MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2016

The following management discussion and analysis ("MD&A") was prepared as of November 3, 2016 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 ("interim consolidated financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2015 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, 2015, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs over 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's vision for the future is to be the best, preferred and most valued automotive parts supplier in the world in the products and services we provide our customers. The Company's mission is to deliver: outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth; superior long term investment returns to our stakeholders; and positive contributions to our communities as good corporate citizens.

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 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.

OVERALL RESULTS

The following tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2016 and 2015. Refer to the Company's interim condensed consolidated financial statements for the three and nine months ended September 30, 2016 for a detailed account of the Company's performance for the periods presented in the tables below.

		Three months ended September 30, 2016		Three months ended September 30, 2015	$ Change	% Change
Sales	$	914,725	$	929,880	(15,155)	(1.6%)
Gross Margin		99,698		96,385	3,313	3.4%
Operating Income		43,394		24,837	18,557	74.7%
Net Income for the period		28,827		15,232	13,595	89.3%
Net Income Attributable to Equity Holders of the Company	$	29,098	$	15,469	13,629	88.1%
Net Earnings per Share – Basic and Diluted	$	0.34	$	0.18	0.16	88.9%
Non-IFRS Measures*						
Adjusted Operating Income	$	43,394	$	40,228	3,166	7.9%
% of Sales		*4.7%*		*4.3%*		
Adjusted EBITDA		80,614		75,773	4,841	6.4%
% of Sales		*8.8%*		*8.1%*		
Adjusted Net Income Attributable to Equity Holders of the Company		29,098		25,899	3,199	12.4%
Adjusted Net Earnings per Share - Basic and Diluted	$	0.34	$	0.30	0.04	13.3%

		Nine months ended September 30, 2016		Nine months ended September 30, 2015	$ Change	% Change
Sales	$	2,978,000	$	2,831,457	146,543	5.2%
Gross Margin		327,738		298,403	29,335	9.8%
Operating Income		113,468		118,785	(5,317)	(4.5%)
Net Income for the period		61,331		79,347	(18,016)	(22.7%)
Net Income Attributable to Equity Holders of the Company	$	61,627	$	79,299	(17,672)	(22.3%)
Net Earnings per Share – Basic	$	0.71	$	0.93	(0.22)	(23.7%)
Net Earnings per Share – Diluted	$	0.71	$	0.92	(0.21)	(22.8%)
Non-IFRS Measures*						
Adjusted Operating Income	$	151,731	$	134,176	17,555	13.1%
% of Sales		*5.1%*		*4.7%*		
Adjusted EBITDA		264,285		234,489	29,796	12.7%
% of Sales		*8.9%*		*8.3%*		
Adjusted Net Income Attributable to Equity Holders of the Company		99,332		89,729	9,603	10.7%
Adjusted Net Earnings per Share - Basic	$	1.15	$	1.05	0.10	9.5%
Adjusted Net Earnings per Share - Diluted	$	1.15	$	1.04	0.11	10.6%

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("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" and "Adjusted EBITDA".

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

		Three months ended September 30, 2016		Three months ended September 30, 2015
Net Income Attributable to Equity Holders of the Company	$	29,098	$	15,469
Unusual and Other Items (after-tax)*		-		10,430
Adjusted Net Income Attributable to Equity Holders of the Company	$	29,098	$	25,899

		Nine months ended September 30, 2016		Nine months ended September 30, 2015
Net Income Attributable to Equity Holders of the Company	$	61,627	$	79,299
Unusual and Other Items (after-tax)*		37,705		10,430
Adjusted Net Income Attributable to Equity Holders of the Company	$	99,332	$	89,729

**Unusual and other items for the three months ended September 30, 2015 and nine months ended September 30, 2016 and 2015 are explained in the "Adjustments to Net Income" section of this MD&A*

		Three months ended September 30, 2016		Three months ended September 30, 2015
Net Income Attributable to Equity Holders of the Company	$	29,098	$	15,469
Non-controlling interest		(271)		(237)
Income tax expense		9,319		4,087
Other finance income		(770)		(807)
Finance expense		6,018		6,325
Unusual and Other Items (before-tax)*		-		15,391
Adjusted Operating Income	$	43,394	$	40,228
Depreciation of property, plant and equipment		33,500		31,879
Amortization of intangible assets		3,673		3,674
Loss/(gain) on disposal of property, plant and equipment		47		(8)
Adjusted EBITDA	$	80,614	$	75,773

**Unusual and other items for the three months ended September 30, 2015 are explained in the "Adjustments to Net Income" section of this MD&A*

		Nine months ended September 30, 2016		Nine months ended September 30, 2015
Net Income Attributable to Equity Holders of the Company	$	61,627	$	79,299
Non-controlling interest		(296)		48
Income tax expense		31,455		24,068
Other finance expense (income)		2,570		(4,059)
Finance expense		18,112		19,429
Unusual and Other Items (before-tax)*		38,263		15,391
Adjusted Operating Income	$	151,731	$	134,176
Depreciation of property, plant and equipment		100,723		90,596
Amortization of intangible assets		11,755		10,470
Loss/(gain) on disposal of property, plant and equipment		76		(753)
Adjusted EBITDA	$	264,285	$	234,489

**Unusual and other items for the nine months ended September 30, 2016 and 2015 are explained in the "Adjustments to Net Income" section of this MD&A*

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below.

