MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note		June 30, 2016		December 31, 2015
ASSETS					
Cash and cash equivalents		$	64,837	$	28,899
Trade and other receivables	2		619,149		586,024
Inventories	3		321,094		356,969
Prepaid expenses and deposits			14,191		13,651
Income taxes recoverable			11,351		10,401
TOTAL CURRENT ASSETS			1,030,622		995,944
Property, plant and equipment	4		1,143,557		1,202,162
Deferred income tax assets			165,633		182,232
Intangible assets	5		72,939		83,590
TOTAL NON-CURRENT ASSETS			1,382,129		1,467,984
TOTAL ASSETS		$	2,412,751	$	2,463,928
LIABILITIES					
Trade and other payables	7	$	708,247	$	743,096
Provisions	8		13,595		15,598
Income taxes payable			20,089		29,873
Current portion of long term debt	9		34,826		43,399
TOTAL CURRENT LIABILITIES			776,757		831,966
Long term debt	9		714,801		673,613
Pension and other post-retirement benefits			72,481		67,552
Deferred income tax liabilities			101,271		114,571
TOTAL NON-CURRENT LIABILITIES			888,553		855,736
TOTAL LIABILITIES			1,665,310		1,687,702
EQUITY					
Capital Stock	11		709,497		709,396
Contributed surplus			42,785		42,648
Accumulated other comprehensive income			96,518		147,442
Accumulated deficit			(101,231)		(123,157)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			747,569		776,329
Non-controlling interest			(128)		(103)
TOTAL EQUITY			747,441		776,226
TOTAL LIABILITIES AND EQUITY		$	2,412,751	$	2,463,928

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Scott Balfour” Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
SALES		$ 1,023,825	$ 984,046	$ 2,063,275	$ 1,901,577
Cost of sales (excluding depreciation of property, plant and equipment)		(876,102)	(849,387)	(1,772,316)	(1,644,384)
Depreciation of property, plant and equipment (production)		(31,501)	(28,280)	(62,919)	(55,175)
Total cost of sales		(907,603)	(877,667)	(1,835,235)	(1,699,559)
GROSS MARGIN		116,222	106,379	228,040	202,018
Research and development costs		(5,903)	(5,278)	(12,132)	(10,874)
Selling, general and administrative		(50,661)	(48,606)	(102,115)	(93,283)
Depreciation of property, plant and equipment (non-production)		(2,100)	(1,855)	(4,304)	(3,542)
Amortization of customer contracts and relationships		(588)	(577)	(1,123)	(1,116)
Impairment of assets	6	(34,579)	-	(34,579)	-
Restructuring costs	8	(3,684)	-	(3,684)	-
Gain/(loss) on disposal of property, plant and equipment		22	175	(29)	745
OPERATING INCOME		18,729	50,238	70,074	93,948
Finance expense		(5,900)	(6,549)	(12,094)	(13,104)
Other finance income (expense)	13	(1,219)	650	(3,340)	3,252
INCOME BEFORE INCOME TAXES		11,610	44,339	54,640	84,096
Income tax expense	10	(11,637)	(10,732)	(22,136)	(19,981)
NET INCOME (LOSS) FOR THE PERIOD		$ (27)	$ 33,607	$ 32,504	$ 64,115
Non-controlling interest		(15)	(196)	25	(285)
NET INCOME (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$ (42)	$ 33,411	$ 32,529	$ 63,830
Basic earnings per share	12	$ -	$ 0.39	$ 0.38	$ 0.75
Diluted earnings per share	12	$ -	$ 0.39	$ 0.38	$ 0.74

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

		Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
NET INCOME (LOSS) FOR THE PERIOD	$	(27) $	33,607 $	32,504 $	64,115
Other comprehensive income (loss), net of tax:					
Items that may be reclassified to net income					
Foreign currency translation differences for foreign operations		(9,493)	(324)	(50,924)	26,740
Items that will not be reclassified to net income					
Actuarial gains (losses) from the remeasurement of defined benefit plans		(935)	4,430	(5,420)	1,240
Other comprehensive income (loss), net of tax		(10,428)	4,106	(56,344)	27,980
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$	(10,455) $	37,713 $	(23,840) $	92,095
Attributable to:					
Equity holders of the Company		(10,470)	37,517	(23,815)	91,810
Non-controlling interest		15	196	(25)	285
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$	(10,455) $	37,713 $	(23,840) $	92,095

