MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and six months ended June 30, 2021

The following management discussion and analysis ("MD&A") was prepared as of August 10, 2021 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 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 IMPACT ON OUR BUSINESS

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 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 lock-downs 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 the industry-wide shortage of semiconductor chips which has had a negative impact on OEM light vehicle production levels and OEM demand globally in 2021 to date.

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.
As a result of the uncertain economic and business impacts of the COVID-19 pandemic, 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 of this review, 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. 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, as it continues to evolve. Any such revisions (due to COVID-19 or otherwise) 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 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 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 six months ended June 30, 2021 and 2020. Refer to the Company's interim financial statements for the three and six months ended June 30, 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

		Three months ended June 30, 2021		Three months ended June 30, 2020	$ Change	% Change
Sales	$	884,866	$	460,564	424,302	92.1%
Gross Margin		111,728		(12,459)	124,187	996.8%
Operating Income (Loss)		34,621		(163,365)	197,986	121.2%
Net Income (Loss) for the period		23,952		(146,886)	170,838	116.3%
Net Earnings (Loss) per Share - Basic and Diluted	$	0.30	$	(1.84)	2.14	116.3%
Non-IFRS Measures*						
Adjusted Operating Income (Loss)	$	39,065	$	(68,470)	107,535	157.1%
% of Sales		*4.4%*		*(14.9%)*		
Adjusted EBITDA		99,618		(8,177)	107,795	1,318.3%
% of Sales		*11.3%*		*(1.8%)*		
Adjusted Net Income (Loss)		27,026		(73,115)	100,141	137.0%
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$	0.34	$	(0.91)	1.25	137.4%

		Six months ended June 30, 2021		Six months ended June 30, 2020	$ Change	% Change
Sales	$	1,882,016	$	1,333,270	548,746	41.2%
Gross Margin		232,585		107,778	124,807	115.8%
Operating Income (Loss)		82,051		(114,160)	196,211	171.9%
Net Income (Loss) for the period		62,653		(117,923)	180,576	153.1%
Net Earnings (Loss) per Share - Basic and Diluted	$	0.78	$	(1.47)	2.25	153.1%
Non-IFRS Measures*						
Adjusted Operating Income (Loss)	$	87,524	$	(17,718)	105,242	594.0%
% of Sales		*4.7%*		*(1.3%)*		
Adjusted EBITDA		209,433		99,547	109,886	110.4%
% of Sales		*11.1%*		*7.5%*		
Adjusted Net Income (Loss)		59,657		(42,992)	102,649	238.8%
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$	0.74	$	(0.54)	1.28	237.0%

*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 June 30, 2021	**Three months ended June 30, 2020**
Net Income (Loss)	$ 23,952	$ (146,886)
Unusual and Other Items (after-tax)*	3,074	73,771
Adjusted Net Income (Loss)	$ 27,026	$ (73,115)

	Six months ended June 30, 2021	**Six months ended June 30, 2020**
Net Income (Loss)	$ 62,653	$ (117,923)
Unusual and Other Items (after-tax)*	(2,996)	74,931
Adjusted Net Income (Loss)	$ 59,657	$ (42,992)

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

	Three months ended June 30, 2021	**Three months ended June 30, 2020**
Net Income (Loss)	$ 23,952	$ (146,886)
Income tax expense (benefit)	7,378	(29,932)
Other finance (income) expense	(5,588)	4,286
Share of loss of equity investments	983	881
Finance expense	7,896	8,286
Unusual and Other Items (before-tax)*	4,444	94,895
Adjusted Operating Income (Loss)	$ 39,065	$ (68,470)
Depreciation of property, plant and equipment and right-of-use assets	57,219	56,953
Amortization of intangible assets	3,268	3,340
Loss on disposal of property, plant and equipment	66	-
Adjusted EBITDA	$ 99,618	$ (8,177)

	Six months ended June 30, 2021	**Six months ended June 30, 2020**
Net Income (Loss)	$ 62,653	$ (117,923)
Income tax expense (benefit)	20,332	(18,722)
Other finance (income) expense	(11,350)	3,156
Share of loss of equity investments	1,909	1,581
Finance expense	16,307	17,748
Unusual and Other Items (before-tax)*	(2,327)	96,442
Adjusted Operating Income (Loss)	$ 87,524	$ (17,718)
Depreciation of property, plant and equipment and right-of-use assets	115,277	110,807
Amortization of intangible assets	6,566	6,458
Loss on disposal of property, plant and equipment	66	-
Adjusted EBITDA	$ 209,433	$ 99,547

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

SALES

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
North America	$ 635,823	$ 318,134	317,689	99.9%
Europe	210,976	99,988	110,988	111.0%
Rest of the World	44,556	45,807	(1,251)	(2.7%)
Eliminations	(6,489)	(3,365)	(3,124)	(92.8%)
Total Sales	$ 884,866	$ 460,564	424,302	92.1%

The Company's consolidated sales for the second quarter of 2021 increased by $424.3 million or 92.1% to $884.9 million as compared to $460.6 million for the second quarter of 2020. The total increase in sales was driven by year-over-year increases in the North America and Europe operating segments, partially offset by a slight year-over-year decrease in the Rest of the World.

