MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note		March 31, 2019		December 31, 2018
ASSETS					
Cash and cash equivalents		$	76,447	$	70,162
Trade and other receivables	2		700,993		597,796
Inventories	3		468,452		492,759
Prepaid expenses and deposits			25,856		23,275
Income taxes recoverable			30,610		21,301
TOTAL CURRENT ASSETS			1,302,358		1,205,293
Property, plant and equipment	4		1,483,591		1,481,452
Right-of-use assets	5		216,349		-
Deferred income tax assets			141,769		145,354
Intangible assets	6		68,399		70,931
Investments	7		24,313		10,781
TOTAL NON-CURRENT ASSETS			1,934,421		1,708,518
TOTAL ASSETS		$	3,236,779	$	2,913,811
LIABILITIES					
Trade and other payables	8	$	874,485	$	862,699
Provisions	9		5,151		5,393
Income taxes payable			6,836		7,816
Current portion of long-term debt	10		16,445		16,804
Current portion of lease liabilities	11		28,581		-
TOTAL CURRENT LIABILITIES			931,498		892,712
Long-term debt	10		793,107		723,913
Lease liabilities	11		193,173		-
Pension and other post-retirement benefits			58,812		61,267
Deferred income tax liabilities			83,644		84,370
TOTAL NON-CURRENT LIABILITIES			1,128,736		869,550
TOTAL LIABILITIES			2,060,234		1,762,262
EQUITY					
Capital stock	12		681,451		680,157
Contributed surplus			41,958		42,016
Accumulated other comprehensive income			127,676		158,395
Retained earnings			325,460		270,981
TOTAL EQUITY			1,176,545		1,151,549
TOTAL LIABILITIES AND EQUITY		$	3,236,779	$	2,913,811

Contingencies (note 18)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer" Director

"Terry Lyons" Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note		Three months ended March 31, 2019		Three months ended March 31, 2018
SALES		$	1,023,161	$	963,900
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)			(822,231)		(783,859)
Depreciation of property, plant and equipment and right-of-use assets (production)			(43,429)		(35,612)
Total cost of sales			(865,660)		(819,471)
GROSS MARGIN			157,501		144,429
Research and development costs			(9,289)		(6,684)
Selling, general and administrative			(60,858)		(56,342)
Depreciation of property, plant and equipment and right-of-use assets (non-production)			(3,465)		(2,446)
Amortization of customer contracts and relationships			(537)		(530)
Gain on disposal of property, plant and equipment			111		14
OPERATING INCOME			83,463		78,441
Finance expense (including interest on lease liabilities)	15		(9,796)		(6,501)
Other finance income (expense)	15		(14)		1,972
INCOME BEFORE INCOME TAXES			73,653		73,912
Income tax expense	13		(18,385)		(17,953)
NET INCOME FOR THE PERIOD		$	55,268	$	55,959

Basic earnings per share	14	$	0.66	$	0.65
Diluted earnings per share	14	$	0.66	$	0.64

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, except per share amounts) (unaudited)

		Three months ended March 31, 2019		Three months ended March 31, 2018
NET INCOME FOR THE PERIOD	$	55,268	$	55,959
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations		(28,038)		39,433
Cash flow hedging derivative and non-derivative financial instruments:				
Unrealized gain in fair value of financial instruments		2,038		-
Reclassification of losses to net income		371		-
Items that will not be reclassified to net income				
Change in fair value of investments		(776)		(1,005)
Transfer of unrealized gains on investments to retained earnings on change in accounting method (note 7)		(4,314)		-
Remeasurement of defined benefit plans		1,085		2,075
Other comprehensive income (loss), net of tax		(29,634)		40,503
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$	25,634	$	96,462

