MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and six months ended June 30, 2022

The following management discussion and analysis ("MD&A") was prepared as of August 8, 2022 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, 2022 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2021, 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 ("AIF") for the year ended December 31, 2021, 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 17,000 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, SEMICONDUCTOR CHIP SHORTAGE, RUSSIA UKRAINE CONFLICT, INFLATION AND OTHER SUPPLY CHAIN ISSUES

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.

Since then, despite vaccination efforts and the lifting of governmental restrictions in many countries, 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 on the Company and/or the automotive industry will depend on various factors, including the possibility of future shutdowns; the rate at which economic conditions and operations return to pre-COVID levels; any continued or future governmental orders or lockdowns (including due to any future wave of COVID-19 or other pandemics or epidemics); the potential for a recession in key markets due to the effect of COVID-19 or other pandemics or epidemics or other economic factors; and the resulting impact on customers and suppliers, including inflationary cost increases for wages, materials, energy, and other costs, 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, or any other supply chain disruptions, further exacerbated by the recent conflict between Russia and Ukraine.

OEM customers have taken a number of actions in response to COVID-19, the semiconductor chip shortage and other supply chain disruptions, 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; and premium freight costs to expedite shipments. 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 and other supply chain issues, including overall inflationary cost increases. While the Company experienced some recovery in production volumes during the first half of 2022, it remains unclear when supply and demand for automotive semiconductor chips will fully rebalance and it continues to be difficult to predict the full impact of the chip shortage and any other supply chain disruptions.

The Company continues to experience higher commodity, freight and energy costs (including as discussed above), as well as wage pressures in some markets, which are expected to continue throughout 2022. Additionally, the Company may continue to experience price increases or surcharges from sub-suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through continuous improvement actions, price increases to customers or modifications to products or otherwise, could have an adverse effect on earnings. Increasing global inflation rates have spurred a cycle of monetary policy tightening through aggressive interest rate increases by central banks. Both the availability and cost of credit are factors affecting consumer confidence, which is a critical driver of vehicle sales and thus automotive production.

The ongoing conflict continues to create or exacerbate a broad range of risks, including with respect to:

- global economic growth;
- global vehicle production volumes;
- inflationary pressures, including in energy, commodities and transportation/logistics;
- energy security in Western Europe; and
- supply chain fragility.

A material deterioration in any of the foregoing could have a material adverse effect on the Company's business and results of operations.

In July 2022, the EU introduced an emergency natural gas rationing plan to curtail the use of natural gas amid looming shortages. The EU has developed a plan to reduce natural gas imports from Russia significantly by the end of 2022, and phase them out entirely by 2030; it previously announced measures to eliminate imports of Russian coal and oil. The inability of European countries to timely establish stable and secure energy supplies to offset Russian energy sources could cause significant economic disruption across Europe, including at some of the Company's manufacturing facilities.

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

OVERALL RESULTS

Results of operations may include certain 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, 2022 and 2021. Refer to the Company’s interim financial statements for the three and six months ended June 30, 2022 for a detailed account of the Company’s performance for the periods presented in the tables below.

		Three months ended June 30, 2022		Three months ended June 30, 2021	$ Change	% Change
Sales	$	1,113,875	$	884,866	229,009	25.9%
Gross Margin		125,789		111,728	14,061	12.6%
Operating Income		45,543		34,621	10,922	31.5%
Net Income for the period		25,471		23,952	1,519	6.3%
Net Earnings per Share - Basic and Diluted	$	0.32	$	0.30	0.02	6.7%
Non-IFRS Measures*						
Adjusted Operating Income	$	45,543	$	39,065	6,478	16.6%
% of Sales		*4.1 %*		*4.4 %*		
Adjusted EBITDA		114,292		99,618	14,674	14.7%
% of Sales		*10.3 %*		*11.3 %*		
Adjusted Net Income		25,471		27,026	(1,555)	(5.8%)
Adjusted Net Earnings per Share - Basic and Diluted	$	0.32	$	0.34	(0.02)	(5.9%)

		Six months ended June 30, 2022		Six months ended June 30, 2021	$ Change	% Change
Sales	$	2,268,913	$	1,882,016	386,897	20.6%
Gross Margin		248,225		232,585	15,640	6.7%
Operating Income		85,592		82,051	3,541	4.3%
Net Income for the period		50,679		62,653	(11,974)	(19.1%)
Net Earnings per Share - Basic and Diluted	$	0.63	$	0.78	(0.15)	(19.2%)
Non-IFRS Measures*						
Adjusted Operating Income	$	89,829	$	87,524	2,305	2.6%
% of Sales		*4.0 %*		*4.7 %*		
Adjusted EBITDA		226,671		209,433	17,238	8.2%
% of Sales		*10.0 %*		*11.1 %*		
Adjusted Net Income		50,313		59,657	(9,344)	(15.7%)
Adjusted Net Earnings per Share - Basic and Diluted	$	0.63	$	0.74	(0.11)	(14.9%)

***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", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow", and "Net Debt".

The following tables provide a reconciliation of IFRS "Net Income" to Non-IFRS "Adjusted Net Income", "Adjusted Operating Income" and "Adjusted EBITDA":

		Three months ended June 30, 2022		Three months ended June 30, 2021
Net Income	$	25,471	$	23,952
Adjustments, after tax*		—		3,074
Adjusted Net Income	$	25,471	$	27,026

		Six months ended June 30, 2022		Six months ended June 30, 2021
Net Income	$	50,679	$	62,653
Adjustments, after tax*		(366)		(2,996)
Adjusted Net Income	$	50,313	$	59,657

