MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2021

The following management discussion and analysis ("MD&A") was prepared as of November 4, 2021 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, 2021 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2020 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, 2020, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs over 16,000 skilled and motivated people in 57 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

Martinrea's vision is to make people's lives better by being the best supplier we can be in the products we make and the services we provide. The Company's mission is to make people's lives better by: delivering outstanding quality products and services to our customers; providing meaningful opportunity, job satisfaction, and job security for our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities.

RECENT DEVELOPMENTS

COVID-19 PANDEMIC AND SEMICONDUCTOR CHIP SHORTAGE

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February 2020, but resumed in March 2020. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's business, results of operations, cash flows and financial position during the second half of March 2020 and for the second quarter ended June 30, 2020. A phased restart of the Company's manufacturing facilities and dependent functions commenced in May and June 2020 and continued into the second half of 2020 as OEMs began producing vehicles again.

The Company's response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and liquidity. The health and safety of our employees, their families, our customers and our communities is, and will continue to be, our top priority. The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational remote work schedules, where possible; and restricting travel.

Despite increasing vaccination levels, the development and spread of highly-transmissible COVID-19 variants creates continued risk of further disruptions to the automotive industry. The ultimate business and economic impacts of COVID-19 will depend on various factors, including the possibility of future shutdowns, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lockdowns (including due to any future wave of COVID-19), the potential for a recession in key markets due to the effect of the pandemic, and the impact on customers and suppliers, including inflationary cost increases for wages, materials, energy, and other costs, as overall economic activity rebounds, and the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic which has had a negative impact on OEM light vehicle production levels globally in 2021 to date, or any other supply chain disruptions.

OEM customers have taken a number of actions in response to the semiconductor chip shortage, such as: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. Such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including: lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; premium freight costs to expedite shipments; and/or other unrecoverable costs. Additionally, Tier 1 suppliers have faced price increases from sub-suppliers that have been negatively impacted by production inefficiencies and/or other costs related to the semiconductor chip shortage. While the Company expects to recover some of the lost production volumes, it remains unclear when supply and demand for automotive semiconductor chips will rebalance and it continues to be difficult to predict the full impact of the chip shortage.

As a result of the uncertain economic and business impacts of the COVID-19 pandemic and semiconductor chip shortage, management has reviewed the estimates, judgments and assumptions used in the preparation of the interim financial statements, including the determination of whether indications of any asset impairment exist. As a result, asset impairment charges were recognized during the second quarter of 2020. No such charges were recognized during the third and fourth quarters of 2020 or in 2021 to date. Further revisions may be required in future periods depending on the extent of the negative impacts on the business arising from the COVID-19 pandemic and semiconductor chip shortage, as it continues to evolve. Any such revisions may result in, among other things, further asset impairments, restructuring costs, and/or adjustments to the carrying amount of trade and other receivables and/or inventories, or to the valuation of deferred tax assets and/or pension assets or obligations, any of which could have a material impact on the Company's results of operations and financial position.

The Company will continue to respond to the COVID-19 pandemic and semiconductor chip shortage in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

The Company continues to work with all its stakeholders to address the challenges, including:

- our supply base to deal with their challenges, including maintaining production and safety protocols;
- our customers to assist with meeting production requirements, as well as the development of new programs and products;
- our governmental and regulatory authorities to ensure safety and the economic well-being of our industry;
- our capital providers to ensure liquidity; and
- our employees to minimize the impacts of the pandemic, including a safe and healthy work environment.

As the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration. A prolonged pandemic would likely:

- deteriorate economic conditions, resulting in lower consumer confidence, which typically translates into lower vehicle sales and production levels;
- reduce our customers' production volume levels, including as a result of intermittent facility shutdowns due to the industry-wide shortage of semiconductor chips or other such material shortages;
- elevate the financial pressure on our customers, which would likely increase pricing pressure on the Company; and
- reduce our production levels, including as a result of intermittent shutdowns of our manufacturing facilities.

Additionally, a prolonged pandemic could:

- cause potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or
- result in governmental regulation adversely impacting our business.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations.

ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. ("Metalsa"). The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housings and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition added six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The purchase price for the transaction was US $19.9 million ($26.5 million), inclusive of working capital less cash on hand, and on a debt-free basis.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020. As a result of the acquisition, year-over-year financial results may not be directly comparable.

OVERALL RESULTS

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to International Financial Reporting Standards ("IFRS") measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

The following tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2021 and 2020. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Sales	$ 848,497	$ 971,060	(122,563)	(12.6%)
Gross Margin	50,007	151,478	(101,471)	(67.0%)
Operating Income (Loss)	(16,234)	75,562	(91,796)	(121.5%)
Net Income (Loss) for the period	(17,120)	45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share - Basic and Diluted	$ (0.21)	$ 0.57	(0.78)	(136.8%)
Non-IFRS Measures*				
Adjusted Operating Income (Loss)	$ (16,234)	$ 75,562	(91,796)	(121.5%)
% of Sales	*(1.9%)*	*7.8%*		
Adjusted EBITDA	44,898	134,232	(89,334)	(66.6%)
% of Sales	*5.3%*	*13.8%*		
Adjusted Net Income (Loss)	(17,120)	45,636	(62,756)	(137.5%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$ (0.21)	$ 0.57	(0.78)	(136.8%)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Sales	$ 2,730,513	$ 2,304,330	426,183	18.5%
Gross Margin	282,592	259,256	23,336	9.0%
Operating Income (Loss)	65,817	(38,598)	104,415	270.5%
Net Income (Loss) for the period	45,533	(72,287)	117,820	163.0%
Net Earnings (Loss) per Share - Basic and Diluted	$ 0.57	$ (0.90)	1.47	163.3%
Non-IFRS Measures*				
Adjusted Operating Income	$ 71,290	$ 57,844	13,446	23.2%
% of Sales	*2.6%*	*2.5%*		
Adjusted EBITDA	254,331	233,779	20,552	8.8%
% of Sales	*9.3%*	*10.1%*		
Adjusted Net Income	42,537	2,644	39,893	1,508.8%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.53	$ 0.03	0.50	1,666.7%

