 3 and 8 years. The majority of the lease agreements are renewable at the end of the lease term at market rates. The following amounts are included in property, plant and equipment where the Company is a lessee under finance leases:

	December 31 2015 $	December 31 2014 $
Cost	35,308	2,630
Accumulated amortization	(6,188)	(501)
Net book amount	29,120	2,129

Leased assets are pledged as security for finance lease obligations.

13 Goodwill

	2015 $	2014 $
Cost	34,148	33,797
Accumulated impairment losses	(10,071)	(9,233)
Net book amount at January 1	24,077	24,564
Business acquisition (Note 30)	4,620	-
Effect of cumulative translation adjustment	1,110	(487)
Net book amount at December 31	29,807	24,077
Cost	41,822	34,148
Accumulated impairment losses	(12,015)	(10,071)
Net book amount at December 31	29,807	24,077

Goodwill has been allocated for impairment testing purposes to the following CGU's:

	December 31 2015 $	December 31 2014 $
Skyjack	12,983	12,983
Linamar Antriebstechnik GmbH	11,877	11,094
Seissenschmidt	4,947	-
	29,807	24,077

Management performed the annual goodwill impairment analysis during the fourth quarters of 2015 and 2014 and found that goodwill was not impaired. The recoverable amounts of the CGU's is determined on a value in use calculation, which uses cash flow projections based on financial budgets and forward projections approved by the Board of Directors, covering a five-year period.

Key assumptions used in the estimated impairment of goodwill include:

a) Operating costs and capital expenditures are based on internal management forecasts. Cost assumptions incorporate the Company's experience and expertise, current operating costs, the nature and location of each CGU and the risk associated with each CGU. All committed and anticipated capital expenditures adjusted for future cost estimates have been included in the projected cash flows.
b) Forecast growth rates are principally based on the Company's expectations for future performance. For the purpose of the impairment test, the Company adjusted the terminal value to reflect a zero growth rate for the present value calculation.
c) Discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate. The pre-tax discount rates used range from 11.7% to 12.5% (2014 – 11.1% to 14.9%).

A sensitivity of goodwill impairment tests relating to discount rates was performed. A 1% increase in the discount rate would have no impact on the results of goodwill impairment tests in the year ended December 31, 2015.

14 Intangible Assets

	Trade names	Customer relationships	Technology	Product development costs	Other	Total
	$	$	$	$	$	$
Cost or valuation	1,400	6,844	11,643	14,960	8,484	43,331
Accumulated amortization	(438)	(3,583)	(4,437)	(1,273)	(5,492)	(15,223)
Net book amount at January 1, 2014	962	3,261	7,206	13,687	2,992	28,108
Effect of cumulative translation adjustment	-	92	(163)	407	(61)	275
Additions	-	-	-	6,241	77	6,318
Business acquisition (Note 30)	-	1,428	-	-	-	1,428
Amortization	(70)	(612)	(1,246)	(6,183)	(1,069)	(9,180)
Net book amount at December 31, 2014	892	4,169	5,797	14,152	1,939	26,949
Cost or valuation	1,400	8,365	11,452	21,765	3,692	46,674
Accumulated amortization	(508)	(4,196)	(5,655)	(7,613)	(1,753)	(19,725)
Net book amount at December 31, 2014	892	4,169	5,797	14,152	1,939	26,949
Effect of cumulative translation adjustment	-	274	243	1,516	36	2,069
Additions	-	-	-	2,740	407	3,147
Amortization	(70)	(719)	(1,148)	(4,712)	(1,926)	(8,575)
Net book amount at December 31, 2015	822	3,724	4,892	13,696	456	23,590
Cost or valuation	1,400	8,659	11,759	26,534	1,324	49,676
Accumulated amortization	(578)	(4,935)	(6,867)	(12,838)	(868)	(26,086)
Net book amount at December 31, 2015	822	3,724	4,892	13,696	456	23,590

Amortization of intangible assets is included in cost of sales. The product development costs intangible assets are assets that have been internally generated.