**Adjustments are explained in the "Adjustments to Net Income" section of this MD&A*

		Three months ended June 30, 2022		Three months ended June 30, 2021
Net Income	$	25,471	$	23,952
Income tax expense		8,907		7,378
Other finance income		(1,446)		(5,588)
Share of loss of equity investments		1,265		983
Finance expense		11,346		7,896
Adjustments, before tax*		—		4,444
Adjusted Operating Income	$	45,543	$	39,065
Depreciation of property, plant and equipment and right-of-use assets		66,233		57,219
Amortization of development costs		2,598		3,268
Loss (gain) on disposal of property, plant and equipment		(82)		66
Adjusted EBITDA	$	114,292	$	99,618

		Six months ended June 30, 2022		Six months ended June 30, 2021
Net Income	$	50,679	$	62,653
Income tax expense		17,127		20,332
Other finance income		(1,130)		(11,350)
Share of loss of equity investments		2,366		1,909
Finance expense		20,600		16,307
Adjustments, before tax*		187		(2,327)
Adjusted Operating Income	$	89,829	$	87,524
Depreciation of property, plant and equipment and right-of-use assets		131,605		115,277
Amortization of development costs		5,319		6,566
Loss (gain) on disposal of property, plant and equipment		(82)		66
Adjusted EBITDA	$	226,671	$	209,433

**Adjustments are explained in the "Adjustments to Net Income" section of this MD&A*

SALES

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

		Three months ended June 30, 2022		Three months ended June 30, 2021	$ Change	% Change
North America	$	826,724	$	635,823	190,901	30.0%
Europe		255,832		210,976	44,856	21.3%
Rest of the World		38,673		44,556	(5,883)	(13.2%)
Eliminations		(7,354)		(6,489)	(865)	(13.3%)
Total Sales	$	1,113,875	$	884,866	229,009	25.9%

The Company's consolidated sales for the second quarter of 2022 increased by $229.0 million or 25.9% to $1,113.9 million as compared to $884.9 million for the second quarter of 2021. The total increase in sales was driven by year-over-year increases in the North America and Europe operating segments, partially offset by a year-over-year decrease in the Rest of the World.

Sales for the second quarter of 2022 in the Company's North America operating segment increased by $190.9 million or 30.0% to $826.7 million from $635.8 million for the second quarter of 2021. The increase was due generally to the recovery in production volumes of certain light vehicle platforms that were disproportionately impacted by the industry-wide shortage of semiconductor chips during 2021; the launch and ramp up of new programs, including the new Jeep Grand Cherokee and Wagoneer, Nissan Pathfinder, Ford Mustang Mach E, Lucid Air, and Tesla Model Y; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the second quarter of 2022 of $17.2 million as compared to the second quarter of 2021; and an increase in tooling sales of $10.3 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the second quarter of 2022 in the Company's Europe operating segment increased by $44.9 million or 21.3% to $255.8 million from $211.0 million for the second quarter of 2021. The increase can be attributed to the recovery in production volumes of certain light vehicle platforms that were disproportionately impacted by the industry-wide shortage of semiconductor chips during 2021; the launch and ramp up of new programs, including Mercedes' new electric vehicle platform and the Lucid Air; the impact of aluminum material passthrough on customer pricing; and a $7.2 million increase in tooling sales. 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 2022 of $19.7 million as compared to the second quarter of 2021.

Sales for the second quarter of 2022 in the Company's Rest of the World operating segment decreased by $5.9 million or 13.2% to $38.7 million from $44.6 million in the second quarter of 2021. The decrease was largely driven by lower year-over-year production volumes, including a program that came with the operations acquired from Metalsa that ended production during or subsequent to the second quarter of 2021; and a $0.6 million decrease in tooling sales. These negative factors were partially offset by the launch of new programs during or subsequent to the second quarter of 2021, namely with Geely; and a $2.1 million positive foreign exchange impact from the translation of foreign denominated production sales as compared to the second quarter of 2021.

Overall tooling sales increased by $15.3 million (including outside segment sales eliminations) to $61.2 million for the second quarter of 2022 from $45.9 million for the second quarter of 2021.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

		Six months ended June 30, 2022		Six months ended June 30, 2021	$ Change	% Change
North America	$	1,686,424	$	1,339,953	346,471	25.9%
Europe		517,294		465,045	52,249	11.2%
Rest of the World		78,426		91,069	(12,643)	(13.9%)
Eliminations		(13,231)		(14,051)	820	5.8%
Total Sales	$	2,268,913	$	1,882,016	386,897	20.6%

The Company's consolidated sales for the six months ended June 30, 2022 increased by $386.9 million or 20.6% to $2,268.9 million as compared to $1,882.0 million for the six months ended June 30, 2021. The total increase in sales was driven by increases in the North America and Europe operating segments, partially offset by a decrease in sales in the Rest of the World.

Sales for the six months ended June 30, 2022 in the Company's North America operating segment increased by $346.5 million or 25.9% to $1,686.4 million from $1,340.0 million for the six months ended June 30, 2021. The increase was due generally to the recovery in production volumes of certain light vehicle platforms that were disproportionately impacted by the industry-wide shortage of semiconductor chips during 2021; the launch and ramp up of new programs, including the new Jeep Grand Cherokee and Wagoneer, Nissan Pathfinder, Ford Mustang Mach E, Lucid Air and Tesla Model Y; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the six months ended June 30, 2022 of $14.0 million as compared to the corresponding period of 2021. These positive factors were partially offset by a decrease in tooling sales of $12.7 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the six months ended June 30, 2022 in the Company's Europe operating segment increased by $52.2 million or 11.2% to $517.3 million from $465.0 million for the six months ended June 30, 2021. The increase can be attributed to the recovery in production volumes of certain light vehicle platforms that were disproportionately impacted by the industry-wide shortage of semiconductor chips during 2021; the launch and ramp up of new programs including Mercedes' new electric vehicle platform and the Lucid Air; the impact of aluminum material passthrough on customer pricing; and a $9.8 million increase in tooling sales. 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 six months ended June 30, 2022 of $38.3 million as compared to the corresponding period of 2021.

