MARTINREA INTERNATIONAL INC.

THIRD QUARTER REPORT

SEPTEMBER 30, 2014

THIRD QUARTER REPORT

September 30, 2014

MESSAGE TO SHAREHOLDERS

The company experienced record quarterly revenues and solid profitability per share for the third quarter and continued operational improvements.

Our financial position remains strong and our future has never looked better.

We thank you for your ongoing support as we work hard to build our company and your company.

(Signed) "Rob Wildeboer"

Rob Wildeboer
Executive Chairman

MARTINREA INTERNATIONAL INC.

Releases Third Quarter Results and Announces Dividend, Record Quarterly Revenues, Solid Profits

November 10, 2014 – For Immediate Release

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, announced today the release of its financial results for the third quarter ended September 30, 2014, which include record quarterly revenues and solid profits and a quarterly dividend.

HIGHLIGHTS

- Record Third Quarter Revenues
- Solid profitability at $0.23 per share for the third quarter
- Continuing Operational Improvements
- Dividend of $0.03 per share announced

OVERVIEW

Pat D'Eramo, Martinrea's President and Chief Executive Officer, stated: "We had a solid third quarter from a financial point of view. Although I have just recently joined the company, I can assure you we are very focused on our operations, and we are seeing progress in many areas. We will continue to emphasize operational discipline and training on the shop floor, as well as every aspect of our business. Our people are our most valuable asset, and are critical to our success. I look forward to getting to know them very well. In terms of new business, we are busy with quoting activity, and have won approximately $30 million in incremental annualized business including $25 million of aluminum business with Daimler in Germany on the C-Class platform starting in 2016 and $5 million of fluid handling product on Chrysler's minivan line starting in 2016. In order to launch our backlog, we are busy building new operating facilities in Spain, Mexico, China and Missouri, all which will contribute to the long term success of the organization."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Revenues for the third quarter, excluding tooling revenues, were approximately $785 million, at the low end of the sales guidance range as previously announced. While still a record third quarter for us, revenues were impacted by lower production volumes on certain key vehicle platforms for the Company in North America due to unplanned customer downtime. In the third quarter, our earnings per share, on a basic and diluted basis, was $0.23, with no unusual items to adjust, and within our quarterly guidance, although at the low end mainly because of the revenues coming in at the low end of our guidance. Now that Martinrea Honsel is wholly owned, the full earnings of that division will now be reflected in our earnings numbers. This is expected to contribute to our overall business, although Martinrea Honsel is presently adding three new plants to its footprint; as a result, pre-operating costs are expected to impact short term profitability."

Rob Wildeboer, Martinrea's Executive Chairman, stated: "Our fourth quarter is shaping up to be a decent quarter for us, and we believe will be the best fourth quarter in our history. Revenues for the quarter, excluding tooling revenues, should be in the range of $825 million to $845 million, and we believe our adjusted earnings per share will be in the range of 24 to 28 cents per share. Sales mix and some pre-operating costs from our expansion programs are expected to affect the fourth quarter. The expansions add to our global footprint and represent an investment in our future. Meanwhile, we are focused as a team on building a better company day by day, to provide great quality products for our customers."

Mr. Wildeboer added: "In terms of looking at our future, we have just completed our annual three year budget process. Our future is bright, with opportunities arising in all of our businesses, and improved profitability. Operational improvements will occur over that timeframe that will drive improved operating results. The roll off of some existing work, and the addition of new work, will also improve results. Year to date, our operating income margin, across all plants and divisions, has approximated 4.2%. Based on our current assumptions, operating income margins will grow by 50% by 2017, with steady improvement over the next three year period. In terms of revenue growth in that time frame, we foresee that there will be a lower rate of revenue growth for us than in the past several years. North American production volumes of our largest customers we anticipate will stabilize, and European volumes are anticipated to grow slightly if at all. Our Martinrea Honsel revenues are anticipated to grow overall, as we launch product wins in many plants, but there will be some roll off reductions in Germany. Our fluids group will see growth from present levels in Europe and China. Our metallic group, with operations based only in North America, is anticipated to have relatively stable revenues over that time frame. Overall, we will focus on prudent, profitable growth in key areas, with margin expansion over time. Specifically for 2015, we estimate total revenues will be between $3.4 billion and $3.6 billion with production revenues expected to increase year-over-year but tooling revenues expected to decrease. We estimate overall operating income margins will improve in 2015 despite expected pre-operating costs at four new facilities in China, Mexico, Spain and Riverside, Missouri. This outlook excludes any unusual items and assumes no material acquisitions or divestitures, as well as no significant foreign exchange rate fluctuation from present rates. In summary, the future looks good."

RESULTS OF OPERATIONS

Martinrea currently employs over 14,000 skilled and motivated people in 40 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China. Martinrea's objective is to develop a state-of-the-art international metal forming and fluid systems business that will continue to be and further become a key supplier in the automotive industry. Growth will be prudent, profitable and based on innovation. The backbone of future growth is the development of talented people. The significant development of the Company since 2002 has reflected this business strategy and contributed to the growing success of the Company.

Results of operations include certain unusual items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-IFRS measures in the Company's disclosures that management believes provides the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

		Three months ended September 30, 2014		Three months ended September 30, 2013	$ Change	% Change
Sales	$	859,456	$	767,861	91,595	11.9%
Gross Margin		78,076		83,663	(5,587)	(6.7%)
Operating Income		31,555		39,574	(8,019)	(20.3%)
Net Earnings for the period		21,205		26,387	(5,182)	(19.6%)
Net Earnings Attributable to Equity Holders of the Company	$	19,384	$	20,973	(1,589)	(7.6%)
Net Earnings per Share – Basic	$	0.23	$	0.25	(0.02)	(8.0%)
Net Earnings per Share – Diluted	$	0.23	$	0.25	(0.02)	(8.0%)
Unusual Items*	$	-	$	-	-	-
Adjusted Net Earnings Attributable to Equity Holders of the Company*		19,384	$	20,973	(1,589)	(7.6%)
Adjusted Net Earnings per share* - Basic and Diluted	$	0.23	$	0.25	(0.02)	(8.0%)

		Nine months ended September 30, 2014		Nine months ended September 30, 2013	$ Change	% Change
Sales	$	2,654,864	$	2,363,257	291,607	12.3%
Gross Margin		261,418		250,561	10,857	4.3%
Operating Income		112,243		121,189	(8,946)	(7.4%)
Net Earnings for the period		77,490		82,003	(4,513)	(5.5%)
Net Earnings Attributable to Equity Holders of the Company	$	59,383	$	68,375	(8,992)	(13.2%)
Net Earnings per Share – Basic	$	0.70	$	0.81	(0.11)	(13.6%)
Net Earnings per share – Diluted	$	0.69	$	0.81	(0.12)	(14.8%)
Unusual Items*	$	1,171	$	-	1,171	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*		60,554		68,375	(7,821)	(11.4%)
Adjusted Net Earnings per share* - Basic	$	0.72	$	0.81	(0.09)	(11.1%)
Adjusted Net Earnings per share* - Diluted	$	0.71	$	0.81	(0.10)	(12.3%)

*Non-IFRS Measures

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company has included certain non-IFRS financial measures and ratios in this Press Release that the Company believes provides useful information in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to the other financial measures determined in accordance with IFRS. Non-IFRS measures referred to in the analysis include "adjusted net earnings" and "adjusted net earnings per share on a basic and diluted basis" and are defined in the "Adjustments to Net Earnings" section of this Press Release.

SALES

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
North America	$ 685,686	$ 590,827	94,859	16.1%
Europe	159,373	155,994	3,379	2.2%
Rest of World	14,397	21,040	(6,643)	(31.6%)
Total Sales	$ 859,456	$ 767,861	91,595	11.9%

The Company's consolidated sales for the third quarter of 2014 increased by $91.6 million or 11.9% to $859.5 million as compared to $767.9 million for the third quarter of 2013. The total overall increase in sales was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in sales in the Rest of the World.

Sales for the third quarter of 2014 in the Company's North America operating segment increased by $94.9 million or 16.1% to $685.7 million from $590.8 million for the third quarter of 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the Ford Escape/Lincoln MKC platform, one of the Company's largest platforms; the launch of new programs during or subsequent to the third quarter of 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a $43.1 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the third quarter of 2014 of $21.9 million as compared to the third quarter of 2013.

Sales for the third quarter of 2014 in the Company's Europe operating segment increased by $3.4 million or 2.2% to $159.4 million from $156.0 million for the third quarter of 2013. The increase was predominantly due to a benefit from the impact of foreign exchange on the translation of Euro denominated production sales of $9.0 million, partially offset by a slight year-over-year decrease in production volumes in the Company's European operations. Tooling sales in Europe remained relatively flat year-over-year.

Sales for the third quarter of 2014 in the Company's Rest of World operating segment decreased by $6.6 million or 31.6% to $14.4 million from $21.0 million in the third quarter of 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil and a $3.4 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer, partially offset by increasing production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business, and a positive impact from the translation of foreign denominated production sales of $0.6 million as compared to the third quarter of 2013.

Overall tooling sales increased by $39.8 million from $35.0 million for the third quarter of 2013 to $74.8 million for the third quarter of 2014.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
North America	$ 2,094,654	$ 1,853,157	241,497	13.0%
Europe	516,063	457,764	58,299	12.7%
Rest of World	44,147	52,336	(8,189)	(15.6%)
Total Sales	$ 2,654,864	$ 2,363,257	291,607	12.3%

The Company's consolidated sales for the nine months ended September 30, 2014 increased by $291.6 million or 12.3% to $2,654.9 million as compared to $2,363.3 million for the nine months ended September 30, 2013. The total overall increase in sales was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in sales in the Rest of the World.

Sales for the nine months ended September 30, 2014 in the Company's North America operating segment increased by $241.5 million or 13.0% to $2,094.7 million from $1,853.2 million for the nine months ended September 30, 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the Ford Escape/Lincoln MKC and GM Equinox/Terrain, two of the Company's largest platforms; the launch of new programs during 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a year-over-year increase in tooling

sales of $34.2 million; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2014 of $107.4 million as compared to the comparative period of 2013.

Sales for the nine months ended September 30, 2014 in the Company's Europe operating segment increased by $58.3 million or 12.7% to $516.1 million from $457.8 million for the nine months ended September 30, 2013. The increase was due to the launch of new incremental aluminum business with Jaguar Land Rover including the sub-frame and shock towers for the new Range Rover Sport; a $2.3 million increase in tooling sales; a $47.5 million benefit from the impact of foreign exchange on the translation of Euro denominated production sales; and year-over-year increased production sales in the Company's plant in Slovakia, which continues to ramp up and launch its backlog of business.