SALES

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

		Three months ended September 30, 2016		Three months ended September 30, 2015	$ Change	% Change
North America	$	734,924	$	745,034	(10,110)	(1.4%)
Europe		152,080		163,982	(11,902)	(7.3%)
Rest of the World		27,721		20,864	6,857	32.9%
Total Sales	$	914,725	$	929,880	(15,155)	(1.6%)

The Company's consolidated sales for the third quarter of 2016 decreased by $15.2 million or 1.6% to $914.7 million as compared to $929.9 million for the third quarter of 2015. The total decrease in sales was driven by decreases in the North America and Europe operating segments partially offset by an increase in sales in the Rest of the World.

Sales for the third quarter of 2016 in the Company's North America operating segment decreased by $10.1 million or 1.4% to $734.9 million from $745.0 million for the third quarter of 2015. The decrease was due to lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, Ford Escape/Focus and other platforms late in their product life cycle such as the GM Equinox, and programs that ended production during or subsequent to the third quarter of 2015. These negative factors were partially offset by the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the third quarter of 2016 of approximately $8.6 million as compared to the third quarter of 2015; a $5.5 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the launch of new programs during or subsequent to the third quarter of 2015, including the Chevrolet Malibu, Cadillac CT6, and Chrysler Pacifica.

Sales for the third quarter of 2016 in the Company's Europe operating segment decreased by $11.9 million or 7.3% to $152.1 million from $164.0 million for the third quarter of 2015. The decrease can be attributed to lower overall production volumes in the Company's Martinrea Honsel German operations including the impact from the sale of the Company's operating facility in Soest, Germany on August 31, 2015; partially offset by increased production sales in the Company's new operating facility in Spain, which continues to ramp up and execute its backlog of new business, a $2.6 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2015, and a $2.1 million increase in tooling sales.

Sales for the third quarter of 2016 in the Company's Rest of the World operating segment increased by $6.9 million or 32.9% to $27.7 million from $20.9 million in the third quarter of 2015. The increase was mainly due to a year-over-year increase in production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of new business; partially offset by a $0.8 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2015, and a $0.5 million decrease in tooling sales and lower year-over-year production sales in the Company's operating facility in Brazil where OEM light vehicle production volumes continue to trend at low levels.

Overall tooling sales increased by $7.1 million to $38.2 million for the third quarter of 2016 from $31.1 million for the third quarter of 2015.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

		Nine months ended September 30, 2016		Nine months ended September 30, 2015	$ Change	% Change
North America	$	2,408,861	$	2,256,856	152,005	6.7%
Europe		484,313		517,345	(33,032)	(6.4%)
Rest of the World		84,826		57,256	27,570	48.2%
Total Sales	$	2,978,000	$	2,831,457	146,543	5.2%

The Company's consolidated sales for the nine months ended September 30, 2016 increased by $146.5 million or 5.2% to $2,978.0 million as compared to $2,831.5 million for the nine months ended September 30, 2015. The total increase in sales was driven by increases in the Company's North America and Rest of the World operating segments, partially offset by a year-over-year decrease in sales in Europe.

Sales for the nine months ended September 30, 2016 in the Company's North America operating segment increased by $152.0 million or 6.7% to $2,408.9 million from $2,256.9 million for the nine months ended September 30, 2015. The increase was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2016 of approximately $135.0 million as compared to the comparative period of 2015; the launch of new programs during or subsequent to the nine months ended September 30, 2015, including the Chevrolet Malibu, Ford Edge, Cadillac CT6; and higher volumes on the Chrysler mini-van platform; and a year-over-year increase in tooling sales of $47.4 million. These positive variances were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, Ford Escape/Focus and other platforms late in their product life cycle such as the GM Equinox, and programs that ended production during or subsequent to the nine months ended September 30, 2015; some previously unplanned shutdowns from GM of four assembly plants for two weeks because of an earthquake in Japan disrupting the supply chain; and the planned shutdown of Chrysler's V6 Pentastar engine block for re-tooling. The planned shutdown of Chrysler's V6 Pentastar engine block program for re-tooling commenced during the fourth quarter of 2015 and was completed near the end of the first quarter of 2016. Volumes on the program ramped up during the second quarter but did not return to historical levels until the end of June 2016.

Sales for the nine months ended September 30, 2016 in the Company's Europe operating segment decreased by $33.0 million or 6.4% to $484.3 million from $517.3 million for the nine months ended September 30, 2015. The decrease can be attributed to a $6.3 million decrease in tooling sales and lower overall production volumes in the Company's Martinrea Honsel German operations including the impact from the sale of the Company's operating facility in Soest, Germany on August 31, 2015; partially offset by increased production sales in the Company's operating facilities in Spain and Slovakia, which continue to ramp up and execute their backlogs of new business, and the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2016 of approximately $24.9 million as compared to the comparable period of 2015.

