



MARTINREA INTERNATIONAL INC.

SECOND QUARTER REPORT

JUNE 30, 2014

SECOND QUARTER REPORT

June 30, 2014

MESSAGE TO SHAREHOLDERS

The company experienced record revenues and improved earnings per share for the second quarter ended June 30, 2014, with improved results in the Martinrea Classic operations. We also acquired the minority interest in Martinrea Honsel post-quarter end, a great transaction for us. Our financial position remains strong and our future has never looked better.

We thank you for your ongoing support as we work hard to build our company and your company.

(Signed) "*Rob Wildeboer*"
Rob Wildeboer
Executive Chairman



MARTINREA INTERNATIONAL INC.

Releases Second Quarter Results and Announces Dividend, Record Quarterly Revenues, Improved Profits

August 14, 2014 – For Immediate Release

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, announced today the release of its financial results for the second quarter ended June 30, 2014, which include record quarterly revenues and improving operations and a quarterly dividend.

HIGHLIGHTS

- Record Quarterly Revenues
- Quarter-over-Quarter Operational and Margin Improvement
- Solid Quarter for Martinrea Honsel
- Good Prospects
- Dividend of \$0.03 per share announced

OVERVIEW

Nick Orlando, Martinrea's President and Chief Executive Officer, stated: "We had a solid quarter, with increasing profits, as we continue to focus on our operations. We are making progress everywhere. In our second quarter we saw operational and financial improvements from the previous quarter. Most of our businesses are doing well—our aluminum and fluids businesses had strong quarters; our assembly operations are doing well; and many of our metallic plants are meeting or exceeding budget. Certain U.S. metallic plants are making the necessary improvements to operations that will improve margin and did so in the second quarter. In terms of new business won since our last release, we have won approximately \$20 million in incremental annualized business including \$15 million of incremental metallic business with Chrysler on its minivan line starting in 2016 and \$5 million in fluid management product with General Motors on the Camaro and certain Cadillac platforms starting in 2016. We also continue to invest in the future. Our launch backlog currently sits at over \$500 million and will entail new operating facilities in Spain for the Jaguar-Land Rover aluminum swivel bearing launching in 2015, China and Mexico for an aluminum engine cradle for GM on its Omega platform starting in 2015 and Riverside, Missouri for new modular assembly business for the GM Malibu starting in 2015."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Revenues for our second quarter, excluding tooling revenues, were approximately \$870 million, within the range of our previously announced sales guidance, and a record quarter for us. In the second quarter, our adjusted earnings per share, on a basic and diluted basis, was \$0.28, after adjusting for relatively low unusual items comprised of non-insured litigation costs, and within our quarterly guidance. The Martinrea Honsel operations contributed \$0.08 per share to our second quarter results, a solid contribution. With Martinrea Honsel now wholly-owned, this division is expected to continue to contribute strongly to our overall business."

Rob Wildeboer, Martinrea's Executive Chairman, stated: "2014 is coming along nicely. Our third quarter is expected to generate revenues for the quarter, excluding tooling revenues, in the range of \$780 to \$810 million and we believe our earnings per share will be in the range of 23 to 27 cents per share, one of the best third quarters in our history from a financial point of view. Our fourth quarter should be very good for us. We will see some benefits of the acquisition of the minority interest of Martinrea Honsel in the third quarter, but more so in the fourth quarter and beyond. Today we are one Martinrea, with a fully-owned Martinrea Honsel, which will allow us to maximize our opportunities in lightweighting, both in aluminum and metals. We are financially and operationally strong, with great prospects. In summary, the future looks good."

RESULTS OF OPERATIONS

Martinrea currently employs over 13,000 skilled and motivated people in 38 operating plants in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China. Martinrea's objective is to develop a state-of-the-art international metal forming and fluid systems business that will continue to be and further become a key supplier in the automotive industry. Growth will be prudent, profitable and based on innovation. The backbone of future growth is the development of talented people. The significant development of the Company since 2002 has reflected this business strategy and contributed to the growing profitability of the Company.

Results of operations include certain unusual items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-IFRS measures in the Company's disclosures that management believes provides the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Revenue	\$ 930,915	\$ 826,274	104,641	12.7%
Gross Margin	95,863	91,183	4,680	5.1%
Operating Income	43,129	46,942	(3,813)	(8.1%)
Net Earnings for the period	29,626	32,111	(2,485)	(7.7%)
Net Earnings Attributable to Equity Holders of the Company	\$ 23,308	\$ 27,514	(4,206)	(15.3%)
Net Earnings per Share – Basic	\$ 0.28	\$ 0.33	(0.05)	(15.2%)
Net Earnings per share – Diluted	\$ 0.27	\$ 0.33	(0.06)	(18.2%)
Unusual Items*	\$ 306	\$ -	306	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*	23,614	27,514	(3,900)	(14.2%)
Adjusted Net Earnings per share* - Basic and Diluted	\$ 0.28	\$ 0.33	(0.05)	(15.2%)

	Six months ended June 30, 2014	Six months ended June 30, 2013	\$ Change	% Change
Revenue	\$ 1,795,408	\$ 1,595,396	200,012	12.5%
Gross Margin	183,342	166,898	16,444	9.9%
Operating Income	80,688	81,615	(927)	(1.1%)
Net Earnings for the period	56,285	55,616	669	1.2%
Net Earnings Attributable to Equity Holders of the Company	\$ 39,999	\$ 47,402	(7,403)	(15.6%)
Net Earnings per Share – Basic	\$ 0.47	\$ 0.57	(0.10)	(17.5%)
Net Earnings per share – Diluted	\$ 0.47	\$ 0.56	(0.09)	(16.1%)
Unusual Items*	\$ 1,171	\$ -	1,171	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*	41,170	47,402	(6,232)	(13.1%)
Adjusted Net Earnings per share* - Basic	\$ 0.49	\$ 0.57	(0.08)	(14.0%)
Adjusted Net Earnings per share* - Diluted	\$ 0.48	\$ 0.56	(0.08)	(14.3%)

*Non-IFRS Measures

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company has included certain non-IFRS financial measures and ratios in this Press Release that the Company believes provides useful information in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to the other financial measures determined in accordance with IFRS. Non-IFRS measures referred to in the analysis include “adjusted net earnings” and “adjusted net earnings per share on a basic and diluted basis” and are defined in the Tables A and B under “Adjustments to Net Earnings” of this Press Release.

REVENUE

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
North America	\$ 745,304	\$ 651,799	93,505	14.3%
Europe	173,037	159,959	13,078	8.2%
Rest of World	12,574	14,516	(1,942)	(13.4%)
Revenue	\$ 930,915	\$ 826,274	104,641	12.7%

The Company’s consolidated revenues for the second quarter of 2014 increased by \$104.6 million or 12.7% to \$930.9 million as compared to \$826.3 million for the second quarter of 2013. The total overall increase in revenues was driven by increases in the Company’s North America and Europe operating segments, partially offset by a year-over-year decrease in revenues in the Rest of the World.

Revenues for the second quarter of 2014 in the Company's North America operating segment increased by \$93.5 million or 14.3% to \$745.3 million from \$651.8 million for the second quarter of 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the GM Equinox/Terrain and Ford Escape, two of the Company's largest platforms; the launch of new programs during or subsequent to the second quarter of 2013, including GM's full size pick-up trucks, BMW X5, Ford Transit and the Chrysler 200; a \$20.2 million increase in tooling revenues, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production revenue, which had a positive impact on revenue for the second quarter of 2014 of \$40.8 million.

Revenues for the second quarter of 2014 in the Company's Europe operating segment, comprised predominantly of the European operations of Martinrea Honsel, increased by \$13.1 million or 8.2% to \$173.0 million from \$160.0 million for the second quarter of 2013. The increase was predominantly due to a benefit from the impact of foreign exchange on the translation of Euro denominated production revenue, partially offset by a \$4.1 million decrease in tooling revenues. OEM light vehicle and engine production volumes in Europe were generally flat year-over-year.

Revenues for the second quarter of 2014 in the Company's Rest of World operating segment, currently comprised of the Brazilian operations of Martinrea Honsel and a facility in China in its early stages, decreased by \$1.9 million or 13.4% to \$12.6 million from \$14.5 million in the second quarter of 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil and the translation of Brazilian Real denominated production revenue, which had a negative impact on revenue for the second quarter of 2014 of \$0.4 million as compared to the second quarter of 2013, partially offset by the launch of the Company's first product in China for the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013, and a \$0.6 million year-over-year increase in tooling revenues.

Overall tooling revenues increased by \$16.7 million from \$44.5 million for the second quarter of 2013 to \$61.2 million for the second quarter of 2014.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014		Six months ended June 30, 2013		\$ Change	% Change
North America	\$	1,408,968	\$	1,262,330	146,638	11.6%
Europe		356,690		301,770	54,920	18.2%
Rest of World		29,750		31,296	(1,546)	(4.9%)
Revenue	\$	1,795,408	\$	1,595,396	200,012	12.5%

The Company's consolidated revenues for the six months ended June 30, 2014 increased by \$200.0 million or 12.5% to \$1,795.4 million as compared to \$1,595.4 million for the six months ended June 30, 2013. The total overall increase in revenues was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in revenues in the Rest of the World.

Revenues for the six months ended June 30, 2014 in the Company's North America operating segment increased by \$146.6 million or 11.6% to \$1,409.0 million from \$1,262.3 million for the six months ended June 30, 2013. Revenues in North America for the six months ended June 30, 2014 were negatively impacted by an \$8.9 million year-over-year decrease in tooling revenues, which are typically dependent on the timing of tooling construction and final inspection and acceptance by the customer. Excluding the decrease in tooling revenues, revenues in the North America operating segment increased by \$155.5 million or 12.3%. The increase was generally due to overall improved North American OEM light vehicle production, in particular year-over-year increased production volumes on the GM Equinox/Terrain and Ford Escape, two of the Company's largest platforms, the launch of new programs during 2013, including GM's full size pick-up trucks, BMW X5, Chevrolet Impala, Ford Transit and the Chrysler 200, and an \$86.3 million benefit from the impact of foreign exchange on the translation of U.S. dollar denominated revenue.

Revenues for the six months ended June 30, 2014 in the Company's Europe operating segment, comprised predominately of the European operations of Martinrea Honsel, increased by \$54.9 million or 18.2% to \$356.7 million from \$301.8 million for the six months ended June 30, 2013. The increase was due to the launch of new incremental aluminum business with Jaguar Land Rover including the sub-frame and shock towers for the new Range Rover Sport; an overall year-over-year increase in European OEM production volumes; a \$2.1 million increase in tooling revenues; a \$38.9 million benefit from the impact of foreign exchange on the translation of Euro denominated production revenue; and year-over-year increased production revenues in the Company's plant in Slovakia, which continues to ramp up and launch its backlog of business.

Revenues for the six months ended June 30, 2014 in the Company's Rest of World operating segment, currently comprised of the Brazilian operations of Martinrea Honsel and a facility in China in its early stages, decreased by \$1.5 million or 4.9% to \$29.8 million from \$31.3 million for the six months ended June 30, 2013. The decrease can be attributed to a year-over-year decrease in OEM light and medium-heavy vehicle production in Brazil, a \$0.2 million decrease in tooling revenues and the translation of Brazilian Real denominated production revenue which had a negative impact on revenue for the six months ended June 30, 2014 of \$1.0 million as compared to the same period of 2013, partially offset by the launch of the Company's first product in China for the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013.

Overall tooling revenues decreased by \$7.0 million from \$95.1 million for the first six months of 2013 to \$88.1 million for the first six months of 2014.

GROSS MARGIN

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Gross margin	\$ 95,863	\$ 91,183	4,680	5.1%
% of revenue	10.3%	11.0%		

The gross margin percentage for the second quarter of 2014 of 10.3% decreased as a percentage of revenue by 0.7% as compared to the gross margin percentage for the second quarter of 2013 of 11.0%. The decrease in gross margin as a percentage of revenue was generally due to:

- an increase in tooling revenues which typically earn low or no margins for the Company;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of revenue, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Lincoln MKC; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see below).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the second quarter 2013 (as noted above under "Revenue");
- productivity and efficiency improvements at certain operating facilities, in particular, the Martinrea Honsel operations in Germany; and
- improved pricing on certain long-term customer contracts in the operations of Martinrea Honsel.