***Non-IFRS Measures**

The Company prepares its interim financial statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, 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 financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income (Loss)", "Adjusted Net Earnings (Loss) per Share - on a basic and diluted basis", "Adjusted Operating Income (Loss)", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt".

The following tables provide a reconciliation of IFRS "Net Income (Loss)" to Non-IFRS "Adjusted Net Income (Loss)", "Adjusted Operating Income (Loss)" and "Adjusted EBITDA".

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Unusual and Other Items (after-tax)*	-	-
Adjusted Net Income (Loss)	$ (17,120)	$ 45,636

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net Income (Loss)	$ 45,533	$ (72,287)
Unusual and Other Items (after-tax)*	(2,996)	74,931
Adjusted Net Income	$ 42,537	$ 2,644

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this MD&A.*

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Income tax expense (benefit)	(5,541)	18,636
Other finance (income) expense	(2,341)	1,852
Share of loss of equity investments	871	300
Finance expense	7,897	9,138
Unusual and Other Items (before-tax)*	-	-
Adjusted Operating Income (Loss)	$ (16,234)	$ 75,562
Depreciation of property, plant and equipment and right-of-use assets	58,023	55,237
Amortization of intangible assets	3,011	3,196
Loss on disposal of property, plant and equipment	98	237
Adjusted EBITDA	$ 44,898	$ 134,232

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Net Income (Loss)	$	45,533	$	(72,287)
Income tax expense (benefit)		14,791		(86)
Other finance (income) expense		(13,691)		5,008
Share of loss of equity investments		2,780		1,881
Finance expense		24,204		26,886
Unusual and Other Items (before-tax)*		(2,327)		96,442
Adjusted Operating Income	$	71,290	$	57,844
Depreciation of property, plant and equipment and right-of-use assets		173,300		166,044
Amortization of intangible assets		9,577		9,654
Loss on disposal of property, plant and equipment		164		237
Adjusted EBITDA	$	254,331	$	233,779

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this MD&A.*

SALES

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
North America	$	625,339	$	739,489	(114,150)	(15.4%)
Europe		195,786		189,366	6,420	3.4%
Rest of the World		34,697		46,999	(12,302)	(26.2%)
Eliminations		(7,325)		(4,794)	(2,531)	(52.8%)
Total Sales	$	848,497	$	971,060	(122,563)	(12.6%)

The Company's consolidated sales for the third quarter of 2021 decreased by $122.6 million or 12.6% to $848.5 million as compared to $971.1 million for the third quarter of 2020. The total decrease in sales was driven by year-over-year decrease in the North America and Rest of the World operating segments, partially offset by a year-over-year increase in the Europe operating segment.

Sales for the third quarter of 2021 in the Company's North America operating segment decreased by $114.2 million or 15.4% to $625.3 million from $739.5 million for the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic has had on OEM production of certain light vehicle platforms; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $42.6 million as compared to the third quarter of 2020. These negative factors were partially offset by the launch of new programs during or subsequent to the third quarter of 2020 including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $17.1 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the third quarter of 2021 in the Company's Europe operating segment increased by $6.4 million or 3.4% to $195.8 million from $189.4 million for the third quarter of 2020. The increase can be attributed to the launch of new programs during or subsequent to the third quarter of 2020, mainly with Daimler, Ford, and Volvo; partially offset by overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain light vehicle platforms; the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $7.9 million as compared to the third quarter of 2020; and a $3.4 million decrease in tooling sales.

Sales for the third quarter of 2021 in the Company's Rest of the World operating segment decreased by $12.3 million or 26.2% to $34.7 million from $47.0 million in the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; a $0.5 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2020; and $0.2 million decrease in tooling sales.

Overall tooling sales increased by $13.5 million to $51.3 million for the third quarter of 2021 from $37.8 million for the third quarter of 2020.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
North America	$ 1,965,292	$ 1,745,151	220,141	12.6%
Europe	660,831	449,251	211,580	47.1%
Rest of the World	125,766	120,665	5,101	4.2%
Eliminations	(21,376)	(10,737)	(10,639)	(99.1%)
Total Sales	$ 2,730,513	$ 2,304,330	426,183	18.5%

The Company's consolidated sales for the nine months ended September 30, 2021 increased by $426.2 million or 18.5% to $2,730.5 million as compared to $2,304.3 million for the nine months ended September 30, 2020. Sales for the nine months ended September 30, 2021 increased across all operating segments.

Sales for the nine months ended September 30, 2021 in the Company's North America operating segment increased by $220.1 million or 12.6% to $1,965.3 million from $1,745.2 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $31.4 million of the year-over-year increase in sales (including a $2.4 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in North America increased year-over-year by $188.7 million or 11.1%. The increase was due generally to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; the launch of new programs during or subsequent to the nine months ended September 30, 2020, including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and a $46.5 million increase in tooling sales. These positive factors were partially offset by the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of approximately $129.3 million as compared to the corresponding period of 2020; and lower production volumes on specific light vehicle platforms including the GM Equinox / Terrain.