Sales for the nine months ended September 30, 2016 in the Company's Rest of the World operating segment increased by $27.6 million or 48.2% to $84.8 million from $57.3 million for the nine months ended September 30, 2015. The increase can be attributed to an increase in production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of new business, and a $5.4 million increase in tooling sales; partially offset by the translation of foreign denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2016 of $1.5 million as compared to the comparative period of 2015, and lower year-over-year production sales in the Company's operating facility in Brazil where OEM light vehicle production volumes continue to trend at low levels. The year-over-year increase in sales in the Company's operations in China was tempered by an unplanned OEM shutdown of one of its key light vehicle platforms during the second quarter. The program was down for seven weeks during the second quarter and came back online in July.

Overall tooling sales increased by $46.5 million to $145.7 million for the nine months ended September 30, 2016 from $99.2 million for the nine months ended September 30, 2015.

GROSS MARGIN

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Gross margin	$ 99,698	$ 96,385	3,313	3.4%
% of sales	10.9%	10.4%		

The gross margin percentage for the third quarter of 2016 of 10.9% increased as a percentage of sales by 0.5% as compared to the gross margin percentage for the third quarter of 2015 of 10.4%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business.

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities; and
- general sales mix including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Gross margin	$ 327,738	$ 298,403	29,335	9.8%
% of sales	11.0%	10.5%		

The gross margin percentage for the nine months ended September 30, 2016 of 11.0% increased as a percentage of sales by 0.5% as compared to the gross margin percentage for the nine months ended September 30, 2015 of 10.5%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business.

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- an increase in tooling sales which typically earn low or no margins for the Company; and

- general sales mix including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs.

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

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Selling, general & administrative	$ 48,023	$ 49,300	(1,277)	(2.6%)
% of sales	5.2%	5.3%		

SG&A expense, before adjustments, for the third quarter of 2016 decreased by $1.3 million to $48.0 million as compared to $49.3 million for the third quarter of 2015. Excluding the unusual and other item recorded in SG&A expense incurred during the third quarter of 2015 as explained in Table A under “Adjustments to Net Income”, SG&A expense for the third quarter of 2016 remained consistent year-over-year increasing only slightly to $48.0 million from $47.9 million for the comparative period.

Excluding the unusual and other item recorded in SG&A expense incurred during the third quarter of 2015 as explained in Table A under “Adjustments to Net Income”, SG&A expense as a percentage of sales remained consistent year-over-year at 5.2%. SG&A expenses are being monitored and managed on a continuous basis in order to optimize costs.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Selling, general & administrative	$ 150,138	$ 142,583	7,555	5.3%
% of sales	5.0%	5.0%		

SG&A expense, before adjustments, for the nine months ended September 30, 2016 increased by $7.5 million to $150.1 million as compared to $142.6 million for the nine months ended September 30, 2015. Excluding the unusual and other item recorded in SG&A expense incurred during the nine months ended September 30, 2015 as explained in Table B under “Adjustments to Net Income”, SG&A expense for the nine months ended September 30, 2016 increased by $8.9 million to $150.1 million from $141.2 million for the comparative period of 2015. The increase is predominantly due to pre-operating costs incurred at new and/or expanded facilities, including incremental employment levels to support the business.

Excluding the unusual and other item recorded in SG&A expense incurred during the nine months ended September 30, 2015 as explained in Table B under “Adjustments to Net Income”, SG&A expense as a percentage of sales remained consistent year-over-year at 5.0%.

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

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Depreciation of PP&E (production)	$ 31,335	$ 30,018	1,317	4.4%
Depreciation of PP&E (non-production)	2,165	1,861	304	16.3%
Amortization of customer contracts and relationships	587	495	92	18.6%
Amortization of development costs	3,086	3,179	(93)	(2.9%)
Total depreciation and amortization	$ 37,173	$ 35,553	1,620	4.6%

Total depreciation and amortization expense for the third quarter of 2016 increased by $1.6 million to $37.2 million as compared to $35.6 million for the third quarter of 2015. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from new and replacement business. The year-over-year increase in total depreciation and amortization expense was partially offset by a lower depreciation recognized at an operating facility in Detroit, Michigan due to certain assets having been impaired during the second quarter of 2016.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2015. The Company continues to make significant investments in the business in light of its backlog of business and growing global footprint.