The performance of the Company's operating facility in Hopkinsville, Kentucky continued to be impacted by launch costs and other operational expenses stemming from the issues experienced by the facility during the fourth quarter of 2013. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which has resulted in incremental premium costs as the facility deals with new programs, customer-requested engineering changes, which have impacted productivity, and the overall ramp-up in production volumes being experienced in the automotive industry. Since the equipment failures at the end of 2013, the presses have been operational but have not been performing at optimal levels. Upgrades to the presses were successfully completed during the July 2014 summer shutdown in order to reduce the risk of any further failures and improve the performance of the presses. Further less substantial improvements are planned for the December holiday shutdown. Progress is being made at improving efficiencies at this facility and costs are expected to subside, and margins improve, as operational improvements continue to be made.

In addition to the expected productivity and efficiency improvements at certain operating facilities, in particular in Hopkinsville, Kentucky (as noted above), gross margin is expected to be positively impacted by incremental new business as the Company continues to work through the launch of a significant backlog of new business over the next 36 months including the following awarded programs in addition to the programs referred to above: the next wave of Ford CD4 in Europe and North America (Mondeo and Edge), GM Omega aluminum engine cradle (Cadillac), GM 31XX (Traverse, SRX), Jaguar LandRover aluminum swivel bearing, Nissan aluminum I4 engine block, Daimler aluminum transmission casing and incremental volume on Daimler's V8 AMG aluminum engine block.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014	Six months ended June 30, 2013	\$ Change	% Change
Gross margin	\$ 183,342	\$ 166,898	16,444	9.9%
% of revenue	10.2%	10.5%		

The gross margin percentage for the six months ended June 30, 2014 of 10.2% decreased as a percentage of revenue by 0.3% as compared to the gross margin percentage for the six months ended June 30, 2013 of 10.5%. The decrease in gross margin as a percentage of revenue was generally due to:

- an increase in integrator or assembly work which typically generates lower margins as a percentage of revenue, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Lincoln MKC; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see above).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the first half of 2013 (as noted above under "Revenue");
- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in the operations of Martinrea Honsel; and
- a decrease in tooling revenues which typically earn low or no margins for the Company.

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

Adjusted net earnings exclude certain unusual items, as set out in the following tables and described in the notes thereto. Management uses adjusted net earnings as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

TABLE A

	Three months ended June 30, 2014 (a)	Three months ended June 30, 2013 (b)	(a)-(b) Change
NET EARNINGS (A)	\$23,308	\$27,514	\$(4,206)
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	408	-	408
TOTAL UNUSUAL ITEMS BEFORE TAX	\$408	-	\$408
Tax impact of above item	(102)	-	(102)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	\$306	-	\$306
ADJUSTED NET EARNINGS (A + B)	\$23,614	\$27,514	\$(3,900)
Number of Shares Outstanding – Basic ('000)	84,498	83,984	
Adjusted Basic Net Earnings Per Share	\$0.28	\$0.33	
Number of Shares Outstanding – Diluted ('000)	85,609	84,591	
Adjusted Diluted Net Earnings Per Share	\$0.28	\$0.33	

TABLE B

	Six months ended June 30, 2014 (a)	Six months ended June 30, 2013 (b)	(a-b) Change
NET EARNINGS (A)	\$39,999	\$47,402	\$(7,403)
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	1,561	-	1,561
TOTAL UNUSUAL ITEMS BEFORE TAX	\$1,561	-	\$1,561
Tax impact of above items	(390)	-	(390)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	\$1,171	-	\$1,171
ADJUSTED NET EARNINGS (A + B)	\$41,170	\$47,402	\$(6,232)
Number of Shares Outstanding – Basic ('000)	84,489	83,876	
Adjusted Basic Net Earnings Per Share	\$0.49	\$0.57	
Number of Shares Outstanding – Diluted ('000)	85,317	84,514	
Adjusted Diluted Net Earnings Per Share	\$0.48	\$0.56	

(1) External Legal and Forensic Accounting Costs Related to Litigation

The costs added back for adjusted net earnings purposes reflects the legal and forensic accounting costs not covered by insurance (recorded as SG&A expense) incurred by the Company in relation to specific litigation matters out of the ordinary course of business as outlined in the Company's MD&A and Annual Information Form for the year ended December 31, 2013. Further amounts related to the costs expensed to date may be recovered from the Company's insurance providers upon completion of their review of the costs incurred.

**NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)****Three months ended June 30, 2014 to three months ended June 30, 2013 comparison**

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Net Earnings	\$ 23,308	\$ 27,514	(4,206)	(15.3%)
Adjusted Net Earnings	\$ 23,614	\$ 27,514	(3,900)	(14.2%)
Net Earnings per common share				
Basic	\$ 0.28	\$ 0.33		
Diluted	\$ 0.27	\$ 0.33		
Adjusted Net Earnings per common share				
Basic	\$ 0.28	\$ 0.33		
Diluted	\$ 0.28	\$ 0.33		

Net earnings, before adjustments, for the second quarter of 2014 decreased by \$4.2 million to \$23.3 million from \$27.5 million for the second quarter of 2013. Excluding \$0.4 million in external legal and forensic accounting costs related to litigation incurred during the second quarter of 2014, as explained in Table A under "Adjustments to Net Earnings", the net earnings for the second quarter of 2014 decreased to \$23.6 million or \$0.28 per share, on a basic and diluted basis, in comparison to adjusted net earnings of \$27.5 million or \$0.33 per share, on a basic and diluted basis, for the second quarter of 2013.

The net earnings for the second quarter of 2014, as compared to the second quarter of 2013, were negatively impacted by the following:

- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3 L aluminum engine block, Chrysler 200 and the Lincoln MKC;

- lower margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expense predominantly as a result of increased amortization of development costs, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches.

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the second quarter 2013;
- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in Martinrea Honsel; and
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted.

The contribution of Martinrea Honsel to net earnings for the second quarter of 2014, after factoring in the interest costs incurred by Martinrea International on the debt issued to finance the acquisition and operations of Martinrea Honsel, increased to \$0.08 per share from \$0.06 per share for the second quarter of 2013. The increase was generally due to ongoing productivity, efficiency improvements at certain facilities, in particular in Germany, improved pricing on certain long term customer contracts and a lower effective tax rate resulting from the utilization of tax losses not previously benefitted, partially offset by program specific launch costs for upcoming new programs and a lower contribution from the Brazilian operations as a result of overall lower production volumes.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

		Six months ended June 30, 2014		Six months ended June 30, 2013	\$ Change	% Change
Net Earnings	\$	39,999	\$	47,402	(7,403)	(15.6%)
Adjusted Net Earnings	\$	41,170	\$	47,402	(6,232)	(13.1%)
Net Earnings per common share						
Basic	\$	0.47	\$	0.57		
Diluted	\$	0.47	\$	0.56		
Adjusted Net Earnings per common share						
Basic	\$	0.49	\$	0.57		
Diluted	\$	0.48	\$	0.56		

Net earnings, before adjustments, for the six months ended June 30, 2014 decreased by \$7.4 million to \$40.0 million from \$47.4 million for the six months ended June 30, 2013. Excluding \$1.6 million in external legal and forensic accounting costs related to litigation incurred during the six months ended June 30, 2014, as explained in Table B under "Adjustments to Net Income", the net earnings for the six months ended June 30, 2014 decreased to \$41.2 million or \$0.49 per share, on a basic basis, and \$0.48 per share on a diluted basis, from \$47.4 million or \$0.57 per share, on a basic basis, and \$0.56 on a diluted basis, for the six months ended June 30, 2013.

The net earnings for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, were negatively impacted by the following:

- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3 L aluminum engine block, Chrysler 200 and the Lincoln MKC;
- lower margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expenses predominantly as a result of increased amortization of development costs, finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and a decrease in other financial income predominantly resulting from foreign exchange fluctuations.

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the first half of 2013;

- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in Martinrea Honsel; and
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted.

The contribution of Martinrea Honsel to net earnings for the six months ended June 30, 2014, after factoring in the interest costs incurred by Martinrea International on the debt issued to finance the acquisition and operations of Martinrea Honsel, increased to \$0.20 per share from \$0.10 per share for the six months ended June 30, 2013. The increase was generally due to the addition of new incremental aluminum business with Jaguar LandRover, generally higher production volumes in Europe, ongoing productivity, and efficiency improvements at certain facilities, in particular in Germany, improved pricing on certain long term customer contracts and a lower effective tax rate resulting from the utilization of tax losses not previously benefitted, partially offset by program specific launch costs for upcoming new programs and a lower contribution from the Brazilian operations as a result of lower production volumes.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Additions to Property, Plant and Equipment	\$ 47,311	\$ 39,791	7,520	18.9%

Additions to property, plant and equipment increased by \$7.5 million to \$47.3 million in the second quarter of 2014 from \$39.8 million in the second quarter of 2013. Additions as a percentage of revenues remained relatively consistent year-over-year at 5.1% for the second quarter of 2014 compared to 4.8% for the comparative period of 2013. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the second quarter of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014	Six months ended June 30, 2013	Change	% Change
Additions to Property, Plant and Equipment	\$ 84,362	\$ 96,496	(12,134)	(12.6%)

Additions to property, plant and equipment decreased by \$12.1 million to \$84.4 million for the six months ended June 30, 2014 from \$96.5 million for the six months ended June 30, 2013. Additions as a percentage of revenues decreased year-over-year to 4.7% for the six months ended June 30, 2014 compared to 6.0% for the comparative period of 2013. Despite the decrease, while capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first half of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

DIVIDEND

A cash dividend of \$0.03 per share has been declared by the Board of Directors payable to shareholders of record on September 30, 2014 on or about October 15, 2014.

CONFERENCE CALL DETAILS

A conference call to discuss those results will be held on Friday, August 15, 2014 at 8:00 a.m. (Toronto time) which can be accessed by dialing (416) 340-8410 or toll free (866) 225-2055. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing (905) 694-9451 or toll free (800) 408-3053 (conference id – 4771486#). The rebroadcast will be available until August 29, 2014.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This Press Release contains forward-looking statements within the meaning of applicable Canadian securities laws including related to the expectations and guidance as to revenue and gross margin percentage (and earnings per share), expansion of or improvements in gross margin, including due to positive impact from launches, statements as to the growth of the Company, opening of facilities and pursuit of its strategies, the launching of new metal forming and fluid systems programs including expectations as to the financial impact of launches, the Company's expectations as to the contribution of Martinrea Honsel to the Company's business, statements as to the progress and expectations of operational and productivity improvements and operational and productivity efficiencies, the Company's expectations regarding the future amount and type of restructuring expenses to be expensed, statements as to the reduction of costs, including the expectation of a reduction in costs and inefficiencies and stabilization of and operational improvements at the Hopkinsville plant and expectations as to the continued operation of and successful upgrades to the presses, the Company's views on the long term outlook of the automotive industry and economic recovery, the Company's ability to capitalize on opportunities in the automotive industry and the successful integration of acquisitions, statements as to the recovery of litigation related expenses from insurance providers, and 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 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 insourcing 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 exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

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MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL POSITION

For the Quarter Ended June 30, 2014

The following management discussion and analysis (“MD&A”) was prepared as of August 14, 2014 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, 2014 (“interim consolidated financial statements”), as well as the Company’s audited consolidated financial statements and MD&A for the year ended December 31, 2013 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company’s Annual Information Form for the year ended December 31, 2013, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) (“Martinrea” or the “Company”) is a leader in the production and development of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs over 13,000 skilled and motivated people in 38 operating plants in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea’s objective is to develop a state-of-the-art international metal forming and fluid systems business that will continue to be and further become a key supplier in the automotive industry. Growth will be prudent, profitable and based on innovation. The backbone of future growth is the development of talented people. The significant development of the Company since 2002 has reflected this business strategy and contributed to the growing profitability of the Company.

Results of operations include certain unusual items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-IFRS measures in the Company’s disclosures that management believes provides the most appropriate basis on which to evaluate the Company’s results.