Sales for the nine months ended September 30, 2014 in the Company's Rest of World operating segment decreased by $8.2 million or 15.6% to $44.1 million from $52.3 million for the nine months ended September 30, 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil; the translation of foreign denominated production sales which had a negative impact on overall sales for the nine months ended September 30, 2014 of $0.6 million; and a $3.6 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; partially offset by increasing production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business.

Overall tooling sales increased $32.9 million from $130.1 million for the nine months ended September 30, 2013 to $163.0 million for the nine months ended September 30, 2014.

GROSS MARGIN

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Gross margin	$ 78,076	$ 83,663	(5,587)	(6.7%)
% of sales	9.1%	10.9%		

The gross margin percentage for the third quarter of 2014 of 9.1% decreased as a percentage of sales by 1.8% as compared to the gross margin percentage for the third quarter of 2013 of 10.9%. The decrease in gross margin as a percentage of sales was generally due to:

- an increase in tooling sales which typically earn low or no margins for the Company;
- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;
- pre-operating costs at new facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see below).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the third quarter of 2013 (as noted above under "Sales");
- productivity and efficiency improvements at certain operating facilities; and
- improved pricing on certain long-term customer contracts in the Company's European operations.

The performance of the Company's operating facility in Hopkinsville, Kentucky continued to be impacted in 2014 to date and in the third quarter of 2014 by operational expenses stemming from issues experienced by the facility at the end of 2013. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which resulted in incremental premium costs as the facility was dealing with new programs, customer-requested engineering changes, which have impacted productivity, and the overall ramp-up in production volumes being experienced in the automotive industry. Since the equipment failures at the end of 2013, the presses have been operational but have not been performing at optimal levels. Upgrades to the presses were successfully completed during the July 2014 summer shutdown in order to reduce the risk of any further failures and improve the performance of the presses. Further less

substantial improvements are planned for the December holiday shutdown. Progress is being made at improving efficiencies, costs have subsided, costs are expected to subside further, and margins improve at this facility as well as others, as operational improvements continue to be made.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Gross margin	$ 261,418	$ 250,561	10,857	4.3%
% of sales	9.8%	10.6%		

The gross margin percentage for the nine months ended September 30, 2014 of 9.8% decreased as a percentage of sales by 0.8% as compared to the gross margin percentage for the nine months ended September 30, 2013 of 10.6%. The decrease in gross margin as a percentage of sales was generally due to:

- an increase in tooling sales which typically earn low or no margins for the Company;
- production sales mix – production volumes on certain key vehicle platforms for the Company in North America are down year-over-year and negatively impacted operating margins for the period;
- pre-operating costs at new operating facilities in Spain, Mexico, and China as these plants prepare for upcoming new program launches;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see above).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013 (as noted above under "Sales");
- productivity and efficiency improvements at certain operating facilities; and
- improved pricing on certain long-term customer contracts in the Company's European operations.

ADJUSTMENTS TO NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Adjusted net earnings exclude certain unusual items, as set out in the following tables and described in the notes thereto. Management uses adjusted net earnings as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

There were no unusual items during the third quarters of 2014 and 2013.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014 (a)	Nine months ended September 30, 2013 (b)	(a-b) Change
NET EARNINGS (A)	**$59,383**	**$68,375**	**$(8,992)**
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	1,561	-	1,561
TOTAL UNUSUAL ITEMS BEFORE TAX	**$1,561**	**-**	**$1,561**
Tax impact of above items	(390)	-	(390)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	**$1,171**	**-**	**$1,171**
ADJUSTED NET EARNINGS (A + B)	**$60,554**	**$68,375**	**$(7,821)**
Number of Shares Outstanding – Basic (‘000)	84,526	83,977	
Adjusted Basic Net Earnings Per Share	$0.72	$0.81	
Number of Shares Outstanding – Diluted (‘000)	85,549	84,841	
Adjusted Diluted Net Earnings Per Share	$0.71	$0.81	

(1) External Legal and Forensic Accounting Costs Related to Litigation

The costs added back for adjusted net earnings purposes reflects the legal and forensic accounting costs not covered by insurance (recorded as SG&A expense) incurred by the Company in relation to specific litigation matters out of the ordinary course of business as outlined in the Company’s MD&A and Annual Information Form for the year ended December 31, 2013. Further amounts related to the costs expensed to date may be recovered from the Company’s insurance providers upon completion of their review of the costs incurred.

NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Net Earnings	$ 19,384	$ 20,973	(1,589)	(7.6%)
Adjusted Net Earnings	$ 19,384	$ 20,973	(1,589)	(7.6%)
Net Earnings per common share				
Basic	$ 0.23	$ 0.25		
Diluted	$ 0.23	$ 0.25		
Adjusted Net Earnings per common share				
Basic	$ 0.23	$ 0.25		
Diluted	$ 0.23	$ 0.25		

Net earnings for the third quarter of 2014 decreased by $1.6 million to $19.4 million from $21.0 million for the third quarter of 2013. The net earnings per common share for the third quarter of 2014 decreased to $0.23 per share, on a basic and diluted basis, in comparison to $0.25 per share, on a basic and diluted basis, for the third quarter of 2013.

The net earnings for the third quarter of 2014, as compared to the third quarter of 2013, were negatively impacted by the following:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;

- pre-operating costs at new operating facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge;
- lower operating margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in research and development expense, due mainly to increased amortization of development costs and research and development activity, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see “Acquisition” section of the Company’s management discussion and analysis for the third quarter ended September 30, 2014 (the “MD&A”) for further details on the transaction).

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the third quarter 2013;
- productivity and efficiency improvements at certain operating facilities;
- improved pricing on certain long-term customer contracts in the Company’s European operations;
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see “Acquisition” section of the MD&A for further details on the transaction).

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Net Earnings	$ 59,383	$ 68,375	(8,992)	(13.2%)
Adjusted Net Earnings	$ 60,554	$ 68,375	(7,821)	(11.4%)
Net Earnings per common share				
Basic	$ 0.70	$ 0.81		
Diluted	$ 0.69	$ 0.81		
Adjusted Net Earnings per common share				
Basic	$ 0.72	$ 0.81		
Diluted	$ 0.71	$ 0.81		

Net earnings, before adjustments, for the nine months ended September 30, 2014 decreased by $9.0 million to $59.4 million from $68.4 million for the nine months ended September 30, 2013. Excluding $1.6 million in external legal and forensic accounting costs related to litigation incurred during the nine months ended September 30, 2014, as explained under “Adjustments to Net Earnings”, the net earnings for the nine months ended September 30, 2014 decreased to $60.6 million or $0.72 per share, on a basic basis, and $0.71 per share on diluted basis, from $68.4 million or $0.81 per share, on a basic and diluted basis, for the nine months ended September 30, 2013.

The net earnings for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, were negatively impacted by the following:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America are down year-over-year and negatively impacted operating margins for the period;
- pre-operating costs at new operating facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge;
- lower operating margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expenses, due mainly to increased amortization of development costs and research and development activity, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches

and to fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see “Acquisition” section of the MD&A for further details on the transaction).

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013;
- productivity and efficiency improvements at certain operating facilities;
- improved pricing on certain long-term customer contracts in the Company’s European operations;
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see “Acquisition” section of the MD&A for further details on the transaction).

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 52,015	$ 46,023	5,992	13.0%

Additions to property, plant and equipment increased by $6.0 million to $52.0 million in the third quarter of 2014 from $46.0 million in the third quarter of 2013. Additions as a percentage of sales remained relatively consistent year-over-year at 6.0% for both the third quarters of 2014 and 2013. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the third quarter of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 136,377	$ 142,519	(6,142)	(4.3%)

Additions to property, plant and equipment decreased by $6.1 million to $136.4 million for the nine months ended September 30, 2014 from $142.5 million for the nine months ended September 30, 2013. Additions as a percentage of sales decreased year-over-year to 5.1% for the nine months ended September 30, 2014 compared to 6.0% for the comparative period of 2013. Despite the decrease, while capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first nine months of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

DIVIDEND

A cash dividend of $0.03 per share has been declared by the Board of Directors payable to shareholders of record on December 31, 2014 on or about January 15, 2015.

CONFERENCE CALL DETAILS

A conference call to discuss these results will be held on Tuesday, November 11, 2014 at 8:00 a.m. (Toronto time) which can be accessed by dialing (416) 340-8410 or toll free (866) 225-2055. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing (905) 694-9451 or toll free (800) 408-3053 (conference id – 8328475**#**). The rebroadcast will be available until November 25, 2014.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This Press Release contains forward-looking statements within the meaning of applicable Canadian securities laws including related to the expectations and guidance as to revenues, gross margin percentage and earnings per share, statements as to the expansion of or improvements in gross margin, including due to positive impact from launches, improvements in profitability, statements as to the growth of the Company, new and replacement businesses, opening of facilities and pursuit of its strategies, the launching of new metal forming and fluid systems programs including expectations as to the financial impact of launches, the Company's expectations as to the contribution of Martinrea Honsel to the Company's business, statements as to the progress and expectations of operational and productivity improvements and operational and productivity efficiencies, the Company's expectations regarding the future amount and type of restructuring expenses to be expensed, statements as to the reduction of costs, including the expectation of a reduction in costs and inefficiencies and stabilization of and operational improvements at the Hopkinsville plant and expectations as to the continued operation of and successful upgrades to the presses, the Company's views on the long term outlook of the automotive industry and economic recovery, expectations as to volumes in North America and Europe, the Company's ability to capitalize on opportunities in the automotive industry and the successful integration of acquisitions, statements as to the recovery of litigation related expenses from insurance providers, and as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the Quarter Ended September 30, 2014

The following management discussion and analysis ("MD&A") was prepared as of November 10, 2014 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2014 ("interim consolidated financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2013 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2013, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a leader in the production and development of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs over 14,000 skilled and motivated people in 40 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's objective is to develop a state-of-the-art international metal forming and fluid systems business that will continue to be and further become a key supplier in the automotive industry. Growth will be prudent, profitable and based on innovation. The backbone of future growth is the development of talented people. The significant development of the Company since 2002 has reflected this business strategy and contributed to the growing success of the Company.