Sales for the second quarter of 2021 in the Company's North America operating segment increased by $317.7 million or 99.9% to $635.8 million from $318.1 million for the second quarter of 2020. 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 second quarter of 2020 including the new Ford Mach E Mustang, Nissan Rogue, and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $10.8 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. 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 second quarter of 2021 of $65.7 million as compared to the second quarter of 2020.

Sales for the second quarter of 2021 in the Company's Europe operating segment increased by $111.0 million or 111.0% to $211.0 million from $100.0 million for the second quarter of 2020. 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 second quarter of 2020, mainly with Volvo. These positive factors were partially offset by the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the second quarter of 2021 of $4.3 million as compared to the second quarter of 2020, and a $3.8 million decrease in tooling sales.

Sales for the second quarter of 2021 in the Company's Rest of the World operating segment decreased by $1.3 million or 2.7% to $44.6 million from $45.8 million in the second quarter of 2020. The decrease can be attributed to a $2.9 million decrease in tooling sales; a $2.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the second quarter of 2020; lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China; and a program with Ford in China that ended production during or subsequent to the second quarter of 2020. These negative factors were largely offset by a post-COVID recovery of production volumes in Brazil.

Overall tooling sales increased by $4.1 million to $45.9 million for the second quarter of 2021 from $41.8 million for the second quarter of 2020.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
North America	$ 1,339,953	$ 1,005,662	334,291	33.2%
Europe	465,045	259,885	205,160	78.9%
Rest of the World	91,069	73,666	17,403	23.6%
Eliminations	(14,051)	(5,943)	(8,108)	(136.4%)
Total Sales	$ 1,882,016	$ 1,333,270	548,746	41.2%

The Company's consolidated sales for the six months ended June 30, 2021 increased by $548.7 million or 41.2% to $1,882.0 million as compared to $1,333.3 million for the six months ended June 30, 2020. Sales for the six months ended June 30, 2021 increased across all operating segments.

Sales for the six months ended June 30, 2021 in the Company's North America operating segment increased by $334.3 million or 33.2% to $1,340.0 million from $1,005.7 million for the six months ended June 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $35.0 million of the year-over-year increase in sales (including a $1.7 million increase in tooling sales). Excluding the acquired operations, sales for the six months ended June 30, 2021 in North America increased year-over-year by $299.3 million or 30.3%. 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; higher year-over-year production volumes on General Motors' pick-up truck and large SUV platform; the launch of new programs during or subsequent to the six months ended June 30, 2020, including the new Ford Mach E Mustang, Nissan Rogue, and a six cylinder aluminum engine block for Ford; and a $30.1 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 six months ended June 30, 2021 of approximately $86.3 million as compared to the corresponding period of 2020.

Sales for the six months ended June 30, 2021 in the Company's Europe operating segment increased by $205.2 million or 78.9% to $465.0 million from $259.9 million for the six months ended June 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $68.5 million of the year-over-year increase in sales (including a $3.0 million increase in tooling sales). Excluding the acquired operations, sales for the six months ended June 30, 2021 in Europe increased year-over-year by $136.7 million or 63.7%. 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; the launch of new programs during or subsequent to the six months ended June 30, 2020, mainly with Volvo and Ford; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the six months ended June 30, 2021 of $8.2 million as compared to the corresponding period of 2020. These positive factors were partially offset by a $2.2 million decrease in tooling sales.

Sales for the six months ended June 30, 2021 in the Company's Rest of the World operating segment increased by $17.4 million or 23.6% to $91.1 million from $73.7 million for the six months ended June 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $13.7 million of the year-over-year increase in sales. Excluding the acquired operations, sales for the six months ended June 30, 2021 in the Rest of the World increased year-over-year by $3.7 million or 7.9%. The increase can be attributed to the post-COVID recovery of production volumes; partly offset by a $5.6 million decrease in tooling sales, a $4.0 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2020, lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and a program with Ford in China that ended production during or subsequent to the six months ended June 30, 2020.

Overall tooling sales increased by $27.0 million to $119.0 million for the six months ended June 30, 2021 from $92.0 million for the six months ended June 30, 2020.