Sales for the nine months ended September 30, 2021 in the Company's Europe operating segment increased by $211.6 million or 47.1% to $660.8 million from $449.3 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $65.4 million of the year-over-year increase in sales (including a $4.9 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in Europe increased year-over-year by $146.2 million or 41.7%. The increase can be attributed to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and the launch of new programs during or subsequent to the nine months ended September 30, 2020, mainly with Daimler, Ford, and Volvo. These positive factors were partially offset by a $7.5 million decrease in tooling sales; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of $1.1 million as compared to the corresponding period of 2020.

Sales for the nine months ended September 30, 2021 in the Company's Rest of the World operating segment increased by $5.1 million or 4.2% to $125.8 million from $120.7 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $3.0 million of the year-over-year increase in sales. Excluding the acquired operations, sales for the nine months ended September 30, 2021 in the Rest of the World increased year-over-year by $2.1 million or 2.9%. The increase can be attributed to the post-COVID recovery of production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; partly offset by a $5.8 million decrease in tooling sales; a $4.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2020; and lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China.

Overall tooling sales increased by $40.5 million to $170.3 million for the nine months ended September 30, 2021 from $129.8 million for the nine months ended September 30, 2020.

GROSS MARGIN

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Gross margin	$ 50,007	$ 151,478	(101,471)	(67.0%)
% of Sales	5.9%	15.6%		

The gross margin percentage for the third quarter of 2021 of 5.9% decreased as a percentage of sales by 9.7% as compared to the gross margin percentage for the third quarter of 2020 of 15.6%. The decrease in gross margin as a percentage of sales was generally due to:

- overall lower sales volume and corresponding lower utilization of assets, driven primarily by the industry-wide shortage of semiconductor chips;
- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by productivity and efficiency improvements at certain operating facilities.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Gross margin	$ 282,592	$ 259,256	23,336	9.0%
% of Sales	10.3%	11.3%		

The gross margin percentage for the nine months ended September 30, 2021 of 10.3% decreased as a percentage of sales by 1.0% as compared to the gross margin percentage for the nine months ended September 30, 2020 of 11.3%. The decrease in gross margin as a percentage of sales was generally due to:

- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by:

- higher sales volume and corresponding higher utilization of assets, driven primarily by the post COVID recovery of overall production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and
- productivity and efficiency improvements at certain operating facilities.

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

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Selling, general & administrative	$	53,989	$	64,537	(10,548)	(16.3%)
% of Sales		6.4%		6.6%		

SG&A expense for the third quarter of 2021 decreased by $10.5 million to $54.0 million as compared to SG&A expense for the third quarter of 2020 of $64.5 million. The decrease in SG&A expense can be attributed to overall lower variable compensation expense, including equity-based compensation expense, and actions taken by the Company to manage costs in response to the current volatile OEM production volume environment driven by the industry-wide shortage of semiconductor chips.

SG&A expense as a percentage of sales decreased to 6.4% for the third quarter of 2021 compared to 6.6% for the third quarter of 2020 for the factors noted above.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Selling, general & administrative	$	175,233	$	169,479	5,754	3.4%
% of Sales		6.4%		7.4%		

SG&A expense for the nine months ended September 30, 2021 increased by $5.8 million to $175.2 million as compared to SG&A expense, before adjustments, for the nine months ended September 30, 2020 of $169.5 million.

Excluding transaction costs related to operations acquired from Metalsa expensed as SG&A during the nine months ended September 30, 2020, as explained in Table B under “Adjustments to Net Income (Loss)”, SG&A expense for the nine months ended September 30, 2021 increased by $8.2 million year-over-year. The increase can be attributed to higher employee related costs as compared to the nine months ended September 30, 2020 when the Company took actions to reduce its costs and curtail discretionary and non-production spending in response to the COVID-19 related shutdowns and corresponding lower production levels, in particular during the second quarter of 2020. The addition of the operations acquired from Metalsa also contributed to the year-over-year increase in SG&A expense. These factors were partially offset by a decrease in overall variable compensation expense, including equity-based compensation expense.

Excluding adjustments, SG&A expense as a percentage of sales decreased to 6.4% for the nine months ended September 30, 2021 compared to 7.2% for the nine months ended September 30, 2020 for the factors noted above and in light of higher year-over-year sales.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT ("PP&E"), RIGHT-OF-USE ASSETS AND AMORTIZATION OF INTANGIBLE ASSETS

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	54,245	$	51,302	2,943	5.7%
Depreciation of PP&E and right-of-use assets (non-production)		3,778		3,935	(157)	(4.0%)
Amortization of development costs		3,011		2,873	138	4.8%
Amortization of customer contracts and relationships		-		323	(323)	(100.0%)
Total depreciation and amortization	$	61,034	$	58,433	2,601	4.5%

Total depreciation and amortization expense for the third quarter of 2021 increased by $2.6 million to $61.0 million as compared to $58.4 million for the third quarter of 2020. The increase in total depreciation and amortization expense was primarily due to a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the third quarter of 2020.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2020 and new and replacement programs scheduled to launch over the next two to three years in all of the Company's various product offerings. The Company continues to make significant investments in the operations of the Company in light of its growing backlog of business and growing global footprint.