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)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2017	$ 713,425	$ 41,981	$ 94,268	$ 108,825	$ 958,499
Net income for the period	-	-	-	55,959	55,959
Compensation expense related to stock options	-	174	-	-	174
Dividends ($0.03 per share)	-	-	-	(2,602)	(2,602)
Other comprehensive income (loss), net of tax					
Remeasurement of defined benefit plans	-	-	-	2,075	2,075
Foreign currency translation differences	-	-	39,433	-	39,433
Change in fair value of investments	-	-	(1,005)	-	(1,005)
BALANCE AT MARCH 31, 2018	713,425	42,155	132,696	164,257	1,052,533
Net income for the period	-	-	-	129,924	129,924
Compensation expense related to stock options	-	477	-	-	477
Dividends ($0.135 per share)	-	-	-	(11,611)	(11,611)
Exercise of employee stock options	2,523	(616)	-	-	1,907
Repurchase of common shares	(17,699)	-	-	(7,814)	(25,513)
Estimated repurchase of common shares subsequent to year-end under an automatic share repurchase program with a broker	(18,092)	-	-	(5,779)	(23,871)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	2,004	2,004
Foreign currency translation differences	-	-	33,177	-	33,177
Change in fair value of investments	-	-	(1,862)	-	(1,862)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized loss in fair value of financial instruments	-	-	(6,036)	-	(6,036)
Reclassification of losses to net income	-	-	420	-	420
BALANCE AT DECEMBER 31, 2018	680,157	42,016	158,395	270,981	1,151,549
Net income for the period	-	-	-	55,268	55,268
Compensation expense related to stock options	-	314	-	-	314
Dividends ($0.045 per share)	-	-	-	(3,724)	(3,724)
Exercise of employee stock options	1,294	(372)	-	-	922
Repurchase of common shares	-	-	-	(2,464)	(2,464)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	1,085	1,085
Foreign currency translation differences	-	-	(28,038)	-	(28,038)
Change in fair value of investments	-	-	(776)	-	(776)
Transfer of unrealized gains on investments to retained earnings on change in accounting method	-	-	(4,314)	4,314	-
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	2,038	-	2,038
Reclassification of losses to net income	-	-	371	-	371
BALANCE AT MARCH 31, 2019	$ 681,451	$ 41,958	$ 127,676	$ 325,460	$ 1,176,545

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, except per share amounts) (unaudited)

	Three months ended March 31, 2019	Three months ended March 31, 2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 55,268	$ 55,959
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	46,894	38,058
Amortization of customer contracts and relationships	537	530
Amortization of development costs	3,128	2,947
Unrealized loss (gain) on foreign exchange forward contracts	583	(1,304)
Unrealized loss on warrants (note 7)	581	767
Finance expense (including interest on lease liabilities)	9,796	6,501
Income tax expense	18,385	17,953
Gain on disposal of property, plant and equipment	(111)	(14)
Deferred and restricted share units expense	2,132	302
Stock options expense	314	174
Pension and other post-retirement benefits expense	1,023	1,177
Contributions made to pension and other post-retirement benefits	(1,258)	(643)
	137,272	122,407
Changes in non-cash working capital items:		
Trade and other receivables	(112,987)	(72,686)
Inventories	16,067	(36,415)
Prepaid expenses and deposits	(2,952)	(3,079)
Trade, other payables and provisions	61,775	100,176
	99,175	110,403
Interest paid (including interest on lease liabilities; excluding capitalized interest)	(10,584)	(6,933)
Income taxes paid	(28,465)	(31,678)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 60,126	$ 71,792
FINANCING ACTIVITIES:		
Repurchase of common shares	(26,335)	-
Increase in long-term debt	81,420	19,689
Repayment of long-term debt	(4,081)	(5,279)
Principal payments of lease liabilities	(7,275)	-
Dividends paid	(3,817)	(2,602)
Exercise of employee stock options	922	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 40,834	$ 11,808
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(77,418)	(71,453)
Capitalized development costs	(2,316)	(2,992)
Investment in NanoXplore Inc. (note 7)	(14,999)	(680)
Proceeds on disposal of property, plant and equipment	483	770
NET CASH USED IN INVESTING ACTIVITIES	$ (94,250)	$ (74,355)
Effect of foreign exchange rate changes on cash and cash equivalents	(425)	957
INCREASE IN CASH AND CASH EQUIVALENTS	6,285	10,202
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	70,162	71,193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 76,447	$ 81,395

*As at March 31, 2019, $36,236 (December 31, 2018 - $45,341) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables and provisions.