Results of operations include certain unusual items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-IFRS measures in the Company's disclosures that management believes provides the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

		Three months ended September 30, 2014		Three months ended September 30, 2013	$ Change	% Change
Sales	$	859,456	$	767,861	91,595	11.9%
Gross Margin		78,076		83,663	(5,587)	(6.7%)
Operating Income		31,555		39,574	(8,019)	(20.3%)
Net Earnings for the period		21,205		26,387	(5,182)	(19.6%)
Net Earnings Attributable to Equity Holders of the Company	$	19,384	$	20,973	(1,589)	(7.6%)
Net Earnings per Share – Basic	$	0.23	$	0.25	(0.02)	(8.0%)
Net Earnings per Share – Diluted	$	0.23	$	0.25	(0.02)	(8.0%)
Unusual Items*	$	-	$	-	-	-
Adjusted Net Earnings Attributable to Equity Holders of the Company*		19,384	$	20,973	(1,589)	(7.6%)
Adjusted Net Earnings per share* - Basic and Diluted	$	0.23	$	0.25	(0.02)	(8.0%)

		Nine months ended September 30, 2014		Nine months ended September 30, 2013	$ Change	% Change
Sales	$	2,654,864	$	2,363,257	291,607	12.3%
Gross Margin		261,418		250,561	10,857	4.3%
Operating Income		112,243		121,189	(8,946)	(7.4%)
Net Earnings for the period		77,490		82,003	(4,513)	(5.5%)
Net Earnings Attributable to Equity Holders of the Company	$	59,383	$	68,375	(8,992)	(13.2%)
Net Earnings per Share – Basic	$	0.70	$	0.81	(0.11)	(13.6%)
Net Earnings per share – Diluted	$	0.69	$	0.81	(0.12)	(14.8%)
Unusual Items*	$	1,171	$	-	1,171	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*		60,554		68,375	(7,821)	(11.4%)
Adjusted Net Earnings per share* - Basic	$	0.72	$	0.81	(0.09)	(11.1%)
Adjusted Net Earnings per share* - Diluted	$	0.71	$	0.81	(0.10)	(12.3%)

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company has included certain non-IFRS financial measures and ratios in this MD&A that the Company believes provides useful information in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to the other financial measures determined in accordance with IFRS. Non-IFRS measures referred to in the analysis include "adjusted net earnings" and "adjusted net earnings per share on a basic and diluted basis" and are defined in the "Adjustments to Net Earnings" section of this MD&A.

SALES

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

		Three months ended September 30, 2014		Three months ended September 30, 2013	$ Change	% Change
North America	$	685,686	$	590,827	94,859	16.1%
Europe		159,373		155,994	3,379	2.2%
Rest of World		14,397		21,040	(6,643)	(31.6%)
Total Sales	$	859,456	$	767,861	91,595	11.9%

The Company's consolidated sales for the third quarter of 2014 increased by $91.6 million or 11.9% to $859.5 million as compared to $767.9 million for the third quarter of 2013. The total overall increase in sales was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in sales in the Rest of the World.

Sales for the third quarter of 2014 in the Company's North America operating segment increased by $94.9 million or 16.1% to $685.7 million from $590.8 million for the third quarter of 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the Ford Escape/Lincoln MKC platform, one of the Company's largest platforms; the launch of new programs during or subsequent to the third quarter of 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a $43.1 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the third quarter of 2014 of $21.9 million as compared to the third quarter of 2013.

Sales for the third quarter of 2014 in the Company's Europe operating segment increased by $3.4 million or 2.2% to $159.4 million from $156.0 million for the third quarter of 2013. The increase was predominantly due to a benefit from the impact of foreign exchange on the translation of Euro denominated production sales of $9.0 million, partially offset by a slight year-over-year decrease in production volumes in the Company's European operations. Tooling sales in Europe remained relatively flat year-over-year.

Sales for the third quarter of 2014 in the Company's Rest of World operating segment decreased by $6.6 million or 31.6% to $14.4 million from $21.0 million in the third quarter of 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil and a $3.4 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer, partially offset by increasing production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business, and a positive impact from the translation of foreign denominated production sales of $0.6 million as compared to the third quarter of 2013.

Overall tooling sales increased by $39.8 million from $35.0 million for the third quarter of 2013 to $74.8 million for the third quarter of 2014.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

		Nine months ended September 30, 2014		Nine months ended September 30, 2013	$ Change	% Change
North America	$	2,094,654	$	1,853,157	241,497	13.0%
Europe		516,063		457,764	58,299	12.7%
Rest of World		44,147		52,336	(8,189)	(15.6%)
Total Sales	$	2,654,864	$	2,363,257	291,607	12.3%

The Company's consolidated sales for the nine months ended September 30, 2014 increased by $291.6 million or 12.3% to $2,654.9 million as compared to $2,363.3 million for the nine months ended September 30, 2013. The total overall increase in sales was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in sales in the Rest of the World.

Sales for the nine months ended September 30, 2014 in the Company's North America operating segment increased by $241.5 million or 13.0% to $2,094.7 million from $1,853.2 million for the nine months ended September 30, 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the Ford Escape/Lincoln MKC and GM Equinox/Terrain, two of the Company's largest platforms; the launch of new programs during 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a year-over-year increase in tooling sales of $34.2 million; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2014 of $107.4 million as compared to the comparative period of 2013.

Sales for the nine months ended September 30, 2014 in the Company's Europe operating segment increased by $58.3 million or 12.7% to $516.1 million from $457.8 million for the nine months ended September 30, 2013. The increase was due to the launch of new incremental aluminum business with Jaguar Land Rover including the sub-frame and shock towers for the new Range Rover Sport; a $2.3 million increase in tooling sales; a $47.5 million benefit from the impact of foreign exchange on the translation of Euro denominated production sales; and year-over-year increased production sales in the Company's plant in Slovakia, which continues to ramp up and launch its backlog of business.

Sales for the nine months ended September 30, 2014 in the Company's Rest of World operating segment decreased by $8.2 million or 15.6% to $44.1 million from $52.3 million for the nine months ended September 30, 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil; the translation of foreign denominated production sales which had a negative impact on overall sales for the nine months ended September 30, 2014 of $0.6 million; and a $3.6 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; partially offset by increasing production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business.

Overall tooling sales increased $32.9 million from $130.1 million for the nine months ended September 30, 2013 to $163.0 million for the nine months ended September 30, 2014.

GROSS MARGIN

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Gross margin	$ 78,076	$ 83,663	(5,587)	(6.7%)
% of sales	9.1%	10.9%		

The gross margin percentage for the third quarter of 2014 of 9.1% decreased as a percentage of sales by 1.8% as compared to the gross margin percentage for the third quarter of 2013 of 10.9%. The decrease in gross margin as a percentage of sales was generally due to:

- an increase in tooling sales which typically earn low or no margins for the Company;
- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;
- pre-operating costs at new facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see below).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the third quarter of 2013 (as noted above under "Sales");
- productivity and efficiency improvements at certain operating facilities; and
- improved pricing on certain long-term customer contracts in the Company's European operations.

The performance of the Company's operating facility in Hopkinsville, Kentucky continued to be impacted in 2014 to date and in the third quarter of 2014 by operational expenses stemming from issues experienced by the facility at the end of 2013. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which resulted in incremental premium costs as the facility was dealing with new programs, customer-requested engineering changes, which have impacted productivity, and the overall ramp-up in production volumes being experienced in the automotive industry. Since the equipment failures at the end of 2013, the presses have been operational but have not been performing at optimal levels. Upgrades to the presses were successfully completed during the July 2014 summer shutdown in order to reduce the risk of any further failures and improve the performance of the presses. Further less substantial improvements are planned for the December holiday shutdown. Progress is being made at improving efficiencies, costs have subsided, costs are expected to subside further, and margins improve at this facility as well as others, as operational improvements continue to be made.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Gross margin	$ 261,418	$ 250,561	10,857	4.3%
% of sales	9.8%	10.6%		

The gross margin percentage for the nine months ended September 30, 2014 of 9.8% decreased as a percentage of sales by 0.8% as compared to the gross margin percentage for the nine months ended September 30, 2013 of 10.6%. The decrease in gross margin as a percentage of sales was generally due to:

- an increase in tooling sales which typically earn low or no margins for the Company;
- production sales mix – production volumes on certain key vehicle platforms for the Company in North America are down year-over-year and negatively impacted operating margins for the period;

- pre-operating costs at new operating facilities in Spain, Mexico, and China as these plants prepare for upcoming new program launches;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville Kentucky (see above).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013 (as noted above under "Sales");
- productivity and efficiency improvements at certain operating facilities; and
- improved pricing on certain long-term customer contracts in the Company's European operations.

SELLING, GENERAL & ADMINISTRATIVE ("SG&A")

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Selling, general & administrative	$ 39,462	$ 38,976	486	1.2%
% of sales	4.6%	5.1%		

SG&A expense for the third quarter of 2014 increased by $0.5 million to $39.5 million as compared to $39.0 million for the third quarter of 2013. The increase can be generally attributed to an increase in travel-related costs and costs incurred at new and/or expanded facilities including incremental employment levels to support the growth in the business. SG&A expenses are monitored and managed on a continuous basis in order to optimize costs.

SG&A expense as a percentage of sales decreased year-over-year to 4.6% in the third quarter of 2014 from 5.1% in the comparative quarter of 2013. The decrease can be attributed to a significant increase in total sales during the quarter as a result of a large year-over-year increase in tooling sales, which are volatile by nature as they are dependent on the timing of tooling construction and final acceptance by the customer, as explained above. Excluding tooling sales, SG&A expense as a percentage of sales for the third quarters of both 2014 and 2013 is fairly consistent at just over 5% for both periods.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Selling, general & administrative	$ 128,387	$ 112,550	15,837	14.1%
% of sales	4.8%	4.8%		

SG&A expense, before adjustments, for the nine months ended September 30, 2014 increased by $15.8 million to $128.4 million as compared to $112.6 million for the nine months ended September 30, 2013. Excluding $1.6 million in external legal and forensic accounting costs related to litigation incurred during the nine months ended September 30, 2014 as explained under "Adjustments to Net Earnings", SG&A expense for the nine months ended September 30, 2014 increased by $14.2 million to $126.8 million from $112.6 million for the comparative period of 2013. The increase can be attributed to an increase in travel-related costs, costs incurred at new and/or expanded facilities and incremental employment levels to support the growth in the business.

Excluding $1.6 million in external legal and forensic accounting costs related to litigation incurred during the nine months ended September 30, 2014 as explained under "Adjustments to Net Earnings", SG&A expense as a percentage of sales remained consistent year-over-year at 4.8% for both the nine months ended September 30, 2014 and 2013.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND INTANGIBLE ASSETS

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Depreciation of PP&E (production)	$ 25,971	$ 22,976	2,995	13.0%
Depreciation of PP&E (non-production)	1,764	1,593	171	10.7%
Amortization of customer contracts and relationships	904	496	408	82.3%
Total depreciation and amortization	$ 28,639	$ 25,065	3,574	14.3%

Total depreciation and amortization expense for the third quarter of 2014 increased by $3.6 million to $28.6 million as compared to $25.1 million for the third quarter of 2013. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from a growing book of business. A significant portion of the Company's recent investment relates to various new program launches put to use during or subsequent to the third quarter of 2013 as the Company worked through a robust launch schedule. The Company continues to make significant investments in the business in light of a large backlog of business and a growing global footprint.