Depreciation of PP&E and right-of-use assets (production) as a percentage of sales increased year-over-over to 6.4% for the third quarter of 2021 from 5.3% for the third quarter of 2020 due essentially to lower overall sales volume, driven by the industry-wide semiconductor chip shortage.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 161,767	$ 154,394	7,373	4.8%
Depreciation of PP&E and right-of-use assets (non-production)	11,533	11,650	(117)	(1.0%)
Amortization of development costs	9,577	8,690	887	10.2%
Amortization of customer contracts and relationships	-	964	(964)	(100.0%)
Total depreciation and amortization	$ 182,877	$ 175,698	7,179	4.1%

Total depreciation and amortization expense for the nine months ended September 30, 2021 increased by $7.2 million to $182.9 million as compared to $175.7 million for the nine months ended September 30, 2020. The increase in total depreciation and amortization expense for the nine months ended September 30, 2021 was primarily due to a larger PP&E base connected to new and replacement business that commenced during or subsequent to the nine months ended September 30, 2020; partially offset by a decrease in depreciation and amortization expense resulting from the impairment changes recorded in the second quarter of 2020.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales decreased year-over-year to 5.9% for the nine months ended September 30, 2021 from 6.7% for the nine months ended September 30, 2020 due mainly to higher overall sales volume.

ADJUSTMENTS TO NET INCOME (LOSS)

Adjusted Net Income (Loss) excludes certain unusual and other items, as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income (Loss) 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.

TABLE A

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

No unusual or other items were noted during the three months ended September 30, 2021 and 2020.

TABLE B

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021 (a)	Nine months ended September 30, 2020 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**$45,533**	**($72,287)**	**$117,820**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	5,473	8,170	(2,697)
Gain on dilution of equity investments (2)	(7,800)	-	(7,800)
Impairment of assets (3)	-	85,783	(85,783)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (4)	-	2,489	(2,489)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($2,327)**	**$96,442**	**($98,769)**
Tax impact of above items	(669)	(21,511)	20,842
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($2,996)**	**$74,931**	**($77,927)**
ADJUSTED NET INCOME (A + B)	**$42,537**	**$2,644**	**$39,893**
Number of Shares Outstanding – Basic (‘000)	80,327	80,090	
Adjusted Basic Net Earnings Per Share	$0.53	$0.03	
Number of Shares Outstanding – Diluted (‘000)	80,434	80,090	
Adjusted Diluted Net Earnings Per Share	$0.53	$0.03	

(1) Restructuring costs

Additions to the restructuring provision during the nine months ended September 30, 2021 totaled $5.5 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision for the nine months ended September 30, 2020, recognized during the second quarter of 2020, totaled $8.2 million and represent employee-related severance resulting from a reduction in the Company’s workforce globally in response to the COVID-19 global pandemic. Of the total addition to the restructuring provision, $6.6 million relates to North America, $1.0 million to Europe, and $0.6 million to the Rest of the World.

(2) Gain on dilution of equity investments

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. (“NanoXplore”) representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore’s President and Chief Executive Officer for consideration of $4.0 million. Subsequent to these transactions, the Company’s net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company’s ownership interest in NanoXplore, resulting in a gain on dilution of $7.8 million for the first quarter of 2021.

(3) Impairment of assets

The significant reduction in volumes and industry production projections as a result of the COVID-19 global pandemic negatively impacted the recoverable amount of certain of the Company's production-related assets and also changed the expected usage of certain other assets. As a result, during the second quarter of 2020, the Company completed an analysis of its asset base and concluded there existed certain indicators of impairment for specific assets and cash-generating units ("CGU"). Accordingly, the Company tested these assets and CGUs for recoverability using projected sales and cash flows modelled from industry production projections. Based on the results of this testing, during the second quarter of 2020, the Company recorded impairment charges on property, plant and equipment, right-of-use assets, intangible assets and inventories across its three operating segments totaling $85.8 million, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company's segments, including the United States, Slovakia, China and Brazil. Of the total impairment charge, $72.2 million was recognized in North America, $1.3 million in Europe, and $12.3 million in the Rest of the World. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

(4) Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A)

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. Included in SG&A expense are transaction costs related to the acquisition totaling $2.5 million for the nine months ended September 30, 2020.

NET INCOME (LOSS)

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$	(17,120)	$	45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share						
Basic and Diluted	$	(0.21)	$	0.57		

Net Income (Loss) for the third quarter of 2021 decreased by $62.8 million to a Net Loss of $17.1 million or ($0.21) per share, on a basic and diluted basis, from Net Income of $45.6 million or $0.57 per share, on a basic and diluted basis, for the third quarter of 2020.

The Net Loss for the third quarter of 2021, as compared to Net Income for the third quarter of 2020, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained;
- a year-over-year increase in research and development costs; and
- a lower effective tax rate on the Net Loss for the quarter (24.5% for the third quarter of 2021 compared to 29.0% for the third quarter of 2020).

These factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously explained;
- a net foreign exchange gain of $2.4 million for the third quarter of 2021 compared to a net foreign exchange loss of $1.9 million for the third quarter of 2020; and
- a year-over-year decrease in finance expense.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$	45,533	$	(72,287)	117,820	163.0%
Adjusted Net Income	$	42,537	$	2,644	39,893	1,508.8%
Net Earnings (Loss) per Share						
Basic and Diluted	$	0.57	$	(0.90)		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.53	$	0.03		

Net Income, before adjustments, for the nine months ended September 30, 2021 increased by $117.8 million to $45.5 million from a Net Loss of $72.3 million for the nine months ended September 30, 2020. Excluding the unusual and other items explained in Table B under “Adjustments to Net Income (Loss),” Adjusted Net Income for the nine months ended September 30, 2021 increased to $42.5 million or $0.53 per share, on a basic and diluted basis, from $2.6 million or $0.03 per share, on a basic and diluted basis, for the nine months ended September 30, 2020.

