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.

<u>ADJUSTMENTS TO NET EARNINGS</u>
(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.