Depreciation of PP&E (production) expense as a percentage of sales remained consistent year-over-over at 3.0%.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Depreciation of PP&E (production)	$ 75,388	$ 66,793	8,595	12.9%
Depreciation of PP&E (non-production)	4,942	4,740	202	4.3%
Amortization of customer contracts and relationships	1,815	1,475	340	23.1%
Total depreciation and amortization	$ 82,145	$ 73,008	9,137	12.5%

Total depreciation and amortization expense for the nine months ended September 30, 2014 increased by $9.1 million to $82.1 million as compared to $73.0 million for the nine months ended September 30, 2013. Similar to the year-over-year quarterly trend, the increase in total depreciation and amortization expense was mainly attributable to an increase in depreciation expense on a larger PP&E base resulting from a growing book of business and expanding global footprint.

Depreciation of PP&E (production) expense as a percentage of sales remained relatively consistent year-over-over at 2.8% for the nine months ended September 30, 2014 and 2.8% for the nine months ended September 30, 2013.

ADJUSTMENTS TO NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Adjusted net earnings exclude certain unusual items, as set out in the following tables and described in the notes thereto. Management uses adjusted net earnings as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

There were no unusual items during the third quarters of 2014 and 2013.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014 (a)	Nine months ended September 30, 2013 (b)	(a-b) Change
NET EARNINGS (A)	**$59,383**	**$68,375**	**$(8,992)**
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	1,561	-	1,561
TOTAL UNUSUAL ITEMS BEFORE TAX	**$1,561**	**-**	**$1,561**
Tax impact of above items	(390)	-	(390)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	**$1,171**	**-**	**$1,171**
ADJUSTED NET EARNINGS (A + B)	**$60,554**	**$68,375**	**$(7,821)**
Number of Shares Outstanding – Basic (‘000)	84,526	83,977	
Adjusted Basic Net Earnings Per Share	$0.72	$0.81	
Number of Shares Outstanding – Diluted (‘000)	85,549	84,841	
Adjusted Diluted Net Earnings Per Share	$0.71	$0.81	

(1) External Legal and Forensic Accounting Costs Related to Litigation

The costs added back for adjusted net earnings purposes reflects the legal and forensic accounting costs not covered by insurance (recorded as SG&A expense) incurred by the Company in relation to specific litigation matters out of the ordinary course of business as outlined in the Company’s MD&A and Annual Information Form for the year ended December 31, 2013. Further amounts related to the costs expensed to date may be recovered from the Company’s insurance providers upon completion of their review of the costs incurred.

NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Net Earnings	$ 19,384	$ 20,973	(1,589)	(7.6%)
Adjusted Net Earnings	$ 19,384	$ 20,973	(1,589)	(7.6%)
Net Earnings per common share				
Basic	$ 0.23	$ 0.25		
Diluted	$ 0.23	$ 0.25		
Adjusted Net Earnings per common share				
Basic	$ 0.23	$ 0.25		
Diluted	$ 0.23	$ 0.25		

Net earnings for the third quarter of 2014 decreased by $1.6 million to $19.4 million from $21.0 million for the third quarter of 2013. The net earnings per common share for the third quarter of 2014 decreased to $0.23 per share, on a basic and diluted basis, in comparison to $0.25 per share, on a basic and diluted basis, for the third quarter of 2013.

The net earnings for the third quarter of 2014, as compared to the third quarter of 2013, were negatively impacted by the following:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;
- pre-operating costs at new operating facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge;
- lower operating margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in research and development expense, due mainly to increased amortization of development costs and research and development activity, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see “Acquisition” section of this MD&A for further details on the transaction).

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the third quarter 2013;
- productivity and efficiency improvements at certain operating facilities;
- improved pricing on certain long-term customer contracts in the Company’s European operations;
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see “Acquisition” section of this MD&A for further details on the transaction).

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Net Earnings	$ 59,383	$ 68,375	(8,992)	(13.2%)
Adjusted Net Earnings	$ 60,554	$ 68,375	(7,821)	(11.4%)
Net Earnings per common share				
Basic	$ 0.70	$ 0.81		
Diluted	$ 0.69	$ 0.81		
Adjusted Net Earnings per common share				
Basic	$ 0.72	$ 0.81		
Diluted	$ 0.71	$ 0.81		

Net earnings, before adjustments, for the nine months ended September 30, 2014 decreased by $9.0 million to $59.4 million from $68.4 million for the nine months ended September 30, 2013. Excluding $1.6 million in external legal and forensic accounting costs related to litigation incurred during the nine months ended September 30, 2014, as explained under "Adjustments to Net Earnings", the net earnings for the nine months ended September 30, 2014 decreased to $60.6 million or $0.72 per share, on a basic basis, and $0.71 per share on diluted basis, from $68.4 million or $0.81 per share, on a basic and diluted basis, for the nine months ended September 30, 2013.

The net earnings for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, were negatively impacted by the following:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America are down year-over-year and negatively impacted operating margins for the period;
- pre-operating costs at new operating facilities in Spain, Mexico and China as these plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge;
- lower operating margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expenses, due mainly to increased amortization of development costs and research and development activity, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and to fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see "Acquisition" section of this MD&A for further details on the transaction)

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013;
- productivity and efficiency improvements at certain operating facilities;
- improved pricing on certain long-term customer contracts in the Company's European operations;
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see "Acquisition" section of this MD&A for further details on the transaction).

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 52,015	$ 46,023	5,992	13.0%

Additions to property, plant and equipment increased by $6.0 million to $52.0 million in the third quarter of 2014 from $46.0 million in the third quarter of 2013. Additions as a percentage of sales remained relatively consistent year-over-year at 6.0% for both the third quarters of 2014 and 2013. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the third quarter of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	Nine months ended September 30, 2014	Nine months ended September 30, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 136,377	$ 142,519	(6,142)	(4.3%)

Additions to property, plant and equipment decreased by $6.1 million to $136.4 million for the nine months ended September 30, 2014 from $142.5 million for the nine months ended September 30, 2013. Additions as a percentage of sales decreased year-over-year to

5.1% for the nine months ended September 30, 2014 compared to 6.0% for the comparative period of 2013. Despite the decrease, while capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first nine months of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

SEGMENT ANALYSIS

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by the Company's chief operating decision maker which is the Chief Executive Officer. As a result of the increased geographic diversification resulting from the acquisition of Martinrea Honsel and the differences between the regions in which the Company now operates, the Company's operations are segmented on a geographic basis between North America, Europe and Rest of World. The Company measures segment operating performance based on operating income.

Three months ended September 30, 2014 to three months ended September 30, 2013 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended September 30, 2014	Three months ended September 30, 2013	Three months ended September 30, 2014	Three months ended September 30, 2013
North America	$ 685,686	$ 590,827	$ 24,112	$ 32,033
Europe	159,373	155,994	10,254	8,223
Rest of World	14,397	21,040	(2,811)	(682)
	$ 859,456	$ 767,861	$ 31,555	$ 39,574

North America

Despite the year-over-year increase in sales, operating income in North America decreased by $7.9 million to $24.1 million for the third quarter of 2014 from $32.0 million for the third quarter of 2013. Operating income in North America was negatively impacted by:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;
- pre-operating costs at a new operating facility in Mexico as the plant prepares for several upcoming new program launches;
- program specific launch costs (related to certain new programs recently launched or set to launch or ramp up over the next six months);
- operating inefficiencies at certain operating facilities in particular, Hopkinsville, Kentucky (as previously discussed); and
- a year-over-year increase in research and development costs (as previously discussed).

Europe

Operating income in Europe increased by $2.1 million to $10.3 million for the third quarter of 2014 from $8.2 million for the third quarter of 2013. Operating income in Europe was positively impacted by a year-over-year increase in sales primarily as a result of a positive foreign exchange impact on the translation of Euro denominated sales, productivity and efficiency improvements at certain operating facilities, in particular in Germany, and improved pricing on certain long term customer contracts, partially offset by program specific launch costs and pre-operating costs at a new operating facility in Spain as the plant prepares for a significant upcoming new program launch.

Rest of World

The operating results for the Rest of World operating segment decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil and pre-operating costs at a new aluminum operating facility in China as the plant prepares for its inaugural new program launch in 2016, partially offset by improved results in the Company's new Fluids plant in China, which began operations in 2013 and continues to ramp up its backlog of business.

Nine months ended September 30, 2014 to nine months ended September 30, 2013 comparison

	SALES		OPERATING INCOME (LOSS)	
	Nine months ended September 30, 2014	**Nine months ended September 30, 2013**	**Nine months ended September 30, 2014**	**Nine months ended September 30, 2013**
North America	$ 2,094,654	$ 1,853,157	$ 79,134	$ 103,797
Europe	516,063	457,764	40,326	19,183
Rest of World	44,147	52,336	(7,217)	(1,791)
	$ 2,654,864	$ 2,363,257	$ 112,243	$ 121,189

North America

Despite the year-over-year increase in sales, operating income in North America decreased by $24.7 million to $79.1 million for the nine months ended September 30, 2014 from $103.8 million for the nine months ended September 30, 2013. Operating income in North America was negatively impacted by:

- production sales mix – production volumes on certain key vehicle platforms for the Company in North America were down year-over-year and negatively impacted operating margins for the quarter;
- pre-operating costs at a new operating facility in Mexico as the plant prepares for several upcoming new program launches;
- program specific launch costs (related to certain new programs recently launched or set to launch or ramp up over the next six months);
- operating inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as previously discussed);
- year-over-year increases in SG&A expense and research and development costs (as previously discussed); and
- $1.6 million in external legal and forensic accounting costs related to litigation as explained under "Adjustments to Net Earnings."

Europe

Operating income in Europe increased by $21.1 million to $40.3 million for the nine months ended September 30, 2014 from $19.2 million for the nine months ended September 30, 2013. Operating income in Europe was positively impacted by a year-over-year increase in sales including the ramp up of new incremental business with Jaguar LandRover and a positive foreign exchange impact on the translation of Euro denominated sales, ongoing productivity and efficiency improvements at certain operating facilities, in particular in Germany, and improved pricing on certain long term customer contracts, partially offset by program specific launch costs and pre-operating costs at a new operating facility in Spain as the plant prepares for a significant upcoming new program launch.

Rest of World

The operating results for the Rest of World operating segment decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil and pre-operating costs at a new aluminum operating facility in China as the plant prepares for its inaugural new program launch in 2016, partially offset by improved results in the Company's new Fluids plant in China, which began operations in 2013 and continues to ramp up its backlog of business.