See accompanying notes to the interim condensed consolidated financial statements.

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. The Company is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector.

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, 2018, 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, 2018.

(c) 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 and applicable accounting standards and policies

(i) <u>IFRS 16, Leases (“IFRS 16”)</u>

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value or short term in nature. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on its interim condensed consolidated balance sheet, as well as a decrease in operating rent expense, and increases in finance and depreciation expenses, as recognized in the interim condensed consolidated statement of operations. The standard did not have a significant impact on the Company’s overall consolidated operating results.

The Company adopted IFRS 16, effective January 1, 2019, under the modified retrospective approach. Comparatives for 2018 were not restated. At transition, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after January 1, 2019.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at January 1, 2019. The weighted average discount rate applied to the total lease liabilities recognized on transition was 4.2%. For leases previously classified as operating leases under IAS 17, the Company measured right-of-use assets equal to the corresponding lease liabilities adjusted for any accrued payments related to that lease. For leases previously classified as finance leases, the Company measured right-of-use assets and lease liabilities at the carrying amounts of the finance lease assets and liabilities immediately before the date of initial application.

As such, on January 1, 2019, the Company recorded lease liabilities of $228,623 and right-of-use assets of $223,786, net of accrued liabilities related to the leases of $4,837, recognized in the interim condensed consolidated balance sheet immediately before the date of initial application, with no net impact on retained earnings.

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

The Company elected to use the following practical expedients upon initial application in accordance with the provisions of IFRS 16:

(a) Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Reliance on the Company's assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application;
(c) Accounting for all leases with a lease term that ends within 12 months of initial application in the same way as short-term leases;
(d) Exclusion of initial direct costs from the measurement of the right-of-use asset on the date of initial application; and
(e) Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, the Company elected to use the recognition exemptions on short-term leases or low-value leases, however, in the future, may choose to elect the recognition exemptions on a class-by-class and lease-by-lease basis.

For leases of land and buildings, the Company elected to separate fixed non-lease components from lease components and account for each separately. For leases of manufacturing equipment and other assets, the Company elected to not separate fixed non-lease components from lease components and instead account for both as a single lease component.

The following table reconciles the Company's operating lease commitments as at December 31, 2018, as previously disclosed in the Company's annual audited consolidated financial statements for the year-ended December 31, 2018, to the lease liabilities recognized upon initial application of IFRS 16 on January 1, 2019.

Operating lease commitments at December 31, 2018	$	240,052
Operating lease commitments discounted using the related incremental borrowing rates as of January 1, 2019	$	198,282
Finance lease liabilities recognized as of December 31, 2018	$	(463)
Recognition exemption for:		
Short-term leases		(4,150)
Low value leases		(70)
Extension and termination options reasonably certain to be exercised		46,570
Leases starting after January 1, 2019		(11,546)
Lease liabilities recognized as of January 1, 2019	$	228,623

New Lease Accounting Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

This policy is applied to contracts entered into, or modified, on or after January 1, 2019.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

Short term and low-value leases
The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than $5,000 US). The expenses associated with such leases are recognized in the interim condensed consolidated statement of operations on a straight-line basis over the lease term.

Variable lease payments
Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the interim condensed consolidated statement of operations in the period in which they are incurred.

(ii) Investments in Associates and Joint Ventures

Associates are entities over which the Company has significant influence, but not control, on financial and operating policy decisions. Significant influence is assumed when the Company holds 20% to 50% of the voting power of the investee, unless qualitative factors overcome this presumption. Similarly, significant influence is presumed not to exist when the Company holds less than 20% of the voting power of the investee, unless qualitative factors overcome this presumption.