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Equity attributable to equity holders of the Company						
	Capital stock	Contributed surplus	Cumulative translation account	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at December 31, 2014	$ 694,198	$ 45,347	$ 55,927	$ (219,480)	$ 575,992	$ (246)	$ 575,746
Net income for the period	-	-	-	63,830	63,830	285	64,115
Compensation expense related to stock options	-	978	-	-	978	-	978
Dividends ($0.06 per share)	-	-	-	(5,155)	(5,155)	-	(5,155)
Exercise of employee stock options	11,932	(3,143)	-	-	8,789	-	8,789
Other comprehensive income, net of tax							
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	1,240	1,240	-	1,240
Foreign currency translation differences	-	-	26,740	-	26,740	-	26,740
Balance at June 30, 2015	706,130	43,182	82,667	(159,565)	672,414	39	672,453
Net income for the period	-	-	-	43,200	43,200	(142)	43,058
Compensation expense related to stock options	-	406	-	-	406	-	406
Dividends ($0.06 per share)	-	-	-	(5,181)	(5,181)	-	(5,181)
Exercise of employee stock options	3,266	(940)	-	-	2,326	-	2,326
Other comprehensive income, net of tax							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(1,611)	(1,611)	-	(1,611)
Foreign currency translation differences	-	-	64,775	-	64,775	-	64,775
Balance at December 31, 2015	709,396	42,648	147,442	(123,157)	776,329	(103)	776,226
Net income for the period	-	-	-	32,529	32,529	(25)	32,504
Compensation expense related to stock options	-	166	-	-	166	-	166
Dividends ($0.06 per share)	-	-	-	(5,183)	(5,183)	-	(5,183)
Exercise of employee stock options	101	(29)	-	-	72	-	72
Other comprehensive loss, net of tax							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(5,420)	(5,420)	-	(5,420)
Foreign currency translation differences	-	-	(50,924)	-	(50,924)	-	(50,924)
Balance at June 30, 2016	$ 709,497	$ 42,785	$ 96,518	$ (101,231)	$ 747,569	$ (128)	$ 747,441

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income (loss) for the period	$ (27)	$ 33,607	$ 32,504	$ 64,115
Adjustments for:				
Depreciation of property, plant and equipment	33,601	30,135	67,223	58,717
Amortization of customer contracts and relationships	588	577	1,123	1,116
Amortization of development costs	3,490	3,018	6,959	5,680
Impairment of assets (note 6)	34,579	-	34,579	-
Unrealized (gains) losses on foreign exchange forward contracts	1,619	(183)	916	817
Finance costs	5,900	6,549	12,094	13,104
Income tax expense	11,637	10,732	22,136	19,981
(Gain)/loss on disposal of property, plant and equipment	(22)	(175)	29	(745)
Stock based compensation	83	779	166	978
Pension and other post-retirement benefits expense	1,158	1,119	2,267	2,216
Contributions made to pension and other post-retirement benefits	(707)	(160)	(1,039)	(1,628)
	91,899	85,998	178,957	164,351
Changes in non-cash working capital items:				
Trade and other receivables	(15,032)	34,523	(66,146)	(40,897)
Inventories	27,528	3,955	8,328	4,380
Prepaid expenses and deposits	(1,355)	(2,437)	(820)	(5,382)
Trade, other payables and provisions	4,472	(4,616)	8,642	26,660
	107,512	117,423	128,961	149,112
Interest paid (excluding capitalized interest)	(5,112)	(5,926)	(10,000)	(11,114)
Income taxes paid	(18,222)	(22,129)	(31,268)	(44,557)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 84,178	$ 89,368	$ 87,693	$ 93,441
FINANCING ACTIVITIES:				
Increase in long term debt	19,086	-	88,810	19,029
Repayment of long term debt	(9,533)	(41,819)	(22,520)	(51,416)
Dividends paid	(2,592)	(2,573)	(5,183)	(5,121)
Exercise of employee stock options	-	2,562	72	8,789
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 6,961	$ (41,830)	$ 61,179	$ (28,719)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(43,706)	(45,204)	(102,961)	(91,705)
Capitalized development costs	(3,245)	(3,549)	(6,311)	(7,571)
Proceeds on disposal of property, plant and equipment	56	537	245	2,382
NET CASH USED IN INVESTING ACTIVITIES	$ (46,895)	$ (48,216)	$ (109,027)	$ (96,894)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,790)	1,032	(3,907)	799
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	42,454	354	35,938	(31,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	22,383	20,674	28,899	52,401
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 64,837	$ 21,028	$ 64,837	$ 21,028