OVERALL RESULTS

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Revenue	\$ 930,915	\$ 826,274	104,641	12.7%
Gross Margin	95,863	91,183	4,680	5.1%
Operating Income	43,129	46,942	(3,813)	(8.1%)
Net Earnings for the period	29,626	32,111	(2,485)	(7.7%)
Net Earnings Attributable to Equity Holders of the Company	\$ 23,308	\$ 27,514	(4,206)	(15.3%)
Net Earnings per Share – Basic	\$ 0.28	\$ 0.33	(0.05)	(15.2%)
Net Earnings per share – Diluted	\$ 0.27	\$ 0.33	(0.06)	(18.2%)
Unusual Items*	\$ 306	\$ -	306	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*	23,614	27,514	(3,900)	(14.2%)
Adjusted Net Earnings per share* - Basic and Diluted	\$ 0.28	\$ 0.33	(0.05)	(15.2%)

	Six months ended June 30, 2014	Six months ended June 30, 2013	\$ Change	% Change
Revenue	\$ 1,795,408	\$ 1,595,396	200,012	12.5%
Gross Margin	183,342	166,898	16,444	9.9%
Operating Income	80,688	81,615	(927)	(1.1%)
Net Earnings for the period	56,285	55,616	669	1.2%
Net Earnings Attributable to Equity Holders of the Company	\$ 39,999	\$ 47,402	(7,403)	(15.6%)
Net Earnings per Share – Basic	\$ 0.47	\$ 0.57	(0.10)	(17.5%)
Net Earnings per share – Diluted	\$ 0.47	\$ 0.56	(0.09)	(16.1%)
Unusual Items*	\$ 1,171	\$ -	1,171	0.0%
Adjusted Net Earnings Attributable to Equity Holders of the Company*	41,170	47,402	(6,232)	(13.1%)
Adjusted Net Earnings per share* - Basic	\$ 0.49	\$ 0.57	(0.08)	(14.0%)
Adjusted Net Earnings per share* - Diluted	\$ 0.48	\$ 0.56	(0.08)	(14.3%)

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company has included certain non-IFRS financial measures and ratios in this MD&A that the Company believes provides useful information in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to the other financial measures determined in accordance with IFRS. Non-IFRS measures referred to in the analysis include “adjusted net earnings” and “adjusted net earnings per share on a basic and diluted basis” and are defined in the Tables A and B under “Adjustments to Net Earnings” of this MD&A.

REVENUE

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
North America	\$ 745,304	\$ 651,799	93,505	14.3%
Europe	173,037	159,959	13,078	8.2%
Rest of World	12,574	14,516	(1,942)	(13.4%)
Revenue	\$ 930,915	\$ 826,274	104,641	12.7%

The Company’s consolidated revenues for the second quarter of 2014 increased by \$104.6 million or 12.7% to \$930.9 million as compared to \$826.3 million for the second quarter of 2013. The total overall increase in revenues was driven by increases in the Company’s North America and Europe operating segments, partially offset by a year-over-year decrease in revenues in the Rest of the World.

Revenues for the second quarter of 2014 in the Company’s North America operating segment increased by \$93.5 million or 14.3% to \$745.3 million from \$651.8 million for the second quarter of 2013. The increase was due to an overall increase in North American OEM light vehicle production, in particular year-over-year increased production volumes on the GM Equinox/Terrain and Ford Escape, two of the Company’s largest platforms; the launch of new programs during or subsequent to the second quarter of 2013, including GM’s full size pick-up trucks, BMW X5, Ford Transit and the Chrysler 200; a \$20.2 million increase in tooling revenues, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production revenue, which had a positive impact on revenue for the second quarter of 2014 of \$40.8 million.

Revenues for the second quarter of 2014 in the Company’s Europe operating segment, comprised predominantly of the European operations of Martinrea Honsel, increased by \$13.1 million or 8.2% to \$173.0 million from \$160.0 million for the second quarter of 2013. The increase was predominantly due to a benefit from the impact of foreign exchange on the translation of Euro denominated production revenue, partially offset by a \$4.1 million decrease in tooling revenues. OEM light vehicle and engine production volumes in Europe were generally flat year-over-year.

Revenues for the second quarter of 2014 in the Company's Rest of World operating segment, currently comprised of the Brazilian operations of Martinrea Honsel and a facility in China in its early stages, decreased by \$1.9 million or 13.4% to \$12.6 million from \$14.5 million in the second quarter of 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil and the translation of Brazilian Real denominated production revenue, which had a negative impact on revenue for the second quarter of 2014 of \$0.4 million as compared to the second quarter of 2013, partially offset by the launch of the Company's first product in China for the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013, and a \$0.6 million year-over-year increase in tooling revenues.

Overall tooling revenues increased by \$16.7 million from \$44.5 million for the second quarter of 2013 to \$61.2 million for the second quarter of 2014.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

		Six months ended June 30, 2014		Six months ended June 30, 2013	\$ Change	% Change
North America	\$	1,408,968	\$	1,262,330	146,638	11.6%
Europe		356,690		301,770	54,920	18.2%
Rest of World		29,750		31,296	(1,546)	(4.9%)
Revenue	\$	1,795,408	\$	1,595,396	200,012	12.5%

The Company's consolidated revenues for the six months ended June 30, 2014 increased by \$200.0 million or 12.5% to \$1,795.4 million as compared to \$1,595.4 million for the six months ended June 30, 2013. The total overall increase in revenues was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in revenues in the Rest of the World.

Revenues for the six months ended June 30, 2014 in the Company's North America operating segment increased by \$146.6 million or 11.6% to \$1,409.0 million from \$1,262.3 million for the six months ended June 30, 2013. Revenues in North America for the six months ended June 30, 2014 were negatively impacted by an \$8.9 million year-over-year decrease in tooling revenues, which are typically dependent on the timing of tooling construction and final inspection and acceptance by the customer. Excluding the decrease in tooling revenues, revenues in the North America operating segment increased by \$155.5 million or 12.3%. The increase was generally due to overall improved North American OEM light vehicle production, in particular year-over-year increased production volumes on the GM Equinox/Terrain and Ford Escape, two of the Company's largest platforms, the launch of new programs during 2013, including GM's full size pick-up trucks, BMW X5, Chevrolet Impala, Ford Transit and the Chrysler 200, and an \$86.3 million benefit from the impact of foreign exchange on the translation of U.S. dollar denominated revenue.

Revenues for the six months ended June 30, 2014 in the Company's Europe operating segment, comprised predominately of the European operations of Martinrea Honsel, increased by \$54.9 million or 18.2% to \$356.7 million from \$301.8 million for the six months ended June 30, 2013. The increase was due to the launch of new incremental aluminum business with Jaguar Land Rover including the sub-frame and shock towers for the new Range Rover Sport; an overall year-over-year increase in European OEM production volumes; a \$2.1 million increase in tooling revenues; a \$38.9 million benefit from the impact of foreign exchange on the translation of Euro denominated production revenue; and year-over-year increased production revenues in the Company's plant in Slovakia, which continues to ramp up and launch its backlog of business.

Revenues for the six months ended June 30, 2014 in the Company's Rest of World operating segment, currently comprised of the Brazilian operations of Martinrea Honsel and a facility in China in its early stages, decreased by \$1.5 million or 4.9% to \$29.8 million from \$31.3 million for the six months ended June 30, 2013. The decrease can be attributed to a year-over-year decrease in OEM light and medium-heavy vehicle production in Brazil, a \$0.2 million decrease in tooling revenues and the translation of Brazilian Real denominated production revenue which had a negative impact on revenue for the six months ended June 30, 2014 of \$1.0 million as compared to the same period of 2013, partially offset by the launch of the Company's first product in China for the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013.

Overall tooling revenues decreased by \$7.0 million from \$95.1 million for the first six months of 2013 to \$88.1 million for the first six months of 2014.

GROSS MARGIN

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

		Three months ended June 30, 2014		Three months ended June 30, 2013	\$ Change	% Change
Gross margin	\$	95,863	\$	91,183	4,680	5.1%
% of revenue		10.3%		11.0%		

The gross margin percentage for the second quarter of 2014 of 10.3% decreased as a percentage of revenue by 0.7% as compared to the gross margin percentage for the second quarter of 2013 of 11.0%. The decrease in gross margin as a percentage of revenue was generally due to:

- an increase in tooling revenues which typically earn low or no margins for the Company;
- an increase in integrator or assembly work which typically generates lower margins as a percentage of revenue, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Lincoln MKC; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (see below).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the second quarter 2013 (as noted above under "Revenue");
- productivity and efficiency improvements at certain operating facilities, in particular, the Martinrea Honsel operations in Germany; and
- improved pricing on certain long-term customer contracts in the operations of Martinrea Honsel.

The performance of the Company's operating facility in Hopkinsville, Kentucky continued to be impacted by launch costs and other operational expenses stemming from the issues experienced by the facility during the fourth quarter of 2013. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which has resulted in incremental premium costs as the facility deals with new programs, customer-requested engineering changes, which have impacted productivity, and the overall ramp-up in production volumes being experienced in the automotive industry. Since the equipment failures at the end of 2013, the presses have been operational but have not been performing at optimal levels. Upgrades to the presses were successfully completed during the July 2014 summer shutdown in order to reduce the risk of any further failures and improve the performance of the presses. Further less substantial improvements are planned for the December holiday shutdown. Progress is being made at improving efficiencies at this facility and costs are expected to subside, and margins improve, as operational improvements continue to be made.

In addition to the expected productivity and efficiency improvements at certain operating facilities, in particular in Hopkinsville, Kentucky (as noted above), gross margin is expected to be positively impacted by incremental new business as the Company continues to work through the launch of a significant backlog of new business over the next 36 months including the following awarded programs in addition to the programs referred to above: the next wave of Ford CD4 in Europe and North America (Mondeo and Edge), GM Omega aluminum engine cradle (Cadillac), GM 31XX (Traverse, SRX), Jaguar LandRover aluminum swivel bearing, Nissan aluminum I4 engine block, Daimler aluminum transmission casing and incremental volume on Daimler's V8 AMG aluminum engine block.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

		Six months ended June 30, 2014		Six months ended June 30, 2013	\$ Change	% Change
Gross margin	\$	183,342	\$	166,898	16,444	9.9%
% of revenue		10.2%		10.5%		

The gross margin percentage for the six months ended June 30, 2014 of 10.2% decreased as a percentage of revenue by 0.3% as compared to the gross margin percentage for the six months ended June 30, 2013 of 10.5%. The decrease in gross margin as a percentage of revenue was generally due to:

- an increase in integrator or assembly work which typically generates lower margins as a percentage of revenue, although return on capital tends to be higher;
- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Lincoln MKC; and
- operational inefficiencies at certain operating facilities, in particular, Hopkinsville Kentucky (see above).

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the first half of 2013 (as noted above under “Revenue”);
- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in the operations of Martinrea Honsel; and
- a decrease in tooling revenues which typically earn low or no margins for the Company.

SELLING, GENERAL & ADMINISTRATIVE (“SG&A”)

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Selling, general & administrative	\$ 45,594	\$ 38,771	6,823	17.6%
% of revenue	4.9%	4.7%		

SG&A expense, before adjustments, for the second quarter of 2014 increased by \$6.8 million to \$45.6 million as compared to \$38.8 million for the second quarter of 2013. Excluding \$0.4 million in external legal and forensic accounting costs related to litigation incurred during the second quarter of 2014 as explained in Table A under “Adjustments to Net Earnings”, SG&A expense for the second quarter of 2014 increased by \$6.4 million to \$45.2 million from \$38.8 million for the comparative period of 2013. The increase can be attributed to higher employee incentive compensation, an increase in travel-related costs, costs incurred at new and/or expanded facilities including the Company’s new facility in China, and incremental employment levels to support the growth in the business.

Excluding \$0.4 million in external legal and forensic accounting costs related to litigation incurred during the second quarter of 2014 as explained in Table A under “Adjustments to Net Earnings”, SG&A expense as a percentage of revenue increased year-over-year to 4.9% in the second quarter of 2014 from 4.7% in the comparative period of 2013. The increase can be attributed to higher dollar costs due to investments made to support launches, future growth and new and/or expanded facilities.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014	Six months ended June 30, 2013	\$ Change	% Change
Selling, general & administrative	\$ 88,925	\$ 73,574	15,351	20.9%
% of revenue	5.0%	4.6%		

SG&A expense, before adjustments, for the six months ended June 30, 2014 increased by \$15.4 million to \$88.9 million as compared to \$73.6 million for the six months ended June 30, 2013. Excluding \$1.6 million in external legal and forensic accounting costs related to litigation incurred during the six months ended June 30, 2014 as explained in Table B under “Adjustments to Net Earnings”, SG&A expense for the six months ended June 30, 2014 increased by \$13.8 million to \$87.4 million from \$73.6 million for the comparative period of 2013. The increase can be attributed to higher employee incentive compensation, an increase in travel-related costs, costs incurred at new and/or expanded facilities including the Company’s new facility in China, and incremental employment levels to support the growth in the business.

Excluding \$1.6 million in external legal and forensic accounting costs related to litigation incurred during the six months ended June 30, 2014 as explained in Table B under “Adjustments to Net Earnings”, SG&A expense as a percentage of revenue increased year-over-year to 4.9% in the first six months of 2014 from 4.6% in the comparative period of 2013. The increase can be attributed to higher dollar costs due to investments made to support launches, future growth and new and/or expanded facilities.