GROSS MARGIN

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
Gross margin	$ 111,728	$ (12,459)	124,187	996.8%
% of Sales	12.6%	(2.7%)		

The gross margin percentage for the second quarter of 2021 improved to 12.6% as compared to a negative gross margin percentage of (2.7%) for the second quarter of 2020. The increase in gross margin as a percentage of sales was generally due to:

- higher sales volume and corresponding higher utilization of assets, driven primarily by the post-COVID recovery of overall production volumes; and
- productivity and efficiency improvements at certain operating facilities.

These factors were partially offset by:

- operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;

- higher labour and material costs driven largely by shortages of both across the industry;
- a negative sales mix; and
- a decrease in COVID-related government subsidies.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Gross margin	$ 232,585	$ 107,778	124,807	115.8%
% of Sales	12.4%	8.1%		

The gross margin percentage for the six months ended June 30, 2021 of 12.4% increased as a percentage of sales by 4.3% as compared to the gross margin percentage for the six months ended June 30, 2020 of 8.1%. The increase in gross margin as a percentage of sales was generally due to:

- higher sales volume and corresponding higher utilization of assets, driven primarily by the post-COVID recovery of overall production volumes; and
- productivity and efficiency improvements at certain operating facilities.

These factors were partially offset by:

- 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;
- higher labour and other material costs driven largely by shortages of both across the industry;
- a negative sales mix; and
- a decrease in COVID-related government subsidies.

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

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
Selling, general & administrative	$ 60,494	$ 47,534	12,960	27.3%
% of Sales	6.8%	10.3%		

SG&A expense for the second quarter of 2021 increased by $13.0 million to $60.5 million as compared to SG&A expense for the second quarter of 2020 of $47.5 million.

Excluding transaction costs related to the operations acquired from Metalsa expensed as SG&A in the second quarter of 2020, as explained in Table A under "Adjustments to Net Income (Loss)", SG&A expense for the second quarter of 2021 increased by $13.9 million year-over-year. The increase can be attributed to higher overall employee related costs as compared to the second quarter of 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; partially offset by a $3.4 million year-over-year decrease in equity-based compensation related to deferred/restricted share units.

Excluding adjustments, SG&A expense as a percentage of sales decreased to 6.8% for the second quarter of 2021 compared to 10.1% for the second quarter of 2020 for the factors noted above and in light of higher year-over-year sales.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Selling, general & administrative	$ 121,244	$ 104,942	16,302	15.5%
% of Sales	6.4%	7.9%		

SG&A expense for the six months ended June 30, 2021 increased by $16.3 million to $121.2 million as compared to SG&A expense for the six months ended June 30, 2020 of $104.9 million.

Excluding transaction costs related to the operations acquired from Metalsa expensed as SG&A during the six months ended June 30, 2020, as explained in Table B under "Adjustments to Net Income (Loss)", SG&A expense for the six months ended June 30, 2021 increased by $18.8 million year-over-year. The increase can be attributed to higher employee related costs as compared to the six months ended June 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 $0.9 million year-over-year decrease in equity-based compensation related to deferred/restricted share units.

Excluding adjustments, SG&A expense as a percentage of sales decreased to 6.4% for the six months ended June 30, 2021 compared to 7.7% for the six months ended June 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 June 30, 2021 to three months ended June 30, 2020 comparison

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 53,303	$ 53,109	194	0.4%
Depreciation of PP&E and right-of-use assets (non-production)	3,916	3,844	72	1.9%
Amortization of development costs	3,268	2,999	269	9.0%
Amortization of customer contracts and relationships	-	341	(341)	(100.0%)
Total depreciation and amortization	$ 60,487	$ 60,293	194	0.3%

Total depreciation and amortization expense for the second quarter of 2021 of $60.5 million was generally consistent with total depreciation and amortization expense for the second quarter of 2020. An increase in total depreciation and amortization expense resulting from a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the second quarter of 2020, was essentially offset by a decrease in depreciation and amortization expense resulting from the impairment charges recorded in the second quarter of 2020.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the second 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 decreased year-over-over to 6.0% for the second quarter of 2021 from 11.5% for the second quarter of 2020 due essentially to higher overall sales volume.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 107,522	$ 103,092	4,430	4.3%
Depreciation of PP&E and right-of-use assets (non-production)	7,755	7,715	40	0.5%
Amortization of development costs	6,566	5,817	749	12.9%
Amortization of customer contracts and relationships	-	641	(641)	(100.0%)
Total depreciation and amortization	$ 121,843	$ 117,265	4,578	3.9%