*As at June 30, 2016, $39,046 (December 31, 2015 - $49,013) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. The Company is a leader in the development and production of quality metal parts and assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector.

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2015, except as outlined in note 1(d).

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2015.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(d) Recently adopted accounting policies and standards

Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. To date, DSUs granted to directors vest immediately., DSU Plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date. .

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in earnings.

(in thousands of Canadian dollars, except per share amounts) (unaudited)

IFRS 11, Joint Arrangements

Effective January 1, 2016, the Company adopted the amendment made to IFRS 11, Joint Arrangements. The amendment to this standard requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

The adoption of this amended standard did not have a significant impact on the interim condensed consolidated financial statements in the current or comparative periods.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

2. TRADE AND OTHER RECEIVABLES

	June 30, 2016	December 31, 2015
Trade receivables	$ 602,121	$ 567,704
VAT and other receivables	17,028	18,320
	$ 619,149	$ 586,024

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 15.

3. INVENTORIES

	June 30, 2016	December 31, 2015
Raw materials	$ 146,663	$ 168,246
Work in progress	44,637	44,346
Finished goods	41,064	45,898
Tooling work in progress and other inventory	88,730	98,479
	$ 321,094	$ 356,969

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2016			December 31, 2015		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 155,483	$ (38,345)	$ 117,138	$ 151,354	$ (38,031)	$ 113,323
Leasehold improvements	53,427	(32,167)	21,260	54,861	(30,257)	24,604
Manufacturing equipment	1,582,299	(809,241)	773,058	1,552,322	(771,572)	780,750
Tooling and fixtures	37,306	(32,487)	4,819	39,286	(33,543)	5,743
Other assets	37,919	(20,546)	17,373	37,262	(19,326)	17,936
Construction in progress and spare parts	209,909	-	209,909	259,806	-	259,806
	$ 2,076,343	$ (932,786)	$ 1,143,557	$ 2,094,891	$ (892,729)	$ 1,202,162

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress and spare parts	Total
Net as of December 31, 2014	$ 105,417	$ 20,558	$ 663,467	$ 6,313	$ 13,824	$ 175,102	$ 984,681
Additions	-	563	5,837	-	1,019	207,800	215,219
Sale of assets held for sale	(1,165)	-	(3,552)	(955)	(183)	-	(5,855)
Disposals	-	-	(1,604)	(157)	(29)	(657)	(2,447)
Depreciation	(3,782)	(3,894)	(111,482)	(2,120)	(3,594)	-	(124,872)
Transfers from construction in progress and spare parts	307	5,060	137,712	1,866	5,242	(150,187)	-
Foreign currency translation adjustment	12,546	2,317	90,372	796	1,657	27,748	135,436
Net as of December 31, 2015	$ 113,323	$ 24,604	$ 780,750	$ 5,743	$ 17,936	$ 259,806	$ 1,202,162
Additions	-	206	3,049	18	159	89,562	92,994
Disposals	(4)	-	(71)	-	(5)	(194)	(274)
Depreciation	(1,997)	(2,291)	(60,111)	(812)	(2,012)	-	(67,223)
Impairment (note 6)	-	(723)	(21,021)	-	(26)	-	(21,770)
Transfers from construction in progress and spare parts	11,108	484	114,039	148	2,219	(127,998)	-
Foreign currency translation adjustment	(5,292)	(1,020)	(43,577)	(278)	(898)	(11,267)	(62,332)
Net as of June 30, 2016	$ 117,138	$ 21,260	$ 773,058	$ 4,819	$ 17,373	$ 209,909	$ 1,143,557

The Company has entered into certain asset-backed financing arrangements that were structured as sales-and-leaseback transactions. At June 30, 2016, the carrying value of property, plant and equipment under such arrangements was $28,020 (December 31, 2015 – $32,834). The corresponding amounts owing are reflected within long term debt (note 9).