Adjusted Net Income for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was positively impacted by the following:

- higher gross profit on higher year-over-year sales volume, as previously explained;
- a net foreign exchange gain of $12.9 million for the nine months ended September 30, 2021 compared to a net foreign exchange loss of $5.2 million for the nine months ended September 30, 2020;
- a year-over-year decrease in finance expense; and
- a lower effective tax rate on Adjusted Net Income (26.7% for the nine months ended September 30, 2021 compared to 89.0% for the nine months ended September 30, 2020).

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense as previously explained;
- a year-over-year increase in research and development costs; and
- an increase in the Company’s share of loss of equity investments.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Additions to PP&E	$	59,487	$	73,166	(13,679)	(18.7%)

Additions to PP&E decreased by $13.7 million to $59.5 million or 7.0% of sales in the third quarter of 2021 from $73.2 million or 7.5% of sales in the third quarter of 2020. The decrease reflects the Company’s efforts to manage and support cash flow in light of the industry-wide semiconductor chip shortage, which has negatively impacted production volumes and sales. Capital additions include new program capital and incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Additions to PP&E	$	229,527	$	181,453	48,074	26.5%

Additions to PP&E increased by $48.1 million year-over-year to $229.5 million or 8.4% of sales for the nine months ended September 30, 2021 compared to $181.5 million or 7.9% of sales for the nine months ended September 30, 2020. Certain new program additions, previously delayed during the COVID-related shutdowns in the second quarter of 2020, moved in to the back half of 2020 and 2021 to date, as preparations for upcoming new program launches resumed and continue. Capital additions also include incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches.

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. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented and aggregated on a geographic basis among North America, Europe and Rest of the World. The Company measures segment operating performance based on operating income (loss).

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended September 30, 2021	Three months ended September 30, 2020	Three months ended September 30, 2021	Three months ended September 30, 2020
North America	$ 625,339	$ 739,489	$ (10,862)	$ 76,290
Europe	195,786	189,366	(5,243)	(6,478)
Rest of the World	34,697	46,999	(129)	5,750
Eliminations	(7,325)	(4,794)	-	-
Total	$ 848,497	$ 971,060	$ (16,234)	$ 75,562

North America

Operating Income (Loss) in North America decreased by $87.2 million to an Operating Loss of $10.9 million or (1.7%) of sales for the third quarter of 2021 from Operating Income of $76.3 million or 10.3% for the third quarter of 2020. The decrease in Operating Income (Loss) as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven primarily by the industry-wide shortage of semiconductor chips; a negative sales mix; production related inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities; higher labour and material costs; other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in tooling sales which typically earn low margins to the Company; and a decrease in COVID-related government subsidies.

Europe

Operating Loss in Europe decreased by $1.3 million to $5.2 million or (2.7%) of sales for the third quarter of 2021 from $6.5 million or (3.4%) of sales for the third quarter of 2020. The decrease in Operating Loss was generally due to incremental contribution from the higher year-over-year sales; and productivity and efficiency improvement at certain operating facilities; partially offset by higher material and energy costs.

Rest of the World

Operating Income (Loss) in the Rest of the World operating segment decreased by $5.9 million to an Operating Loss of $0.1 million or (0.4%) of sales for the third quarter of 2021 from Operating Income of $5.8 million or 12.2% of sales for the third quarter of 2020, due generally to lower year-over-year sales volume and launch related costs.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Nine months ended September 30, 2021	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
North America	$ 1,965,292	$ 1,745,151	$ 71,573	$ 86,088
Europe	660,831	449,251	(9,978)	(40,420)
Rest of the World	125,766	120,665	9,695	12,176
Eliminations	(21,376)	(10,737)	-	-
Adjusted Operating Income	-	-	$ 71,290	$ 57,844
Unusual and Other Items*	-	-	(5,473)	(96,442)
Total	$ 2,730,513	$ 2,304,330	$ 65,817	$ (38,598)

** Operating Income (Loss) for the operating segments has been adjusted for unusual and other items. The $5.5 million of unusual and other items for the nine months ended September 30, 2021 was recognized in Europe. Of the $96.4 million of unusual and other items for the nine months ended September 30, 2020, $81.2 million was incurred in North America, $2.3 million in Europe and $12.9 million in the Rest of the World. The unusual and other items noted are all fully explained under "Adjustments to Net Income (Loss)" in this MD&A.*

North America

Adjusted Operating Income in North America decreased by $14.5 million to $71.6 million or 3.6% of sales for the nine months ended September 30, 2021 from $86.1 million or 4.9% of sales for the nine months ended September 30, 2020. The decrease in Adjusted Operating Income as a percentage of sales was due to a negative sales mix; production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities; higher labour and material costs; other operational inefficiencies at certain facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021; an increase in tooling sales which typically earn low margins for the Company; and a decrease in COVID-related government subsidies. These negative factors were partially offset by higher sales volume and corresponding higher utilization of assets; productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales.

Europe

Adjusted Operating Loss in Europe decreased by $30.4 million to $10.0 million or (1.5%) of sales for the nine months ended September 30, 2021 from $40.4 million or (9.0%) of sales for the nine months ended September 30, 2020. The decrease in Adjusted Operating Loss was generally due to incremental contribution from the higher year-over-year sales; and productivity and efficiency improvements at certain operating facilities; partially offset by an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021, and higher other material and energy costs.