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

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Depreciation of PP&E (production)	\$ 25,286	\$ 22,742	2,544	11.2%
Depreciation of PP&E (non-production)	1,714	1,673	41	2.5%
Amortization of customer contracts and relationships	568	493	75	15.2%
Total depreciation and amortization	\$ 27,568	\$ 24,908	2,660	10.7%

Total depreciation and amortization expense for the second quarter of 2014 increased by \$2.7 million to \$27.6 million as compared to \$24.9 million for the second quarter of 2013. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from a growing book of business. A significant portion of the Company's recent investment relates to various new program launches put to use during or subsequent to the second quarter of 2013 as the Company worked through a robust launch schedule. The Company continues to make significant investments in the business in light of a large backlog of business and a growing global footprint.

Depreciation of PP&E (production) expense as a percentage of revenue remained relatively consistent year-over-year at 2.7% for the second quarter of 2014 compared to 2.8% for the second quarter of 2013.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014	Six months ended June 30, 2013	\$ Change	% Change
Depreciation of PP&E (production)	\$ 49,417	\$ 43,817	5,600	12.8%
Depreciation of PP&E (non-production)	3,178	3,147	31	1.0%
Amortization of intangible assets	911	979	(68)	(6.9%)
Total depreciation and amortization	\$ 53,506	\$ 47,943	5,563	11.6%

Total depreciation and amortization expense for the six months ended June 30, 2014 increased by \$5.6 million to \$53.5 million as compared to \$47.9 million for the six months ended June 30, 2013. Similar to the year-over-year quarterly trend, the increase in total depreciation and amortization expense was mainly attributable to an increase in depreciation expense on a larger PP&E base resulting from a growing book of business and expanding global footprint.

Depreciation of PP&E (production) expense as a percentage of revenue remained relatively consistent year-over-year at 2.8% for the six months ended June 30, 2014 compared to 2.7% for the six months ended June 30, 2013.

ADJUSTMENTS TO NET EARNINGS

(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Adjusted net earnings exclude certain unusual items, as set out in the following tables and described in the notes thereto. Management uses adjusted net earnings as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

TABLE A

	Three months ended June 30, 2014	Three months ended June 30, 2013	(a)-(b) Change
	(a)	(b)	
NET EARNINGS (A)	\$23,308	\$27,514	\$(4,206)
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	408	-	408
TOTAL UNUSUAL ITEMS BEFORE TAX	\$408	-	\$408
Tax impact of above item	(102)	-	(102)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	\$306	-	\$306
ADJUSTED NET EARNINGS (A + B)	\$23,614	\$27,514	\$(3,900)
Number of Shares Outstanding – Basic ('000)	84,498	83,984	
Adjusted Basic Net Earnings Per Share	\$0.28	\$0.33	
Number of Shares Outstanding – Diluted ('000)	85,609	84,591	
Adjusted Diluted Net Earnings Per Share	\$0.28	\$0.33	

TABLE B

	Six months ended June 30, 2014	Six months ended June 30, 2013	(a-b) Change
	(a)	(b)	
NET EARNINGS (A)	\$39,999	\$47,402	\$(7,403)
Add back - Unusual Items:			
External legal and forensic accounting costs related to litigation (1)	1,561	-	1,561
TOTAL UNUSUAL ITEMS BEFORE TAX	\$1,561	-	\$1,561
Tax impact of above items	(390)	-	(390)
TOTAL UNUSUAL ITEMS AFTER TAX (B)	\$1,171	-	\$1,171
ADJUSTED NET EARNINGS (A + B)	\$41,170	\$47,402	\$(6,232)
Number of Shares Outstanding – Basic ('000)	84,489	83,876	
Adjusted Basic Net Earnings Per Share	\$0.49	\$0.57	
Number of Shares Outstanding – Diluted ('000)	85,317	84,514	
Adjusted Diluted Net Earnings Per Share	\$0.48	\$0.56	

(1) External Legal and Forensic Accounting Costs Related to Litigation

The costs added back for adjusted net earnings purposes reflects the legal and forensic accounting costs not covered by insurance (recorded as SG&A expense) incurred by the Company in relation to specific litigation matters out of the ordinary course of business as outlined in the Company's MD&A and Annual Information Form for the year ended December 31, 2013. Further amounts related to the costs expensed to date may be recovered from the Company's insurance providers upon completion of their review of the costs incurred.

NET EARNINGS
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014	Three months ended June 30, 2013	\$ Change	% Change
Net Earnings	\$ 23,308	\$ 27,514	(4,206)	(15.3%)
Adjusted Net Earnings	\$ 23,614	\$ 27,514	(3,900)	(14.2%)
Net Earnings per common share				
Basic	\$ 0.28	\$ 0.33		
Diluted	\$ 0.27	\$ 0.33		
Adjusted Net Earnings per common share				
Basic	\$ 0.28	\$ 0.33		
Diluted	\$ 0.28	\$ 0.33		

Net earnings, before adjustments, for the second quarter of 2014 decreased by \$4.2 million to \$23.3 million from \$27.5 million for the second quarter of 2013. Excluding \$0.4 million in external legal and forensic accounting costs related to litigation incurred during the second quarter of 2014, as explained in Table A under "Adjustments to Net Earnings", the net earnings for the second quarter of 2014 decreased to \$23.6 million or \$0.28 per share, on a basic and diluted basis, in comparison to adjusted net earnings of \$27.5 million or \$0.33 per share, on a basic and diluted basis, for the second quarter of 2013.

The net earnings for the second quarter of 2014, as compared to the second quarter of 2013, were negatively impacted by the following:

- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3 L aluminum engine block, Chrysler 200 and the Lincoln MKC;
- lower margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expense predominantly as a result of increased amortization of development costs, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches.

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the second quarter 2013;
- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in Martinrea Honsel; and
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted.

The contribution of Martinrea Honsel to net earnings for the second quarter of 2014, after factoring in the interest costs incurred by Martinrea International on the debt issued to finance the acquisition and operations of Martinrea Honsel, increased to \$0.08 per share from \$0.06 per share for the second quarter of 2013. The increase was generally due to ongoing productivity, efficiency improvements at certain facilities, in particular in Germany, improved pricing on certain long term customer contracts and a lower effective tax rate resulting from the utilization of tax losses not previously benefitted, partially offset by program specific launch costs for upcoming new programs and a lower contribution from the Brazilian operations as a result of overall lower production volumes.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	Six months ended June 30, 2014		Six months ended June 30, 2013		\$ Change	% Change
Net Earnings	\$	39,999	\$	47,402	(7,403)	(15.6%)
Adjusted Net Earnings	\$	41,170	\$	47,402	(6,232)	(13.1%)
Net Earnings per common share						
Basic	\$	0.47	\$	0.57		
Diluted	\$	0.47	\$	0.56		
Adjusted Net Earnings per common share						
Basic	\$	0.49	\$	0.57		
Diluted	\$	0.48	\$	0.56		

Net earnings, before adjustments, for the six months ended June 30, 2014 decreased by \$7.4 million to \$40.0 million from \$47.4 million for the six months ended June 30, 2013. Excluding \$1.6 million in external legal and forensic accounting costs related to litigation incurred during the six months ended June 30, 2014, as explained in Table B under "Adjustments to Net Income", the net earnings for the six months ended June 30, 2014 decreased to \$41.2 million or \$0.49 per share, on a basic basis, and \$0.48 per share on diluted basis, from \$47.4 million or \$0.57 per share, on a basic basis, and \$0.56 on a diluted basis, for the six months ended June 30, 2013.

The net earnings for the six months ended June 30, 2014, as compared to the six months ended June 30, 2013, were negatively impacted by the following:

- program specific launch costs related to new programs that recently launched or are set to launch and ramp up over the next six months including the Ford Transit, Ford 2.3 L aluminum engine block, Chrysler 200 and the Lincoln MKC;
- lower margins as a result of operational inefficiencies at certain operating facilities, in particular, Hopkinsville, Kentucky (as discussed above); and
- year-over-year increases in SG&A expense as previously discussed, research and development expenses predominantly as a result of increased amortization of development costs, finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and a decrease in other financial income predominantly resulting from foreign exchange fluctuations.

These factors were partially offset by the following:

- higher margins from an overall increase in year-over-year production revenues including the launch of new programs subsequent to or during the first half of 2013;
- productivity and efficiency improvements at certain operating facilities, in particular the Martinrea Honsel operations in Germany;
- improved pricing on certain long-term customer contracts in Martinrea Honsel; and
- a lower effective tax rate due generally to the mix of earnings and the utilization of tax losses in Martinrea Honsel not previously benefitted.

The contribution of Martinrea Honsel to net earnings for the six months ended June 30, 2014, after factoring in the interest costs incurred by Martinrea International on the debt issued to finance the acquisition and operations of Martinrea Honsel, increased to \$0.20 per share from \$0.10 per share for the six months ended June 30, 2013. The increase was generally due to the addition of new incremental aluminum business with Jaguar LandRover, generally higher production volumes in Europe, ongoing productivity, and efficiency improvements at certain facilities, in particular in Germany, improved pricing on certain long term customer contracts and a lower effective tax rate resulting from the utilization of tax losses not previously benefitted, partially offset by program specific launch costs for upcoming new programs and a lower contribution from the Brazilian operations as a result of lower production volumes.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	Three months ended June 30, 2014		Three months ended June 30, 2013		\$ Change	% Change
Additions to Property, Plant and Equipment	\$	47,311	\$	39,791	7,520	18.9%

Additions to property, plant and equipment increased by \$7.5 million to \$47.3 million in the second quarter of 2014 from \$39.8 million in the second quarter of 2013. Additions as a percentage of revenues remained relatively consistent year-over-year at 5.1% for the second quarter of 2014 compared to 4.8% for the comparative period of 2013. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the second quarter of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

		Six months ended June 30, 2014		Six months ended June 30, 2013	Change	% Change
Additions to Property, Plant and Equipment	\$	84,362	\$	96,496	(12,134)	(12.6%)

Additions to property, plant and equipment decreased by \$12.1 million to \$84.4 million for the six months ended June 30, 2014 from \$96.5 million for the six months ended June 30, 2013. Additions as a percentage of revenues decreased year-over-year to 4.7% for the six months ended June 30, 2014 compared to 6.0% for the comparative period of 2013. Despite the decrease, while capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first half of 2014 continued to be for manufacturing equipment for programs that recently launched or will be launching over the next 24 months.

SEGMENT ANALYSIS

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by the Company's chief operating decision maker which is the Chief Executive Officer. As a result of the increased geographic diversification resulting from the acquisition of Martinrea Honsel and the differences between the regions in which the Company now operates, the Company's operations are segmented on a geographic basis between North America, Europe and Rest of World. The Company measures segment operating performance based on operating income.

Three months ended June 30, 2014 to three months ended June 30, 2013 comparison

	REVENUE		OPERATING INCOME (LOSS)	
	Three months ended June 30, 2014	Three months ended June 30, 2013	Three months ended June 30, 2014	Three months ended June 30, 2013
North America	\$ 745,304	\$ 651,799	\$ 33,654	\$ 40,994
Europe	173,037	159,959	12,398	6,493
Rest of World	12,574	14,516	(2,923)	(545)
	\$ 930,915	\$ 826,274	\$ 43,129	\$ 46,942

North America

Despite the year-over-year increase in revenue, operating income in North America decreased by \$7.3 million to \$33.7 million for the second quarter of 2014 from \$41.0 million for the second quarter of 2013. Operating income in North America was negatively impacted by:

- program specific launch costs (related to certain new programs recently launched or set to launch and ramp up over the next six months);
- operating inefficiencies at certain operating facilities in particular, Hopkinsville, Kentucky (as previously discussed);
- year-over-year increases in SG&A expense and research and development costs (as previously discussed); and
- \$0.4 million in external legal and forensic accounting costs related to litigation as explained in Table A under "Adjustments to Net Earnings."

Europe

Operating income in Europe, which predominately includes the European operations of Martinrea Honsel, increased by \$5.9 million to \$12.4 million for the second quarter of 2014 from \$6.5 million for the second quarter of 2013. Operating income in Europe was positively impacted by a year-over-year increase in revenues primarily as a result of a positive foreign exchange impact on the translation of Euro denominated revenues, ongoing productivity and efficiency improvements at certain operating facilities, in particular in Germany, and improved pricing on certain long term customer contracts, partially offset by program specific launch costs for upcoming new programs.

Rest of World

The operating results for the Rest of World operating segment, which currently includes the Company's facility in Brazil and a facility in China in its early stages, decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil partially offset by improved results in China where the Company recently launched the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013 and is now absorbing overhead costs.