5. INTANGIBLE ASSETS

	June 30, 2016			December 31, 2015		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 61,605	$ (52,393)	$ 9,212	$ 62,556	$ (51,783)	$ 10,773
Development costs	128,086	(64,359)	63,727	129,906	(57,089)	72,817
	$ 189,691	$ (116,752)	$ 72,939	$ 192,462	$ (108,872)	$ 83,590

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2014	$ 11,796	$ 60,010	$ 71,806
Additions	-	15,193	15,193
Amortization	(2,134)	(12,104)	(14,238)
Foreign currency translation adjustment	1,111	9,718	10,829
Net as of December 31, 2015	$ 10,773	$ 72,817	$ 83,590
Additions	-	6,311	6,311
Amortization	(1,123)	(6,959)	(8,082)
Impairment (note 6)	-	(4,179)	(4,179)
Foreign currency translation adjustment	(438)	(4,263)	(4,701)
Net as of June 30, 2016	$ 9,212	$ 63,727	$ 72,939

(in thousands of Canadian dollars, except per share amounts) (unaudited)

6. IMPAIRMENT OF ASSETS

During the second quarter of 2016, the Company recorded impairment charges on property, plant, equipment, intangible assets and inventories totalling $ 34,579 (US $26,599) related to an operating facility in Detroit, Michigan included in the North American operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This has led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Property, plant and equipment	$ 21,770	$ -	$ 21,770	$ -
Intangible Assets – Development costs	4,179	-	4,179	-
Inventories	8,630	-	8,630	-
Total Impairment	$ 34,579	$ -	$ 34,579	$ -

7. TRADE AND OTHER PAYABLES

	June 30, 2016	December 31, 2015
Trade accounts payable and accrued liabilities	$ 707,331	$ 742,962
Foreign exchange forward contracts (note 15(d))	916	134
	$ 708,247	$ 743,096

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 15.

8. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Total
Net as of December 31, 2014	$ 3,752	$ 1,752	$ 5,504
Net additions	15,337	1,412	16,749
Amounts used during the period	(5,633)	(1,339)	(6,972)
Foreign currency translation adjustment	570	(253)	317
Net as of December 31, 2015	$ 14,026	$ 1,572	$ 15,598
Net additions	3,684	245	3,929
Amounts used during the period	(5,323)	(337)	(5,660)
Foreign currency translation adjustment	(440)	168	(272)
Net as of June 30, 2016	$ 11,947	$ 1,648	$ 13,595

Based on estimated cash outflows, all provisions as at June 30, 2016 and December 31, 2015 are presented on the condensed consolidated balance sheet as current.

(a) Restructuring

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated, in particular, at the Company's German facility in Meschede. Additional restructuring costs in Meschede, Germany in the form of employee related severance of $1,810 (€1,238) were incurred during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during the second quarter of 2016 totalled $1,874 (US$1,441) and represent expected employee related payouts resulting from the closure of the operating facility in Detroit, Michigan as described in note 6.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

(in thousands of Canadian dollars, except per share amounts) (unaudited)

9. LONG TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	June 30, 2016	December 31, 2015
Banking facility	$ 637,062	$ 574,818
Equipment loans	112,565	142,194
	749,627	717,012
Current portion	(34,826)	(43,399)
	$ 714,801	$ 673,613

Terms and conditions of outstanding loans as at June 30, 2016, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	June 30, 2016 Carrying amount	December 31, 2015 Carrying amount
Banking facility	USD	LIBOR+2.0%	2020	$ 368,135	$ 304,480
	CAD	BA+2.0%	2020	268,927	270,338
Equipment loans	USD	4.25%	2018	33,663	42,926
	EUR	3.06%	2024	15,512	16,267
	EUR	2.54%	2025	14,815	15,537
	EUR	4.93%	2023	14,661	15,509
	USD	4.25%	2017	9,122	14,100
	USD	7.36%	2017	8,779	12,319
	EUR	3.35%	2019	4,479	5,419
	EUR	3.37%	2017	4,294	7,988
	EUR	4.34%	2025	3,075	3,225
	USD	3.99%	2017	1,341	2,642
	EUR	1.36%	2021	860	902
	USD	3.89%	2016	762	3,136
	EUR	0.26%	2025	357	352
	USD	3.65%	2016	324	1,032
	USD	4.69%	2017	292	619
	BRL	5.00%	2020	229	221
				$ 749,627	$ 717,012