Rest of the World

Adjusted Operating Income in the Rest of the World decreased by $2.5 million to $9.7 million or 7.7% of sales for the nine months ended September 30, 2021 from $12.2 million or 10.1% of sales for the nine months ended September 30, 2020, due generally to launch related costs.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	$848,497	$884,866	$997,150	$1,070,956	$971,060	$460,564	$872,706	$917,581
Gross Margin	50,007	111,728	120,857	155,841	151,478	(12,459)	120,237	129,921
Net Income (Loss) for the period	(17,120)	23,952	38,701	44,970	45,636	(146,886)	28,963	51,153
Adjusted Net Income (Loss)	(17,120)	27,026	32,631	44,212	45,636	(73,115)	30,123	33,834
Basic and Diluted Net Earnings (Loss) per Share	(0.21)	0.30	0.48	0.56	0.57	(1.84)	0.36	0.63
Adjusted Basic and Diluted Net Earnings (Loss) per Share	(0.21)	0.34	0.41	0.55	0.57	(0.91)	0.38	0.42

LIQUIDITY AND CAPITAL RESOURCES

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended banking facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum Net Debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of $500 million and US $520 million (up from $370 million and US $420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- available asset based financing capacity of $300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $300 million (up from US $200 million);
- pricing terms at market rates and consistent with pre-COVID levels (beginning with the third quarter of 2021);
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

As at September 30, 2021, the Company had drawn US $466 million (December 31, 2020 – US $336 million) on the U.S. revolving credit line and $360 million (December 31, 2020 - $348 million) on the Canadian revolving credit line. As at September 30, 2021, the Company had total liquidity of $355 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's amended credit facility includes a $300 million allowance for asset based financing that the Company can use for additional financing, of which approximately $229 million was available as at September 30, 2021.

At September 30, 2021, the weighted average effective interest rate of the banking facility credit lines was 2.7% (December 31, 2020 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2021.

The principal sources of liquidity available for the Company's future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments, despite the challenges presented by the COVID-19 pandemic and industry-wide shortage of semiconductor chips. The Company's ability to fund its anticipated cash requirements, and to comply with financial covenants under the Company's banking facility, depend on the Company's future operating performance and cash flows and many factors outside of its control, including the cost of material and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of COVID-19 and the semiconductor chip shortage, and other factors.

Debt leverage ratios:

Excluding the impact of IFRS 16:	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Long-term debt	$ 1,016,890	$ 921,077	$ 873,322	$ 835,222	$ 888,365
Less: Cash and cash equivalents	(157,324)	(127,664)	(145,348)	(152,786)	(214,049)
Net Debt	$ 859,566	$ 793,413	$ 727,974	$ 682,436	$ 674,316
Trailing 12-month Adjusted EBITDA	$ 343,690	$ 432,369	$ 324,752	$ 323,797	$ 304,716
Net Debt to Adjusted EBITDA ratio	2.50x	1.84x	2.24x	2.11x	2.21x

Including the impact of IFRS 16:	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Long-term debt	$ 1,016,890	$ 921,077	$ 873,322	$ 835,222	$ 888,365
Lease liabilities	187,584	195,450	201,526	211,813	224,405
	1,204,474	1,116,527	1,074,848	1,047,035	1,112,770
Less: Cash and cash equivalents	(157,324)	(127,664)	(145,348)	(152,786)	(214,049)
Net Debt	$ 1,047,150	$ 988,863	$ 929,500	$ 894,249	$ 898,721
Trailing 12-month Adjusted EBITDA	$ 386,055	$ 475,389	$ 367,594	$ 365,503	$ 344,313
Net Debt to Adjusted EBITDA ratio	2.71x	2.08x	2.53x	2.45x	2.61x

The Company's Net Debt (excluding the impact of adopting IFRS 16 and as outlined above) increased by $66.2 million during the third quarter of 2021 to $859.6 million from $793.4 million at the end of the second quarter of 2021, due largely to financing necessary capital expenditures and working capital during the third quarter of 2021, and foreign exchange translation. As a result, the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) increased during the quarter to 2.50x from 1.84x at the end of the second quarter of 2021.

The Company was in compliance with its debt covenants as at September 30, 2021. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors (the "Board") approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were $0.12 per share, 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.

In 2018, in view of the Company's financial performance, and its future outlook and cash needs at the time, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly installments of $0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to $0.20 per share, to be paid in four quarterly installments of $0.05 per share commencing at the beginning of 2020. The first such increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the pandemic period. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current COVID-19 situation, the Company's financial performance and anticipated needs at that time.

Cash flow

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 49,931	$ 134,006	(84,075)	(62.7%)
Change in non-cash working capital items	(19,358)	63,675	(83,033)	(130.4%)
	30,573	197,681	(167,108)	(84.5%)
Interest paid	(7,732)	(8,895)	1,163	13.1%
Income taxes paid	(12,984)	(10,262)	(2,722)	(26.5%)
Cash provided by operating activities	9,857	178,524	(168,667)	(94.5%)
Cash provided by (used in) financing activities	68,351	(15,208)	83,559	549.4%
Cash used in investing activities	(46,456)	(76,207)	29,751	39.0%
Effect of foreign exchange rate changes on cash and cash equivalents	(2,092)	1,106	(3,198)	(289.2%)
Increase in cash and cash equivalents	$ 29,660	$ 88,215	(58,555)	(66.4%)

Cash provided by operating activities during the third quarter of 2021 was $9.9 million, compared to $178.5 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $49.9 million;
- working capital use of cash of $19.4 million comprised of an increase in inventories of $62.6 million, an increase in prepaid expenses and deposits of $2.3 million; partly offset by a decrease in trade and other receivables of $12.1 million, an increase in trade and other payables and provisions of $33.4 million;
- interest paid of $7.7 million; and
- income taxes paid of $13.0 million.