Entities over which the Company has significant influence are accounted for under the equity method. The investment is initially recognized at cost. The carrying amount is subsequently increased or decreased to recognize the Company's share of profits or losses of the associate after the date of acquisition or when significant influence begins. The Company's share of profits or losses is recognized in the interim condensed consolidated statement of operations, and its share of other comprehensive income or loss of the associate is included in other comprehensive income or loss.

Unrealized gains on transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in the level of the Company's equity interest in an associate are recognized in the interim condensed consolidated statements of operations.

The amounts included in the financial statements of the associate are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

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

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount and charged to the statement of operations.

The Company has an equity interest in one associate, NanoXplore Inc., as further described in note 7.

2. TRADE AND OTHER RECEIVABLES

	March 31, 2019	December 31, 2018
Trade receivables	$ 686,449	$ 585,790
Other receivables	14,544	11,940
Foreign exchange forward contracts not accounted for as hedges (note 17(d))	-	66
	$ 700,993	$ 597,796

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 17.

3. INVENTORIES

	March 31, 2019	December 31, 2018
Raw materials	$ 171,715	$ 173,123
Work in progress	39,727	39,591
Finished goods	31,961	37,761
Tooling work in progress and other inventory	225,049	242,284
	$ 468,452	$ 492,759

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 130,356	$ (22,770)	$ 107,586	$ 130,106	$ (22,546)	$ 107,560
Leasehold improvements	70,554	(41,964)	28,590	70,079	(41,238)	28,841
Manufacturing equipment	2,043,549	(1,095,836)	947,713	2,009,183	(1,086,324)	922,859
Tooling and fixtures	38,954	(32,918)	6,036	39,551	(33,091)	6,460
Other assets	64,546	(32,296)	32,250	63,807	(31,294)	32,513
Construction in progress	361,416	-	361,416	383,219	-	383,219
	$ 2,709,375	$ (1,225,784)	$ 1,483,591	$ 2,695,945	$ (1,214,493)	$ 1,481,452

(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	Total
Net as of December 31, 2017	$ 100,997	$ 26,203	$ 849,350	$ 7,475	$ 28,404	$ 270,195	$ 1,282,624
Additions	8	140	-	-	66	290,299	290,513
Disposals	-	(5)	(1,326)	-	(25)	(683)	(2,039)
Depreciation	(4,026)	(4,220)	(146,798)	(1,773)	(6,481)	-	(163,298)
Impairment	-	-	(5,436)	-	-	-	(5,436)
Transfers from construction in progress	3,868	5,786	176,593	306	9,444	(195,997)	-
Foreign currency translation adjustment	6,713	937	50,476	452	1,105	19,405	79,088
Net as of December 31, 2018	107,560	28,841	922,859	6,460	32,513	383,219	1,481,452
Additions	-	-	-	-	-	68,313	68,313
Disposals	-	-	(365)	-	-	(7)	(372)
Depreciation	(963)	(1,095)	(35,215)	(327)	(1,616)	-	(39,216)
Reclassification to right-of-use assets	-	-	(445)	-	-	-	(445)
Transfers from construction in progress	2,999	1,226	76,776	-	1,914	(82,915)	-
Foreign currency translation adjustment	(2,010)	(382)	(15,897)	(97)	(561)	(7,194)	(26,141)
Net as of March 31, 2019	$ 107,586	$ 28,590	$ 947,713	$ 6,036	$ 32,250	$ 361,416	$ 1,483,591

5. RIGHT-OF-USE ASSETS

	March 31, 2019		
	Cost	Accumulated amortization	Net book value
Leased buildings	$ 207,128	$ (6,348)	$ 200,780
Leased manufacturing equipment	15,089	(1,392)	13,697
Leased other assets	2,203	(331)	1,872
	$ 224,420	$ (8,071)	$ 216,349

Movement in right-of-use assets is summarized as follows:

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2018	$ -	$ -	$ -	$ -
Initial recognition of right-of-use assets upon transition to IFRS 16 (note 1(d))	207,651	14,226	1,909	223,786
Reclassification from property, plant and equipment upon adoption of IFRS 16	-	445	-	445
Additions	-	352	192	544
Depreciation	(6,339)	(1,121)	(218)	(7,678)
Foreign currency translation adjustment	(532)	(205)	(11)	(748)
Net as of March 31, 2019	$ 200,780	$ 13,697	$ 1,872	$ 216,349

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

6. INTANGIBLE ASSETS

	March 31, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,068	$ (58,707)	$ 3,361	$ 62,497	$ (58,498)	$ 3,999
Development costs	159,320	(94,282)	65,038	160,008	(93,076)	66,932
	$ 221,388	$ (152,989)	$ 68,399	$ 222,505	$ (151,574)	$ 70,931

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2017	$ 5,920	$ 62,494	$ 68,414
Additions	-	14,171	14,171
Amortization	(2,140)	(11,342)	(13,482)
Upfront recovery of development costs incurred	-	(2,566)	(2,566)
Foreign currency translation adjustment	219	4,175	4,394
Net as of December 31, 2018	3,999	66,932	70,931
Additions	-	2,316	2,316
Amortization	(537)	(3,128)	(3,665)
Foreign currency translation adjustment	(101)	(1,082)	(1,183)
Net as of March 31, 2019	$ 3,361	$ 65,038	$ 68,399

7. INVESTMENTS

	March 31, 2019	December 31, 2018
Investment in common shares of NanoXplore Inc.	$ 22,685	$ 8,572
Warrants in NanoXplore Inc.	1,628	2,209
	$ 24,313	$ 10,781

NanoXplore Inc. (“NanoXplore”) is a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions under the heXo-G brand, including graphene powder, graphene plastic masterbatch pellets, and graphene-enhanced polymers. The company has its headquarters and graphene production facility in Montreal, Quebec.

As at December 31, 2018, the Company held 5,911,800 common shares and 2,955,900 warrants in NanoXplore. On January 11, 2019, the Company acquired an additional 11,538,000 common shares in NanoXplore for a total of $14,999 through a private placement offering, increasing its holdings in NanoXplore to 17,449,800 common shares, representing a 16% equity interest in the company. Prior to January 11, 2019, the Company’s investment in NanoXplore was accounted for at fair value based on publically-quoted stock prices, with the change in fair value recorded in other comprehensive income. Effective January 11, 2019, the Company’s investment in NanoXplore is now being accounted for using the equity method.

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

Below is a summary of financial information of NanoXplore based on the company's most recent publicly available financial statements as at and for the period ended December 31, 2018, including fair value adjustments made to the balance sheet at the time of the acquisition of the interest and adjusted for significant transactions that occurred after December 31, 2018 to the date of acquisition.

		As at or for the twelve months ended December 31, 2018
Current assets	$	58,434
Non-current assets		47,438
Current liabilities		22,934
Non-current liabilities	$	26,566
Sales	$	32,291
Net Loss	$	(5,889)

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

Upon transition to the equity accounting method of the Company's investment in NanoXplore on January 11, 2019, the Company transferred unrealized fair value gains of $4,314 from other comprehensive income to retained earnings.

As of March 31, 2019, the stock market value of the shares held by the Company in NanoXplore was $21,986.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. As at March 31, 2019, the warrants had a fair value of $1,629. Based on the fair value of the warrants as at March 31, 2019, an unrealized loss of $581 was recognized for the three months ended March 31, 2019 (2018 - $767) in other finance income (expense) in the interim condensed consolidated statement of operations.

8. TRADE AND OTHER PAYABLES

		March 31, 2019		December 31, 2018
Trade accounts payable and accrued liabilities	$	871,592	$	834,732
Estimated share repurchase liability		-		23,871
Foreign exchange forward contracts not accounted for as hedges (note 17(d))		583		-
Foreign exchange forward contracts accounted for as hedges (note 17(d))		2,310		4,096
	$	874,485	$	862,699

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 17.