On April 29, 2016, the Company's banking facility was amended to extend its maturity date and increase the total available revolving credit lines under the facility. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $350 million and US $400 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $150 million;
- pricing terms at market rates; and
- a maturity date of April 2020.

There were no changes to pricing terms or financial covenants under the facility adverse to the Company.

As at June 30, 2016, the Company has drawn US$285,000 (December 31, 2015 - US$220,000) on the U.S. revolving credit line and drawn $273,000 (December 31, 2015 - $273,000) on the Canadian revolving credit line. At June 30, 2016, the weighted average effective rate of the banking facility credit lines was 2.7% (December 31, 2015 - 2.9%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at June 30, 2016.

Deferred financing fees of $4,409 (December 31, 2015 - $2,994) have been netted against the carrying amount of the long term debt.

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Future annual minimum principal repayments are as follows:

Within one year	$	34,826
One to two years		20,646
Two to three years		10,131
Three to four years		643,806
Thereafter		40,218
	$	749,627

10. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
Current income tax expense	$	(10,462)	$	(16,745)	$	(24,725)	$	(31,370)
Deferred income tax recovery (expense)		(1,175)		6,013		2,589		11,389
Total income tax expense	$	(11,637)	$	(10,732)	$	(22,136)	$	(19,981)

11. CAPITAL STOCK

Common shares outstanding:	**Number**		**Amount**
Balance, December 31, 2014	84,925,083	$	694,198
Exercise of stock options	1,155,250		11,932
Balance, June 30, 2015	86,080,333	$	706,130
Exercise of stock options	294,334		3,266
Balance, December 31, 2015	86,374,667	$	709,396
Exercise of stock options	10,000		101
Balance, June 30, 2016	86,384,667	$	709,497

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

Stock options:
The Company has one stock option plan for key employees. Under the plan the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with stock option plan and the policies of the Company, and the options have a maximum term of 10 years. Options are granted throughout the year and vest between zero and four years.

The following is a summary of the activity of the outstanding share purchase options:

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Balance, beginning of period	4,340,617	$	12.38	5,645,202	$	11.13
Granted during the period	-		-	150,000		13.87
Exercised during the period	(10,000)		7.20	(1,155,250)		7.61
Cancelled during the period	(1,000,000)		16.15	-		-
Balance, end of period	3,330,617	$	11.26	4,639,952	$	12.09
Options exercisable, end of period	3,080,617	$	11.21	4,239,952	$	12.13

(in thousands of Canadian dollars, except per share amounts) (unaudited)

The following is a summary of the issued and outstanding common share purchase options as at June 30, 2016:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$6.00 - 8.99	1,139,868	2008 - 2012	2018 - 2022
$9.00 - 9.99	100,000	2008	2018
$10.00 - 15.99	1,300,749	2006 - 2015	2016 - 2025
$16.00 - 17.75	790,000	2007	2017
Total share purchase options	3,330,617		

For the three and six months ended June 30, 2016, the Company expensed $83 (three months ended June 30, 2015 - $779) and $166 (six months ended June 30, 2015 - $978), respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Deferred Share Unit Plan

The details of the Company's DSUs described in Note 1 (d) are as follows:

		Six months ended June 30, 2016		Six months ended June 30, 2015
Units outstanding, beginning of period		-		-
Units granted during the period		30,000		-
Units settled during the period		-		-
Units for dividends paid during the period		-		-
Units outstanding, end of period		30,000		-
Weighted average fair value per unit on date of grant	$	9.71	$	-

The 30,000 DSUs granted during the period were granted to non-executive directors and are not subject to vesting conditions. At June 30, 2016, the intrinsic value of the DSUs amounted to $253. DSU compensation expense of $253 was recognized for the three and six months ended June 30, 2016.