Cash provided by financing activities during the third quarter of 2021 was $68.4 million, compared to cash used in financing activities of $15.2 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- an $80.6 million net increase in long-term debt (including drawdowns on the Company's revolving banking facility and additions to equipment loans of $25.0 million; partially offset by repayments of existing equipment loans);
- repayments of lease liabilities of $8.3 million; and
- $4.0 million in dividends paid.

Cash used in investing activities during the third quarter of 2021 was $46.5 million, compared to $76.2 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- cash additions to PP&E of $45.2 million; and
- capitalized development costs relating to upcoming new program launches of $2.0 million.

Taking into account the opening cash balance of $127.7 million at the beginning of the third quarter of 2021, and the activities described above, the cash and cash equivalents balance at September 30, 2021 was $157.3 million.

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 263,326	$ 220,925	42,401	19.2%
Change in non-cash working capital items	(122,533)	79,117	(201,650)	(254.9%)
	140,793	300,042	(159,249)	(53.1%)
Interest paid	(25,155)	(27,375)	2,220	8.1%
Income taxes paid	(33,068)	(24,473)	(8,595)	(35.1%)
Cash provided by operating activities	82,570	248,194	(165,624)	(66.7%)
Cash provided by financing activities	148,768	54,473	94,295	173.1%
Cash used in investing activities	(224,322)	(211,985)	(12,337)	(5.8%)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,478)	4,394	(6,872)	(156.4%)
Increase in cash and cash equivalents	$ 4,538	$ 95,076	(90,538)	(95.2%)

Cash provided by operating activities during the nine months ended September 30, 2021 was $82.6 million, compared to $248.2 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $263.3 million;
- working capital use of cash of $122.5 million comprised of an increase in inventories of $190.5 million, an increase in trade and other receivables of $103.2 million, an increase in prepaid expenses and deposits of $6.6 million; partially offset by an increase in trade and other payables and provisions of $177.8 million;
- interest paid of $25.2 million; and
- income taxes paid of $33.1 million.

Cash provided by financing activities during the nine months ended September 30, 2021 was $148.8 million, compared to $54.5 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- a $185.4 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility and additions to equipment loans of $25.0 million; partially offset by repayments of existing equipment loans);
- repayments of lease liabilities of $25.3 million; and
- $12.1 million in dividends paid.

Cash used in investing activities during the nine months ended September 30, 2021 was $224.3 million, compared to $212.0 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- cash additions to PP&E of $211.0 million;
- capitalized development costs relating to upcoming new program launches of $6.2 million; and
- investments in VoltaXplore Inc. ("VoltaXplore") and NanoXplore of $8.0 million.

Taking into account the opening cash balance of $152.8 million at the beginning of 2021, and the activities described above, the cash and cash equivalents balance at September 30, 2021 was $157.3 million.

Free Cash Flow

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change
Adjusted EBITDA	$ 44,898	$ 134,232	(89,334)
Add (deduct):			
Change in non-cash working capital items	(19,358)	63,675	(83,033)
Cash purchase of property, plant and equipment	(45,153)	(72,347)	27,194
Cash proceeds on disposal of property, plant and equipment	707	42	665
Capitalized development costs	(2,010)	(3,902)	1,892
Interest paid	(7,732)	(8,895)	1,163
Income taxes paid	(12,984)	(10,262)	(2,722)
Free Cash Flow	(41,632)	102,543	(144,175)

Free Cash Flow for the third quarter of 2021 decreased year-over-year due primarily to an increase in non-cash working capital and lower Adjusted EBITDA; partially offset by a decrease in cash purchases of property, plant and equipment.

Tooling-related working capital accounts, including inventory, trade receivables and trade payables on a net basis, increased to $54.3 million as at September 30, 2021, from $50.7 million as at June 30, 2021 and $36.8 million as at September 30, 2020.

Reconciliation of IFRS "Cash provided by operating activities" to Non-IFRS "Free Cash Flow" for the three months ended September 30, 2021 and 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020
Cash provided by operating activities	$ 9,857	$ 178,524
Add (deduct):		
Cash purchases of property, plant and equipment	(45,153)	(72,347)
Cash proceeds on disposal of property, plant and equipment	707	42
Capitalized development costs	(2,010)	(3,902)
Unrealized loss on foreign exchange contracts	(3,043)	(2,214)
Deferred and restricted share units benefit	809	236
Stock options expense	(328)	(604)
Pension and other post-employment benefits expense	(991)	(1,036)
Contributions made to pension and other post-retirement benefits	861	1,992
Net foreign exchange (gain) loss and other expense (income)	(2,341)	1,852
Free Cash Flow	$ (41,632)	$ 102,543

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change
Adjusted EBITDA	$ 254,331	$ 233,779	20,552
Add (deduct):			
Change in non-cash working capital items	(122,533)	79,117	(201,650)
Cash purchase of property, plant and equipment	(210,954)	(188,233)	(22,721)
Cash proceeds on disposal of property, plant and equipment	846	308	538
Capitalized development costs	(6,178)	(8,557)	2,379
Interest paid	(25,155)	(27,375)	2,220
Income taxes paid	(33,068)	(24,473)	(8,595)
Free Cash Flow	(142,711)	64,566	(207,277)

Free Cash Flow for the nine months ended September 30, 2021 decreased year-over-year primarily due to increases in non-cash working capital and cash purchases of property, plant and equipment; partially offset by higher year-over-year Adjusted EBITDA.