15 Accounts Payable and Accrued Liabilities

	December 31 2015	December 31 2014
	$	$
Accounts Payable	530,638	459,583
Accrued Liabilities	312,939	246,892
	843,577	706,475

16 Provisions

	Claims and litigation (i) $	Product warranties and product defects (ii) $	Other (iii) $	Total $
At January 1, 2014	4,661	12,527	4,408	21,596
Charged (credited) to earnings:				
Additional provisions	5,151	8,172	3,483	16,806
Unused amounts reversed	(1,811)	(1,102)	(1,061)	(3,974)
Used during year	(814)	(6,646)	(4,660)	(12,120)
Effect of cumulative translation adjustment	229	211	(143)	297
At December 31, 2014	7,416	13,162	2,027	22,605
Charged (credited) to earnings:				
Additional provisions	3,486	8,185	2,556	14,227
Business acquisition (Note 30)	106	497	5,758	6,361
Unused amounts reversed	(4,303)	(3,910)	(1,117)	(9,330)
Used during year	(505)	(3,100)	(5,376)	(8,981)
Effect of cumulative translation adjustment	250	751	315	1,316
At December 31, 2015	6,450	15,585	4,163	26,198

(i) **Claims and litigation -** Claims and litigation provision related to certain legal and commercial claims brought against the Company by stakeholders and potential repayment of government assistance in various jurisdictions. In management's opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at December 31, 2015.

(ii) **Product warranties and product defects -** Product warranties and product defects represent the legal or constructive responsibility of the Company for the proper function of products sold and the obligation arising from the use of products sold.

(iii) **Other -** Includes employee compensation and benefits, onerous contracts, and decommissioning provision which relates to the legal or constructive obligations for removing leased equipment at the completion of the lease arrangement. The provision charge is recognized in earnings within 'cost of sales'.

17 Long-Term Debt

The following amounts represent the Company's long-term debt obligations:

		December 31 2015 $	December 31 2014 $
Senior unsecured notes	(i)	359,545	301,196
Bank borrowings	(ii)	110,769	93,806
Obligations under finance leases	(iii)	27,390	1,935
Government borrowings	(iv)	47,539	35,620
Acquisition financing	(v)	3,006	4,562
		548,249	437,119
Less: current portion		10,839	2,620
		537,410	434,499

Principal payments required to meet the long-term obligations were as follows:

	December 31 2015 $	December 31 2014 $
Not later than 1 year	10,839	2,620
Later than 1 year and not later than 5 years	321,042	252,341
Later than 5 years	219,142	183,703
Total principal payments	551,023	438,664
Less: debt issue costs	2,774	1,545
	548,249	437,119

(i) Senior unsecured notes consist of the following:

Note Amounts	Description	Effective Date	Due Date	Interest Rate
U.S. $130 million	"The 2017 Notes"	July 2010	July 2017	5.31%
U.S. $130 million	"The 2021 Notes"	September 2011	September 2021	4.84%

The senior unsecured notes are guaranteed by material subsidiaries of the Company as defined in the bank credit agreement. The senior unsecured notes require the Company to maintain certain financial ratios and impose limitations on specific activities. The Company is in compliance with all financial covenants. The Company entered into long-dated forward exchange contracts to lock in the exchange rate on the principal repayment component upon maturity of the 2014, 2017 and 2021 Notes. The unrealized foreign exchange loss determined at inception of the principal swaps is accrued over the term of the forward contracts and is treated as additional costs of the notes recorded through interest. The Company also entered into a series of forward exchange contracts to lock in the exchange rate on the semi-annual coupon payments of the 2017 and 2021 Notes and to hedge the effective changes in exchange rates. The hedge has the effect of converting the U.S. stated coupon rate of 5.31% to a Canadian interest rate of 5.47% for the 2017 Notes and converting the U.S. stated coupon rate of 4.84% to a Canadian interest rate of 5.00% for the 2021 Notes.

(ii) Bank borrowings

In April 2013, the Company entered into an amended and restated revolving credit facility of $700 million maturing April 23, 2018. Borrowings are subject to rates according to the short term bank product utilized, plus applicable margin. The facility is unsecured and is guaranteed by material subsidiaries of the Company as defined in the credit agreement. The bank borrowings require the Company to maintain certain financial ratios and impose limitations on specified activities. The Company is in compliance with all financial covenants. As of December 31, 2015, $586,132 was available under the credit facility.