12. EARNINGS PER SHARE

Details of the calculations of earnings per share are set out below:

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	86,384,667	$	-	85,800,196	$	0.39
Effect of dilutive securities:						
Stock options	192,929		-	807,880		-
Diluted	86,577,596	$	-	86,608,076	$	0.39

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	86,384,501	$	0.38	85,443,877	$	0.75
Effect of dilutive securities:						
Stock options	218,470		-	655,463		(0.01)
Diluted	86,602,971	$	0.38	86,099,340	$	0.74

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

(in thousands of Canadian dollars, except per share amounts) (unaudited)

For the three months ended June 30, 2016, 2,090,749 options (three months ended June 30, 2015, – 1,940,000) and for the six months ended June 30, 2016, 2,090,749 options (six months ended June 30, 2015, – 2,057,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

13. OTHER FINANCE INCOME (EXPENSE)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net foreign exchange gain (loss)	$ (1,276)	$ 632	$ (3,398)	$ 3,223
Other income, net	57	18	58	29
Other finance income (expense)	$ (1,219)	$ 650	$ (3,340)	$ 3,252

14. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by management. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of World.

The accounting policies of the segments are the same as those described in the Company's annual audited consolidated financial statements for the year ended December 31, 2015. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

The following is a summary of selected data for each of the Company's segments:

	Three months ended June 30, 2016		Three months ended June 30, 2015	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 206,709		$ 211,649	$
USA	412,211		382,859	
Mexico	215,030		204,197	
	$ 833,950	$ 10,363	$ 798,705	$ 44,757
Europe				
Germany	106,878		123,811	
Spain	46,384		30,249	
Slovakia	14,302		11,902	
	167,564	$ 9,644	165,962	7,681
Rest of World	22,311	$ (1,278)	19,379	(2,200)
	$ 1,023,825	$ 18,729	$ 984,046	$ 50,238

(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 423,208		$ 411,491	$
USA	832,220		718,707	
Mexico	418,511		381,623	
	$ 1,673,939	$ 53,967	$ 1,511,821	$ 82,334
Europe				
Germany	216,006		266,617	
Spain	87,070		63,467	
Slovakia	29,157		23,280	
	332,233	18,519	353,364	15,999
Rest of World	57,103	(2,412)	36,392	(4,385)
	$ 2,063,275	$ 70,074	$ 1,901,577	$ 93,948

Inter-segment sales are not significant for any period presented.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, long term debt, and foreign exchange forward contracts.

Fair Value

IFRS 13 "*Fair Value Measurement*" provides guidance about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 64,837	$ 64,837	$ -	$ -
Foreign exchange forward contracts (note 7)	$ (916)	$ -	$ (916)	$ -

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 28,899	$ 28,899	$ -	$ -
Foreign exchange forward contracts (note 7)	$ (134)	$ -	$ (134)	$ -

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

June 30, 2016	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 619,149	$ -	$ 619,149	$ 619,149
	-	619,149	-	619,149	619,149
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(707,331)	(707,331)	(707,331)
Long term debt	-	-	(749,627)	(749,627)	(749,627)
Foreign exchange forward contracts	(916)	-	-	(916)	(916)
	(916)	-	(1,456,958)	(1,457,874)	(1,457,874)
Net financial assets (liabilities)	$ (916)	$ 619,149	$ (1,456,958)	$ (838,725)	$ (838,725)

December 31, 2015	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 586,024	$ -	$ 586,024	$ 586,024
	-	586,024	-	586,024	586,024
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(742,962)	(742,962)	(742,962)
Long term debt	-	-	(717,012)	(717,012)	(717,012)
Foreign exchange forward contracts	(134)	-	-	(134)	(134)
	(134)	-	(1,459,974)	(1,460,108)	(1,460,108)
Net financial assets (liabilities)	$ (134)	$ 586,024	$ (1,459,974)	$ (874,084)	$ (874,084)

The fair value of trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long term debt approximates its carrying value since debt is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

(a) Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. Approximately 88% (December 31, 2015 - 85%) of the Company's production sales are derived from seven customers. A substantial portion of the Company's accounts receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that was past due as at June 30, 2016 are part of the normal payment pattern within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current year are minimal.