Sales for the six months ended June 30, 2022 in the Company’s Rest of the World operating segment decreased by $12.6 million or 13.9% to $78.4 million from $91.1 million for the six months ended June 30, 2021. The decrease was largely driven by lower year-over-year production volumes, including a program that came with the operations acquired from Metalsa that ended production during or subsequent to the six months ended June 30, 2021, and a $0.9 million decrease in tooling sales. These negative factors were partially offset by the launch of new programs during or subsequent to the six months ended June 30, 2021, namely with Geely; and a $1.9 million positive foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2021.

Overall tooling sales decreased by $5.1 million (including outside segment sales eliminations) to $113.9 million for the six months ended June 30, 2022 from $119.0 million for the six months ended June 30, 2021.

GROSS MARGIN

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

	Three months ended June 30, 2022	Three months ended June 30, 2021	$ Change	% Change
Gross margin	$ 125,789	$ 111,728	14,061	12.6 %
% of Sales	11.3 %	12.6 %		

The gross margin percentage for the second quarter of 2022 of 11.3% decreased as a percentage of sales by 1.3% as compared to the gross margin percentage for the second quarter of 2021 of 12.6%. The decrease in gross margin as a percentage of sales was generally due to:

- higher labour, material and energy costs;
- operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by:

- favourable commercial settlements;
- overall higher production sales volume and corresponding higher utilization of assets; and
- productivity and efficiency improvements at certain operating facilities.

Gross margin for the second quarter of 2022 continued to be impacted by production inefficiencies related to the semiconductor chip shortage and other supply chain disruptions driven by the unpredictability of customer production schedules.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Gross margin	$ 248,225	$ 232,585	15,640	6.7 %
% of Sales	10.9 %	12.4 %		

The gross margin percentage for the six months ended June 30, 2022 of 10.9% decreased as a percentage of sales by 1.5% as compared to the gross margin percentage for the six months ended June 30, 2021 of 12.4%. The decrease in gross margin as a percentage of sales was generally due to:

- higher labour, material and energy costs;
- operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by:

- favourable commercial settlements;
- overall higher production sales volume and corresponding higher utilization of assets; and
- productivity and efficiency improvements at certain operating facilities.

Gross margin for the six months ended June 30, 2022 continued to be impacted by production inefficiencies related to the semiconductor chip shortage and other supply chain disruptions driven by the unpredictability of customer production schedules.

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

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

	Three months ended June 30, 2022	Three months ended June 30, 2021	$ Change	% Change
Selling, general & administrative	$ 68,130	$ 60,494	7,636	12.6 %
% of Sales	6.1 %	6.8 %		

SG&A expense for the second quarter of 2022 increased by $7.6 million to $68.1 million as compared to SG&A expense for the second quarter of 2021 of $60.5 million. The increase in SG&A expense can largely be attributed to overall higher employee levels and related costs as compared to the second quarter of 2021 as a result of overall higher volumes and general activity; a decrease in COVID-related government subsidies; an increase in travel and related costs as COVID-related restrictions loosen; and an increase in overall variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units.

SG&A expense as a percentage of sales decreased to 6.1% for the second quarter of 2022 compared to 6.8% for the second quarter of 2021 in light of higher year-over-year sales.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Selling, general & administrative	$ 133,453	$ 121,244	12,209	10.1 %
% of Sales	5.9 %	6.4 %		

SG&A expense for the six months ended June 30, 2022 increased by $12.2 million to $133.5 million as compared to SG&A expense for the six months ended June 30, 2021 of $121.2 million. The increase in SG&A expense can largely be attributed to overall higher employee levels and related costs as compared to the corresponding period of 2021 as a result of overall higher volumes and general activity; a decrease in COVID-related government subsidies; an increase in travel and related costs as COVID-related restrictions loosen; and an increase in overall variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units.

SG&A expense as a percentage of sales decreased to 5.9% for the six months ended June 30, 2022 compared to 6.4% for the six months ended June 30, 2021 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, 2022 to three months ended June 30, 2021 comparison

		Three months ended June 30, 2022		Three months ended June 30, 2021	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	62,324	$	53,303	9,021	16.9%
Depreciation of PP&E and right-of-use assets (non-production)		3,909		3,916	(7)	(0.2%)
Amortization of development costs		2,598		3,268	(670)	(20.5%)
Total depreciation and amortization	$	68,831	$	60,487	8,344	13.8%

Total depreciation and amortization expense for the second quarter of 2022 increased by $8.3 million to $68.8 million as compared to $60.5 million for the second quarter of 2021. The increase in depreciation and amortization expense was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the second quarter of 2021.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the second quarter of 2021 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.

Total depreciation and amortization expense as a percentage of sales decreased year-over-over to 6.2% for the second quarter of 2022 from 6.8% for the second quarter of 2021 due mainly to higher overall sales volume.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

		Six months ended June 30, 2022		Six months ended June 30, 2021	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	123,981	$	107,522	16,459	15.3%
Depreciation of PP&E and right-of-use assets (non-production)		7,624		7,755	(131)	(1.7%)
Amortization of development costs		5,319		6,566	(1,247)	(19.0%)
Total depreciation and amortization	$	136,924	$	121,843	15,081	12.4%

Total depreciation and amortization expense for the six months ended June 30, 2022 increased by $15.1 million to $136.9 million as compared to $121.8 million for the six months ended June 30, 2021. The increase in depreciation and amortization expense was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the six months ended June 30, 2021.