In January 2016, the Company amended and restated the credit facility in connection with the acquisition of Montupet S.A. The amended and restated credit facilities include a non-revolving term credit facility in the aggregate principal amount of up to $600 million and the continuation and increase of the previously existing revolving credit facility to the aggregate principal amount of up to $950 million. Both the new term and revolving facilities expire in 2021 and are under terms and conditions largely consistent with Linamar's previous existing credit facility. The amended and restated credit facilities provide for Euro drawings. The Euro denominated debt used to purchase the net assets of Montupet S.A. will be designated as a net investment hedge. The purchase of Montupet S.A. is disclosed in Note 30.

(iii) Obligations under finance leases

The Company has various finance leases for machinery which are included in property, plant and equipment. The Company's obligations under the finance leases are secured by the Lessors' title to the leased assets.

	Minimum lease payments		Present value of minimum lease payments	
	December 31 2015	December 31 2014	December 31 2015	December 31 2014
	$	$	$	$
Not later than 1 year	8,951	313	8,116	221
Later than 1 year and not later than 5 years	18,171	1,194	16,877	943
Later than 5 years	2,486	822	2,397	771
	29,608	2,329	27,390	1,935
Less: future finance charges	2,218	394	-	-
Present value of minimum lease payments	27,390	1,935	27,390	1,935

(iv) Government Borrowings

Government borrowings are comprised of two non-revolving interest free term loans:

a) The Technology Partnerships Canada is a program provided by the Ministry of Industry by the Federal Canadian Government. The cumulative net amount received at the end of fiscal 2015 was $6,279 ($7,176 – 2014). The discounted value of the debt recognized amounted to $5,329 at the end of fiscal 2015 ($5,974 – 2014). The loan is due in ten equal annual payments starting in 2013.

b) The Automotive Innovation Fund is a program provided by the Ministry of Industry by the Federal Canadian Government. The cumulative gross amount received at the end of fiscal 2015 was $49,389 ($35,011 – 2014). The discounted value of the debt recognized amounted to $42,210 at the end of fiscal 2015 ($29,646 – 2014). The loan is due in nine equal annual payments starting in 2019 with the final amount due the following year.

(v) Acquisition Financing

Related to the 2013 acquisition of Mubea Motorkomponenten GmbH's ("MMKG") business of manufacturing and distributing assembled camshafts, the asset purchase agreement calls for future payments to be made by the Company to MMKG consisting of installments of 1.25 million Euros in each of 2014, 2015 and 2016 and a final installment of 0.75 million Euros in 2017.

18 Capital Stock

The Company is incorporated under the Ontario Business Corporations Act in Canada and is authorized to issue an unlimited number of common and special shares.

	Common shares Issued	Stated capital $
At January 1, 2015	65,082,210	116,701
Stock options exercised	91,216	1,908
At December 31, 2015	65,173,426	118,609

19 Contributed Surplus

Contributed surplus consists of accumulated share-based compensation expense less the fair value of options at the grant date that have been exercised and credited to common shares.

The following is a continuity schedule of contributed surplus:

	2015 $	2014 $
At January 1	19,187	19,699
Share-based compensation expense (Note 23)	2,473	1,827
Stock options exercised	(566)	(2,339)
At December 31	21,094	19,187

20 Expenses by Nature

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Cost of materials	2,669,503	2,109,705
Employee benefits (Note 21)	1,099,509	927,090
Amortization (Notes 12, 14)	273,779	242,537
Other	532,916	446,322
	4,575,707	3,725,654

21 Employee Benefits

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Wages, salaries and commissions	862,082	729,696
Social charges and other personnel expenses	214,784	177,078
Termination benefits	2,490	2,391
Share-based compensation (Note 23)	2,473	1,827
Pension expenses under defined contribution plans	17,680	16,098
	1,099,509	927,090

22 Government Assistance

As of December 31, 2015, government assistance recorded in ‘accounts and other receivables’ was $15,370 ($8,399 at December 31, 2014). $15,948 was credited to capital assets ($17,387 – 2014) and $18,567 was credited against expenditures ($12,897 - 2014) during the year. There were no unfulfilled conditions or other contingencies attaching to government assistance that has been recognized as at December 31, 2015 and December 31, 2014.

In all cases, repayment of government assistance is contingent on employment related measures, investment related measures or both.