Six months ended June 30, 2014 to six months ended June 30, 2013 comparison

	REVENUE		OPERATING INCOME (LOSS)	
	Six months ended June 30, 2014	Six months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
North America	\$ 1,408,968	\$ 1,262,330	\$ 55,022	\$ 71,764
Europe	356,690	301,770	30,072	10,960
Rest of World	29,750	31,296	(4,406)	(1,109)
	\$ 1,795,408	\$ 1,595,396	\$ 80,688	\$ 81,615

North America

Despite the year-over-year increase in revenue, operating income in North America decreased by \$16.8 million to \$55.0 million for the six months ended June 30, 2014 from \$71.8 million for the six months ended June 30, 2013. Operating income in North America was negatively impacted by:

- program specific launch costs (related to certain new programs recently launched or set to launch and ramp up over the next six months);
- operating inefficiencies at certain operating facilities in particular, Hopkinsville, Kentucky (as previously discussed);
- year-over-year increases in SG&A expense and research and development costs (as previously discussed); and
- \$1.6 million in external legal and forensic accounting costs related to litigation as explained in Table B under "Adjustments to Net Earnings."

Europe

Operating income in Europe, which predominately includes the European operations of Martinrea Honsel, increased by \$19.1 million to \$30.1 million for the six months ended June 30, 2014 from \$11.0 million for the six months ended June 30, 2013. Operating income in Europe was positively impacted by a year-over-year increase in revenues including the ramp up of new incremental business with Jaguar LandRover, a positive foreign exchange impact on the translation of Euro denominated revenues, ongoing productivity and efficiency improvements at certain operating facilities, in particular in Germany, and improved pricing on certain long term customer contracts, partially offset by program specific launch costs for upcoming new programs.

Rest of World

The operating results for the Rest of World operating segment, which currently includes the Company's facility in Brazil and a facility in China in its early stages, decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil partially offset by improved results in China where the Company recently launched the Ford CD4 program, which began to ramp up at the end of the second quarter of 2013 and is now absorbing overhead costs.

SUMMARY OF QUARTERLY RESULTS

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	930,915	864,493	858,624	767,861	826,274	769,122	705,600	697,198
Gross margin	95,863	87,479	73,475	83,663	91,183	75,715	60,969	58,018
Net income for the period	29,626	26,659	(44,074)	26,387	32,111	23,505	(18,883)	8,590
Net income attributable to equity holders of the Company	23,308	16,691	(51,425)	20,973	27,514	19,888	(7,052)	7,553
Basic Net Earnings (loss) per share	0.28	0.20	(0.61)	0.25	0.33	0.24	(0.09)	0.09
Diluted Net Earnings (loss) per share	0.27	0.20	(0.60)	0.25	0.33	0.24	(0.08)	0.09
Adjusted Basic Net Earnings per share	0.28	0.21	0.17	0.25	0.33	0.24	0.15	0.17
Adjusted Diluted Net Earnings per share	0.28	0.21	0.17	0.25	0.33	0.24	0.15	0.17

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid given its strong balance sheet, which can be attributed to the Company's low cost structure, reasonable level of debt, prospects for growth and significant new program launches. As at June 30, 2014, the Company had total equity attributable to equity holders of the Company of \$414.9 million. As at June 30, 2014, the Company's ratio of current assets to current liabilities was 1.3:1, generally consistent with recent quarters. The Company's current working capital level of \$228.1 million and existing financing facilities should be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing financing facilities or asset backed financing.

Cash Flows

	Three months ended June 30, 2014		Three months ended June 30, 2013		\$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	\$	72,785	\$	73,478	(693)	(0.9%)
Change in non-cash working capital items		41,724		(12,850)	54,574	(424.7%)
		114,509		60,628	53,881	88.9%
Interest paid		(4,873)		(4,259)	(614)	14.4%
Income taxes paid		(2,787)		(10,429)	7,642	(73.3%)
Cash provided by operating activities		106,849		45,940	60,909	132.6%
Cash used in financing activities		(50,877)		(3,549)	(47,328)	1,333.6%
Cash used in investing activities		(57,189)		(41,270)	(15,919)	38.6%
Effect of foreign exchange rate changes		(3,508)		781	(4,289)	(549.2%)
Increase (decrease) in cash and cash equivalents	\$	(4,725)	\$	1,902	(6,627)	(348.4%)

Cash provided by operating activities during the second quarter of 2014 was \$106.9 million, compared to cash provided by operating activities of \$45.9 million in the corresponding period of 2013. The components for the second quarter of 2014 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$72.8 million;

- working capital items source of cash of \$41.7 million, comprised of a decrease in trade and other receivables of \$32.8 million, and an increase in trade, other payables and provisions of \$21.0 million partially offset by increases in inventories of \$6.0 million and prepaid expenses and deposits of \$6.1 million;
- interest paid (excluding capitalized interest) of \$4.9 million; and
- income taxes paid of \$2.8 million.

Cash used in financing activities during the second quarter of 2014 was \$50.9 million, compared to \$3.5 million in the corresponding period in 2013, primarily as a result of \$37.4 million in repayments made on the Company's revolving credit line, \$11.3 million of scheduled debt repayments on asset based financing arrangements and \$2.5 million in dividends paid.

Cash used in investing activities during the second quarter of 2014 was \$57.2 million, compared to \$41.3 million in the corresponding period in 2013, primarily as a result of:

- cash additions to PP&E of \$51.5 million;
- capitalized development costs relating to upcoming new program launches of \$6.0 million;
- partially offset by proceeds on disposal of PP&E of \$0.3 million.

Taking into account the opening cash balance of \$43.2 million at the beginning of the second quarter of 2014, and the activities described above, the cash and cash equivalents balance at June 30, 2014 was \$38.5 million.

Financing

As at June 30, 2014, the primary terms of the Company's banking facility, with a syndicate of seven banks, were as follows:

- available revolving credit lines of \$300 million and US\$100 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to \$100 million;
- pricing terms at market rates; and
- a maturity date of August 2016.

Subsequent to the quarter-end, on August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The U.S. dollar denominated credit line increased by US\$250 million to US\$350 million. The Canadian dollar denominated revolving credit line of \$300 million did not change. The maturity date of the amended facility was extended to August 2018. All other critical terms of the banking facility, including applicable pricing and the availability of the accordion feature as noted above, remained substantially the same under the terms of the amended facility. The increase in credit lines facilitated the purchase of the 45% minority interest in Martinrea Honsel as described below under "Acquisitions".

As at June 30, 2014, the Company had drawn \$278.0 million on the Canadian revolving credit line and US\$25.0 million on the U.S. revolving credit line.

Net debt (i.e. long term debt less cash on hand) decreased by approximately \$50.6 million from \$463.8 million at March 31, 2014 to \$413.2 million at June 30, 2014, due primarily to repayments on the Company's banking facility as a result of positive cash flows from operations.

The Company was in compliance with its debt covenants as at June 30, 2014.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be \$0.12 per share, to be paid in four quarterly payments of \$0.03 per share. The first quarterly dividend payment of \$0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on July 15, 2014. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2013 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At June 30, 2014, the amount of program financing was \$66.1 million (December 31, 2014 - \$57.6 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

ACQUISITIONS

On July 29, 2011, the Company closed an agreement to purchase a controlling interest in the assets of Honsel, a German-based leading supplier of aluminum components for the automotive and industrial sectors. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction. As at June 30, 2014, Martinrea owned 55% of the acquired assets, with Anchorage owning the remaining 45%.

The acquisition of the Honsel operations and the formation of the Martinrea Honsel Group provide the Company with a significant presence in the aluminum automotive parts market, and broaden 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.

Martinrea Honsel develops and manufactures complex aluminum products using state-of-the-art production technologies including high pressure die-casting, permanent mold and sand casting as well as extruding and rolling. Honsel produces four major product lines: engine products such as engine blocks, cylinder heads and oil pans; transmission products, such as housings and control parts; suspension products, such as engine cradles; and body parts, such as front boards and extrusion profiles.

Initially, the 2011 purchase transaction envisaged the purchase of all of Honsel's operations, which included plants in Germany located in Meschede, Nuremberg, Soest, and Nuttlar, as well as Madrid, Spain, Queretaro, Mexico, and Monte Mor, Brazil. The Nuremberg 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 Nuremberg 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).

In addition to the cash paid for the acquisition, Martinrea and Anchorage invested an additional €47.8 million (\$66 million) as equity and €20 million (\$25.8 million) as debt into Martinrea Honsel. The funds have been used to finance working capital and the capital expenditures of the group.

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

Subsequent to the quarter-end 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 purchase price of €160 million (\$232.8 million). Effective August 7, 2014, the Martinrea Honsel Group is wholly owned by Martinrea. As a result of the subsequent purchase, the Company determined the fair value of the liability relating to the put option to be \$232.8 million as at June 30, 2014 to reflect the actual agreed upon purchase price of the remaining 45% equity interest. The put option liability is included in other financial liabilities on the Company's consolidated balance sheet with an offsetting adjustment to other equity. Changes in the carrying value of the liability, including accretion and foreign exchange, are recognized within other equity.

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

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated March 31, 2014 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at August 14, 2014, the Company had 84,534,304 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at August 14, 2014, options to acquire 5,540,981 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended June 30, 2014, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2013.

The Company has negotiated tool financing facilities that will provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At June 30, 2014, the amount of program financing was \$66.1 million. The maximum amount of undiscounted future payments the Company could be required to make under the guarantee is \$66.1 million. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

The Company periodically utilizes certain financial instruments, principally forward currency exchange contracts to manage the risk associated with fluctuations in currency exchange rates. The Company's policy does not utilize financial instruments for trading or speculative purposes. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's foreign denominated revenue 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 June 30, 2014, the Company had committed to the following foreign exchange forward contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	\$ 14,000	1.0290	9
Buy Mexican Pesos	7,173	13.2437	8

The aggregate value of these forward contracts as at June 30, 2014 was a loss of \$1.2 million and was recorded in trade and other payables (December 31, 2013 – loss of \$0.4 million recorded in trade and other payables).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the second quarter of 2014 recent interim period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2013 annual consolidated financial statements, as well as in the Company's 2013 annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended June 30, 2014 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2013 annual MD&A, except for the following new accounting standards recently adopted.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- level of fair value hierarchy within which the fair value measurement is categorised;
- valuation techniques used to measure fair value less costs of disposal;
- key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3' of the fair value hierarchy, and
- discount rate when applicable.

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

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provides clarification on when an entity has a legally enforceable right to set-off financial assets and financial liabilities.

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

IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

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

Recently issued accounting standards

The IASB issued the following new standards and amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) – In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application.

IFRS 9, Financial Instruments (IFRS 9) – In February 2014, the IASB decided that the previous mandatory effective date of January 1, 2015, would not allow sufficient time for entities to prepare to apply the new standard because of the impairment phase of the IFRS 9 project has not yet been completed. Accordingly, IASB tentatively decided that the new date should be January 1, 2018, when the entire IFRS 9 project is complete.

Amendments to IFRS 11, Joint Arrangements – In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment – In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact of these standards and amendments on the consolidated financial statements.

OUTLOOK

The automotive industry is traditionally an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers and drives for quality and profits and characterized at the supplier level by price reductions, increasing quality standards, higher input prices and a declining number of qualified suppliers in the normal course or as a result of insolvencies and consolidation. The challenges of the industry were exacerbated by the 2008-2009 economic recession and the financial distress in the industry involving both OEMs and suppliers particularly evidenced by the bankruptcy filings of Chrysler and General Motors in the United States in 2009. The Company believes that the long term outlook of the automotive industry overall remains challenging but much improved from 2008 - 2010. In 2010, the North American automotive industry experienced a recovery in volume and revenues, as sales and production volumes increased from 2009 levels, although not to pre-recession levels. Production in 2011, 2012 and 2013 improved substantially, and production is continuing to improve in 2014. This has resulted in increasing revenues for most automotive OEMs and for suppliers who survived the automotive crisis of 2008 and 2009, including Martinrea.

There are many challenges, but opportunities will exist for innovative and cost effective suppliers who build great products in the short, medium and longer term, and who have survived automotive and economic crises. It is expected that growth in business for individual suppliers will occur as OEMs reduce the number of Tier 1 suppliers, continue to outsource product, and provide opportunities for new work and takeover business. The Company believes that an industry slow-down or consolidation can be viewed as a strategic opportunity to win additional business from competitors producing fluid management systems or metal formed products. The Company also believes that its capabilities provide it with the ability to capitalize on a broad range of opportunities. In 2003, the Company streamlined operations, managed the integration of acquisitions to create efficiencies, strengthened product offerings, took advantage of technological capabilities and created more profitability. The Company built on this in 2004 and in 2005, building a base for the future. In 2006, the Company again pursued this strategy, and added a major complementary acquisition to broaden its base. In 2007 and 2008, the Company focused on integrating its acquisitions and continued with its traditional strategic focus. The Company continued to pursue its strategies in 2009 despite the automotive and economic crisis, and acquired assets, customers and new work. The Company's perseverance and focus continued throughout 2010, as the Company continued to build for the future. The Company continued to pursue its strategies in 2011, 2012 and 2013, including the acquisition of the assets of Martinrea Honsel to broaden its product offerings and customer base, and will continue to do so in 2014 and in the future with a view to increasing revenue and profits over the longer term.