Total depreciation and amortization expense as a percentage of sales decreased year-over-over to 6.0% for the six months ended June 30, 2022 from 6.5% for the six months ended June 30, 2021 due mainly to higher overall sales volume.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain items as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income 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, 2022 to three months ended June 30, 2021 comparison

	Three months ended June 30, 2022	Three months ended June 30, 2021	$ Change
NET INCOME	**$ 25,471**	**$ 23,952**	**$ 1,519**
Adjustments:			
Restructuring costs (1)	—	4,444	(4,444)
ADJUSTMENTS, BEFORE TAX	**$ —**	**$ 4,444**	**$ (4,444)**
Tax impact of above items	—	(1,370)	1,370
ADJUSTMENTS, AFTER TAX	**$ —**	**$ 3,074**	**$ (3,074)**
ADJUSTED NET INCOME	**$ 25,471**	**$ 27,026**	**$ (1,555)**
Number of Shares Outstanding – Basic (‘000)	80,372	80,329	
Adjusted Basic Net Earnings Per Share	$ 0.32	$ 0.34	
Number of Shares Outstanding – Diluted (‘000)	80,372	80,458	
Adjusted Diluted Net Earnings Per Share	$ 0.32	$ 0.34	

TABLE B

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change
NET INCOME	**$ 50,679**	**$ 62,653**	**$ (11,974)**
Adjustments:			
Restructuring costs (1)	4,237	5,473	(1,236)
Gain on dilution of equity investments (2)	(4,050)	(7,800)	3,750
ADJUSTMENTS, BEFORE TAX	**$ 187**	**$ (2,327)**	**$ 2,514**
Tax impact of above items	(553)	(669)	116
ADJUSTMENTS, AFTER TAX	**$ (366)**	**$ (2,996)**	**$ 2,630**
ADJUSTED NET INCOME	**$ 50,313**	**$ 59,657**	**$ (9,344)**
Number of Shares Outstanding – Basic (‘000)	80,370	80,312	
Adjusted Basic Net Earnings Per Share	$ 0.63	$ 0.74	
Number of Shares Outstanding – Diluted (‘000)	80,370	80,487	
Adjusted Diluted Net Earnings Per Share	$ 0.63	$ 0.74	

(1) Restructuring costs

Additions to the restructuring provision during the six months ended June 30, 2022 totaled $4.2 million and represent employee-related severance resulting from the rightsizing of operations in Canada related to the cancellation of an OEM light vehicle platform well before the end of its expected life cycle.

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.

(2) Gain on dilution of equity investments

As at December 31, 2021, the Company held 35,045,954 common shares of NanoXplore Inc. (“NanoXplore”) representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). On February 24, 2022, NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of $4.60 per common share for aggregate gross proceeds of $30.0 million. Upon finalization of the transaction, the Company’s net ownership interest decreased to 21.2% from 22.2%. 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 $4.1 million during the first quarter of 2022.

As at December 31, 2020, the Company held 34,045,954 common shares of 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 during the first quarter of 2021.

NET INCOME

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

		Three months ended June 30, 2022		Three months ended June 30, 2021	$ Change	% Change
Net Income	$	25,471	$	23,952	1,519	6.3%
Adjusted Net Income		25,471	$	27,026	(1,555)	(5.8%)
Net Earnings per Share						
Basic and Diluted	$	0.32	$	0.30		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.32	$	0.34		

Net Income, before adjustments, for the second quarter of 2022 increased by $1.5 million to $25.5 million or $0.32 per share, on a basic and diluted basis, from Net Income of $24.0 million or $0.30 per share, on a basic and diluted basis, for the second quarter of 2021. Excluding the adjustments explained in Table A under “Adjustments to Net Income”, Adjusted Net Income for the second quarter of 2022 decreased by $1.6 million to $25.5 million or $0.32 per share, on a basic and diluted basis, from $27.0 million or $0.34 per share, on a basic and diluted basis, for the second quarter of 2021.

Adjusted Net Income for the second quarter of 2022, as compared to the second quarter of 2021, was negatively impacted by the following:

- a year-over-year increase in SG&A expense, as previously discussed;
- a net foreign exchange gain of $1.2 million for the second quarter of 2022 compared to a gain of $5.2 million for the second quarter of 2021;
- a year-over-year increase in finance expense on the Company's revolving bank debt as a result of increased debt levels and borrowing rates; and
- a higher effective tax rate on adjusted income (25.9% for the second quarter of 2022 compared to 24.5% for the second quarter of 2021).

These factors were partially offset by higher gross margin (on an absolute basis) on higher year-over-year sales volume.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Net Income	$ 50,679	$ 62,653	(11,974)	(19.1%)
Adjusted Net Income	50,313	$ 59,657	(9,344)	(15.7%)
Net Earnings per Share				
Basic and Diluted	$ 0.63	$ 0.78		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.63	$ 0.74		

Net Income, before adjustments, for the six months ended June 30, 2022 decreased by $12.0 million to $50.7 million or $0.63 per share, on a basic and diluted basis, from Net Income of $62.7 million or $0.78 per share, on a basic and diluted basis, for the six months ended June 30, 2021. Excluding the adjustments explained in Table B under "Adjustments to Net Income", Adjusted Net Income for the six months ended June 30, 2022 decreased by $9.3 million to $50.3 million or $0.63 per share, on a basic and diluted basis, from $59.7 million or $0.74 per share, on a basic and diluted basis, for the six months ended June 30, 2021.

Adjusted Net Income for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, was negatively impacted by the following:

- a year-over-year increase in SG&A expense, as previously discussed;
- a net foreign exchange gain of $0.9 million for the six months ended June 30, 2022 compared to a gain of $10.5 million for the six months ended June 30, 2021;
- a year-over-year increase in finance expense on the Company's revolving bank debt as a result of increased debt levels and borrowing rates; and
- a year-over-year increase in research and development costs.

These factors were partially offset by higher gross margin (on an absolute basis) on higher year-over-year sales volume.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

	Three months ended June 30, 2022	Three months ended June 30, 2021	$ Change	% Change
Additions to PP&E	$ 91,291	$ 88,448	2,843	3.2%

Additions to PP&E increased by $2.8 million to $91.3 million or 8.2% of sales for the second quarter of 2022 compared to $88.4 million or 10.0% of sales in the second quarter of 2021.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	Six months ended June 30, 2022	Six months ended June 30, 2021	$ Change	% Change
Additions to PP&E	$ 159,080	$ 170,040	(10,960)	(6.4%)

Additions to PP&E decreased by $11.0 million to $159.1 million or 7.0% of sales for the six months ended June 30, 2022 compared to $170.0 million or 9.0% of sales for the six months ended June 30, 2021.