23 Share-Based Compensation

The Company is authorized to grant options for common stock to its key employees and directors. The exercise price of each option equals the average of the high and low market price of the Company's stock for the five trading days prior to the date of grant. An option's maximum term is 10 years and vesting is determined by the Board of Directors. The Company issues new common shares to satisfy stock options exercised. Options are forfeited when the option holder ceases to be an employee or director of the Company.

	Number of options	2015 Weighted average exercise price $	Number of options	2014 Weighted average exercise price $
At January 1	1,576,434	19.80	1,803,296	16.38
Granted	100,000	73.52	100,000	66.63
Forfeited	(5,273)	14.70	(6,800)	14.70
Exercised	(91,216)	14.70	(320,062)	15.27
At December 31	1,579,945	23.51	1,576,434	19.80
Vested at December 31	959,346	17.71	837,279	16.52

In 2015, the average share price, during the period the share options were exercised, was $75.35 (2014 - $57.48).

The following table is a summary of information about the stock options outstanding at December 31, 2015:

Year of Grant	Exercise Price	Number of options outstanding	Weighted average remaining life in years
2009	$12.89	600,000	3.7
2010	$19.32	491,876	4.7
2011	$14.70	188,069	1.0
2012	$21.59	50,000	7.0
2013	$41.11	50,000	8.0
2014	$66.63	100,000	8.9
2015	$73.52	100,000	9.9
		1,579,945	4.7

For all grants, the weighted average fair value of share options granted, and weighted average assumptions used in the fair value estimation at the time of grant, using the Black-Scholes model, are as follows:

	Granted in 2015	Granted in 2014
Share option fair value (per share)	$41.41	$37.99
Risk free interest rate	1.57%	1.94%
Expected life (years)	10	10
Expected volatility	47.92%	48.54%
Dividend yield	0.53%	0.72%

The expected life used in the Black-Scholes model is the same as the contractual term of the options. The risk free interest rate used in determining the fair value of the options granted is based on a Government of Canada zero coupon yield that was current at the time of grant and has a term corresponding to the contractual term of the options. The expected volatility considers the historical volatility of the Company's shares for the 10 year period preceding the share option grant date. The dividend yield is the annualized dividend at the date of grant divided by the average exercise price.

The Company recognized $2,473 in total compensation expense for the year ended December 31, 2015 (2014 - $1,827). There were no tandem share appreciation rights ("SARs") outstanding at the end of either period.

24 Other Income and (Expense)

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Foreign exchange gain (loss)	10,595	1,632
Other income (expense)	(312)	(157)
	10,283	1,475

25 Finance Expenses

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Interest on long-term debt	26,120	24,369
Other	(9,881)	(2,881)
	16,239	21,488

26 Earnings per Share

Basic earnings per share are calculated by dividing the net earnings attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding throughout the year. Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding during the year to assume conversion of all dilutive potential shares. There were 1,579,945 options outstanding as at December 31, 2015.

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Net earnings (loss)	436,671	320,560
Weighted average common shares	65,110,339	64,822,295
Incremental shares from assumed conversion of stock options	733,809	598,184
Adjusted weighted average common shares for diluted earnings per share	65,844,148	65,420,479
Net earnings (loss) per share:		
Basic	6.71	4.95
Diluted	6.63	4.90

27 Commitments

The Company leases various land and buildings under cancellable and non-cancellable operating lease arrangements. The lease terms are between 1 and 11 years, and the majority of lease arrangements are renewable at the end of the lease period at market rate. The Company also leases various machinery and transportation equipment under non-cancellable operating lease arrangements. The lease terms are between 1 and 6 years and require notice for termination of the agreements. The operating lease expenditure charged to earnings during the year ended December 31, 2015 was $14,558 (2014 - $11,842).

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	December 31 2015 $
Not later than 1 year	10,526
Later than 1 year and not later than 5 years	13,832
Later than 5 years	2,894
	27,252

As at December 31, 2015, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately $105,135 ($114,626 at December 31, 2014). Of this amount $103,281 ($107,851 at December 31, 2014) relates to the purchase of manufacturing equipment and $1,854 ($6,775 at December 31, 2014) relates to general contracting and construction costs in respect of plant construction. The majority of these commitments are due within the next twelve months. $3,309 of the outstanding commitments ($2,439 at December 31, 2014) represents amounts committed to a company owned by the spouse of an officer and director.