Total depreciation and amortization expense for the six months ended June 30, 2021 increased by $4.6 million to $121.8 million as compared to $117.3 million for the six months ended June 30, 2020. The increase in total depreciation and amortization expense for the six months ended June 30, 2021 was primarily due to an increase in depreciation expense on a larger PP&E base connected to new and replacement business that commenced during or subsequent to the six months ended June 30, 2020, partially offset by a decrease in depreciation and amortization expense resulting from the impairment charges 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 5.7% for the six months ended June 30, 2021 from 7.7% for the six months ended June 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 June 30, 2021 to three months ended June 30, 2020 comparison

	Three months ended June 30, 2021 (a)	Three months ended June 30, 2020 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**$23,952**	**($146,886)**	**$170,838**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	4,444	8,170	(3,726)
Impairment of assets (3)	-	85,783	(85,783)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (4)	-	942	(942)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$4,444**	**$94,895**	**($90,451)**
Tax impact of above items	(1,370)	(21,124)	19,754
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$3,074**	**$73,771**	**($70,697)**
ADJUSTED NET INCOME (LOSS) (A + B)	**$27,026**	**($73,115)**	**$100,141**
Number of Shares Outstanding – Basic (‘000)	80,329	79,961	
Adjusted Basic Net Earnings (Loss) Per Share	$0.34	($0.91)	
Number of Shares Outstanding – Diluted (‘000)	80,458	79,961	
Adjusted Diluted Net Earnings (Loss) Per Share	$0.34	($0.91)	

TABLE B

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021 (a)	Six months ended June 30, 2020 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**$62,653**	**($117,923)**	**$180,576**
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 (LOSS) (A + B)	**$59,657**	**($42,992)**	**$102,649**
Number of Shares Outstanding – Basic ('000)	80,312	80,041	
Adjusted Basic Net Earnings (Loss) Per Share	$0.74	($0.54)	
Number of Shares Outstanding – Diluted ('000)	80,487	80,041	
Adjusted Diluted Net Earnings (Loss) Per Share	$0.74	($0.54)	

(1) Restructuring costs

Additions to the restructuring provision during the three and six months ended June 30, 2021 totaled $4.4 million and $5.5 million, respectively, and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision 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 $0.9 million and $2.5 million for the three and six months ended June 30, 2020, respectively.

NET INCOME

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

		Three months ended June 30, 2021		Three months ended June 30, 2020	$ Change	% Change
Net Income (Loss)	$	23,952	$	(146,886)	170,838	116.3%
Adjusted Net Income (Loss)	$	27,026	$	(73,115)	100,141	137.0%
Net Earnings (Loss) per Share						
Basic and Diluted	$	0.30	$	(1.84)		
Adjusted Net Earnings (Loss) per Share						
Basic and Diluted	$	0.34	$	(0.91)		

Net Income, before adjustments, for the second quarter of 2021 increased by $170.8 million to $24.0 million from a Net Loss of $146.9 million for the second quarter of 2020. Excluding the unusual and other items explained in Table A under "Adjustments to Net Income (Loss)", Adjusted Net Income for the second quarter of 2021 increased to $27.0 million or $0.34 per share, on a basic and diluted basis, from an Adjusted Net Loss of $73.1 million or ($0.91) per share, on a basic and diluted basis, for the second quarter of 2020.

Adjusted Net Income for the second quarter of 2021, as compared to the Adjusted Net Loss for second quarter of 2020, was positively impacted by the following:

- higher gross profit on higher year-over-year sales volume, as previously explained, due primarily to the post-COVID recovery of overall production volumes; and
- a net foreign exchange gain of $5.2 million for the second quarter of 2021 compared to a net foreign exchange loss of $4.3 million for the second quarter of 2020.

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in research and development costs; and
- a higher effective tax rate on adjusted Net Income (Loss) (24.5% for the second quarter of 2021 compared to 10.8% for the second quarter of 2020).

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Net Income (Loss)	$ 62,653	$ (117,923)	180,576	153.1%
Adjusted Net Income (Loss)	$ 59,657	$ (42,992)	102,649	238.8%
Net Earnings (Loss) per Share				
Basic and Diluted	$ 0.78	$ (1.47)		
Adjusted Net Earnings (Loss) per Share				
Basic and Diluted	$ 0.74	$ (0.54)		

Net Income, before adjustments, for the six months ended June 30, 2021 increased by $180.6 million to $62.7 million from a Net Loss of $117.9 million for the six months ended June 30, 2020. Excluding the unusual and other items explained in Table B under "Adjustments to Net Income (Loss)", Adjusted Net Income for the six months ended June 30, 2021 increased to $59.7 million or $0.74 per share, on a basic and diluted basis, from an Adjusted Net Loss of $43.0 million or ($0.54) per share, on a basic and diluted basis, for the six months ended June 30, 2020.