General timing of expenditures makes quarterly additions to PP&E quite volatile by nature. Capital additions for the three and six months ended June 30, 2022 and 2021 include new program capital and incremental investments required in equipment related to customer-driven engineering changes on 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.

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 the Rest of the World. The Company measures segment operating performance based on operating income (loss).

Three months ended June 30, 2022 to three months ended June 30, 2021 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended June 30, 2022	**Three months ended June 30, 2021**	**Three months ended June 30, 2022**	**Three months ended June 30, 2021**
North America	$ 826,724	$ 635,823	$ 41,242	$ 38,400
Europe	255,832	210,976	4,425	(4,393)
Rest of the World	38,673	44,556	(124)	5,058
Eliminations	(7,354)	(6,489)	—	—
Adjusted Operating Income	—	—	$ 45,543	$ 39,065
Adjustments*	—	—	—	(4,444)
Total	$ 1,113,875	$ 884,866	$ 45,543	$ 34,621

** Operating Income (Loss) for the operating segments has been adjusted for certain items as explained in Table A under "Adjustments to Net Income". The $4.4 million adjustment for the second quarter of 2021 was recognized in Europe.*

North America

Adjusted Operating Income in North America increased by $2.8 million to $41.2 million or 5.0% of sales for the second quarter of 2022 from $38.4 million or 6.0% of sales for the second quarter of 2021. The decrease in Adjusted Operating Income as a percentage of sales was generally due to higher labour and material costs; operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; and a decrease in COVID-related government subsidies. These negative factors were partially offset by favourable commercial settlements; overall higher production 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 Income (Loss) in Europe increased by $8.8 million to income of $4.4 million or 1.7% of sales for the second quarter of 2022 from a loss of $4.4 million or (2.1%) of sales for the second quarter of 2021. The increase in Adjusted Operating Income was generally due to favourable commercial settlements, incremental contribution from the higher year-over-year sales, and productivity and efficiency improvements at certain operating facilities; partially offset by higher material and energy costs, and launch related costs.

Rest of the World

Adjusted Operating Income (Loss) in the Rest of the World decreased by $5.2 million to an Operating Loss of $0.1 or (0.3%) of sales for the second quarter of 2022 from Operating Income of $5.1 million or 11.4% of sales for the second quarter of 2021, due generally to lower year-over-year production sales volume, a negative sales mix, and launch related costs.

Six months ended June 30, 2022 to six months ended June 30, 2021 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Six months ended June 30, 2022	**Six months ended June 30, 2021**	**Six months ended June 30, 2022**	**Six months ended June 30, 2021**
North America	$ 1,686,424	$ 1,339,953	$ 85,857	$ 82,435
Europe	517,294	465,045	3,833	(4,735)
Rest of the World	78,426	91,069	139	9,824
Eliminations	(13,231)	(14,051)	—	—
Adjusted Operating Income	—	—	$ 89,829	$ 87,524
Adjustments*	—	—	(4,237)	(5,473)
Total	$ 2,268,913	$ 1,882,016	$ 85,592	$ 82,051

** Operating Income (Loss) for the operating segments has been adjusted for certain items as explained in Table B under "Adjustments to Net Income". The $4.2 million adjustment for the six months ended June 30, 2022 was recognized in North America. The $5.5 million adjustment for the six months ended June 30, 2021 was recognized in Europe.*

North America

Adjusted Operating Income in North America increased by $3.5 million to $85.9 million or 5.1% of sales for the six months ended June 30, 2022 from $82.4 million or 6.2% of sales for the six months ended June 30, 2021. The decrease in Adjusted Operating Income as a percentage of sales was generally due to higher labour and material costs; operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; and a decrease in COVID-related government subsidies. These negative factors were partially offset by favourable commercial settlements; overall higher production 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 Income (Loss) in Europe increased by $8.5 million to income of $3.8 million or 0.7% of sales for the six months ended June 30, 2022 from a loss of $4.7 million or (1.0%) of sales for the six months ended June 30, 2021. The increase in Adjusted Operating Income was generally due to favourable commercial settlements, incremental contribution from the higher year-over-year sales, and productivity and efficiency improvements at certain operating facilities, partially offset by higher material and energy costs, and launch related costs.

Rest of the World

Adjusted Operating Income in the Rest of the World decreased by $9.7 million to $0.1 million or 0.2% of sales for the six months ended June 30, 2022 from $9.8 million or 10.8% of sales for the six months ended June 30, 2021, due generally to lower year-over-year production sales volume, a negative sales mix, and launch related costs.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2022		2021				2020	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	$1,113,875	$1,155,038	$1,053,440	$ 848,497	$ 884,866	$ 997,150	$1,070,956	$ 971,060
Gross Margin	125,789	122,436	63,032	50,007	111,728	120,857	155,841	151,478
Net Income (Loss) for the period	25,471	25,208	(9,653)	(17,120)	23,952	38,701	44,970	45,636
Adjusted Net Income (Loss)	25,471	24,842	(9,653)	(17,120)	27,026	32,631	44,212	45,636
Basic and Diluted Net Earnings (Loss) per Share	0.32	0.31	(0.12)	(0.21)	0.30	0.48	0.56	0.57
Adjusted Basic and Diluted Net Earnings (Loss) per Share	0.32	0.31	(0.12)	(0.21)	0.34	0.41	0.55	0.57

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

In light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, on November 25, 2021, the Company amended its lending agreements with its banking syndicate to provide enhanced financial covenant flexibility on a present and go forward basis. The amendment provides that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA ratio, for the four quarters up to and including the third quarter of 2022, would exclude EBITDA from the third and fourth quarters of 2021 and instead be based on the annualized total of the remaining quarters in the relevant trailing twelve month period. As a result, the impact the industry-wide shortage of semiconductor chips has had on the Company, prevalent during the third and fourth quarters of 2021, would be largely ignored for the purpose of financial covenant calculations under the Company's lending arrangements. The amendment also increased the maximum net debt to trailing twelve months EBITDA ratio for financial covenant purposes to 4.0x, 4.5x, and 3.75x for the first, second, and third quarters of 2022, respectively, and returning to 3.0x thereafter.