SUMMARY OF QUARTERLY RESULTS

	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sale	859,456	930,915	864,493	858,624	767,861	826,274	769,122	705,600
Gross margin	78,076	95,863	87,479	73,475	83,663	91,183	75,715	60,969
Net income for the period	21,205	29,626	26,659	(44,074)	26,387	32,111	23,505	(18,883)
Net income attributable to equity holders of the Company	19,384	23,308	16,691	(51,425)	20,973	27,514	19,888	(7,052)
Basic Net Earnings (loss) per share	0.23	0.28	0.20	(0.61)	0.25	0.33	0.24	(0.09)
Diluted Net Earnings (loss) per share	0.23	0.27	0.20	(0.60)	0.25	0.33	0.24	(0.08)
Adjusted Basic Net Earnings per share	0.23	0.28	0.21	0.17	0.25	0.33	0.24	0.15
Adjusted Diluted Net Earnings per share	0.23	0.28	0.21	0.17	0.25	0.33	0.24	0.15

LIQUIDITY AND 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. As at September 30, 2014, the Company had total equity attributable to equity holders of the Company of $558.5 million. As at September 30, 2014, the Company's ratio of current assets to current liabilities was 1.3:1, generally consistent with recent quarters. The Company's current working capital level of $222.5 million and existing financing facilities should be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing financing facilities or asset backed financing.

Cash Flows

	Three months ended September 30, 2014	Three months ended September 30, 2013	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 64,264	$ 64,637	(373)	(0.6%)
Change in non-cash working capital items	7,888	(23,504)	31,392	(133.6%)
	72,152	41,133	31,019	75.4%
Interest paid	(5,738)	(6,753)	1,015	(15.0%)
Income taxes paid	(16,522)	(2,476)	(14,046)	567.3%
Cash provided by operating activities	49,892	31,904	17,988	56.4%
Cash provided by financing activities	222,333	10,668	211,665	1,984.1%
Cash used in investing activities	(290,838)	(48,158)	(242,680)	503.9%
Effect of foreign exchange rate changes	5,438	(1,298)	6,736	(519.0%)
Decrease in cash and cash equivalents	$ (13,175)	$ (6,884)	(6,291)	91.4%

Cash provided by operating activities during the third quarter of 2014 was $49.9 million, compared to cash provided by operating activities of $31.9 million in the corresponding period of 2013. The components for the third quarter of 2014 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $64.3 million;

- working capital items source of cash of $7.9 million, comprised of a decrease in trade and other receivables of $27.8 million, partially offset by a decrease in trade, other payables and provisions of $12.4 million, an increase in inventories of $4.6 million and an increase in prepaid expenses and deposits of $2.8 million.
- interest paid (excluding capitalized interest) of $5.7 million; and
- income taxes paid of $16.5 million due to the timing of income tax instalments and withholding and tax credits.

Cash provided by financing activities during the third quarter of 2014 was $222.3 million, compared to $10.7 million in the corresponding period in 2013, as a result of $241.8 million net drawn on the Company's amended banking facility (see below under "Financing") primarily to fund the purchase of the 45% non-controlling interest in Martinrea Honsel on August 7, 2014 (see below under "Acquisitions") and proceeds from an equipment loan of $6.3 million, partially offset by the repayment of the shareholder loan held by the non-controlling shareholder in Martinrea Honsel of $13.1 million, $8.8 million of scheduled debt repayments on asset based financing arrangements and $2.5 million in dividends paid.

Cash used in investing activities during the third quarter of 2014 was $290.8 million, compared to $48.2 million in the corresponding period in 2013, primarily as a result of:

- the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see below under "Acquisitions");
- cash additions to PP&E of $48.9 million;
- capitalized development costs relating to upcoming new program launches of $6.8 million; partially offset by
- proceeds from the disposal of property, plant and equipment of $0.5 million.

Taking into account the opening cash balance of $38.5 million at the beginning of the third quarter of 2014, and the activities described above, the cash and cash equivalents balance at September 30, 2014 was $25.3 million.

Financing

On August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The increase in credit lines facilitated the purchase of the 45% non-controlling interest in Martinrea Honsel as further described below. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $300 million and US $350 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 $100 million;
- pricing terms at market rates; and
- a maturity date of August 2018.

As at September 30, 2014, the Company had drawn $278.0 million on the Canadian revolving credit line and US$245.0 million on the U.S. revolving credit line.

Net debt (i.e. long term debt less cash on hand) increased by approximately $245.2 million from $413.2 million at June 30, 2014 to $658.4 million at September 30, 2014, due primarily to the purchase of the 45% non-controlling interest in Martinrea Honsel.

The Company was in compliance with its debt covenants as at September 30, 2014.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on October 15, 2014. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2013 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2014 the amount of off-balance sheet program financing was $33.1 million (December 31, 2013 - $57.6 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

ACQUISITIONS

On July 29, 2011, the Company closed an agreement to purchase a controlling interest in the assets of Honsel, a German-based leading supplier of aluminum components for the automotive and industrial sectors forming the Martinrea Honsel group. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction, acquiring 55%, with Anchorage owning the remaining 45%.

Martinrea Honsel develops and manufactures complex aluminum products using state-of-the-art production technologies including high pressure die-casting, permanent mold and sand casting as well as extruding and rolling. Martinrea Honsel produces four major product lines: engine products such as engine blocks, cylinder heads and oil pans; transmission products, such as housings and control parts; suspension products, such as engine cradles; and body parts, such as front boards and extrusion profiles.

The Martinrea Honsel Group provides the Company with a significant presence in the aluminum automotive parts market, and broadens the Company's metal forming capabilities and offerings. It also creates a more significant geographic presence outside North America, which the Company intends to grow over time. The Company's customer base was further expanded with the acquisition, with many of the larger European based OEMs being significant customers of Martinrea Honsel.

Initially, the 2011 purchase transaction envisaged the purchase of all of Honsel's operations, which included plants in Germany located in Meschede, Nuremburg, Soest, and Nuttlar, as well as Madrid, Spain, Queretaro, Mexico, and Monte Mor, Brazil. The Nuremburg facility was subsequently sold to ZF Friedrichshafen AG ("ZF"), the primary customer of the facility, immediately after the closing of the purchase transaction. After factoring in the sale of the Nuremburg facility to ZF, the net cash consideration for the acquisition was €62,125 ($85,272), of which Martinrea's 55% portion was €34,169 ($46,900).

As part of the transaction, the Company granted Anchorage a put option which, if exercised, would require the Company to purchase Anchorage's 45% interest in Martinrea Honsel Holdings B.V. The put option would become effective on April 1, 2015 and expire on October 1, 2017. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option is exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel Group for a negotiated purchase price of € 160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel Group is wholly owned by Martinrea. The transaction resulted in the carrying value of the put option liability on the date of the transaction being reversed out of other equity and the carrying amount of Anchorage's share of equity in Martinrea Honsel being reversed from non-controlling interest. The $127,198 difference of the consideration paid and the carrying amount of the non-controlling interest at the date of the transaction was recognized in accumulated deficit.

The acquisition while bringing many benefits to Martinrea also provides some risks for the Company. Both the initial 2011 purchase of the 55% controlling interest and subsequent purchase of the remaining 45% equity interest in Martinrea Honsel were also financed by the Company using available credit lines, which has increased the Company's debt levels. See also "Risks and Uncertainties".

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated March 31, 2014 and available through SEDAR at www.sedar.com which are incorporated herein by reference. 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 relating to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 10, 2014, the Company had 84,905,083 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 10, 2014, options to acquire 5,665,202 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended September 30, 2014, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2013.

The Company has negotiated tool financing facilities that will provide direct financing for specific programs. The tool 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 tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2014, the amount of off-balance sheet program financing was $33.1 million. The maximum amount of undiscounted future payments the Company could be required to make under the guarantee is $33.1 million. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation 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 a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

FINANCIAL INSTRUMENTS

The Company periodically utilizes certain financial instruments, principally forward currency exchange contracts to manage the risk associated with fluctuations in currency exchange rates. The Company's policy does not utilize financial instruments for trading or speculative purposes. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's foreign denominated sales and the Company's purchases of materials and equipment. Gains and losses on forward foreign exchange contracts are reflected in the consolidated financial statements in the same period as the hedged item. In the event that a hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized in income.

At September 30, 2014, the Company had committed to the following foreign exchange forward contracts:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$	22,000	1.0452	3
Buy Euro	$	483	1.2631	1
Buy Mexican Pesos	$	4,872	13.3394	2

The aggregate value of these forward contracts as at September 30, 2014 was a loss of $2.4 million and was recorded in trade and other payables (December 31, 2013 – loss of $0.4 million recorded in trade and other payables).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the most recent interim period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2013 annual consolidated financial statements, as well as in the Company's 2013 annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended September 30, 2014 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2013 annual MD&A, except for the following new accounting standards recently adopted.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- level of fair value hierarchy within which the fair value measurement is categorised;
- valuation techniques used to measure fair value less costs of disposal;
- key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3" of the fair value hierarchy, and
- discount rate when applicable.

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.

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provides clarification on when an entity has a legally enforceable right to set-off financial assets and financial liabilities.

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.

IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

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

Recently issued accounting standards not yet adopted

The IASB issued the following new standards and amendments to existing standards, which have not yet been adopted by the Company:

IFRS 15, Revenue from Contracts with Customer (IFRS 15)

In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application.

IFRS 9, Financial Instruments (IFRS 9) - In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current

IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted

Amendments to IFRS 11, Joint Arrangements

In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions

of interests in a joint operation that constitute a business.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment

In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact, if any, of these standards and amendments on the consolidated financial statements.

OUTLOOK

The automotive industry is traditionally an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers and drives for quality and profits and characterized at the supplier level by price reductions, increasing quality standards, higher input prices and a declining number of qualified suppliers in the normal course or as a result of insolvencies and consolidation. The challenges of the industry were exacerbated by the 2008-2009 economic recession and the financial distress in the industry involving both OEMs and suppliers particularly evidenced by the bankruptcy filings of Chrysler and General Motors in the United States in 2009. The Company believes that the long term outlook of the automotive industry overall remains challenging but much improved from 2008 - 2010. In 2010, the North American automotive industry experienced a recovery in volume and sales, as sales and production volumes increased from 2009 levels, although not to pre-recession levels. Production in 2011, 2012 and 2013 improved substantially, and production has continued to improve in 2014. This has resulted in increasing sales for most automotive OEMs and for suppliers who survived the automotive crisis of 2008 and 2009, including Martinrea.

There are many challenges, but opportunities will exist for innovative and cost effective suppliers who build great products in the short, medium and longer term, and who have survived automotive and economic crises. It is expected that growth in business for individual suppliers will occur as OEMs reduce the number of Tier 1 suppliers, continue to outsource product, and provide opportunities for new work and takeover business. The Company believes that an industry slow-down or consolidation can be viewed as a strategic opportunity to win additional business from competitors producing fluid management systems or metal formed products. The Company also believes that its capabilities provide it with the ability to capitalize on a broad range of opportunities. In 2003, the Company streamlined operations, managed the integration of acquisitions to create efficiencies, strengthened product offerings, took advantage of technological capabilities and created more profitability. The Company built on this in 2004 and in 2005, building a base for the future. In 2006, the Company again pursued this strategy, and added a major complementary acquisition to broaden its base. In 2007 and 2008, the Company focused on integrating its acquisitions and continued with its traditional strategic focus. The Company continued to pursue its strategies in 2009 despite the automotive and economic crisis, and acquired assets, customers and new work. The Company's perseverance and focus continued throughout 2010, as the Company continued to build for the future. The Company continued to pursue its strategies since then, including the acquisition of the assets of Martinrea Honsel to broaden its product offerings and customer base, and will continue to do so in 2014 and in the future with a view to increasing sales and profits over the longer term.