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

- Higher gross profit on higher year-over-year sales volume, as previously explained, due primarily to the post-COVID recovery of overall production volumes; and
- a net foreign exchange gain of $10.5 million for the six months ended June 30, 2021 compared to a net foreign exchange loss of $3.3 million for the six months ended June 30, 2020.

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in research and development costs; and
- a higher effective tax rate on adjusted Net Income (Loss) (26.0% for the six months ended June 30, 2021 compared to (6.9%) for the six months ended June 30, 2020).

Three months ended June 30, 2021 actual to guidance comparison:

On May 6, 2021, the Company provided the following guidance for the second quarter of 2021:

	Guidance	Actual
Production sales (in millions)	$ 850 - 950	$ 839
Adjusted Net Earnings per Share		
Basic & Diluted	$ 0.36 - 0.46	$ 0.34

For the second quarter of 2021, production sales of $839 million and Adjusted Net Earnings per Share of $0.34 were both below the published guidance ranges, reflecting the impact the industry-wide shortage of semiconductor chips had on OEM light vehicle production levels during the quarter.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
Additions to PP&E	$ 88,448	$ 44,323	44,125	99.6%

Additions to PP&E increased by $44.1 million to $88.4 million or 10.0% of sales in the second quarter of 2021 from $44.3 million or 9.6% of sales in the second quarter of 2020. General timing of expenditures makes quarterly additions to PP&E quite volatile in nature. 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, despite the recent industry-wide semiconductor chip shortage negatively impacting OEM production volumes. Capital additions also include 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.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Additions to PP&E	$ 170,040	$ 108,287	61,753	57.0%

Additions to PP&E increased by $61.8 million year-over-year to $170.0 million or 9.0% of sales for the six months ended June 30, 2021 compared to $108.3 million or 8.1% of sales for the six months ended June 30, 2020. Consistent with the year-over-year increase in the second quarter of 2021 as explained above, 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 June 30, 2021 to three months ended June 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended June 30, 2021	**Three months ended June 30, 2020**	**Three months ended June 30, 2021**	**Three months ended June 30, 2020**
North America	$ 635,823	$ 318,134	$ 38,400	$ (40,381)
Europe	210,976	99,988	(4,393)	(33,979)
Rest of the World	44,556	45,807	5,058	5,890
Eliminations	(6,489)	(3,365)	-	-
Adjusted Operating Income (Loss)	-	-	$ 39,065	$ (68,470)
Unusual and Other Items*	-	-	(4,444)	(94,895)
Total	$ 884,866	$ 460,564	$ 34,621	$ (163,365)

** Operating income (loss) for the operating segments has been adjusted for unusual and other items. The $4.4 million of unusual and other items for the second quarter of 2021 was recognized in Europe. Of the $94.9 million of unusual and other items for the second quarter of 2020, $79.7 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 increased by $78.8 million to $38.4 million or 6.0% of sales for the second quarter of 2021 from a loss of $40.4 million or (12.7%) of sales for the second quarter of 2020. The increase in Adjusted Operating Income as a percentage of sales was generally due to higher sales volume and corresponding higher utilization of assets, driven primarily by the post-COVID recovery of overall production volumes; productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales. These positive factors were partially offset by operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; higher material and labour costs driven largely by shortages of both across the industry; a negative sales mix; and a decrease in COVID-related government subsidies.

Europe

Adjusted Operating Loss in Europe decreased by $29.6 million to a loss of $4.4 million or (2.1%) of sales for the second quarter of 2021 from a loss of $34.0 million or (34.0%) of sales for the second quarter of 2020. The decrease in Adjusted Operating Loss was generally due to incremental contribution from the higher year-over-year sales, due primarily to the post-COVID recovery of overall production volumes, and productivity and efficiency improvements at certain operating facilities; partly offset by higher material costs and a decrease in COVID-related government subsidies.

Rest of the World

Adjusted Operating Income in the Rest of the World operating segment decreased slightly by $0.8 million to $5.1 million or 11.4% of sales for the second quarter of 2021 from $5.9 million or 12.9% of sales for the second quarter of 2020, due generally to lower year-over-year sales volume and a negative sales mix.