As at June 30, 2022, the Company had drawn US $476 million (December 31, 2021 - US $466 million) on the U.S. revolving credit line and $380 million (December 31, 2021 - $360 million) on the Canadian revolving credit line. As at June 30, 2022, the Company had total liquidity of $287 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 $243 million was available as at June 30, 2022. At June 30, 2022, the weighted average effective interest rate of the banking facility credit lines was 4.9% (December 31, 2021 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at June 30, 2022.

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, industry-wide shortage of semiconductor chips, and related supply chain disruptions. 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, energy, and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of COVID-19, the semiconductor chip shortage and related supply chain disruptions, and other factors.

Debt leverage ratios:

Excluding the impact of IFRS 16:	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
Long-term debt	1,046,941	1,018,390	1,010,990	1,016,890	921,077
Less: Cash and cash equivalents	(115,863)	(96,336)	(153,291)	(157,324)	(127,664)
Net Debt	$ 931,078	$ 922,054	$ 857,699	$ 859,566	$ 793,413
Trailing 12-month Adjusted EBITDA	$ 289,779	$ 278,780	$ 276,165	$ 343,690	$ 432,369
Net Debt to Adjusted EBITDA ratio	3.21x	3.31x	3.11x	2.50x	1.84x

Including the impact of IFRS 16:	**June 30, 2022**	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
Long-term debt	1,046,941	1,018,390	1,010,990	1,016,890	921,077
Lease liabilities	243,619	248,863	239,777	187,584	195,450
	1,290,560	1,267,253	1,250,767	1,204,474	1,116,527
Less: Cash and cash equivalents	(115,863)	(96,336)	(153,291)	(157,324)	(127,664)
Net Debt	1,174,697	1,170,917	1,097,476	1,047,150	988,863
Trailing 12-month Adjusted EBITDA	334,808	320,134	317,570	386,055	475,389
Net Debt to Adjusted EBITDA ratio	3.51x	3.66x	3.46x	2.71x	2.08x

The following table provides a reconciliation of Trailing 12-month Adjusted EBITDA including the impact of IFRS 16 to Trailing 12-month Adjusted EBITDA excluding the impact of IFRS 16.

	June 30, 2022	**March 31, 2022**	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**
Trailing 12-month Adjusted EBITDA - including the impact of IFRS 16	334,808	320,134	317,570	386,055	475,389
Principal payments of lease liabilities	(37,074)	(33,654)	(33,753)	(34,387)	(34,689)
Interest on lease liabilities	(7,955)	(7,700)	(7,652)	(7,978)	(8,331)
Trailing 12-month Adjusted EBITDA - excluding the impact of IFRS 16	289,779	278,780	276,165	343,690	432,369

The Company's Net Debt (excluding the impact of IFRS 16) increased by $9.0 million during the second quarter of 2022 to $931.1 million from $922.1 million at the end of the first quarter of 2022 due essentially to foreign exchange translation driven by the appreciation of US Dollar against the Canadian dollar during the quarter. The Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of IFRS 16) decreased to 3.21x from 3.31x at the end of the first quarter of 2022, due largely to an increase in trailing 12-month Adjusted EBITDA.

The Company was in compliance with its debt covenants as at June 30, 2022. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16 and, for the four quarters up to and including the third quarter of 2022, excludes EBITDA from the third and fourth quarters of 2021, as described above.

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 payments 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 payments 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, 2022	Three months ended June 30, 2021	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 120,717	$ 100,881	19,836	19.7%
Change in non-cash working capital items	18,597	(67,898)	86,495	127.4%
	139,314	32,983	106,331	322.4%
Interest paid	(14,012)	(8,247)	(5,765)	(69.9%)
Income taxes paid	(7,963)	(9,438)	1,475	15.6%
Cash provided by operating activities	117,339	15,298	102,041	667.0%
Cash provided by (used in) financing activities	(3,820)	46,515	(50,335)	(108.2%)
Cash used in investing activities	(87,441)	(80,498)	(6,943)	(8.6%)
Effect of foreign exchange rate changes on cash and cash equivalents	(6,551)	1,001	(7,552)	(754.4%)
Increase (Decrease) in cash and cash equivalents	$ 19,527	$ (17,684)	37,211	210.4%

Cash provided by operating activities during the second quarter of 2022 was $117.3 million, compared to $15.3 million in the corresponding period of 2021. The components for the second quarter of 2022 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $120.7 million;
- working capital items source of cash of $18.6 million comprised of an increase in trade, other payables and provisions of $68.0 million; partially offset by an increase in inventories of $34.9 million, an increase in trade and other receivables of $12.3 million, and an increase in prepaid expenses and deposits of $2.2 million;
- interest paid of $14.0 million; and
- income taxes paid of $8.0 million.

Cash used in financing activities during the second quarter of 2022 was $3.8 million, compared to cash provided by financing activities of $46.5 million in the corresponding period of 2021. The components for the second quarter of 2022 primarily include the following:

- an $11.9 million net increase in long-term debt;
- principal payments of lease liabilities of $11.8 million; and
- $4.0 million in dividends paid.

Cash used in investing activities during the second quarter of 2022 was $87.4 million, compared to $80.5 million in the corresponding period of 2021. The components for the second quarter of 2022 primarily include the following:

- cash additions to PP&E of $85.6 million; and
- capitalized development costs relating to upcoming new program launches of $2.3 million.