Depreciation of PP&E (production) expense as a percentage of sales increased slightly year-over-over to 3.4% for the third quarter of 2016 from 3.2% for the third quarter of 2015 due to lower year-over-year sales as previously discussed.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Depreciation of PP&E (production)	$ 94,254	$ 85,193	9,061	10.6%
Depreciation of PP&E (non-production)	6,469	5,403	1,066	19.7%
Amortization of customer contracts and relationships	1,710	1,611	99	6.1%
Amortization of development costs	10,045	8,859	1,186	13.4%
Total depreciation and amortization	$ 112,478	$ 101,066	11,412	11.3%

Total depreciation and amortization expense for the nine months ended September 30, 2016 increased by $11.4 million to $112.5 million as compared to $101.1 million for the nine months ended September 30, 2015. The increase was due to foreign currency translation and, similar to the year-over-year quarterly trend, an increase in depreciation expense on a larger PP&E base resulting from new and replacement business, and increased amortization of development costs as new and replacement programs, for which development costs were incurred, started production and reached peak volumes. The year-over-year increase in total depreciation and amortization expense was partially offset by a lower expense from an asset impairment relating to the closure of an operating facility in Detroit, Michigan recorded during the second quarter of 2016.

Depreciation of PP&E (production) expense as a percentage of sales increased slightly year-over-year to 3.2% for the nine months ended September 30, 2016 compared to 3.0% for the nine months ended September 30, 2015 as recent investments in equipment are put to use.

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

Adjusted Net Income excludes certain unusual and other 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 September 30, 2016 to three months ended September 30, 2015 comparison

	For the three months ended September 30, 2016 (a)	For the three months ended September 30, 2015 (b)	(a)-(b) Change
NET INCOME (A)	**$29,098**	**$15,469**	**$13,629**
Add back - Unusual and Other Items:			
Restructuring costs (2)	-	13,619	(13,619)
Executive separation agreement (4)	-	1,402	(1,402)
Loss on sale of assets and liabilities held for sale (5)	-	370	(370)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	-	**$15,391**	**$(15,391)**
Tax impact of above items	-	(4,961)	4,961
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	-	**$10,430**	**$(10,430)**
ADJUSTED NET INCOME (A + B)	**$29,098**	**$25,899**	**$3,199**
Number of Shares Outstanding – Basic (‘000)	86,385	86,203	
Adjusted Basic Net Earnings Per Share	$0.34	$0.30	
Number of Shares Outstanding – Diluted (‘000)	86,507	86,768	
Adjusted Diluted Net Earnings Per Share	$0.34	$0.30	

TABLE B

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	For the nine months ended September 30, 2016 (a)	For the nine months ended September 30, 2015 (b)	(a)-(b) Change
NET INCOME (A)	**$61,627**	**$79,299**	**$(17,672)**
Add back - Unusual and Other Items:			
Impairment of assets (1)	34,579	-	34,579
Restructuring costs (2)	3,684	13,619	(9,935)
Executive separation agreement (4)	-	1,402	(1,402)
Loss on sale of assets and liabilities held for sale (5)	-	370	(370)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$38,263**	**$15,391**	**$22,872**
Tax impact of above items (3)	(558)	(4,961)	4,403
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**$37,705**	**$10,430**	**$27,275**
ADJUSTED NET INCOME (A + B)	**$99,332**	**$89,729**	**$9,603**
Number of Shares Outstanding – Basic (‘000)	86,385	85,700	
Adjusted Basic Net Earnings Per Share	$1.15	$1.05	
Number of Shares Outstanding – Diluted (‘000)	86,570	86,265	
Adjusted Diluted Net Earnings Per Share	$1.15	$1.04	

(1) Impairment of assets

During the second quarter of 2016, the Company recorded impairment charges on PP&E, intangible assets and inventories totaling $34,579 (US $26,599) related to an operating facility in Detroit, Michigan included in the North America operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This has led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

(2) Restructuring costs

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated, in particular, at the Company's German operating facilities in Meschede. In connection with these restructuring activities, $1,810 (€1,238) of employee related severance was recognized during the second quarter of 2016 and $13.6 million (€9.7 million) during the third quarter of 2015. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during the second quarter of 2016 totaled $1,874 (US$1,441) and represent expected employee related payouts resulting from the closure of the operating facility in Detroit, Michigan as described above.

(3) Tax impact of above items (For the nine months ended September 30, 2016)

The tax impact of the adjustments recorded to income during the second quarter of 2016 (and reflected in the unusual and other items recognized during the nine months ended September 30, 2016) of $558 represents solely the corresponding tax effect on the $1,810 in restructuring costs incurred in Meschede, Germany. The $34,579 in impairment charges and $1,874 in restructuring costs related to the closure of the operating facility in Detroit, Michigan, as described above, resulted in tax losses that were not benefitted and, as a result, not recognized as a deferred tax asset. In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences; however, forming a conclusion on the realization of deferred tax assets requires judgment when there are recent tax losses.

(4) Executive separation agreement

On July 14, 2015, Danny Infusino stepped down as the Company's Executive Vice President of Business Development and Engineering and Vice President of Operations. The costs added back for Adjusted Net Income purposes represents Mr. Infusino's termination benefits (included in SG&A expense) as set out in his employment contract payable over an eighteen month period.

(5) Loss on sale of assets and liabilities held for sale

During the second quarter of 2015, certain assets and liabilities of the Company's operating facility in Soest, Germany were transferred to assets held for sale. The Soest facility specialized in aluminum extrusions which the Company determined was not core to the strategy of the overall business going forward. The agreement to sell the Soest facility was closed on August 31, 2015. The net assets were sold for proceeds of $20.6 million (€14.6 million) resulting in a pre-tax loss on sale of $0.4 million (€0.3 million).