(in thousands of Canadian dollars, except per share amounts) (unaudited)

The aging of trade receivables at the reporting date was as follows:

	June 30, 2016	December 31, 2015
0-60 days	$ 570,041	$ 515,741
61-90 days	12,136	22,729
Greater than 90 days	19,944	29,234
	$ 602,121	$ 567,704

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At June 30, 2016, the Company had cash of $64,837 and banking facilities available as discussed in note 9. All the Company's financial liabilities other than long term debt have maturities of approximately 60 days.

A summary of contractual maturities of long term debt is provided in note 9.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Banker's Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.0%.

The interest rate profile of the Company's long term debt was as follows:

	Carrying amount	
	June 30, 2016	December 31, 2015
Variable rate instruments	$ 637,062	$ 574,818
Fixed rate instruments	112,565	142,194
	$ 749,627	$ 717,012

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,581 (three months ended June 30, 2015 - $1,443) on the Company's interim consolidated financial results for the three months ended June 30, 2016 and $3,082 for the six months ended June 30, 2016 (six months ended June 30, 2015 - $2,874).

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At June 30, 2016, the Company had committed to the following foreign exchange contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Euro	$ 9,812	0.9020	1
Buy Mexican Peso	$ 3,400	17.6469	1

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	$ 21,000	1.3040	1

(in thousands of Canadian dollars, except per share amounts) (unaudited)

The aggregate value of these forward contracts as at June 30, 2016 was a pre-tax loss of $916 and was recorded in trade and other payables (December 31, 2015 - loss of $134 and was recorded in trade and other payables).

The Company's exposure to foreign currency risk reported in the foreign currency was as follows:

June 30, 2016		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	327,286	€	70,487	$	46,531	R$	15,531	¥	92,120
Trade and other payables		(352,960)		(81,554)		(114,387)		(20,746)		(72,945)
Long term debt		(327,285)		(40,509)		-		(563)		-
	$	(352,959)	€	(51,576)	$	(67,856)	R$	(5,778)	¥	19,175

December 31, 2015		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	298,727	€	60,643	$	29,467	R$	10,964	¥	133,003
Trade and other payables		(341,419)		(83,303)		(168,509)		(17,890)		(90,216)
Long term debt		(275,714)		(43,381)		-		(633)		-
	$	(318,406)	€	(66,041)	$	(139,042)	R$	(7,559)	¥	42,787

The following summary illustrates the fluctuations in the exchange rates applied during the three and six months ended June 30, 2016 and 2015:

	Average rate		Average rate		Closing rate	
	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015	June 30, 2016	December 31, 2015
USD	1.3009	1.2374	1.3453	1.2213	1.2917	1.3840
EURO	1.4634	1.3520	1.4920	1.3839	1.4331	1.5029
PESO	0.0730	0.0812	0.0755	0.0815	0.0706	0.0805
BRL	0.3610	0.4023	0.3559	0.4245	0.4065	0.3494
CNY	0.1999	0.1991	0.2065	0.1964	0.1957	0.2131

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10% strengthening of the Canadian dollar against the following currencies at June 30, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three and six months ended June 30, 2016 by the amounts shown below, assuming all other variables remain constant:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
USD	$	1,155	$	(1,931)	$	(1,323)	$	(3,706)
EURO		(813)		(872)		(1,581)		(1,569)
BRL		183		88		372		193
CNY		-		205		51		335
	$	525	$	(2,510)	$	(2,481)	$	(4,747)

A weakening of the Canadian dollar against the above currencies at June 30 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with complementary acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income and accumulated deficit, and debt.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

In addition to debt and equity the Company may use operating leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

16. CONTINGENCIES

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of this report or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $76,698 (BRL $188,678) including interest and penalties to June 30, 2016 (December 31, 2015 - $62,157 or BRL $177,898). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling $54,534 at some point through a pledge of assets, bank letter of credits or cash deposit. No provision has been recorded by the Company in connection with this contingency as at this stage the Company has concluded that it is not probable that a liability will result from the matter.

17. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At June 30, 2016, the amount of the program financing was $80,675 (December 31, 2015 - $85,514) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2016 year-to-date or 2015. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.