28 Related Party Transactions

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation. Details of the transactions between the Company and other related parties are disclosed below.

(i) Key Management Personnel

The Company's key management includes members of the Senior Executive Group and Board of Directors. The compensation paid, or payable, to key management for employee services during the year was as follows:

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Short-term benefits	36,579	27,819
Share-based compensation	1,781	1,511
Total Compensation	38,360	29,330

The remuneration of the Chairman and Chief Executive Officer ("CEO") is ultimately the responsibility of the Board of Directors who receives significant support and recommendations from the Human Resource and Corporate Governance Committee. The remuneration of other members of the Senior Executive Group is determined and approved by the CEO. All key management remuneration is determined having regard to the performance of individuals and market trends.

(ii) Other Related Parties

Included in the costs of property, plant and equipment is the construction of buildings, building additions and building improvements in the aggregate amount of $18,953 at December 31, 2015 ($6,839 at December 31, 2014) paid to a company owned by the spouse of an officer and director. Included in the cost of sales is maintenance costs and rent of $2,281 for the year ended December 31, 2015 ($964 for the year ended December 31, 2014) 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. The Company has designed an independent process to ensure building construction and improvements are transacted at the exchange amount which is the estimated fair value.

Amounts owed to the same company at December 31, 2015 were $3,548 ($2,432 at December 31, 2014). The amounts owed to other related parties arise mainly from purchase transactions. All amounts receivable or payable follow normal credit terms, bear no interest and will be settled in cash. No guarantees have been given or received.

29 Segmented Information

Management has determined the operating segments based on the reports reviewed by the senior executive group that are used to make strategic decisions.

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.

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.

The segments are differentiated by the products that each produces and reflects how the senior executive group manages the business. Corporate headquarters and other small operating entities are allocated to the Powertrain/Driveline and Industrial operating segments accordingly.

The Company accounts for inter-segment sales and transfers as arm's length transactions at current market rates. The Company ensures that the measurement and policies are consistently followed among the Company's reportable segments for sales, operating earnings, net earnings and assets.

The Company's three largest customers account for 24.2%, 13.5 % and 7.6% of total revenue (2014 – 26.6%, 14.7 % and 7.9%).

Operational Segments	Powertrain/Driveline $	Industrial $	Total 2015 $
Total revenue	4,344,165	852,690	
Inter-segment sales	33,972	433	
Sales to external customers	4,310,193	852,257	5,162,450
Costs of goods sold before amortization	3,406,054	631,786	4,037,840
Amortization	264,977	6,915	271,892
Selling, general and administration	191,169	74,806	265,975
Other income (expense)	(7,156)	17,439	10,283
Operating earnings (loss)	440,837	156,189	597,026
Finance expenses			16,239
Income taxes			144,116
Net earnings (loss)			436,671
Payments for property, plant and equipment	328,192	13,451	341,643
Total assets	3,250,678	549,226	3,799,904

Operational Segments	Powertrain/Driveline $	Industrial $	Total 2014 $
Total revenue	3,496,011	692,752	
Inter-segment sales	16,722	480	
Sales to external customers	3,479,289	692,272	4,171,561
Costs of goods sold before amortization	2,747,309	520,495	3,267,804
Amortization	231,605	7,768	239,373
Selling, general and administration	161,535	56,942	218,477
Other income (expense)	(1,116)	2,591	1,475
Operating earnings (loss)	337,724	109,658	447,382
Finance expenses			21,488
Income taxes			105,334
Net earnings (loss)			320,560
Payments for property, plant and equipment	235,151	28,372	263,523
Total assets	2,476,105	472,306	2,948,411

The Company operates in five geographic segments – Canada, United States, Asia Pacific, Mexico and Europe.