FORWARD LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including related to the Company's expectations as to revenue and gross margin percentage (and earnings per share), expansion of gross margin; statements as to the growth of the Company and pursuit of its strategies, the launching of new metal forming and fluid systems programs including expectations as to the financial impact of launches (and statements as to the progress and planning of operational improvements, operational efficiencies and improvement in production), pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the increased reliance on outsourcing by foreign-owned OEMs, anticipated growth in the automotive industry, future investments in leading edge technology, equipment and processes, the opportunity to increase sales, broad geographic penetration, the Company's expectations regarding the future amount and type of restructuring expenses to be expensed (including Martinrea Honsel), the reduction of costs (including due to operational improvements), the Company's expectation regarding the financing of future capital expenditures and statements as to liquidity to finance working capital, the Company's views of the likelihood of tooling and component part supplier default, the Company's view on the financial viability of its customers, the impact of environmental regulation on the demand for automobiles, the Company's views on the long term outlook of the automotive industry and availability of credit for automotive purchases, and corresponding increased sales and production, the Company's expectations as to new plant openings, statements as to the benefits of the Honsel acquisition and as to the remaining 45% ownership interest in Martinrea Honsel, and the Company's ability to capitalize on opportunities in the automotive industry, the successful integration of acquisitions, the payment of future dividends, the recovery of litigation-related costs from the Company's

insurer, as well as other forward-looking statements. The words “continue”, “expect”, “anticipate”, “estimate”, “may”, “will”, “should”, “views”, “intend”, “believe”, “plan” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company’s Annual Information Form for the year ended December 31, 2013 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry’s dependence on consumer spending and general economic conditions;
- the Company’s dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company’s reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company’s ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company’s share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company’s ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company’s mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company’s ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits.

These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

MARTINREA INTERNATIONAL INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

The accompanying unaudited interim financial report of Martinrea International Inc. (the “Company”) has been prepared by and is the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of this interim financial report in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial report by an entity’s auditor.

(Signed) “*Fred Di Tosto*”
Fred Di Tosto
Chief Financial Officer

Date: August 14, 2014



**MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014

Martinrea International Inc.

Table of Contents

	Page
Interim Condensed Consolidated Balance Sheets	1
Interim Condensed Consolidated Statements of Operations	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Consolidated Statements of Changes in Equity	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	
1. Basis of preparation	6
2. Changes in ownership interest	7
3. Other financial liability and subsequent change in ownership	7
4. Trade and other receivables	8
5. Inventories	8
6. Property, plant and equipment	8
7. Intangible assets	9
8. Trade and other payables	10
9. Provisions	10
10. Long-term debt	11
11. Income taxes	12
12. Capital stock	12
13. Earnings per share	14
14. Operating segments	14
15. Financial instruments	15
16. Contingencies	19
17. Guarantees	20

Martinrea International Inc.
Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	June 30, 2014	December 31, 2013
ASSETS			
Cash and cash equivalents		\$ 38,460	\$ 56,224
Trade and other receivables	4	603,308	541,598
Inventories	5	325,088	302,810
Prepaid expenses and deposits		20,307	13,128
Income taxes recoverable		2,624	3,727
TOTAL CURRENT ASSETS		989,787	917,487
Property, plant and equipment	6	880,580	847,548
Deferred income tax assets		113,635	100,156
Intangible assets	7	63,805	59,640
TOTAL NON-CURRENT ASSETS		1,058,020	1,007,344
TOTAL ASSETS		\$ 2,047,807	\$ 1,924,831
LIABILITIES			
Trade and other payables	8	\$ 682,189	\$ 597,591
Provisions	9	4,550	6,362
Income taxes payable		26,812	22,530
Current portion of long-term debt	10	48,175	37,276
TOTAL CURRENT LIABILITIES		761,726	663,759
Long-term debt	10	403,506	434,501
Pension and other post-retirement benefits		51,619	45,270
Deferred income tax liabilities		78,286	73,051
Other financial liability	3	232,800	154,239
TOTAL NON-CURRENT LIABILITIES		766,211	707,061
TOTAL LIABILITIES		\$ 1,527,937	\$ 1,370,820
EQUITY			
Capital stock	12	690,468	689,975
Contributed surplus		45,384	44,853
Other equity	3	(232,800)	(154,239)
Accumulated other comprehensive income		23,231	26,085
Accumulated deficit		(111,378)	(142,376)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		414,905	464,298
Non-controlling interest		104,965	89,713
TOTAL EQUITY		519,870	554,011
TOTAL LIABILITIES AND EQUITY		\$ 2,047,807	\$ 1,924,831

Subsequent events (notes 3 and 10)

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer" Director

"Scott Balfour" Director

Martinrea International Inc.
Interim Condensed Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
SALES		\$ 930,915	\$ 826,274	\$ 1,795,408	\$ 1,595,396
Cost of sales (excluding depreciation of property, plant and equipment)		(809,766)	(712,349)	(1,562,649)	(1,384,681)
Depreciation of property, plant and equipment (production)		(25,286)	(22,742)	(49,417)	(43,817)
Total cost of sales		(835,052)	(735,091)	(1,612,066)	(1,428,498)
GROSS MARGIN		95,863	91,183	183,342	166,898
Research and development costs		(4,875)	(3,567)	(9,517)	(7,735)
Selling, general and administrative		(45,594)	(38,771)	(88,925)	(73,574)
Depreciation of property, plant and equipment (non-production)		(1,714)	(1,673)	(3,178)	(3,147)
Amortization of customer contracts and relationships		(568)	(493)	(911)	(979)
Gain (loss) on disposal of property, plant and equipment		17	263	(123)	152
OPERATING INCOME		43,129	46,942	80,688	81,615
Finance costs		(5,330)	(5,192)	(10,509)	(9,875)
Other finance income		231	196	9	1,179
INCOME BEFORE INCOME TAXES		38,030	41,946	70,188	72,919
Income tax expense	11	(8,404)	(9,835)	(13,903)	(17,303)
NET INCOME FOR THE PERIOD		\$ 29,626	\$ 32,111	\$ 56,285	\$ 55,616
Non-controlling interest		(6,318)	(4,597)	(16,286)	(8,214)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		\$ 23,308	\$ 27,514	\$ 39,999	\$ 47,402
Basic earnings per share	13	\$ 0.28	\$ 0.33	\$ 0.47	\$ 0.57
Diluted earnings per share	13	\$ 0.27	\$ 0.33	\$ 0.47	\$ 0.56

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
NET INCOME FOR THE PERIOD	\$ 29,626	\$ 32,111	\$ 56,285	\$ 55,616
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(34,741)	24,164	(3,888)	36,634
Items that will not be reclassified to net income				
Actuarial gains (losses) from the remeasurement of defined benefit plans	(735)	4,417	(3,930)	5,528
Other comprehensive income (loss), net of tax	(35,476)	28,581	(7,818)	42,162
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (5,850)	\$ 60,692	\$ 48,467	\$ 97,778
Attributable to:				
Equity holders of the Company	\$ (6,648)	\$ 58,667	\$ 33,215	\$ 90,753
Non-controlling interest	798	2,025	15,252	7,025
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ (5,850)	\$ 60,692	\$ 48,467	\$ 97,778

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

Equity attributable to equity holders of the Company								
	Capital stock	Contributed surplus	Other equity	Cumulative translation account	Accumulated deficit	Total	Non- controlling interest	Total equity
Balance at December 31, 2012	\$ 675,606	\$ 46,897	\$ (87,100)	\$ (22,001)	\$ (155,721)	\$ 457,681	\$ 66,240	\$ 523,921
Net income for the period	-	-	-	-	47,402	47,402	8,214	55,616
Compensation expense related to stock options	-	905	-	-	-	905	-	905
Purchase of non-controlling interest (note 2)	-	-	-	-	(2,880)	(2,880)	(1,928)	(4,808)
Dividends (\$0.03 per share)	-	-	-	-	(2,519)	(2,519)	-	(2,519)
Change in fair value of put option granted to non-controlling interest	-	-	(22,897)	-	-	(22,897)	-	(22,897)
Exercise of employee stock options	10,122	(2,497)	-	-	-	7,625	-	7,625
<u>Other comprehensive income, net of tax</u>								
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	-	5,528	5,528	-	5,528
Foreign currency translation differences	-	-	-	37,823	-	37,823	(1,189)	36,634
Balance at June 30, 2013	685,728	45,305	(109,997)	15,822	(108,190)	528,668	71,337	600,005
Net income (loss) for the period	-	-	-	-	(30,452)	(30,452)	12,765	(17,687)
Compensation expense related to stock options	-	707	-	-	-	707	-	707
Dividends (\$0.06 per share)	-	-	-	-	(5,069)	(5,069)	-	(5,069)
Change in fair value of put option granted to non-controlling interest	-	-	(44,242)	-	-	(44,242)	-	(44,242)
Exercise of employee stock options	4,247	(1,159)	-	-	-	3,088	-	3,088
<u>Other comprehensive income, net of tax</u>								
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	-	1,335	1,335	-	1,335
Foreign currency translation differences	-	-	-	10,263	-	10,263	5,611	15,874
Balance at December 31, 2013	689,975	44,853	(154,239)	26,085	(142,376)	464,298	89,713	554,011
Net income for the period	-	-	-	-	39,999	39,999	16,286	56,285
Compensation expense related to stock options	-	665	-	-	-	665	-	665
Dividends (\$0.06 per share)	-	-	-	-	(5,071)	(5,071)	-	(5,071)
Change in fair value of put option granted to non-controlling interest	-	-	(78,561)	-	-	(78,561)	-	(78,561)
Exercise of employee stock options	493	(134)	-	-	-	359	-	359
<u>Other comprehensive income, net of tax</u>								
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	-	(3,930)	(3,930)	-	(3,930)
Foreign currency translation differences	-	-	-	(2,854)	-	(2,854)	(1,034)	(3,888)
Balance at June 30, 2014	\$ 690,468	\$ 45,384	\$ (232,800)	\$ 23,231	\$ (111,378)	\$ 414,905	\$ 104,965	\$ 519,870

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	\$ 29,626	\$ 32,111	\$ 56,285	\$ 55,616
Adjustments for:				
Depreciation of property, plant and equipment	27,000	24,415	52,595	46,964
Amortization of customer contracts and relationships	568	493	911	979
Amortization of development costs	2,162	1,622	4,266	3,167
Accretion of interest on promissory note	-	(30)	-	(60)
Unrealized losses / (gains) on foreign exchange forward contracts	(1,344)	1,070	1,191	842
Finance costs	5,330	5,192	10,509	9,875
Income tax expense	8,404	9,835	13,903	17,303
Loss (gain) on disposal of property, plant and equipment	(17)	(263)	123	(152)
Stock-based compensation	555	590	665	905
Pension and other post-retirement benefits expense	1,265	1,202	2,432	2,404
Contributions made to pension and other post-retirement benefits	(764)	(2,759)	(1,792)	(5,227)
	72,785	73,478	141,088	132,616
Changes in non-cash working capital items:				
Trade and other receivables	32,837	(6,602)	(62,654)	(95,127)
Inventories	(6,043)	(7,904)	(22,466)	(5,061)
Prepaid expenses and deposits	(6,068)	(2,406)	(7,179)	1,074
Trade, other payables and provisions	20,998	4,062	90,429	40,989
	114,509	60,628	139,218	74,491
Interest paid (excluding capitalized interest)	(4,873)	(4,259)	(9,585)	(7,990)
Income taxes paid	(2,787)	(10,429)	(15,029)	(15,170)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 106,849	\$ 45,940	\$ 114,604	\$ 51,331
FINANCING ACTIVITIES:				
Dividends paid	(2,536)	-	(5,071)	-
Increase in long-term debt	-	4,920	36,953	56,418
Repayment of long-term debt	(48,700)	(8,977)	(58,891)	(14,833)
Exercise of employee stock options	359	508	359	7,625
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (50,877)	\$ (3,549)	\$ (26,650)	\$ 49,210
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(51,475)	(39,791)	(94,298)	(96,496)
Capitalized development costs	(5,965)	(3,096)	(9,376)	(6,218)
Proceeds on disposal of property, plant and equipment	251	1,617	844	1,645
Purchase of non-controlling interest (note 2)	-	-	-	(4,808)
NET CASH USED IN INVESTING ACTIVITIES	\$ (57,189)	\$ (41,270)	\$ (102,830)	\$ (105,877)
Effect of foreign exchange rate changes on cash and cash equivalents	(3,508)	781	(2,888)	(570)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,725)	1,902	(17,764)	(5,906)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	43,185	21,614	56,224	29,422
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 38,460	\$ 23,516	\$ 38,460	\$ 23,516

*As at June 30, 2014, \$3,280 (December 31, 2013 - \$13,216) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. It designs, engineers, manufactures and sells quality metal parts, assemblies and fluid management systems and is focused on the automotive sector.