Six months ended June 30, 2021 to six months ended June 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)	
	Six months ended June 30, 2021	**Six months ended June 30, 2020**	**Six months ended June 30, 2021**	**Six months ended June 30, 2020**
North America	$ 1,339,953	$ 1,005,662	$ 82,435	$ 9,798
Europe	465,045	259,885	(4,735)	(33,942)
Rest of the World	91,069	73,666	9,824	6,426
Eliminations	(14,051)	(5,943)	-	-
Adjusted Operating Income (Loss)	-	-	$ 87,524	$ (17,718)
Unusual and Other Items*	-	-	(5,473)	(96,442)
Total	$ 1,882,016	$ 1,333,270	$ 82,051	$ (114,160)

** 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 six months ended June 30, 2021 was recognized in Europe. Of the $96.4 million of unusual and other items for the six months ended June 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 increased by $72.6 million to $82.4 million or 6.2% of sales for the six months ended June 30, 2021 from $9.8 million or 1.0% of sales for the six months ended June 30, 2020. The increase in Adjusted Operating Income as a percentage of sales was generally due to higher sales volume and corresponding higher utilization of assets, driven primarily by the post-COVID recovery of overall production volumes; productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales. These positive factors were partially offset by 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; higher labour and other material costs driven largely by shortages of both across the industry; a negative sales mix; and a decrease in COVID-related government subsidies.

Europe

Adjusted Operating Loss in Europe decreased by $29.2 million to a loss of $4.7 million or (1.0%) of sales for the six months ended June 30, 2021 from a loss of $33.9 million or (13.1%) of sales for the six months ended June 30, 2020. The decrease in Adjusted Operating Loss was generally due to incremental contribution from the higher year-over-year sales, due primarily to the post-COVID recovery of overall production volumes and productivity and efficiency improvements at certain operating facilities; partly 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, higher other material costs, and a decrease in COVID-related government subsidies.

Rest of the World

Adjusted Operating Income in the Rest of the World increased by $3.4 million to $9.8 million or 10.8% of sales for the six months ended June 30, 2021 from $6.4 million or 8.7% of sales for the six months ended June 30, 2020, due generally to higher year over year sales.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	$884,866	$997,150	$1,070,956	$971,060	$460,564	$872,706	$917,581	$974,384
Gross Margin	111,728	120,857	155,841	151,478	(12,459)	120,237	129,921	143,901
Net Income (Loss) for the period	23,952	38,701	44,970	45,636	(146,886)	28,963	51,153	46,678
Adjusted Net Income (Loss)	27,026	32,631	44,212	45,636	(73,115)	30,123	33,834	43,507
Basic Net Earnings (Loss) per Share	0.30	0.48	0.56	0.57	(1.84)	0.36	0.63	0.57
Diluted Net Earnings (Loss) per Share	0.30	0.48	0.56	0.57	(1.84)	0.36	0.63	0.56
Adjusted Basic and Diluted Net Earnings (Loss) per Share	0.34	0.41	0.55	0.57	(0.91)	0.38	0.42	0.53

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 (starting in the third quarter of 2021);
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

As at June 30, 2021, the Company had drawn US $421 million (December 31, 2020 – US $336 million) on the U.S. revolving credit line and $356 million (December 31, 2020 - $348 million) on the Canadian revolving credit line. As at June 30, 2021, the Company had total liquidity of $390 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 $250 million was available as at June 30, 2021.

As at June 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 June 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.

Debt leverage ratios:

Excluding the impact of IFRS 16:	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Long-term debt	$ 921,077	$ 873,322	$ 835,222	$ 888,365	$ 902,205
Less: Cash and cash equivalents	(127,664)	(145,348)	(152,786)	(214,049)	(125,834)
Net Debt	$ 793,413	$ 727,974	$ 682,436	$ 674,316	$ 776,371
Trailing 12-month Adjusted EBITDA	$ 432,369	$ 324,752	$ 323,797	$ 304,716	$ 294,634
Net Debt to Adjusted EBITDA ratio	1.84x	2.24x	2.11x	2.21x	2.64x

Including the impact of IFRS 16:	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**
Long-term debt	$ 921,077	$ 873,322	$ 835,222	$ 888,365	$ 902,205
Lease liabilities	195,450	201,526	211,813	224,405	219,130
	1,116,527	1,074,848	1,047,035	1,112,770	1,121,335
Less: Cash and cash equivalents	(127,664)	(145,348)	(152,786)	(214,049)	(125,834)
Net Debt	$ 988,863	$ 929,500	$ 894,249	$ 898,721	$ 995,501
Trailing 12-month Adjusted EBITDA	$ 475,389	$ 367,594	$ 365,503	$ 344,313	$ 332,482
Net Debt to Adjusted EBITDA ratio	2.08x	2.53x	2.45x	2.61x	2.99x

The Company's Net Debt (excluding the impact of adopting IFRS 16 and as outlined above) increased by $65.4 million during the second quarter of 2021 to $793.4 million from $728.0 million at the end of the first quarter of 2021, due largely to an increase in non-cash working capital in the second quarter of 2021. The Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) decreased during the quarter to 1.84x from 2.24x at the end of the first quarter of 2021, due largely to a significant increase in trailing 12-month Adjusted EBITDA.