Geographic Segments	Canada $	United States $	Asia Pacific $	Mexico $	Europe $	Total 2015 $
Total revenue	2,859,600	619,999	309,662	432,242	1,215,157	
Inter-segment sales	158,859	22,963	12,908	72,944	6,536	
Sales to external customers	2,700,741	597,036	296,754	359,298	1,208,621	5,162,450
Goodwill	12,983	-	-	-	16,824	29,807
Intangible assets	14,957	4,984	-	-	3,649	23,590
Property, plant and equipment	619,528	319,206	151,334	105,551	526,263	1,721,882

Geographic Segments	Canada $	United States $	Asia Pacific $	Mexico $	Europe $	Total 2014 $
Total revenue	2,559,691	489,106	245,327	365,960	744,301	
Inter-segment sales	146,327	17,833	1,199	64,588	2,877	
Sales to external customers	2,413,364	471,273	244,128	301,372	741,424	4,171,561
Goodwill	12,983	-	-	-	11,094	24,077
Intangible assets	10,934	10,494	-	-	5,521	26,949
Property, plant and equipment	593,470	227,485	126,753	119,931	334,856	1,402,495

30 Business Acquisitions and Joint Ventures

(i) Seissenschmidt AG

On January 15, 2015, the Company completed its acquisition of 100% of the shares of Seissenschmidt AG ("Seissenschmidt"). Seissenschmidt is in the business of high volume hot forgings and has three primary locations in Germany, Hungary and the United States. The Company pursued this acquisition because of the fit with its strategy of offering integrated metal forming/machined solutions to its customers in certain targeted products such as gears. The acquisition will supplement the Company's core powertrain business, leverage its business in driveline, gear based products and enable the Company to address the market trends in light weighting and Noise, Vibration and Harshness design for products like gears, differentials, wheel bearings, hubs and sprockets with high speed forging processes.

The following table summarizes the $109,019 cash consideration paid for Seissenschmidt's acquired net assets, and the fair value of the assets acquired and liabilities assumed, recognized at the acquisition date, which have been accounted for as a business combination.

Recognized fair value amounts of identifiable assets acquired and liabilities assumed:

	January 15 2015 $
Cash and cash equivalents	1,753
Accounts receivable	52,000
Inventories	48,007
Income taxes recoverable	628
Other current assets	1,167
Property, plant and equipment	134,423
Deferred tax assets	4,049
Goodwill	4,620
Total assets acquired	246,647
Short-term bank borrowings	15,615
Accounts payable and accrued liabilities	37,436
Provisions	6,361
Income taxes payable	1,986
Long-term debt	68,707
Deferred tax liabilities	7,523
Total liabilities assumed	137,628
Net identifiable assets acquired	109,019

The goodwill is attributable to synergies expected following the integration of Seissenschmidt, improving competitive positioning by offering integrated metal forming/machined solutions, and future growth by enabling the Company to address market trends. The goodwill arising from this acquisition is not deductible for tax purposes.

The sales included in the consolidated statement of earnings from January 16, 2015 to December 31, 2015 contributed by Seissenschmidt were $336,398. Seissenschmidt also contributed net earnings (loss) of $15,268 over the same period.

(ii) Carolina Forge Company, LLC

On September 30, 2014, the Company completed its acquisition from Carolina Forge Company, LLC ("CFC") of CFC's business of high volume hot forged products in North Carolina, United States. The Company pursued this acquisition because of the fit with its strategy of offering integrated metal forming/machined solutions to its customers in certain targeted products such as gears. The acquisition will supplement the Company's core powertrain business, leverage its business in driveline, gear based products and enable the Company to address the market trends in light weighting and Noise, Vibration and Harshness design for products like gears, differentials, wheel bearings, hubs and sprockets with high speed forging processes.

The following table summarizes the consideration paid for CFC's acquired net assets, and the fair value of the assets acquired and liabilities assumed recognized at the acquisition date, which have been accounted for as a business combination.

	September 30 2014 $
Cash paid on closing	45,667
Working capital payment	893
Total consideration	46,560

Recognized amounts of identifiable assets acquired and liabilities assumed:

	Fair value
Accounts receivable	10,907
Inventories	13,115
Property, plant and equipment	25,697
Intangibles assets	1,428
Total assets acquired	51,147
Accounts payable and accrued liabilities	4,587
Net identifiable assets acquired	46,560

The sales included in the consolidated statement of earnings from October 1, 2014 to December 31, 2014 contributed by CFC was $19,066. CFC also contributed net earnings (loss) of $1,616 over the same period.