<u>NET INCOME</u>
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

Net Income	$	29,098	$	15,469	13,629	88.1%
Adjusted Net Income	$	29,098	$	25,899	3,199	12.4%
Net Earnings per Share						
Basic	$	0.34	$	0.18		
Diluted	$	0.34	$	0.18		
Adjusted Net Earnings per Share						
Basic	$	0.34	$	0.30		
Diluted	$	0.34	$	0.30		

Net Income, before adjustments, for the third quarter of 2016 increased by $13.6 million to $29.1 million from $15.5 million for the third quarter of 2015 largely as a result of the unusual and other items incurred during the third quarter of 2015 as explained in Table A under “Adjustments to Net Income”. Excluding these unusual and other items, net income for the third quarter of 2016 increased to $29.1 million or $0.34 per share, on a basic and diluted basis, from $25.9 million or $0.30 per share, on a basic and diluted basis, for the third quarter of 2015.

Adjusted Net Income for the third quarter of 2016, as compared to the third quarter of 2015, was positively impacted by the following:

- productivity and efficiency improvements at certain operating facilities;
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business; and
- a slightly lower effective tax rate on adjusted income due generally to the mix of earnings (24.4% for the third quarter of 2016 compared to 26.1% for the third quarter of 2015).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities; and
- general sales mix including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs.

Three months ended September 30, 2016 actual to guidance comparison:

On August 2, 2016, the Company provided the following guidance for the third quarter of 2016:

		Guidance		Actual
Production sales (in millions)	$	880 - 920	$	877
Net Earnings per Share				
Basic & Diluted	$	0.33 - 0.37	$	0.34

For the third quarter of 2016, while Net Earnings per Share of $0.34 was within the range of published guidance, production sales of $877 million came in slightly below the published sales guidance range due to lower than expected production volumes on certain OEM light vehicle platforms.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

		Nine months ended September 30, 2016		Nine months ended September 30, 2015	$ Change	% Change
Net Income	$	61,627	$	79,299	(17,672)	(22.3%)
Adjusted Net Income	$	99,332	$	89,729	9,603	10.7%
Net Earnings per Share						
Basic	$	0.71	$	0.93		
Diluted	$	0.71	$	0.92		
Adjusted Net Earnings per Share						
Basic	$	1.15	$	1.05		
Diluted	$	1.15	$	1.04		

Net Income, before adjustments, for the nine months ended September 30, 2016 decreased by $17.7 million to $61.6 million from $79.3 million for the nine months ended September 30, 2015 largely as a result of the impact of the unusual and other items incurred during the nine months ended September 30, 2016 and 2015 as explained in Table B under “Adjustments to Net Income”. Excluding these unusual and other items, net income for the nine months ended September 30, 2016 increased to $99.3 million or $1.15 per share, on a basic and diluted basis, from $89.7 million or $1.05 per share, on a basic basis, and $1.04 per share, on a diluted basis, for the nine months ended September 30, 2015.

Adjusted Net Income for the nine months ended September 30, 2016, as compared to the nine months ended September 30, 2015, was positively impacted by the following:

- higher gross profit from an overall increase in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business; and
- a year-over-year decrease in finance expense on the Company’s bank debt.

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- general sales mix including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs;
- a year-over-year increase in SG&A as previously discussed;
- a net foreign exchange loss of $2.7 million for the nine months ended September 30, 2016 compared to a net foreign exchange gain of $4.0 million for the comparative period of 2015; and
- a slight year-over-year increase in research and development expenses, due predominantly to increased amortization of development costs.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Additions to PP&E	$ 43,739	$ 44,801	(1,062)	(2.4%)

Additions to PP&E decreased by $1.1 million to $43.7 million in the third quarter of 2016 from $44.8 million in the third quarter of 2015 due generally to the timing of expenditures. Additions as a percentage of sales remained consistent year-over-year at 4.8%. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the third quarter of 2016 continued to be for manufacturing equipment and multiple expansions/new operating facilities for programs that recently launched or will be launching over the next 24 months.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Additions to PP&E	$ 136,733	$ 129,536	7,197	5.6%

Additions to PP&E increased by $7.2 million year-over-year to $136.7 million for the nine months ended September 30, 2016 compared to $129.5 million for the nine months ended September 30, 2015 due generally to the timing of expenditures and the impact of foreign exchange on the translation of foreign denominated purchases. Additions as a percentage of sales remained consistent year-over-year at 4.6%. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

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 between North America, Europe and Rest of the World. The Company measures segment operating performance based on operating income.