The Company was in compliance with its debt covenants as at June 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 June 30, 2021	Three months ended June 30, 2020	$ Change	% Change
Cash provided by (used in) operations before changes in non-cash working capital items	$ 100,881	$ (17,358)	118,239	681.2%
Change in non-cash working capital items	(67,898)	16,523	(84,421)	(510.9%)
	32,983	(835)	33,818	4,050.1%
Interest paid	(8,247)	(8,559)	312	3.6%
Income taxes paid	(9,438)	(2,468)	(6,970)	(282.4%)
Cash provided by (used in) operating activities	15,298	(11,862)	27,160	229.0%
Cash provided by financing activities	46,515	31,687	14,828	46.8%
Cash used in investing activities	(80,498)	(49,704)	(30,794)	(62.0%)
Effect of foreign exchange rate changes on cash and cash equivalents	1,001	(802)	1,803	224.8%
Decrease in cash and cash equivalents	$ (17,684)	$ (30,681)	12,997	42.4%

Cash provided by operating activities during the second quarter of 2021 was $15.3 million, compared to cash used in operating activities of $11.9 million in the corresponding period of 2020. The components for the second quarter of 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $100.9 million;
- working capital use of cash of $67.9 million comprised of an increase in trade and other receivables of $30.5 million, an increase in inventories of $79.9 million, an increase in prepaid expenses and deposits of $2.0 million; partly offset by an increase in trade and other payables and provisions of $44.5 million;
- interest paid of $8.2 million; and
- income taxes paid of $9.4 million.

Cash provided by financing activities during the second quarter of 2021 was $46.5 million, compared to $31.7 million in the corresponding period of 2020. The components for the second quarter of 2021 primarily include the following:

- a $58.4 million net increase in long-term debt (including drawdowns on the Company's revolving banking facility, partially offset by repayments of equipment loans);
- repayments of lease liabilities of $8.4 million; and
- $4.0 million in dividends paid.

Cash used in investing activities during the second quarter of 2021 was $80.5 million, compared to $49.7 million in the corresponding period of 2020. The components for the second quarter of 2021 primarily include the following:

- cash additions to PP&E of $75.0 million;
- capitalized development costs relating to upcoming new program launches of $1.6 million; and
- investment in VoltaXplore Inc. ("VoltaXplore") of $4.0 million.

Taking into account the opening cash balance of $145.3 million at the beginning of the second quarter of 2021, and the activities described above, the cash and cash equivalents balance at June 30, 2021 was $127.7 million.

	Six months ended June 30, 2021	Six months ended June 30, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 213,395	$ 86,919	126,476	145.5%
Change in non-cash working capital items	(103,175)	15,442	(118,617)	(768.1%)
	110,220	102,361	7,859	7.7%
Interest paid	(17,423)	(18,480)	1,057	5.7%
Income taxes paid	(20,084)	(14,211)	(5,873)	(41.3%)
Cash provided by operating activities	72,713	69,670	3,043	4.4%
Cash provided by financing activities	80,417	69,681	10,736	15.4%
Cash used in investing activities	(177,866)	(135,778)	(42,088)	(31.0%)
Effect of foreign exchange rate changes on cash and cash equivalents	(386)	3,288	(3,674)	(111.7%)
(Decrease) increase in cash and cash equivalents	$ (25,122)	$ 6,861	(31,983)	(466.2%)

Cash provided by operating activities during the six months ended June 30, 2021 was $72.7 million, compared to $69.7 million in the corresponding period of 2020. The components for the six months ended June 30, 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $213.4 million;
- working capital use of cash of $103.2 million comprised of an increase in trade and other receivables of $115.3 million, an increase in inventories of $128.0 million, an increase in prepaid expenses and deposits of $4.3 million; partially offset by an increase in trade and other payables and provisions of $144.4 million;
- interest paid of $17.4 million; and
- income taxes paid of $20.1 million.

Cash provided by financing activities during the six months ended June 30, 2021 was $80.4 million, compared to $69.7 million in the corresponding period of 2020. The components for the six months ended June 30, 2021 primarily include the following:

- a $104.8 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility, partially offset by repayments of equipment loans);
- repayments of lease liabilities of $17.0 million; and
- $8.0 million in dividends paid.