(iii) GF Linamar LLC

On July 16, 2015, the Company signed agreements with GF Automotive, a division of Georg Fischer AG, to build a new jointly owned metal foundry in the southeastern United States. The new jointly owned entity will provide integrated casting and machining solutions to automotive, industrial, and commercial customers. The parties will utilize combined resources and capabilities to provide light-weight best-in-class solutions for large powertrain, driveline and structural components. The foundry is scheduled to begin production mid-2017.

(iv) Montupet S.A.

On October 15, 2015, the Company announced its intention to file a Tender Offer for 100% of the outstanding shares and voting rights of Montupet S.A. ("Montupet"). The filing of the Tender Offer with the Autorité des Marchés Financiers ("AMF"), the French Regulatory Authority, opened to the public in early December 2015 and closed January 21, 2016 (the "First Offer") and pursuant to article 232-4 of the AMF General Regulations, the Offer was reopened and closed on February 11, 2016 (the "Second Offer"). After the Second Offer, the Company owned 96.85% of the then outstanding shares and purchased the remaining shares to reach 100% for a purchase price of $1,187,272 at February 25, 2016. Montupet is a global leader in the design and manufacture of complex aluminum castings for the global automotive industry with sales and production facilities diversified across several European countries, North America and Asia. Please see Note 17 for more information regarding the amended and restated credit facilities used to purchase Montupet S.A.

31 Supplemental Cash Flow Information

	Year Ended December 31 2015 $	Year Ended December 31 2014 $
Interest paid	25,793	24,423
Interest received	11,376	5,595
Taxes paid (received) - net	124,759	100,338

32 Financial Risk Management

The Company is primarily exposed to market risk, liquidity risk, credit risk and capital risk as a result of holding financial instruments.

(i) Market Risk

Foreign Exchange Risk

The Company operates in several different geographical regions in the world and has many business arrangements with customers and suppliers also based in different geographical regions. The Company therefore is impacted by changes in foreign exchange rates. These foreign exchange rate changes affect net sales and expenses based in foreign currencies and the translation of monetary balances in relation to functional currencies.

Approximate Foreign Exchange Exposure as related to the following currencies:	December 31 2015	December 31 2014
U.S. dollar activity	64.9%	28.1%
Euro activity	23.2%	60.1%
British pound activity	10.4%	7.4%
Mexican peso activity	0.3%	1.6%

The Company has foreign operations with the following functional currencies that differ from the parent: Hungarian forint, Mexican peso, U.S. dollar, Euro, British pound, Korean won, Chinese renminbi, Japanese yen, Australian dollar, Swedish krona, Brazilian real and Indian rupee.

Assuming all other variables are constant, at December 31, a 5% strengthening of the following currencies against the functional currency of the Company and its foreign subsidiaries would result in gains/(losses) by the amounts shown below:

	Impact on net earnings gain/(loss)		Impact on hedging reserve gain/(loss)	
	December 31 2015 $	December 31 2014 $	December 31 2015 $	December 31 2014 $
U.S. dollar	5,071	(831)	3,469	3,628
Euro	1,816	1,776	-	-
British pound	814	218	-	-
Mexican peso	(23)	(48)	-	-

A weakening of the same above currencies at December 31 would have had the equal but opposite effect, on the basis that all other variables remain constant.

Interest Rate Risk

Due to the Company's capital structure, there is some degree of exposure to changes in the Canadian, US and European money market rates of interest. The Company does invest excess funds at times to maximize interest income earned. The investment quality must meet internal standards for ratings and liquidity to safeguard the Company's cash and cash equivalents. Interest rate swap agreements are used by the Company from time to time to manage the fixed and floating interest rate mix of the Company's total debt portfolio and related overall cost of borrowing.

The interest rate swap agreements involve the periodic exchange of interest payments without the exchange of the notional principal amount upon which the payments are based. Interest expense on the debt is then adjusted to include the payments made or received under the interest rate swaps.

As at December 31, 2015, an interest rate change of 50 basis points (all other variables held constant) would have an impact on net earnings for the year of $421 (2014 - $349).

(ii) Liquidity Risk

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company manages the liquidity risk of forecasted cash flows from operations, by ensuring that there are cash resources available to meet these needs. As at December 31, 2015, the Company's syndicated revolving bank facility had available credit of $586,132. The facility does not mature until 2018.