Three months ended September 30, 2016 to three months ended September 30, 2015 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended September 30, 2016	**Three months ended September 30, 2015**	**Three months ended September 30, 2016**	**Three months ended September 30, 2015**
North America	$ 734,924	$ 745,034	$ 39,057	$ 38,117
Europe	152,080	163,982	6,842	5,401
Rest of the World	27,721	20,864	(2,505)	(3,290)
Adjusted Operating Income	-	-	$ 43,394	$ 40,228
Unusual and Other Items*	-	-	-	(15,391)
Total	$ 914,725	$ 929,880	$ 43,394	$ 24,837

** Operating income for the operating segments has been adjusted for unusual and other items. Of the $15.4 million of unusual and other items incurred during the third quarter of 2015, $14.0 million was incurred in Europe and $1.4 million in North America. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $1.0 million to $39.1 million for the third quarter of 2016 from $38.1 million for the third quarter of 2015 despite lower sales. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities; partially offset by operational inefficiencies and other costs at certain other facilities and general sales mix, including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs.

Europe

Adjusted Operating Income in Europe increased by $1.4 million to $6.8 million for the third quarter of 2016 from $5.4 million for the third quarter of 2015 despite lower sales. The operating results in Europe were positively impacted by a recently added new greenfield operating facility in Spain, which continues to ramp up and execute its backlogs of new business. Operating income in the Company's Martinrea Honsel Germany operations remained consistent year-over-year despite lower production volumes including the impact from the sale of the Company's operating facility in Soest, Germany on August 31, 2015. The Company's operating facilities in Meschede, Germany have benefitted from the restructuring activities undertaken during 2015 and the second quarter of 2016.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year. The improved operating results were due to increased production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of business, partially offset by the operating results of the Company's operating facility in Brazil which decreased year-over-year due to a decline in production sales as OEM light vehicle production volumes in Brazil continue to trend at low levels.

Nine months ended September 30, 2016 to nine months ended September 30, 2015 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Nine months ended September 30, 2016	**Nine months ended September 30, 2015**	**Nine months ended September 30, 2016**	**Nine months ended September 30, 2015**
North America	$ 2,408,861	$ 2,256,856	$ 129,477	$ 120,401
Europe	484,313	517,345	27,171	21,450
Rest of the World	84,826	57,256	(4,917)	(7,675)
Adjusted Operating Income	-	-	$ 151,731	$ 134,176
Unusual and Other Items*	-	-	(38,263)	(15,391)
Total	$ 2,978,000	$ 2,831,457	$ 113,468	$ 118,785

** Operating income for the operating segments has been adjusted for unusual and other items. Of the $38.3 million of unusual and other items incurred during the nine months ended September 30, 2016, $36.5 million was incurred in North America and $1.8 million in Europe. Of the $15.4 million of unusual and other items incurred during the nine months ended September 30, 2015, $14.0 million was incurred in Europe and $1.4 million in North America. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $9.1 million to $129.5 million for the nine months ended September 30, 2016 from $120.4 million for the nine months ended September 30, 2015. Adjusted Operating Income in North America was positively impacted by higher gross margin from an overall increase in year-over-year sales as previously explained and productivity and efficiency improvements at certain operating facilities. These factors were partially offset by operational inefficiencies and other costs at certain other facilities, and general sales mix including lower production volumes on the Chrysler 200, Ford Escape/Focus, GM Equinox and certain other programs.

Europe

Adjusted Operating Income in Europe increased by $5.7 million to $27.2 million for the nine months ended September 30, 2016 from $21.5 million for the nine months ended September 30, 2015. The operating results in Europe were positively impacted by recently added new greenfield operating facilities in Spain and Slovakia, which continue to ramp up and execute their backlogs of new business. Operating income in the Company's Martinrea Honsel Germany operations remained consistent year-over-year despite lower production volumes including the impact from the sale of the Company's operating facility in Soest, Germany on August 31, 2015. The Company's operating facilities in Meschede, Germany have benefitted from the restructuring activities undertaken during 2015 and the second quarter of 2016.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year. The improved operating results were due to increased production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of business, partially offset by the operating results of the Company's operating facility in Brazil which decreased year-over-year due to a decline in production sales as OEM light vehicle production volumes in Brazil continue to trend at low levels. The year-over-year increase in sales in the Company's operations in China was tempered by an unplanned OEM shutdown of one of its key light vehicle platforms during the second quarter. The program was down for seven weeks during the second quarter and came back online in July 2016.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	914,725	1,023,825	1,039,450	1,035,314	929,880	984,046	917,531	943,781
Gross Margin	99,698	116,222	111,818	103,829	96,385	106,379	95,639	86,474
Net Income for the period	28,827	(27)	32,531	27,826	15,232	33,607	30,508	11,926
Net Income attributable to equity holders of the Company	29,098	(42)	32,571	27,731	15,469	33,411	30,419	11,921
Adjusted Net Income attributable to equity holders of the Company	29,098	37,663	32,571	29,059	25,899	33,411	30,419	22,832
Basic and Diluted Net Earnings per Share	0.34	-	0.38	0.32	0.18	0.39	0.36	0.14
Adjusted Basic and Diluted Net Earnings per Share	0.34	0.44	0.38	0.34	0.30	0.39	0.36	0.27

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at September 30, 2016, the Company had total equity attributable to equity holders of the Company of $785.8 million. As at September 30, 2016, the Company's ratio of current assets to current liabilities was 1.3:1 (December 31, 2015 - 1.2:1). The Company's current working capital level of $253.3 million at September 30, 2016, up from $164.0 million at December 31, 2015, and credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset backed financing.