Reconciliation of IFRS "Cash provided by operating activities" to Non-IFRS "Free Cash Flow" for the nine month period ended September 30, 2021 and 2020:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by operating activities	$ 82,570	$ 248,194
Add (deduct):		
Cash purchases of property, plant and equipment	(210,954)	(188,233)
Transaction costs associated with the acquisition of Metalsa	-	2,489
Cash proceeds on disposal of property, plant and equipment	846	308
Capitalized development costs	(6,178)	(8,557)
Restructuring costs	5,473	8,170
Unrealized loss on foreign exchange contracts	(859)	(2,533)
Deferred and restricted share units benefit (expense)	1,284	(226)
Stock options expense	(934)	(1,812)
Pension and other post-employment benefits expense	(3,006)	(3,570)
Contributions made to pension and other post-retirement benefits	2,738	5,328
Net foreign exchange (gain) loss and other expense (income)	(13,691)	5,008
Free Cash Flow	$ (142,711)	$ 64,566

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Automotive Industry Highlights and Trends and Risk Factors as outlined in the Company's Annual Information Form ("AIF") dated March 4, 2021 available through SEDAR at www.sedar.com which are incorporated herein by reference. The disclosure in this MD&A and, in particular under "Recent Developments: COVID-19 Pandemic and Semiconductor Chip Shortage", supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 4, 2021, the Company had 80,367,095 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 4, 2021, options to acquire 2,642,500 common shares were outstanding.

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of $3.4 million, resulting in a decrease to stated capital of $2.5 million and a decrease to retained earnings of $0.9 million. The shares were purchased for cancellation directly under the Company's normal course issuer bid ("NCIB").

In light of the COVID-19 pandemic, the Company suspended the repurchase of common stock under the NCIB, which expired at the end of August 2020.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the nine months ended September 30, 2021, 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, 2020.

Guarantees

The Company has negotiated tool financing facilities that 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, 2021, the amount of the off balance sheet program financing was $30.5 million (December 31, 2020 - $42.8 million) 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 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 range up to twenty-four months.

Financial Instruments

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. It is the Company's policy not to utilize financial instruments for trading or speculative purposes.

At September 30, 2021, the Company had committed to the following foreign exchange contracts:

Foreign exchange forward contracts not accounted for as hedges and fair valued through profit or loss

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	$	42,163	20.1600	1
Buy Euro	$	43	0.8636	1

The aggregate value of these forward contracts as at September 30, 2021 was a pre-tax loss of $0.9 million recorded in trade and other payables (December 31, 2020 – pre-tax gain of $0.6 million recorded in trade and other receivables).

Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income

The Company previously entered into foreign exchange forward contracts to buy Canadian Dollars in order to hedge the variability in certain cash flows of forecasted U.S. dollar sales due to fluctuations in foreign exchange rates. As at June 30, 2021, the U.S. Dollar sales transactions could no longer be forecasted with high probability, and accordingly the Company de-designated the hedging relationship and terminated certain forward contracts. The company had no foreign exchange contracts accounted for as hedges and fair valued through OCI as at September 30, 2021 (December 31, 2020 - pre-tax gain of $1.8 million recorded in trade and other receivables).

INVESTMENTS

As at September 30, 2021, the Company held 35,045,954 common shares of NanoXplore representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of $4.0 million. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of $7.8 million during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore, to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested approximately $4.0 million into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional $6.0 million in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers, will support the business case for the construction of a battery production facility in Canada.

The Company applies equity accounting to its equity investments based on NanoXplore's and VoltaXplore's most recently available financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date, which represents a reasonable estimate of the change in the Company's interest.

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net balance as of December 31, 2019	$ 37,080	$ -
Additions to equity investments	5,000	-
Gain on dilution of equity investments	866	-
Share of loss for the year	(2,310)	-
Share of other comprehensive loss for the year	(79)	-
Net balance as of December 31, 2020	$ 40,557	$ -
Additions to equity investments	4,000	4,036
Gain on dilution of equity investments	7,800	-
Share of loss for the period	(2,727)	(53)
Share of other comprehensive income for the period	183	-
Net balance as of September 30, 2021	$ 49,813	$ 3,983

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, the Company's internal controls over financial reporting.

FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated by reference therein contain forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views, or beliefs in or on, the expected impact of or duration of the COVID-19 pandemic (including the related semiconductor chip shortage and other supply chain and inflationary issues), or as a result of any current or future government actions or regulations or supply chain disruption, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers; the Company's current and future strategy, priorities and response related to COVID-19 (including the semiconductor chip crisis and other supply chain and inflationary issues), and the status of implementation; the expected economic impact resulting from COVID-19 (including the semiconductor chip crisis and other supply chain and inflationary issues), the type of factors affecting the economic impact; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations, the potential for future asset impairment charges, and global impact, demand for vehicles, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business, continued investments in its business and technologies, the opportunity to increase sales, its ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments, the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs and using the tools as collateral, and the payment of dividends 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information and we do not provide reconciliation to IFRS for such assumptions. 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 AIF for the year ended December 31, 2020 and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company's dependence on key customers
- Financial Viability of Suppliers;
- 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 and commodities;
- Outsourcing and Insourcing Trends;
- The risk of increased costs associated with product warranty liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;
- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;
- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

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.