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2013, except as outlined in note 1(d).

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2013.

(c) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(d) Recently adopted accounting standards

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- Level of fair value hierarchy within which the fair value measurement is categorised
- Valuation techniques used to measure fair value less costs of disposal
- Key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3' of the fair value hierarchy, and
- Discount rate when applicable.

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

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provides clarification on when an entity has a legally enforceable right to off-set financial assets and financial liabilities.

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

IFRIC 21, Levies

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

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

(e) Recently issued accounting standards

The IASB issued the following new standards and amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) – In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application.

IFRS 9, Financial Instruments (IFRS 9) – In February 2014, the IASB decided that the previous mandatory effective date of January 1, 2015, would not allow sufficient time for entities to prepare to apply the new standard because of the impairment phase of the IFRS 9 project has not yet been completed. Accordingly, IASB tentatively decided that the new date should be January 1, 2018, when the entire IFRS 9 project is complete.

Amendments to IFRS 11, Joint Arrangements – In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment – In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact of these standards and amendments on the consolidated financial statements.

2. CHANGES IN OWNERSHIP INTEREST

On January 14, 2013, the Company, through its subsidiary Martinrea Honsel Holdings B.V., closed an agreement to purchase the 35% non-controlling interest of the facility in Monte Mor, Brazil from Daimler AG (“Daimler”) for a total cost of \$4,808 (€ 3,712). The transaction resulted in the carrying amount of Daimler’s share of equity in the facility being reversed from non-controlling interest. The \$2,880 difference between the amount of the non-controlling interest adjustment and the consideration paid was recognized in accumulated deficit.

3. OTHER FINANCIAL LIABILITY AND SUBSEQUENT CHANGE IN OWNERSHIP

On July 29, 2011, the Company purchased a controlling interest in the assets of Honsel AG, 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. As at June 30, 2014, Martinrea owned 55% of the acquired assets, with Anchorage owning the remaining 45%.

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

Subsequent to the quarter-end 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 purchase price of € 160 million (\$ 232.8 million Canadian). Effective August 7, 2014, the Martinrea Honsel Group is wholly owned by Martinrea. As a result of the subsequent purchase, the Company determined the fair value of the liability relating to the put option to be \$232,800 as at June 30, 2014 to reflect the actual agreed upon purchase price of the remaining 45% equity interest. The put option

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

liability is included in other financial liabilities on the Company's consolidated balance sheet with an offsetting adjustment to other equity. Changes in the carrying value of the liability, including accretion and foreign exchange are recognized within other equity.

4. TRADE AND OTHER RECEIVABLES

	June 30, 2014	December 31, 2013
Trade receivables	\$ 574,741	\$ 498,261
VAT and other receivables	28,567	43,337
	\$ 603,308	\$ 541,598

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 15.

5. INVENTORIES

	June 30, 2014	December 31, 2013
Raw materials	\$ 138,258	\$ 138,337
Work in progress	46,244	41,841
Finished goods	46,862	52,013
Tooling work in progress and other inventory	93,724	70,619
	\$ 325,088	\$ 302,810

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	\$ 126,072	\$ (26,912)	\$ 99,160	\$ 124,844	\$ (24,979)	\$ 99,865
Leasehold improvements	41,118	(21,933)	19,185	40,652	(20,518)	20,134
Manufacturing equipment	1,130,853	(517,714)	613,139	1,055,258	(461,778)	593,480
Tooling and fixtures	34,408	(28,695)	5,713	33,516	(28,183)	5,333
Other assets	30,224	(16,980)	13,244	29,461	(15,811)	13,650
Construction in progress and spare parts	130,139	-	130,139	115,086	-	115,086
	\$ 1,492,814	\$ (612,234)	\$ 880,580	\$ 1,398,817	\$ (551,269)	\$ 847,548

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress and spare parts	Total
Net as of December 31, 2012	\$ 94,984	\$ 19,906	\$ 486,340	\$ 9,901	\$ 13,493	\$ 107,119	\$ 731,743
Additions	263	197	7,624	-	553	180,428	189,065
Disposals	(2,051)	-	(1,571)	(652)	(35)	(133)	(4,442)
Depreciation	(3,858)	(2,989)	(83,901)	(4,912)	(3,598)	-	(99,258)
Impairment	-	-	(9,041)	(5,279)	(380)	-	(14,700)
Transfers from construction in progress and spare parts	6,505	2,229	161,255	4,491	3,355	(177,835)	-
Foreign currency translation adjustment	4,022	791	32,774	1,784	262	5,507	45,140
Net as of December 31, 2013	\$ 99,865	\$ 20,134	\$ 593,480	\$ 5,333	\$ 13,650	\$ 115,086	\$ 847,548
Additions	-	49	1,612	-	161	82,540	84,362
Disposals	(483)	-	(256)	(185)	(43)	-	(967)
Depreciation	(2,059)	(1,533)	(45,648)	(1,711)	(1,644)	-	(52,595)
Transfers from construction in progress and spare parts	1,466	368	61,881	2,210	1,071	(66,996)	-
Foreign currency translation adjustment	371	167	2,070	66	49	(491)	2,232
Net as of June 30, 2014	\$ 99,160	\$ 19,185	\$ 613,139	\$ 5,713	\$ 13,244	\$ 130,139	\$ 880,580

During 2013 and 2012, the Company entered into certain asset-backed financing arrangements that were structured as sales-and-leaseback transactions. At June 30, 2014, the carrying value of property, plant and equipment under such arrangements was \$38,952 (December 31, 2013 - \$43,229). The corresponding amounts owing are reflected within long-term debt (note 10).

7. INTANGIBLE ASSETS

	June 30, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	\$ 60,053	\$ (46,940)	\$ 13,113	\$ 59,966	\$ (45,978)	\$ 13,988
Development costs	80,590	(29,898)	50,692	71,357	(25,705)	45,652
	\$ 140,643	\$ (76,838)	\$ 63,805	\$ 131,323	\$ (71,683)	\$ 59,640

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net balance at December 31, 2012	\$ 15,073	\$ 49,024	\$ 64,097
Additions	-	14,638	14,638
Amortization	(1,972)	(6,899)	(8,871)
Impairment	-	(14,378)	(14,378)
Foreign currency translation adjustment	887	3,267	4,154
Net balance at December 31, 2013	\$ 13,988	\$ 45,652	\$ 59,640
Additions	-	9,376	9,376
Amortization	(911)	(4,266)	(5,177)
Foreign currency translation adjustment	36	(70)	(34)
Net balance at June 30, 2014	\$ 13,113	\$ 50,692	\$ 63,805

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

8. TRADE AND OTHER PAYABLES

	June 30, 2014	December 31, 2013
Trade accounts payable and accrued liabilities	\$ 680,998	\$ 597,221
Foreign exchange forward contracts	1,191	370
	\$ 682,189	\$ 597,591

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 15.

9. PROVISIONS

	Restructuring (a)	Claims and litigations (b)	Onerous contracts (c)	Total
Balance at December 31, 2012	\$ 24,433	\$ 2,241	\$ 2,305	\$ 28,979
Net additions	-	365	-	365
Amounts used during the period	(22,154)	(801)	(1,173)	(24,128)
Foreign currency translation adjustment	1,069	(98)	175	1,146
Balance at December 31, 2013	\$ 3,348	\$ 1,707	\$ 1,307	\$ 6,362
Net additions	-	319	-	319
Amounts used during the period	(1,482)	(111)	(660)	(2,253)
Foreign currency translation adjustment	11	115	(4)	122
Balance at June 30, 2014	\$ 1,877	\$ 2,030	\$ 643	\$ 4,550

Based on estimated cash outflows, all provisions as at June 30, 2014 and December 31, 2013 are presented on the condensed consolidated balance sheet as current.

(a) Restructuring

As part of the acquisition of Honsel, a certain level of restructuring was contemplated, in particular, at the Company's German facilities in Meschede and Soest. The restructuring accrual as at December 31, 2012 relates to restructuring activities undertaken during 2012 primarily for employee related severance. No such costs were incurred during 2013 or the six months ending June 30, 2014.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

(c) Onerous contracts

An onerous contract is a contract in which the unavoidable costs to meet the obligation exceed the future economic benefits expected to be earned under it. As part of the valuation of the assets and liabilities assumed in the acquisition of Honsel, certain sales contracts were determined to be onerous. As such, the present value of the future net obligation of these contracts has been recorded as a provision and will be recognized over time as the contracts are fulfilled or when the contracts are no longer considered onerous.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

10. LONG TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	June 30, 2014	December 31, 2013
Banking facility	\$ 303,799	\$ 310,372
Equipment loans	134,133	146,534
Loan payable to non-controlling shareholder of Martinrea Honsel	13,095	13,190
Other bank loans	654	1,681
	451,681	471,777
Current portion	(48,175)	(37,276)
	\$ 403,506	\$ 434,501

Terms and conditions of outstanding loans as at June 30, 2014, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	June 30, 2014 Carrying amount	December 31, 2013 Carrying amount
Banking facility	CAD	BA+2.5%	2016	\$ 277,146	\$ 276,337
	USD	LIBOR+2.5%	2016	26,653	34,035
Equipment loans	USD	4.25%	2018	47,763	45,224
	USD	4.25%	2017	20,446	23,452
	* EUR	3.37%	2016	17,515	20,816
	* USD	7.36%	2017	15,746	17,641
	* EUR	4.93%	2023	14,789	14,896
	USD	3.89%	2016	7,571	9,201
	USD	3.99%	2017	4,712	5,555
	USD	3.65%	2016	2,321	2,805
	* BRL	11.88%	2015	1,457	2,702
	USD	4.69%	2017	1,150	1,362
	* BRL	5.00%	2020	407	409
	* BRL	5.00%	2014	226	569
	* BRL	5.59%	2014	30	111
	CAD	Prime+0.3%	2014	-	1,333
USD	3.65%	2014	-	458	
Loan payable to non-controlling shareholder of Martinrea Honsel	EUR	5.00%	2014	13,095	13,190
Other bank loans	* BRL	14.00%	2015	654	1,681
				\$ 451,681	\$ 471,777

*Represents debt in Martinrea Honsel.

As at June 30, 2014, the primary terms of the Company's banking facility, with a syndicate of seven banks, were as follows:

- available revolving credit lines of \$300 million and US \$100 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to \$100 million;
- pricing terms at market rates; and
- a maturity date of August 2016.

Subsequent to the quarter-end, on August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The US dollar denominated credit line increased by US\$250 million to US\$350 million. The Canadian dollar denominated revolving credit line of \$300 million did not change. The maturity date of the amended facility was extended to August 2018. All other critical terms of the banking facility, including applicable pricing and the availability of the accordion feature as noted above,

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

remained substantially the same under the terms of the amended facility. The increase in credit lines facilitated the purchase of the 45% minority interest in Martinrea Honsel as described in note 3.

As at June 30, 2014, the Company has drawn US\$25,000 (December 31, 2013 - US\$32,000) on the U.S. revolving credit line and drawn \$278,000 (December 31, 2013 - \$278,000) on the Canadian revolving credit line. At June 30, 2014, the weighted average effective rate of the banking facility credit lines was 3.2% (December 31, 2013 - 3.3%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at June 30, 2014.

Deferred financing fees of \$1,553 (December 31, 2013 - \$2,218) have been netted against the carrying value of the long term debt.

During the six months ended June 30, 2014, the Company finalized the final draw down on a five year US\$50 million equipment loan in the amount of US\$6,958 at a fixed interest rate of 4.25%.