Cash Flows

	Three months ended September 30, 2016	Three months ended September 30, 2015	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 81,571	$ 62,114	19,457	31.3%
Change in non-cash working capital items	10,902	(38,458)	49,360	(128.3%)
	92,473	23,656	68,817	290.9%
Interest paid	(5,336)	(6,320)	984	(15.6%)
Income taxes paid	(9,527)	(4,528)	(4,999)	110.4%
Cash provided by operating activities	77,610	12,808	64,802	505.9%
Cash provided by (used in) financing activities	(31,612)	2,076	(33,688)	(1,622.7%)
Cash used in investing activities	(65,198)	(28,649)	(36,549)	127.6%
Effect of foreign exchange rate changes on cash and cash equivalents	1,931	633	1,298	205.1%
Decrease in cash and cash equivalents	$ (17,269)	$ (13,132)	(4,137)	31.5%

Cash provided by operating activities during the third quarter of 2016 was $77.6 million, compared to cash provided by operating activities of $12.8 million in the corresponding period of 2015. The components for the third quarter of 2016 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $81.6 million;
- working capital items source of cash of $10.9 million comprised of an increase in trade, other payables and provisions of $13.7 million and a decrease in trade and other receivables of $0.2 million; partially offset by increases in inventories of $2.3 million and prepaid expenses and deposits of $0.7 million.
- interest paid (excluding capitalized interest) of $5.3 million; and
- income taxes paid of $9.5 million.

Cash used in financing activities during the third quarter of 2016 was $31.6 million, compared to cash provided by financing activities of $2.1 million in the corresponding period in 2015, as a result of repayments on the Company's revolving banking facility and asset backed financing arrangements of $29.1 million and $2.6 million in dividends paid.

Cash used in investing activities during the third quarter of 2016 was $65.2 million, compared to $28.6 million in the corresponding period in 2015. The components for the third quarter of 2016 primarily include the following:

- cash additions to PP&E of $62.0 million;
- capitalized development costs relating to upcoming new program launches of $3.3 million; partially offset by
- proceeds from the disposal of PP&E of $0.1 million.

Taking into account the opening cash balance of $64.8 million at the beginning of the third quarter of 2016, and the activities described above, the cash and cash equivalents balance at September 30, 2016 was $47.6 million.

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 260,528	$ 226,465	34,063	15.0%
Change in non-cash working capital items	(39,094)	(53,697)	14,603	(27.2%)
	221,434	172,768	48,666	28.2%
Interest paid	(15,336)	(17,434)	2,098	(12.0%)
Income taxes paid	(40,795)	(49,085)	8,290	(16.9%)
Cash provided by operating activities	165,303	106,249	59,054	55.6%
Cash provided (used in) financing activities	29,567	(26,643)	56,210	(211.0%)
Cash used in investing activities	(174,225)	(125,543)	(48,682)	38.8%
Effect of foreign exchange rate changes on cash and cash equivalents	(1,976)	1,432	(3,408)	(238.0%)
Increase (Decrease) in cash and cash equivalents	$ 18,669	$ (44,505)	63,174	(141.9%)

Cash provided by operating activities during the nine months ended September 30, 2016 was $165.3 million, compared to cash provided by operating activities of $106.2 million in the corresponding period of 2015. The components for the nine months ended September 30, 2016 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $260.5 million;
- working capital items use of cash of $39.1 million comprised of an increase in trade and other receivables of $66.0 million and an increase in prepaid expenses and deposits of $1.5 million; partially offset by a decrease in inventories of $6.0 million and an increase in trade, other payables and provisions of $22.4 million;
- interest paid (excluding capitalized interest) of $15.3 million; and
- income taxes paid of $40.8 million.

Cash provided in financing activities during the nine months ended September 30, 2016 was $29.6 million, compared to cash used of $26.6 million in the corresponding period in 2015, as a result of a $37.3 million net increase in long term debt (including repayments on the Company's revolving credit facility and asset based financing arrangements) and $0.1 million in proceeds from the exercise of employee stock options; partially offset by $7.8 million in dividends paid.

Cash used in investing activities during the nine months ended September 30, 2016 was $174.2 million, compared to $125.5 million in the corresponding period in 2015. The components for the nine months ended September 30, 2016 primarily include the following:

- cash additions to PP&E of $164.9 million;
- capitalized development costs relating to upcoming new program launches of $9.7 million; partially offset by
- proceeds from the disposal of PP&E of $0.4 million.

Taking into account the opening cash balance of $28.9 million at the beginning of 2016, and the activities described above, the cash and cash equivalents balance at September 30, 2016 was $47.6 million.