Taking into account the opening cash balance of $96.3 million at the beginning of the second quarter of 2022, and the activities described above, the cash and cash equivalents balance at June 30, 2022 was $115.9 million.

		Six months ended June 30, 2022		Six months ended June 30, 2021	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$	226,318	$	213,395	12,923	6.1%
Change in non-cash working capital items		(45,041)		(103,175)	58,134	56.3%
		181,277		110,220	71,057	64.5%
Interest paid		(23,971)		(17,423)	(6,548)	(37.6%)
Income taxes paid		(9,974)		(20,084)	10,110	50.3%
Cash provided by operating activities		147,332		72,713	74,619	102.6%
Cash provided by (used in) financing activities		(1,691)		80,417	(82,108)	(102.1%)
Cash used in investing activities		(177,324)		(177,866)	542	0.3%
Effect of foreign exchange rate changes on cash and cash equivalents		(5,745)		(386)	(5,359)	(1,388.3%)
Decrease in cash and cash equivalents	$	(37,428)	$	(25,122)	(12,306)	(49.0%)

Cash provided by operating activities during the six months ended June 30, 2022 was $147.3 million, compared to $72.7 million in the corresponding period of 2021. The components for the six months ended June 30, 2022 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $226.3 million;
- working capital use of cash of $45.0 million comprised of an increase in trade and other receivables of $202.7 million, an increase in inventories of $58.1 million, and an increase in prepaid expenses and deposits of $5.8 million; partially offset by an increase in trade, other payables and provisions of $221.6 million;
- interest paid of $24.0 million; and
- income taxes paid of $10.0 million.

Cash used in financing activities during the six months ended June 30, 2022 was $1.7 million, compared to cash provided by financing activities of $80.4 million in the corresponding period of 2021. The components for the six months ended June 30, 2022 primarily include the following:

- a $26.5 million net increase in long-term debt;
- principal payments of lease liabilities of $20.3 million; and
- $8.0 million in dividends paid.

Cash used in investing activities during the six months ended June 30, 2022 was $177.3 million, compared to $177.9 million in the corresponding period of 2021. The components for the six months ended June 30, 2022 primarily include the following:

- cash additions to PP&E of $173.1 million;
- capitalized development costs relating to upcoming new program launches of $3.6 million; and
- an additional investment in VoltaXplore Inc. ("VoltaXplore") of $1.0 million.

Taking into account the opening cash balance of $153.3 million at the beginning of 2022, and the activities described above, the cash and cash equivalents balance at June 30, 2022 was $115.9 million.

Free Cash Flow

	Three months ended June 30, 2022	Three months ended June 30, 2021	$ Change
Adjusted EBITDA	$ 114,292	$ 99,618	14,674
Add (deduct):			
Change in non-cash working capital items	18,597	(67,898)	86,495
Purchase of property, plant and equipment (excluding capitalized interest)	(85,570)	(74,990)	(10,580)
Cash proceeds on disposal of property, plant and equipment	416	139	277
Capitalized development costs	(2,287)	(1,611)	(676)
Interest paid	(14,012)	(8,247)	(5,765)
Income taxes paid	(7,963)	(9,438)	1,475
Free cash flow	23,473	(62,427)	85,900

Free cash flow for the second quarter of 2022 increased year-over-year due largely to a decrease in non-cash working capital, and higher Adjusted EBITDA; partially offset by an increase in cash purchases of property, plant and equipment, and higher interest paid on long-term debt.

Tooling-related working capital accounts, including inventory, trade and other receivables, and trade and other payables on a net basis, amounted to ($17.8) million as at June 30, 2022, a decrease from ($6.0) million as at March 31, 2022 and $50.7 million as at June 30, 2021.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended June 30, 2022 and 2021:

	Three months ended June 30, 2022	Three months ended June 30, 2021
Cash provided by operating activities	$ 117,339	$ 15,298
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(85,570)	(74,990)
Cash proceeds on disposal of property, plant and equipment	416	139
Capitalized development costs	(2,287)	(1,611)
Restructuring costs	—	4,444
Unrealized gain (loss) on foreign exchange contracts	(2,593)	1,440
Deferred and restricted share units expense	(1,632)	(1,232)
Stock options expense	(195)	(266)
Pension and other post-employment benefits expense	(854)	(1,000)
Contributions made to pension and other post-retirement benefits	295	939
Net unrealized foreign exchange gain and other income	(1,446)	(5,588)
Free cash flow	$ 23,473	$ (62,427)

		Six months ended June 30, 2022		Six months ended June 30, 2021	$ Change
Adjusted EBITDA	$	226,671	$	209,433	17,238
Add (deduct):					
Change in non-cash working capital items		(45,041)		(103,175)	58,134
Purchase of property, plant and equipment (excluding capitalized interest)		(173,114)		(165,801)	(7,313)
Cash proceeds on disposal of property, plant and equipment		416		139	277
Capitalized development costs		(3,626)		(4,168)	542
Interest paid		(23,971)		(17,423)	(6,548)
Income taxes paid		(9,974)		(20,084)	10,110
Free cash flow		(28,639)		(101,079)	72,440

Free cash flow for the six months ended June 30, 2022 increased year-over-year due largely to a decrease in non-cash working capital, higher Adjusted EBITDA, and lower income taxes paid; partially offset by an increase in cash purchases of property, plant and equipment, and higher interest paid on long-term debt.