The loan payable to the non-controlling shareholder of Martinrea Honsel formed part of a €20,000 (\$29,100) loan to Martinrea Honsel from its shareholders, including Martinrea, during 2012, of which Martinrea's portion of the loan in the amount of €11,000 (\$16,005) was funded from the Company's banking facility. On August 6, 2014, in conjunction with the purchase of the remaining 45% equity interest in Martinrea Honsel, as described in note 3, the loan payable to the non-controlling shareholder was repaid.

Future annual minimum principal repayments as at June 30, 2014 are as follows:

Within one year	\$	48,175
One to two years		34,811
Two to three years		333,789
Three to four years		16,661
Thereafter		18,245
	\$	451,681

11. INCOME TAXES

The components of income tax expense are as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Current income tax expense	\$ 11,031	\$ 8,052	\$ 20,707	\$ 16,865
Deferred income tax expense (recovery)	(2,627)	1,783	(6,804)	438
Total income tax expense	\$ 8,404	\$ 9,835	\$ 13,903	\$ 17,303

12. CAPITAL STOCK

Common shares outstanding:	Number	Amount
Balance, December 31, 2012	82,995,450	\$ 675,606
Exercise of stock options	1,053,467	10,122
Balance, June 30, 2013	84,048,917	\$ 685,728
Exercise of stock options	430,787	4,247
Balance, December 31, 2013	84,479,704	\$ 689,975
Exercise of stock options	54,600	493
Balance, June 30, 2014	84,534,304	\$ 690,468

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Stock options:

The Company has one stock option plan for key employees. Under the plan the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with the stock option plan and the policies of the Company, and the options have a maximum term of 10 years. Options are granted throughout the year and vest between 0 and 4 years.

The following is a summary of the activity of the outstanding share purchase options:

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	5,521,915	\$ 10.68	6,921,836	\$ 9.94
Granted during the period	192,000	11.92	100,000	10.44
Exercised during the period	(54,600)	6.58	(1,053,467)	7.24
Cancelled during the period	(118,334)	11.29	(15,667)	10.44
Balance, end of period	5,540,981	\$ 10.75	5,952,702	\$ 10.43
Options exercisable, end of period	5,075,981	\$ 10.99	5,201,868	\$ 10.70

The following is a summary of the issued and outstanding common share purchase options as at June 30, 2014:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
\$3.00 - 5.99	138,500	2005 & 2008	2015 & 2018
\$6.00 - 6.99	12,379	2004 - 2008	2014 - 2018
\$7.00 - 8.99	2,638,102	2004 - 2012	2014 - 2022
\$9.00 - 9.99	150,000	2008	2018
\$10.00 - 15.99	812,000	2006 - 2014	2016 - 2023
\$16.00 - 17.75	1,790,000	2007	2017
Total share purchase options	5,540,981		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes option pricing model. The Black-Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting restrictions and exercise restrictions under the Company's black-out policy which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

	Six months ended June 30, 2014	Six months ended June 30, 2013
Expected volatility	39.41%	50.50%
Risk free interest rate	1.47%	1.50%
Expected life (years)	4	4
Dividend yield	1.11%	1.16%
Weighted average fair value of options granted	\$ 3.55	\$ 3.91

For the three and six months ended June 30, 2014, the Company expensed \$555 (three months ended June 30, 2013 - \$590) and \$665 (six months ended June 30, 2013 - \$905), respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

13. EARNINGS PER SHARE

Details of the calculations of earnings per share are set out below:

	Three months ended June 30, 2014		Three months ended June 30, 2013	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	84,497,594	\$ 0.28	83,984,108	\$ 0.33
Effect of dilutive securities:				
Stock options	1,111,127	(0.01)	607,272	-
Diluted	85,608,721	\$ 0.27	84,591,380	\$ 0.33

	Six months ended June 30, 2014		Six months ended June 30, 2013	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	84,488,649	\$ 0.47	83,875,661	\$ 0.57
Effect of dilutive securities:				
Stock options	827,856	-	637,863	(0.01)
Diluted	85,316,505	\$ 0.47	84,513,524	\$ 0.56

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three months ended June 30, 2014, 1,907,000 options (three months ended June 30, 2013, – 2,485,000) and for the six months ended June 30, 2014, 2,602,000 options (six months ended June 30, 2013, – 2,635,000) were excluded from the diluted weighted average per share calculation as they were anti dilutive.

14. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by management. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of World.

The accounting policies of the segments are the same as those described in the Company's annual audited consolidated financial statements for the year ended December 31, 2013. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

The following is a summary of selected data for each of the Company's segments:

	Three months ended June 30, 2014		Three months ended June 30, 2013	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	\$ 207,697		\$ 203,290	\$
USA	359,420		289,145	
Mexico	178,187		159,364	
	\$ 745,304	\$ 33,654	\$ 651,799	\$ 40,994
Europe				
Germany	144,148		129,343	
Spain	22,368		23,455	
Slovakia	6,521		7,161	
	\$ 173,037	\$ 12,398	\$ 159,959	\$ 6,493
Rest of World	\$ 12,574	\$ (2,923)	\$ 14,516	\$ (545)
	\$ 930,915	\$ 43,129	\$ 826,274	\$ 46,942
		Six months ended June 30, 2014	Six months ended June 30, 2013	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	\$ 403,214		\$ 394,539	\$
USA	672,089		568,683	
Mexico	333,665		299,108	
	\$ 1,408,968	\$ 55,022	\$ 1,262,330	\$ 71,764
Europe				
Germany	297,662		248,557	
Spain	46,995		42,317	
Slovakia	12,033		10,896	
	\$ 356,690	\$ 30,072	\$ 301,770	\$ 10,960
Rest of World	\$ 29,750	\$ (4,406)	\$ 31,296	\$ (1,109)
	\$ 1,795,408	\$ 80,688	\$ 1,595,396	\$ 81,615

Inter-segment sales are not significant for any period presented.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, promissory note, bank indebtedness, trade and other payables, long-term debt, foreign exchange forward contracts and other financial liability – put option.

Fair Value

IFRS 13 "Fair Value Measurement" provides guidance about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	June 30, 2014				
	Total	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 38,460	\$ 38,460	\$ -	\$ -	\$ -
Foreign exchange forward contracts	\$ (1,191)	\$ -	\$ (1,191)	\$ -	\$ -
Other financial liability - put option*	\$ (232,800)	\$ -	\$ (232,800)	\$ -	\$ -

	December 31, 2013				
	Total	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 56,224	\$ 56,224	\$ -	\$ -	\$ -
Foreign exchange forward contracts	(370)	\$ -	\$ (370)	\$ -	\$ -
Other financial liability - put option	\$ (154,239)	\$ -	\$ -	\$ (154,239)	\$ (154,239)

* The fair value determination of the liability relating to the put option was moved to Level 2 from Level 3 as at June 30, 2014 to reflect the subsequent purchase of the remaining 45% equity interest in Martinrea Honsel on August 6, 2014 as described in note 3.

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

June 30, 2014	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	\$ -	\$ 603,308	\$ -	\$ 603,308	\$ 603,308
		603,308		603,308	603,308
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	680,998	680,998	680,998
Long-term debt	-	-	451,681	451,681	451,681
Foreign exchange forward contracts	1,191	-	-	1,191	1,191
	1,191	-	1,132,679	1,133,870	1,133,870
Net financial assets (liabilities)	\$ (1,191)	\$ 603,308	\$ (1,132,679)	\$ (530,562)	\$ (530,562)

December 31, 2013	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	\$ -	\$ 541,598	\$ -	\$ 541,598	\$ 541,598
		541,598		541,598	541,598
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	597,221	597,221	597,221
Long-term debt	-	-	471,777	471,777	471,777
Foreign exchange forward contracts	370	-	-	370	370
	370	-	1,068,998	1,069,368	1,069,368
Net financial assets (liabilities)	\$ (370)	\$ 541,598	\$ (1,068,998)	\$ (527,770)	\$ (527,770)

The fair value of trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based. The fair value of the other financial liability – put option approximates its carrying value.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

(a) Credit risk

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

Credit risk refers to the risks of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and short-term deposits is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. Approximately 85% of the Company's production sales are derived from seven customers. A substantial portion of the Company's accounts receivable are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that were past due as at June 30, 2014 are part of normal patterns within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current period are minimal.

The aging of trade receivables at the reporting date was as follows:

	June 30, 2014	December 31, 2013
0-60 days	\$ 540,232	\$ 439,125
61-90 days	14,269	35,368
Greater than 90 days	20,240	23,768
	\$ 574,741	\$ 498,261

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At June 30, 2014, the Company had cash of \$38,460 and banking facilities available as discussed in note 10. All the Company's financial liabilities other than long term debt and other financial liabilities have maturities of approximately 60 days.

A summary of contractual maturities of long term debt is provided in note 10.

(c) Interest rate risk

Interest rate risk refers to the risk the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, 1 month LIBOR or the Bankers Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.25%.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount	
	June 30, 2014	December 31, 2013
Variable rate instruments	\$ 303,799	\$ 311,705
Fixed rate instruments	147,882	160,072
	\$ 451,681	\$ 471,777

Sensitivity analysis

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of \$808 (three months ended June 30, 2013 - \$802) on the Company's interim consolidated financial results for the three months ended June 30, 2014 and \$1,626 for the six months ended June 30, 2014 (six months ended June 30, 2013 - \$1,547).

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. 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.

At June 30, 2014, the Company had committed to the following foreign exchange contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	\$ 14,000	\$ 1.0290	9
Buy Mexican Peso	7,173	13.2437	8

The aggregate value of these forward contracts as at June 30, 2014 was a loss of \$1,191 and was recorded in trade and other payables (December 31, 2013 - loss of \$370 and was recorded in trade and other payables).

The Company's exposure to foreign currency risk reported in the foreign currency was as follows:

June 30, 2014	USD	EURO	PESO	BRL	CYN
Trade and other receivables	\$ 375,516	€ 68,033	\$ 26,030 R\$	¥ 13,351	49,775
Trade and other payables	(418,875)	(86,433)	(78,506)	(20,598)	(34,543)
Long-term debt	(119,184)	(31,202)	-	(5,713)	-
	\$ (162,543)	€ (49,602)	\$ (52,476) R\$	¥ (12,960)	15,232

December 31, 2013	USD	EURO	PESO	BRL	CYN
Trade and other receivables	\$ 340,455	€ 62,093	\$ 13,988 R\$	¥ 14,729	16,815
Trade and other payables	(363,579)	(84,639)	(55,903)	(23,264)	(17,111)
Long-term debt	(131,900)	(33,369)	-	(12,152)	-
	\$ (155,024)	€ (55,915)	\$ (41,915) R\$	¥ (20,687)	(296)

The following summary illustrates the fluctuations in the exchange rates applied during the three and six months ended June 30, 2014 and 2013:

	Average rate		Average rate		Closing rate	
	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013	June 30, 2014	December 31, 2013
USD	1.0994	1.0217	1.0938	1.0095	1.0661	1.0636
EURO	1.5161	1.3263	1.5012	1.3239	1.4550	1.4655
PESO	0.0842	0.0828	0.0833	0.0805	0.0822	0.0812
BRL	0.4866	0.5087	0.4728	0.5006	0.4856	0.4503
CYN	0.1770	0.1653	0.1781	0.1631	0.1717	0.1757

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10 percent strengthening of the Canadian dollar against the following currencies at June 30, would give rise to a translation risk on net income and have increased (decreased) equity, profit or loss and comprehensive income for the three and six months ended June 30, 2014 by the amounts shown below, assuming all other variables remain constant:

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

	Three months ended June 30, 2014		Three months ended June 30, 2013		Six months ended June 30, 2014		Six months ended June 30, 2013	
USD	\$	(1,516)	\$	(1,758)	\$	(2,010)	\$	(3,427)
EURO		(1,257)		(1,056)		(2,888)		(1,471)
BRL		278		127		395		229
CYN		40		66		128		118
	\$	(2,455)	\$	(2,621)	\$	(4,375)	\$	(4,551)

A weakening of the Canadian dollar against the above currencies at June 30 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with complementary acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive loss and accumulated deficit, and debt.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

In addition to debt and equity the Company may use operating leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

16. CONTINGENCIES

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of this report or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundacao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately \$72.7 million (BRL \$149.7 million) including interest and penalties to June 30, 2014 (December 31, 2013 - \$58.0 million or BRL \$128.8 million). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. No provision has been recorded by the Company in connection with this contingency as at this stage the Company has concluded that it is not probable that a liability will result from the matter.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts) (unaudited)

17. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling 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 the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At June 30, 2014, the amount of the program financing was \$66,096 (December 31, 2013 - \$57,591) 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 obligations 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 the tooling supplier default as remote. No such defaults occurred during 2014 to date or 2013. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.



MARTINREA INTERNATIONAL INC.

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