FORWARD LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including related to the Company's expectations as to sales and gross margin percentage (and earnings per share), expansion of gross margin; statements as to the growth of the Company and pursuit of its strategies, the launching of new metal forming and fluid systems programs including expectations as to the financial impact of launches (and statements as to the progress and planning of operational improvements, operational efficiencies and improvement in production), pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the increased reliance on outsourcing by foreign-owned OEMs, anticipated growth in the automotive industry, future investments in leading edge technology, equipment and processes, the opportunity to increase sales, broad geographic penetration, the Company's expectations regarding the future amount and type of restructuring expenses to be expensed (including Martinrea Honsel), the reduction of costs (including due to operational improvements), the Company's expectation regarding the financing of future capital expenditures and statements as to liquidity to finance working capital, the Company's views of the likelihood of tooling and component part supplier default, the Company's view on the financial viability of its customers, the impact of environmental regulation on the demand for automobiles, the Company's views on the long term outlook of the automotive industry and availability of credit for automotive purchases, and corresponding increased sales and production, the Company's expectations as to new plant openings, statements as to the benefits of the Honsel acquisition and as to the remaining

45% ownership interest in Martinrea Honsel, and the Company's ability to capitalize on opportunities in the automotive industry, the successful integration of acquisitions, the payment of future dividends, the recovery of litigation-related costs from the Company's insurer, as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2013 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

MARTINREA INTERNATIONAL INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

The accompanying unaudited interim financial report of Martinrea International Inc. (the "Company") has been prepared by and is the responsibility of the Company's management.

The Company's independent auditor has not performed a review of this interim financial report in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial report by an entity's auditor.

(Signed) *"Fred Di Tosto"*
Fred Di Tosto
Chief Financial Officer

Date: November 10, 2014

MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents		$ 25,285	$ 56,224
Trade and other receivables	3	588,588	541,598
Inventories	4	336,159	302,810
Prepaid expenses and deposits		23,444	13,128
Income taxes recoverable		4,367	3,727
TOTAL CURRENT ASSETS		977,843	917,487
Property, plant and equipment	5	926,099	847,548
Deferred income tax assets		126,135	100,156
Intangible assets	6	69,062	59,640
TOTAL NON-CURRENT ASSETS		1,121,296	1,007,344
TOTAL ASSETS		$ 2,099,139	$ 1,924,831
LIABILITIES			
Trade and other payables	7	$ 691,566	$ 597,591
Provisions	8	3,657	6,362
Income taxes payable		24,716	22,530
Current portion of long-term debt	9	35,443	37,276
TOTAL CURRENT LIABILITIES		755,382	663,759
Long-term debt	9	648,209	434,501
Pension and other post-retirement benefits		54,379	45,270
Deferred income tax liabilities		82,968	73,051
Other financial liability	2	-	154,239
TOTAL NON-CURRENT LIABILITIES		785,556	707,061
TOTAL LIABILITIES		$ 1,540,938	$ 1,370,820
EQUITY			
Capital stock	11	692,582	689,975
Contributed surplus		44,966	44,853
Other equity	2	-	(154,239)
Accumulated other comprehensive income		44,266	26,085
Accumulated deficit		(223,362)	(142,376)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		558,452	464,298
Non-controlling interest		(251)	89,713
TOTAL EQUITY		558,201	554,011
TOTAL LIABILITIES AND EQUITY		$ 2,099,139	$ 1,924,831

Contingencies (note 15)

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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
SALES		$ 859,456	$ 767,861	$ 2,654,864	$ 2,363,257
Cost of sales (excluding depreciation of property, plant and equipment)		(755,409)	(661,222)	(2,318,058)	(2,045,903)
Depreciation of property, plant and equipment (production)		(25,971)	(22,976)	(75,388)	(66,793)
Total cost of sales		(781,380)	(684,198)	(2,393,446)	(2,112,696)
GROSS MARGIN		78,076	83,663	261,418	250,561
Research and development costs		(4,427)	(2,987)	(13,944)	(10,722)
Selling, general and administrative		(39,462)	(38,976)	(128,387)	(112,550)
Depreciation of property, plant and equipment (non-production)		(1,764)	(1,593)	(4,942)	(4,740)
Amortization of customer contracts and relationships		(904)	(496)	(1,815)	(1,475)
Gain (loss) on disposal of property, plant and equipment		36	(37)	(87)	115
OPERATING INCOME		31,555	39,574	112,243	121,189
Finance costs		(5,910)	(4,811)	(16,419)	(14,686)
Other finance income (expense)		882	(220)	891	959
INCOME BEFORE INCOME TAXES		26,527	34,543	96,715	107,462
Income tax expense	10	(5,322)	(8,156)	(19,225)	(25,459)
NET INCOME FOR THE PERIOD		$ 21,205	$ 26,387	$ 77,490	$ 82,003
Non-controlling interest		(1,821)	(5,414)	(18,107)	(13,628)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$ 19,384	$ 20,973	$ 59,383	$ 68,375

	Note	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Basic earnings per share	12	$ 0.23	$ 0.25	$ 0.70	$ 0.81
Diluted earnings per share	12	$ 0.23	$ 0.25	$ 0.69	$ 0.81

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 September 30, 2014		Three months ended September 30, 2013		Nine months ended September 30, 2014		Nine months ended September 30, 2013
NET INCOME FOR THE PERIOD	$	21,205	$	26,387	$	77,490	$	82,003
Other comprehensive income (loss), net of tax:								
Items that may be reclassified to net income								
Foreign currency translation differences for foreign operations		22,467		(11,363)		18,579		25,271
Items that will not be reclassified to net income								
Actuarial gains (losses) from the remeasurement of defined benefit plans		(1,630)		5,303		(5,560)		10,831
Other comprehensive income (loss), net of tax		20,837		(6,060)		13,019		36,102
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$	42,042	$	20,327	$	90,509	$	118,105
Attributable to:								
Equity holders of the Company	$	38,789	$	16,188	$	72,004	$	106,941
Non-controlling interest		3,253		4,139		18,505		11,164
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$	42,042	$	20,327	$	90,509	$	118,105

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	Other equity	Cumulative translation account	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at December 31, 2012	$ 675,606	$ 46,897	$ (87,100)	$ (22,001)	$ (155,721)	$ 457,681	$ 66,240	$ 523,921
Net income for the period	-	-	-	-	68,375	68,375	13,628	82,003
Compensation expense related to stock options	-	1,259	-	-	-	1,259	-	1,259
Purchase of non-controlling interest (note 2)	-	-	-	-	(2,880)	(2,880)	(1,928)	(4,808)
Dividends ($0.06 per share)	-	-	-	-	(5,055)	(5,055)	-	(5,055)
Change in fair value of put option granted to non-controlling interest	-	-	(45,081)	-	-	(45,081)	-	(45,081)
Exercise of employee stock options	13,739	(3,484)	-	-	-	10,255	-	10,255
Other comprehensive income, net of tax								
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	-	10,831	10,831	-	10,831
Foreign currency translation differences	-	-	-	27,735	-	27,735	(2,464)	25,271
Balance at September 30, 2013	689,345	44,672	(132,181)	5,734	(84,450)	523,120	75,476	598,596
Net income (loss) for the period	-	-	-	-	(51,425)	(51,425)	7,351	(44,074)
Compensation expense related to stock options	-	353	-	-	-	353	-	353
Dividends ($0.03 per share)	-	-	-	-	(2,533)	(2,533)	-	(2,533)
Change in fair value of put option granted to non-controlling interest	-	-	(22,058)	-	-	(22,058)	-	(22,058)
Exercise of employee stock options	630	(172)	-	-	-	458	-	458
Other comprehensive income, net of tax								
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	-	(3,968)	(3,968)	-	(3,968)
Foreign currency translation differences	-	-	-	20,351	-	20,351	6,886	27,237
Balance at December 31, 2013	689,975	44,853	(154,239)	26,085	(142,376)	464,298	89,713	554,011
Net income for the period	-	-	-	-	59,383	59,383	18,107	77,490
Compensation expense related to stock options	-	894	-	-	-	894	-	894
Change in fair value of put option granted to non-controlling interest	-	-	(81,428)	-	-	(81,428)	-	(81,428)
Purchase of non-controlling interest (note 2)	-	-	235,667	-	(127,198)	108,469	(108,469)	-
Dividends ($0.09 per share)	-	-	-	-	(7,611)	(7,611)	-	(7,611)
Exercise of employee stock options	2,607	(781)	-	-	-	1,826	-	1,826
Other comprehensive income, net of tax								
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	-	(5,560)	(5,560)	-	(5,560)
Foreign currency translation differences	-	-	-	18,181	-	18,181	398	18,579
Balance at September 30, 2014	$ 692,582	$ 44,966	$ -	$ 44,266	$ (223,362)	$ 558,452	$ (251)	$ 558,201

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 September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	$ 21,205	$ 26,387	$ 77,490	$ 82,003
Adjustments for:				
Depreciation of property, plant and equipment	27,735	24,569	80,330	71,533
Amortization of customer contracts and relationships	904	496	1,815	1,475
Amortization of development costs	2,133	1,678	6,399	4,845
Accretion of interest on promissory note	-	(31)	-	(91)
Unrealized losses / (gains) on foreign exchange forward contracts	1,229	(602)	2,420	240
Finance costs	5,910	4,811	16,419	14,686
Income tax expense	5,322	8,156	19,225	25,459
Loss (gain) on disposal of property, plant and equipment	(36)	37	87	(115)
Stock-based compensation	229	354	894	1,259
Pension and other post-retirement benefits expense	1,207	1,126	3,639	3,530
Contributions made to pension and other post-retirement benefits	(1,574)	(2,344)	(3,366)	(7,571)
	64,264	64,637	205,352	197,253
Changes in non-cash working capital items:				
Trade and other receivables	27,795	(9,236)	(34,859)	(104,363)
Inventories	(4,642)	(28,348)	(27,108)	(33,409)
Prepaid expenses and deposits	(2,833)	(1,068)	(10,012)	6
Trade, other payables and provisions	(12,432)	15,148	77,997	56,137
	72,152	41,133	211,370	115,624
Interest paid (excluding capitalized interest)	(5,738)	(6,753)	(15,323)	(14,743)
Income taxes paid	(16,522)	(2,476)	(31,551)	(17,646)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 49,892	$ 31,904	$ 164,496	$ 83,235
FINANCING ACTIVITIES:				
Dividends paid	(2,534)	(2,519)	(7,605)	(2,519)
Increase in long-term debt	245,313	18,077	282,266	74,495
Repayment of long-term debt	(21,913)	(7,520)	(80,804)	(22,353)
Exercise of employee stock options	1,467	2,630	1,826	10,255
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 222,333	$ 10,668	$ 195,683	$ 59,878
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(48,871)	(46,023)	(143,169)	(142,519)
Capitalized development costs	(6,771)	(3,683)	(16,147)	(9,901)
Proceeds on disposal of property, plant and equipment	471	1,548	1,315	3,193
Purchase of non-controlling interest (note 2)	(235,667)	-	(235,667)	(4,808)
NET CASH USED IN INVESTING ACTIVITIES	$ (290,838)	$ (48,158)	$ (393,668)	$ (154,035)
Effect of foreign exchange rate changes on cash and cash equivalents	5,438	(1,298)	2,550	(1,868)
DECREASE IN CASH AND CASH EQUIVALENTS	(13,175)	(6,884)	(30,939)	(12,790)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,460	23,516	56,224	29,422
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 25,285	$ 16,632	$ 25,285	$ 16,632

*As at September 30, 2014, $6,424 (December 31, 2013 - $13,216) 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. It designs, engineers, manufactures and sells quality metal parts, assemblies and fluid management systems and is focused 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, 2013, except as outlined in note 1(d), and should be read in conjunction with those statements.