Reconciliation of IFRS "Cash provided by operating activities" to Non-IFRS "Free Cash Flow" for the six months ended June 30, 2022 and 2021:

		Six months ended June 30, 2022		Six months ended June 30, 2021
Cash provided by operating activities	$	147,332	$	72,713
Add (deduct):				
Purchase of property, plant and equipment (excluding capitalized interest)		(173,114)		(165,801)
Cash proceeds on disposal of property, plant and equipment		416		139
Capitalized development costs		(3,626)		(4,168)
Restructuring costs		4,237		5,473
Unrealized gain (loss) on foreign exchange contracts		(1,756)		2,184
Deferred and restricted share units benefit (expense)		(545)		475
Stock options expense		(391)		(606)
Pension and other post-employment benefits expense		(1,722)		(2,015)
Contributions made to pension and other post-retirement benefits		1,660		1,877
Net unrealized foreign exchange gain and other income		(1,130)		(11,350)
Free cash flow	$	(28,639)	$	(101,079)

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 AIF dated March 3, 2022 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, Semiconductor Chip Shortage and Other Supply Chain Issues", supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at August 8, 2022, the Company had 80,387,095 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at August 8, 2022, options to acquire 2,418,000 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the six months ended June 30, 2022, there have been no material changes in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2021.

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, 2022, the amount of the off-balance sheet program financing was $5.8 million (December 31, 2021 - $18.6 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 to not utilize financial instruments for trading or speculative purposes.

At June 30, 2022, 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	$	70,281	19.9200	1

The aggregate value of these forward contracts as at June 30, 2022 was a pre-tax loss of $1.8 million and was recorded in trade and other payables (December 31, 2021 - pre-tax gain of $4.7 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. dollars sales due to fluctuations in foreign exchange rates. As at June 30, 2021, it was determined that 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 other comprehensive income as at June 30, 2022 and December 31, 2021.

INVESTMENTS

		June 30, 2022		December 31, 2021
Investment in common shares of NanoXplore Inc.	$	51,063	$	48,748
Investment in common shares of VoltaXplore Inc.		4,579		3,925
Investment in common shares and convertible debentures of AlumaPower Corp.		2,669		2,542
	$	58,311	$	55,215

As at June 30, 2022, the Company held 35,045,954 common shares of NanoXplore representing a 21.2% 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 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 $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.

On January 14, 2022, each of Martinrea and NanoXplore invested an additional $1.0 million in development funding into VoltaXplore by acquiring 1,000,000 common shares in VoltaXplore at $1.00 per share.

On February 24, 2022, NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of $4.60 per common share for aggregate gross proceeds of $30.0 million. Upon finalization of the transaction, the Company's net ownership interest decreased to 21.2% from 22.2%. 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 $4.1 million during the first quarter of 2022.

As at June 30, 2022, the Company held 14,952 of each class A and class C shares and $1.4 million (US $1.1 million) of convertible debentures of AlumaPower Corporation ("AlumaPower"), representing a 12.5% equity interest in AlumaPower (on a non-diluted basis). AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive.

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore based on their 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. The common shares and convertible debentures in AlumaPower have been classified as fair value through other comprehensive income and amortized cost, respectively. Accordingly, the common shares are recorded at their fair value at the end of each reporting period, with the change in fair value recorded in other comprehensive income, while the convertible debentures are recorded at amortized cost using the effective interest rate method, less any impairment losses.

Movement in equity-accounted investments is summarized as follows:

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net as of December 31, 2020	$ 40,557	$ —
Additions	4,000	4,036
Gain on dilution of equity investments	7,800	—
Share of loss for the year	(3,813)	(111)
Share of other comprehensive income for the year	204	—
Net as of December 31, 2021	$ 48,748	$ 3,925
Additions	—	1,000
Gain on dilution of equity investments	4,050	—
Share of loss for the period	(2,020)	(346)
Share of other comprehensive income for the period	285	—
Net as of June 30, 2022	$ 51,063	$ 4,579

As at June 30, 2022, the market value of the shares held in NanoXplore by the Company was $115.3 million.

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

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views or beliefs in or on, the impact of, or duration of, or factors affecting, and expected response to, the COVID-19 pandemic (including the global semi-conductor chip shortage or other related and supply chain issues) and the potential effects or issues relating to a prolonged pandemic or lockdown(s), or as a result of any current or future government actions or regulations or the conflict between Russia and Ukraine (including on energy supply in Europe or elsewhere) or as a result of supply chain disruption or inflation, on the Company's financial position, its business and operations, on its employees, on the automotive industry, on the economy, on production volumes or on the business of any OEM or suppliers; the growth of the Company and pursuit of, and belief in, its strategies; the ramping up and launching of new business; the continued investments in its business and technologies; the opportunity to increase sales; the ability to finance future capital expenditures, working capital, debt obligations and other commitments; the factors impacting its ability to fund anticipated cash requirements and to comply with financial covenants under the banking facility, 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. 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, 2021 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;
- Automotive Industry Risks;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest, and Other Outbreaks;
- Dependence Upon Key Customers;
- Financial Viability of Suppliers and Key Suppliers and Supply Disruptions;
- Competition;
- Cost and Risk Absorption and Purchase Orders, including the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- Quote/Pricing Assumptions;
- Increased pricing of raw materials and commodities;
- Launch and Operational Costs and Cost Structure;
- Material Prices and Volatility;
- Fluctuations in Operating Results;
- Outsourcing and Insourcing Trends;
- Product Warranty, Recall, Product Liability and Liability Risk;
- Product Development and Technological Change;
- A Shift Away from Technologies in Which the Company is Investing;
- Dependence Upon Key Personnel;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;

- Cybersecurity Threats;
- Acquisitions;
- Potential Tax Exposures;
- Potential Rationalization Costs, Turnaround Costs and Impairment Charges;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Laws and Governmental Regulations;
- Environmental Regulation and Climate Change;
- Litigation and Regulatory Compliance and Investigations;
- Risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- Currency Risk – Hedging;
- Currency Risk - Competitiveness in Certain Jurisdictions;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Loss of Use of Key Manufacturing Facilities;
- Intellectual Property;
- Availability of Consumer Credit or Cost of Borrowing;
- Competition with Low Cost Countries;
- The Company’s ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Change in the Company’s mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- Pension Plans and other post employment benefits;
- Potential Volatility of Share Prices;
- Dividends;
- Private or Public Equity Investments in Technology Companies;
- Joint Ventures; and
- 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.