Financing

On April 29, 2016, the Company's banking facility was amended to extend its maturity date and increase the total available revolving credit lines under the facility. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $350 million and US $400 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to $150 million;
- pricing terms at market rates; and
- a maturity date of April 2020.

There were no changes to pricing terms or financial covenants under the facility adverse to the Company.

As at September 30, 2016, the Company had drawn $273.0 million on the Canadian revolving credit line and US$270.0 million on the U.S. revolving credit line.

Net debt (i.e. long term debt less cash on hand) decreased by $3.4 million from $684.8 million at June 30, 2016 to $681.4 million at September 30, 2016. The Company's net debt to Adjusted EBITDA (on a trailing twelve months basis) leverage ratio improved to 1.96x at the end of the third quarter of 2016 from 2.00x at the end of the second quarter of 2016.

The Company was in compliance with its debt covenants as at September 30, 2016.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on October 17, 2016. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2016 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2016 the amount of off-balance sheet program financing was $90.6 million (December 31, 2015 - $85.5 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

ACQUISITIONS

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

Martinrea Honsel develops and manufactures complex aluminum products using state-of-the-art production technologies including high pressure die-casting, permanent mold, sand casting and rolling.

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

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

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

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel group for a negotiated purchase price of €160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel group is wholly owned by Martinrea.

During the second quarter ended June 30, 2015, certain assets and liabilities of the Company's operating facility in Soest, Germany, which formed part of the above described Martinrea Honsel group, were transferred to assets held for sale. The Soest facility specializes in aluminum extrusions which the Company determined was not core to the strategy of the overall business going forward. The agreement to sell the Soest facility was closed on August 31, 2015. The net assets of the facility were sold for proceeds of $20,638 (€14,588) resulting in a pre-tax loss on sale of $370 (€257).

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

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated March 3, 2016 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 3, 2016, the Company had 86,384,667 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 3, 2016, options to acquire 3,330,617 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended September 30, 2016, 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, 2015.

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2016, the amount of the off balance sheet program financing was $90.6 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 ranges between 6-18 months.

Financial Instruments

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

At September 30, 2016, the Company had committed to trade U.S. dollars in exchange for the following:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Euro	$	11,240	0.8897	1
Buy Mexican Peso	$	7,849	19.1103	3

Currency		Amount of U.S. dollars	Weighted average exchange rate of Canadian dollars	Maximum period in months
Sell Euro	$	5,620	0.8898	1
Sell Canadian Dollars	$	35,000	1.3097	3

The aggregate value of these forward contracts as at September 30, 2016 was a pre-tax loss of $144 and was recorded in trade and other payables (December 31, 2015 - loss of $134 recorded in trade and other payables).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2015 annual consolidated financial statements, as well as in the Company's 2015 annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three and nine months ended September 30, 2016 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2015 annual MD&A, except for the following new accounting standards recently adopted.

Recently adopted accounting policies and standards

Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. To date, DSUs granted to directors vest immediately. DSU plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date.

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in earnings.

IFRS 11, Joint Arrangements

Effective January 1, 2016, the Company adopted the amendment made to IFRS 11, Joint Arrangements. The amendment to this standard requires business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

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

Recently issued accounting standards

The IASB issued the following amendments to existing standards

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of the adoption of the amendments has not yet been determined.

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company intends to adopt the amendments to IAS 7 in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of the adoption of the amendments has not yet been determined.

OUTLOOK

The automotive industry is traditionally an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers and drives for quality and profits and characterized at the supplier level by price reductions, increasing quality standards, higher input prices and a declining number of qualified suppliers in the normal course or as a result of insolvencies and consolidation. The Company believes that the long term outlook of the automotive industry overall, while always challenging, is positive. North American automotive industry production has increased consistently since the recession of 2008-2009, with recent flattening in 2016. Future industry volumes remain uncertain although current levels are fairly robust.

There are many challenges, but opportunities will exist for innovative and cost-effective suppliers who build great products in the short, medium and longer term. It is expected that growth in business for individual suppliers will occur as OEMs reduce the number of Tier 1 suppliers, continue to outsource product, and provide opportunities for new work and takeover business. The Company believes that its capabilities provide it with the ability to capitalize on a broad range of opportunities. The Company has built its footprint and continues to pursue its strategies and will continue to do so in the future with a view to increasing sales and profits over the longer term.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to the growth of the Company and pursuit of its strategies, production volumes and production volume trends, the ramping up and/or launching and /or execution of programs, and any associated costs, investments in its business, management and monitoring of SG&A expenses, the expectation of no further restructuring costs associated with the Honsel acquisition, continued consolidation of automotive suppliers and opportunity for growth of individual suppliers, the Company's views of the long term outlook of the automotive industry and industry volumes, the opportunity to increase sales, the financing of future capital expenditures, and ability to fund anticipated working capital needs, the likelihood of tooling and component part supplier default, the Company's ability to capitalize on opportunities in the automotive industry, the Company's views on its liquidity and ability to deal with present economic conditions, 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. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2015 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;

- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits
- impairment charges; and
- cyber security threats.

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.