(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, 2013.

(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 standards

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- Level of fair value hierarchy within which the fair value measurement is categorised
- Valuation techniques used to measure fair value less costs of disposal
- Key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3" of the fair value hierarchy, and
- Discount rate when applicable.

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.

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provide clarification on when an entity has a legally enforceable right to off-set financial assets and financial liabilities.

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.

IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

The adoption of this 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 new standards and amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) – In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application.

IFRS 9, Financial Instruments (IFRS 9) - In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Amendments to IFRS 11, Joint Arrangements – In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment – In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

2. CHANGES IN OWNERSHIP INTEREST

On July 29, 2011, the Company purchased a controlling interest in the assets of Honsel AG, a German-based leading supplier of aluminum components for the automotive and industrial sectors forming the Martinrea Honsel Group. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction, acquiring 55%, with Anchorage owning the remaining 45%.

As part of the transaction the Company granted Anchorage a put option which, if exercised, would require the Company to purchase Anchorage's 45% interest in Martinrea Honsel. The put option would become effective on April 1, 2015 and expire on October 1, 2017. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option is exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel Group for a negotiated purchase price of € 160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel Group is wholly owned by Martinrea. The transaction resulted in the carrying value of the put option liability on the date of the transaction being reversed out of other

equity and the carrying amount of Anchorage's share of equity in Martinrea Honsel being reversed from non-controlling interest. The $127,198 difference of the consideration paid and the carrying amount of the non-controlling interest at the date of the transaction was recognized in accumulated deficit.

On January 14, 2013, the Company, through its subsidiary Martinrea Honsel Holdings B.V., closed an agreement to purchase the 35% non-controlling interest of the facility in Monte Mor, Brazil from Daimler AG ("Daimler") for a total cost of $4,808 (€ 3,712). The transaction resulted in the carrying amount of Daimler's share of equity in the facility being reversed from non-controlling interest. The $2,880 difference between the amount of the non-controlling interest adjustment and the consideration paid was recognized in accumulated deficit.

3. TRADE AND OTHER RECEIVABLES

	September 30, 2014	December 31, 2013
Trade receivables	$ 563,120	$ 498,261
VAT and other receivables	25,468	43,337
	$ 588,588	$ 541,598

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 14.

4. INVENTORIES

	September 30, 2014	December 31, 2013
Raw materials	$ 149,105	$ 138,337
Work in progress	46,449	41,841
Finished goods	49,610	52,013
Tooling work in progress and other inventory	90,995	70,619
	$ 336,159	$ 302,810

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 129,791	$ (28,577)	$ 101,214	$ 124,844	$ (24,979)	$ 99,865
Leasehold improvements	42,861	(23,184)	19,677	40,652	(20,518)	20,134
Manufacturing equipment	1,198,486	(557,266)	641,220	1,055,258	(461,778)	593,480
Tooling and fixtures	33,989	(28,333)	5,656	33,516	(28,183)	5,333
Other assets	31,374	(17,930)	13,444	29,461	(15,811)	13,650
Construction in progress and spare parts	144,888	-	144,888	115,086	-	115,086
	$ 1,581,389	$ (655,290)	$ 926,099	$ 1,398,817	$ (551,269)	$ 847,548

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, 2012	$ 94,984	$ 19,906	$ 486,340	$ 9,901	$ 13,493	$ 107,119	$ 731,743
Additions	263	197	7,624	-	553	180,428	189,065
Disposals	(2,051)	-	(1,571)	(652)	(35)	(133)	(4,442)
Depreciation	(3,858)	(2,989)	(83,901)	(4,912)	(3,598)	-	(99,258)
Impairment	-	-	(9,041)	(5,279)	(380)	-	(14,700)
Transfers from construction in progress and spare parts	6,505	2,229	161,255	4,491	3,355	(177,835)	-
Foreign currency translation adjustment	4,022	791	32,774	1,784	262	5,507	45,140
Net as of December 31, 2013	$ 99,865	$ 20,134	$ 593,480	$ 5,333	$ 13,650	$ 115,086	$ 847,548
Additions	-	54	3,357	-	311	132,655	136,377
Disposals	(828)	-	(264)	(228)	(82)	-	(1,402)
Depreciation	(3,028)	(2,388)	(69,838)	(2,523)	(2,553)	-	(80,330)
Transfers from construction in progress and spare parts	2,334	1,243	95,888	2,907	1,915	(104,287)	-
Foreign currency translation adjustment	2,871	634	18,597	167	203	1,434	23,906
Net as of September 30, 2014	$ 101,214	$ 19,677	$ 641,220	$ 5,656	$ 13,444	$ 144,888	$ 926,099

During 2013 and 2012, the Company entered into certain asset-backed financing arrangements that were structured as sales-and-leaseback transactions. At September 30, 2014, the carrying value of property, plant and equipment under such arrangements was $37,125 (December 31, 2013 - $43,229). The corresponding amounts owing are reflected within long-term debt (note 9).

6. INTANGIBLE ASSETS

	September 30, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 60,319	$ (48,006)	$ 12,313	$ 59,966	$ (45,978)	$ 13,988
Development costs	90,075	(33,326)	56,749	71,357	(25,705)	45,652
	$ 150,394	$ (81,332)	$ 69,062	$ 131,323	$ (71,683)	$ 59,640

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net balance at December 31, 2012	$ 15,073	$ 49,024	$ 64,097
Additions	-	14,638	14,638
Amortization	(1,972)	(6,899)	(8,871)
Impairment	-	(14,378)	(14,378)
Foreign currency translation adjustment	887	3,267	4,154
Net balance at December 31, 2013	$ 13,988	$ 45,652	$ 59,640
Additions	-	16,147	16,147
Amortization	(1,815)	(6,399)	(8,214)
Foreign currency translation adjustment	140	1,349	1,489
Net balance at September 30, 2014	$ 12,313	$ 56,749	$ 69,062

7. TRADE AND OTHER PAYABLES

	September 30, 2014	December 31, 2013
Trade accounts payable and accrued liabilities	$ 689,146	$ 597,221
Foreign exchange forward contracts	2,420	370
	$ 691,566	$ 597,591

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 14.

8. PROVISIONS

	Restructuring (a)	Claims and litigation (b)	Onerous contracts (c)	Total
Balance at December 31, 2012	$ 24,433	$ 2,241	$ 2,305	$ 28,979
Net additions	-	365	-	365
Amounts used during the period	(22,154)	(801)	(1,173)	(24,128)
Foreign currency translation adjustment	1,069	(98)	175	1,146
Balance at December 31, 2013	$ 3,348	$ 1,707	$ 1,307	$ 6,362
Net additions	-	404	-	404
Amounts used during the period	(1,882)	(227)	(980)	(3,089)
Foreign currency translation adjustment	(29)	23	(14)	(20)
Balance at September 30, 2014	$ 1,437	$ 1,907	$ 313	$ 3,657

Based on estimated cash outflows, all provisions as at September 30, 2014 and December 31, 2013 are presented on the condensed consolidated balance sheet as current.

(a) Restructuring

As part of the acquisition of Honsel, a certain level of restructuring was contemplated, in particular, at the Company's German facilities in Meschede and Soest. The restructuring accrual as at December 31, 2012 relates to restructuring activities undertaken during 2012 primarily for employee related severance. No such costs were incurred during 2013 or the nine months ending September 30, 2014.

(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.

(c) Onerous contracts

An onerous contract is a contract in which the unavoidable costs to meet the obligation exceed the future economic benefits expected to be earned under it. As part of the valuation of the assets and liabilities assumed in the acquisition of Honsel, certain sales contracts were determined to be onerous. As such, the present value of the future net obligation of these contracts has been recorded as a provision and will be recognized over time as the contracts are fulfilled or when the contracts are no longer considered onerous.

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 14.

	September 30, 2014	December 31, 2013
Banking facility	$ 547,973	$ 310,372
Equipment loans	135,238	146,534
Loan payable to non-controlling shareholder of Martinrea Honsel	-	13,190
Other bank loans	441	1,681
	683,652	471,777
Current portion	(35,443)	(37,276)
	$ 648,209	$ 434,501

Terms and conditions of outstanding loans as at September 30, 2014, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2014 Carrying amount	December 31, 2013 Carrying amount
Banking facility	CAD	BA+2.5%	2018	$ 274,593	$ 276,337
	USD	LIBOR+2.5%	2018	273,380	34,035
Equipment loans	USD	4.25%	2018	47,485	45,224
	USD	4.25%	2017	19,765	23,452
	EUR	3.37%	2016	15,482	20,816
	USD	7.36%	2017	15,434	17,641
	EUR	4.93%	2023	14,851	14,896
	USD	3.89%	2016	7,045	9,201
	EUR	3.35%	2019	5,660	-
	USD	3.99%	2017	4,474	5,555
	USD	3.65%	2016	2,168	2,805
	BRL	11.88%	2015	1,382	2,702
	USD	4.69%	2017	1,090	1,362
	BRL	5.00%	2020	371	409
	BRL	5.00%	2014	31	569
	BRL	5.59%	2014	-	111
	CAD	Prime+0.3%	2014	-	1,333
	USD	3.65%	2014	-	458
Loan payable to Anchorage	EUR	5.00%	2014	-	13,190
Other bank loans	BRL	14.00%	2015	441	1,681
				$ 683,652	$ 471,777

On August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The increase in credit lines facilitated the purchase of the 45% minority interest in Martinrea Honsel as described in Note 2. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $300 million and US $350 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 $100 million;
- pricing terms at market rates; and
- a maturity date of August 2018.