The amount of financial resources available to invest in a Company's growth is dependent upon its size and willingness to utilize debt and issue equity. The Company has fewer financial resources than some of its principal competitors. If the Company deviates from its growth expectations, it may require additional debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully compete in its markets on favourable commercial terms. Failure to obtain such financing could result in the delay or abandonment of certain strategic plans for product manufacturing or development.

The undiscounted contractual maturities of the Company's financial liabilities are as follows:

As at December 31, 2015	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	843,577	-	-	843,577
Long-term debt and contractual interest payments, financial guarantees	34,363	155,584	345,460	535,407
	877,940	155,584	345,460	1,378,984

As at December 31, 2014	Current year $	Maturing in 1 to 2 years $	Maturing after 2 years $	Total $
Accounts payable and accrued liabilities	706,475	-	-	706,475
Long-term debt and contractual interest payments, financial guarantees	16,548	16,542	449,456	482,546
	723,023	16,542	449,456	1,189,021

(iii) Credit Risk

The maximum exposure to credit risk at the reporting date is represented by the net carrying amount of the Company's cash and cash equivalents, accounts and other receivables, long-term receivables, derivative financial instruments and financial guarantees. The Company is exposed to credit risk from potential default by counterparties that carry the Company's cash and cash equivalents and derivative financial instruments. The Company attempts to mitigate this risk by dealing only with large financial institutions with good credit ratings. All of the financial institutions within the bank syndicate providing the Company's credit facility meet these qualifications.

Credit risk can arise from the inability of customers to discharge their obligation to the Company. A substantial portion of the Company's receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. At December 31, 2015, the receivables from the Company's three largest customers amounted to 17.4%, 11.0% and 6.7% (December 31, 2014 – 18.9%, 11.7%, and 6.2%) of total receivables. The level of receivables that were past due as at December 31, 2015 are part of normal payment patterns within the industry and the allowance for doubtful accounts is less than 1.0% of total receivables for all periods and movements in the current year are minimal.

The aging of receivables not impaired is as follows:

	December 31 2015 $	December 31 2014 $
Current	850,170	626,462
Past due 1-30 days	88,274	74,545
Past due 31-60 days	16,957	11,490
Past due 61-90 days	5,041	8,209
Past due >91 days	13,431	11,042
	973,873	731,748

(iv) Capital Risk Management

The Company's capital management objectives are to ensure the stability of its capital so as to support continued operations, provide an adequate return to shareholders and generate benefits for other stakeholders. The Company's capital is composed of shareholders' equity, and is not subject to any capital requirements imposed by a regulator.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue or re-acquire shares, acquire or dispose of assets, and adjust the amount of cash and cash equivalents balances. There were no changes in the Company's capital risk management strategy during the period.

ANNUAL MEETING OF SHAREHOLDERS

The Company's Annual Meeting of Shareholders will take place in May 2016:

Date: May 10, 2016
Time: 10:00 a.m. (EST)
Location: The Frank Hasenfratz Centre of Excellence in Manufacturing
700 Woodlawn Road West, Guelph, Ontario

Officers:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Chief Executive Officer

Jim Jarrell
President & Chief Operating Officer

Roger Fulton
Executive Vice President – Human Resources, General Counsel & Corporate Secretary

Mark Stoddart
Chief Technology Officer & Executive Vice President - Marketing

Dale Schneider
Chief Financial Officer

Brian Ahlborn
Group President, Linamar Machining & Assembly, Canada | USA | Europe

Brad Boehler
President, Skyjack Inc.

Ken McDougall
Group President, Linamar Machining & Assembly, Canada | Mexico

Henry Huang
Group President, Linamar Machining & Assembly, Asia | Pacific

Directors:

Frank Hasenfratz
Chairman of the Board

Linda Hasenfratz
Director

Mark Stoddart
Director

Dennis Grimm
Director
Chair, Audit Committee
Member of the Human Resources & Corporate Governance Committee

William Harrison
Director
Member of the Human Resources & Corporate Governance Committee and Audit Committee

Terry Reidel
Director
Chair, Human Resources & Corporate Governance Committee
Member of Audit Committee

Auditors, Transfer Agent & Registrar

PricewaterhouseCoopers LLP, Chartered Accountants, Kitchener, Ontario are the auditors of Linamar Corporation.

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto.

Linamar Shares are listed on the Toronto Stock Exchange, trading under LNR.