Cash used in investing activities during the six months ended June 30, 2021 was $177.9 million, compared to $135.8 million in the corresponding period of 2020. The components for the six months ended June 30, 2021 primarily include the following:

- cash additions to PP&E of $165.8 million;
- capitalized development costs relating to upcoming new program launches of $4.2 million; and
- investments in 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 June 30, 2021 was $127.7 million.

Free Cash Flow

	Three months ended June 30, 2021	Three months ended June 30, 2020	$ Change
Adjusted EBITDA	$ 99,618	$ (8,177)	107,795
Add (deduct):			
Change in non-cash working capital items	(67,898)	16,523	(84,421)
Cash purchase of property, plant and equipment	(74,990)	(41,832)	(33,158)
Cash proceeds on disposal of property, plant and equipment	139	-	139
Capitalized development costs	(1,611)	(2,872)	1,261
Interest paid	(8,247)	(8,559)	312
Income taxes paid	(9,438)	(2,468)	(6,970)
Free Cash Flow	(62,427)	(47,385)	(15,042)

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

Tooling-related working capital accounts, including inventory, trade receivables and trade payables on a net basis, increased to $50.7 million as at June 30, 2021, from $20.9 million as at March 31, 2021 and $44.8 million as at June 30, 2020.

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

	Three months ended June 30, 2021	Three months ended June 30, 2020
Cash provided by (used in) operating activities	$ 15,298	$ (11,862)
Add (deduct):		
Cash purchases of property, plant and equipment	(74,990)	(41,832)
Transaction costs associated with the acquisition of Metalsa	-	942
Cash proceeds on disposal of property, plant and equipment	139	-
Capitalized development costs	(1,611)	(2,872)
Restructuring costs	4,444	8,170
Unrealized gain (loss) on foreign exchange contracts	1,440	(211)
Deferred and restricted share units expense	(1,232)	(4,642)
Stock options expense	(266)	(604)
Pension and other post-employment benefits expense	(1,000)	(1,284)
Contributions made to pension and other post-retirement benefits	939	2,524
Net foreign exchange (gain) loss and other (income) expense	(5,588)	4,286
Free Cash Flow	$ (62,427)	$ (47,385)

		Six months ended June 30, 2021		Six months ended June 30, 2020	$ Change
Adjusted EBITDA	$	209,433	$	99,547	109,886
Add (deduct):					
Change in non-cash working capital items		(103,175)		15,442	(118,617)
Cash purchase of property, plant and equipment		(165,801)		(115,886)	(49,915)
Cash proceeds on disposal of property, plant and equipment		139		266	(127)
Capitalized development costs		(4,168)		(4,655)	487
Interest paid		(17,423)		(18,480)	1,057
Income taxes paid		(20,084)		(14,211)	(5,873)
Free Cash Flow		(101,079)		(37,977)	(63,102)

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

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the six month period ended June 30, 2021:

		Six months ended June 30, 2021		Six months ended June 30, 2020
Cash provided by operating activities	$	72,713	$	69,670
Add (deduct):				
Cash purchases of property, plant and equipment		(165,801)		(115,886)
Transaction costs associated with the acquisition of Metalsa		-		2,489
Cash proceeds on disposal of property, plant and equipment		139		266
Capitalized development costs		(4,168)		(4,655)
Restructuring costs		5,473		8,170
Unrealized gain (loss) on foreign exchange contracts		2,184		(319)
Deferred and restricted share units benefit (expense)		475		(462)
Stock options expense		(606)		(1,208)
Pension and other post-employment benefits expense		(2,015)		(2,534)
Contributions made to pension and other post-retirement benefits		1,877		3,336
Net foreign exchange (gain) loss and other (income) expense		(11,350)		3,156
Free Cash Flow	$	(101,079)	$	(37,977)

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 Impact on our Business”, supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at August 10, 2021, the Company had 80,352,095 common shares outstanding. The Company’s common shares constitute its only class of voting securities. As at August 10, 2021, options to acquire 2,657,500 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 six months ended June 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 June 30, 2021, the amount of the off balance sheet program financing was $40.5 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 June 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	$	43,668	20.6100	1

The aggregate value of these forward contracts as at June 30, 2021 was a pre-tax gain of $2.2 million recorded in trade and other receivables (December 31, 2020 – $0.6 million).

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 can 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 June 30, 2021 (December 31, 2020 - pre-tax gain of $1.8 million recorded in trade and other receivables).

INVESTMENTS

As at June 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		(1,909)		-
Share of other comprehensive income for the period		75		-
Net balance as of June 30, 2021	$	50,523	$	4,036

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, or as a result of any current or future government actions or regulations, 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, and the status of implementation; the expected economic impact resulting from COVID-19, 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 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.