As at September 30, 2014, the Company has drawn US$245,073 (December 31, 2013 - US$32,000) on the U.S. revolving credit line and drawn $278,000 (December 31, 2013 - $278,000) on the Canadian revolving credit line. At September 30, 2014, the weighted average effective rate of the

banking facility credit lines was 3.3% (December 31, 2013 - 3.3%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2014.

Deferred financing fees of $4,062 (December 31, 2013 - $2,218) have been netted against the carrying value of the long term debt.

During the nine months ended September 30, 2014, the Company finalized the final draw down on a five year US$50 million equipment loan in the amount of US$6,958 at a fixed interest rate of 4.25% and a five year equipment loan in the amount of €4,000 at a fixed interest rate of 3.35%

The loan payable to Anchorage formed part of a €20,000 ($29,100) loan to Martinrea Honsel from its shareholders, including Martinrea, during 2012. On August 6, 2014, in conjunction with the purchase of the remaining 45% equity interest in Martinrea Honsel, as described in note 2, the loan payable to the non-controlling shareholder was repaid.

Future annual minimum principal repayments as at September 30, 2014 are as follows:

Within one year	$	35,443
One to two years		35,389
Two to three years		25,396
Three to four years		567,571
Thereafter		19,853
	$	683,652

10. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended September 30, 2014		Three months ended September 30, 2013		Nine months ended September 30, 2014		Nine months ended September 30, 2013
Current income tax expense	$	12,361	$	9,243	$	33,068	$	26,108
Deferred income tax recovery		(7,039)		(1,087)		(13,843)		(649)
Total income tax expense	$	5,322	$	8,156	$	19,225	$	25,459

11. CAPITAL STOCK

Common shares outstanding:	**Number**		**Amount**
Balance, December 31, 2012	82,995,450	$	675,606
Exercise of stock options	1,420,254		13,739
Balance, September 30, 2013	84,415,704		689,345
Exercise of stock options	64,000		630
Balance, December 31, 2013	84,479,704		689,975
Exercise of stock options	244,079		2,607
Balance, September 30, 2014	84,723,783	$	692,582

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 ten 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:

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	5,521,915	$	10.68	6,921,836	$	9.94
Granted during the period	192,000		11.92	100,000		10.44
Exercised during the period	(244,079)		7.51	(1,420,254)		(7.22)
Cancelled during the period	(123,334)		11.25	(15,667)		(10.44)
Balance, end of period	5,346,502	$	10.86	5,585,915	$	10.64
Options exercisable, end of period	4,944,002	$	11.07	4,960,915	$	10.90

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2014:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$3.00 - 5.99	131,000	2005 & 2008	2015 & 2018
$6.00 - 8.99	2,499,752	2004 - 2012	2014 - 2022
$9.00 - 9.99	150,000	2008	2018
$10.00 - 15.99	775,750	2006 - 2014	2016 - 2024
$16.00 - 17.75	1,790,000	2007	2017
Total share purchase options	5,346,502		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes option pricing model. The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's black-out policy which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

		Nine months ended September 30, 2014		Nine months ended September 30, 2013
Expected volatility		39.4%		50.5%
Risk free interest rate		1.47%		1.50%
Expected life (years)		4		4
Dividend yield		1.1%		1.0%
Weighted average fair value of options granted	$	3.55	$	3.89

For the three and nine months ended September 30, 2014, the Company expensed $229 (three months ended September 30, 2013 - $354) and $894 (nine months ended September 30, 2013 - $1,259), respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

12. EARNINGS PER SHARE

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

	Three months ended September 30, 2014			Three months ended September 30, 2013		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	84,600,067	$	0.23	84,091,258	$	0.25
Effect of dilutive securities:						
Stock options	1,412,536		-	1,158,717		-
Diluted	86,012,603	$	0.23	85,249,975	$	0.25

	Nine months ended September 30, 2014			Nine months ended September 30, 2013		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	84,526,093	$	0.70	83,977,103	$	0.81
Effect of dilutive securities:						
Stock options	1,022,545		(0.01)	863,617		-
Diluted	85,548,638	$	0.69	84,840,720	$	0.81

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.

For the three months ended September 30, 2014, 1,790,000 options (three months ended September 30, 2013, – 2,365,000) and for the nine months ended September 30, 2014, 1,907,000 options (nine months ended September 30, 2013, – 2,575,000) were excluded from the diluted weighted average per share calculation as they were anti dilutive.

13. 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, 2013. 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 September 30, 2014		Three months ended September 30, 2013	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 204,713		$ 178,352	$
USA	332,051		265,867	
Mexico	148,922		146,608	
	$ 685,686	$ 24,112	$ 590,827	$ 32,033
Europe				
Germany	132,204		131,002	
Spain	21,662		20,439	
Slovakia	5,507		4,553	
	$ 159,373	$ 10,254	$ 155,994	$ 8,223
Rest of World	$ 14,397	$ (2,811)	$ 21,040	$ (682)
	$ 859,456	$ 31,555	$ 767,861	$ 39,574

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 607,927		$ 572,890	$
USA	1,004,140		834,551	
Mexico	482,587		445,716	
	$ 2,094,654	$ 79,134	$ 1,853,157	$ 103,797
Europe				
Germany	429,866		379,559	
Spain	68,657		62,756	
Slovakia	17,540		15,449	
	$ 516,063	$ 40,326	$ 457,764	$ 19,183
Rest of World	$ 44,147	$ (7,217)	$ 52,336	$ (1,791)
	$ 2,654,864	$ 112,243	$ 2,363,257	$ 121,189

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

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, promissory note, bank indebtedness, trade and other payables, long-term debt, foreign exchange forward contracts and other financial liability – put option.

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 for 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:

	September 30, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 25,285	$ 25,285	$ -	$ -
Foreign exchange forward contracts	$ (2,420)	$ -	$ (2,420)	$ -

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 56,224	$ 56,224	$ -	$ -
Foreign exchange forward contracts	$ (370)	$ -	$ (370)	$ -
Other financial liability - put option	$ (154,239)	$ -	$ -	$ (154,239)

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:

September 30, 2014	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 588,588	$ -	$ 588,588	$ 588,588
	-	588,588	-	588,588	588,588
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	689,146	689,146	689,146
Long-term debt	-	-	683,652	683,652	683,652
Foreign exchange forward contracts	2,420	-		2,420	2,420
	2,420	-	1,372,798	1,375,218	1,375,218
Net financial assets (liabilities)	$ (2,420)	$ 588,588	$ (1,372,798)	$ (786,630)	$ (786,630)

December 31, 2013	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 541,598	$ -	$ 541,598	$ 541,598
	-	541,598	-	541,598	541,598
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	597,221	597,221	597,221
Long-term debt	-	-	471,777	471,777	471,777
Foreign exchange forward contracts	370	-	-	370	370
	370	-	1,068,998	1,069,368	1,069,368
Net financial assets (liabilities)	$ (370)	$ 541,598	$ (1,068,998)	$ (527,770)	$ (527,770)

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 risks 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 85% of the Company's production sales are derived from seven customers. A substantial portion of the Company's accounts receivable 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 were past due as at September 30, 2014 are part of normal patterns 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 period are minimal.

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

	September 30, 2014	December 31, 2013
0-60 days	$ 536,092	$ 439,125
61-90 days	8,783	35,368
Greater than 90 days	18,245	23,768
	$ 563,120	$ 498,261

(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 September 30, 2014, the Company had cash of $25,285 and banking facilities available as discussed in note 9. All the Company's financial liabilities other than long term debt and other financial liabilities 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 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 Bankers 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 1.75%.

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

	Carrying amount	
	September 30, 2014	December 31, 2013
Variable rate instruments	$ 547,973	$ 311,705
Fixed rate instruments	135,679	160,072
	$ 683,652	$ 471,777

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,377 (three months ended September 30, 2013 - $824) on the Company's interim consolidated financial results for the three months ended September 30, 2014 and $3,003 for the nine months ended September 30, 2014 (nine months ended September 30, 2013 - $2,371).

(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 September 30, 2014, 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 Canadian Dollars	$ 22,000	$ 1.0452	3
Buy Euro	483	1.2631	1
Buy Mexican Peso	4,872	13.3394	2

The aggregate value of these forward contracts as at September 30, 2014 was a loss of $2,420 and was recorded in trade and other payables (December 31, 2013 - loss of $370 and was recorded in trade and other payables).

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

September 30, 2014	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 348,766	€ 66,973	$ 26,031	R$ 19,301	¥ 35,425
Trade and other payables	(390,897)	(86,913)	(67,294)	(24,308)	(34,544)
Long-term debt	(327,960)	(29,438)	-	(4,830)	-
	$ (370,091)	€ (49,378)	$ (41,263)	R$ (9,837)	¥ 881

December 31, 2013	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 340,455	€ 62,093	$ 13,988	R$ 14,729	¥ 16,815
Trade and other payables	(363,579)	(84,639)	(55,903)	(23,264)	(17,111)
Long-term debt	(131,900)	(33,369)	-	(12,152)	-
	$ (155,024)	€ (55,915)	$ (41,915)	R$ (20,687)	¥ (296)

The following summary illustrates the fluctuations in the exchange rates applied during the three and nine months ended September 30, 2014 and 2013:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013	September 30, 2014	December 31, 2013
USD	1.0834	1.0377	1.0903	1.0189	1.1155	1.0636
EURO	1.4602	1.3698	1.4875	1.3392	1.4149	1.4655
PESO	0.0831	0.0805	0.0832	0.0805	0.0829	0.0812
BRL	0.4829	0.4600	0.4762	0.4870	0.4605	0.4503
CNY	0.1749	0.1693	0.1771	0.1652	0.1822	0.1757

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10 percent strengthening of the Canadian dollar against the following currencies at September 30, would give rise to a translation risk on net income and have increased (decreased) equity, profit or loss and comprehensive income for the three and nine months ended September 30, 2014 by the amounts shown below, assuming all other variables remain constant:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
USD	$ (257)	$ (936)	$ (2,267)	$ (4,363)
EURO	(1,837)	(981)	(4,725)	(2,452)
BRL	191	26	586	255
CNY	75	94	203	212
	$ (1,828)	$ (1,797)	$ (6,203)	$ (6,348)

A weakening of the Canadian dollar against the above currencies at September 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 loss 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.

15. 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 $70,318 (BRL $152,800) including interest and penalties to September 30, 2014 (December 31, 2013 - $58,000 or BRL $128,800). 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 $43,000 in late 2014 or early 2015 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.

16. 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 September 30, 2014, the amount of the off balance sheet program financing was $33,126 (December 31, 2013 - $57,591) 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 2014 to date or 2013. 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.

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