9. PROVISIONS

		Restructuring		Claims and Litigations		Total
Net as of December 31, 2017	$	1,116	$	3,932	$	5,048
Net additions		2,073		2,046		4,119
Amounts used during the period		(1,116)		(2,453)		(3,569)
Foreign currency translation adjustment		-		(205)		(205)
Net as of December 31, 2018		2,073		3,320		5,393
Net additions		-		478		478
Amounts used during the period		-		(642)		(642)
Foreign currency translation adjustment		-		(78)		(78)
Net as of March 31, 2019	$	2,073	$	3,078	$	5,151

Based on estimated cash outflows, all provisions as at March 31, 2019 and December 31, 2018 are presented on the interim condensed consolidated balance sheets as current liabilities.

(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 17.

	March 31, 2019	December 31, 2018
Banking facility	$ 716,723	$ 657,803
Equipment loans	92,829	82,914
	809,552	740,717
Current portion	(16,445)	(16,804)
	$ 793,107	$ 723,913

Terms and conditions of outstanding loans, as at March 31, 2019, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2019 Carrying amount	December 31, 2018 Carrying amount
Banking facility	USD	LIBOR + 1.70%	2022	$ 396,792	$ 388,102
	CAD	BA + 1.70%	2022	319,931	269,701
Equipment loans	EUR	1.05%	2024	29,470	32,076
	CAD	3.80%	2022	29,426	31,334
	EUR	1.40%	2026	16,336	-
	EUR	2.54%	2025	15,493	16,093
	EUR	1.36%	2021	1,185	1,544
	EUR	3.35%	2019	532	966
	EUR	0.26%	2025	324	362
	BRL	5.00%	2020	63	76
	USD	3.80%	2022	-	463
				$ 809,552	$ 740,717

On July 23, 2018, the Company's banking facility was amended to extend its maturity date and enhance certain provisions of the facility. The primary terms of the amended banking facility, with now a syndicate of ten banks (up from nine), include the following:

- a move to an unsecured credit structure;
- improved financial covenants;
- available revolving credit lines of $370 million and US $420 million (up from $350 million and US $400 million, respectively);
- available asset based financing capacity of $300 million (up from $205 million);
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $200 million (up from US $150 million);
- pricing terms at market rates and consistent with the previous facility;
- a maturity date of July 2022; and
- no mandatory principal repayment provisions.

As at March 31, 2019, the Company has drawn US $297,000 (December 31, 2018 – US $286,000) on the U.S. revolving credit line and $323,000 (December 31, 2018 - $273,000) on the Canadian revolving credit line. At March 31, 2019, the weighted average effective interest rate of the banking facility credit lines was 4.0% (December 31, 2018 - 3.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2019.

Deferred financing fees of $3,069 (December 31, 2018 - $3,299) have been netted against the carrying amount of the long-term debt.

On January 30, 2019, the Company finalized an equipment loan in the amount of €10,900 ($16,602) repayable in monthly installments over six years starting in 2020 at a fixed annual interest rate of 1.40%.

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

Future annual minimum principal repayments as at March 31, 2019 are as follows:

		Scheduled principal repayments		Scheduled amortization of deferred financing fees		Carrying amount of outstanding loans
Within one year	$	17,366	$	921	$	16,445
One to two years		17,134		921		16,213
Two to three years		16,946		921		16,025
Three to four years		733,473		306		733,167
Thereafter		27,702		-		27,702
	$	812,621	$	3,069	$	809,552

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2017	$	654,017
Drawdowns		79,360
Equipment loan proceeds		36,886
Repayments		(57,710)
Deferred financing fee additions		(1,750)
Amortization of deferred financing fees		1,278
Foreign currency translation adjustment		28,636
Net as of December 31, 2018	$	740,717
Drawdowns		64,818
Loan proceeds		16,602
Repayments		(4,081)
Amortization of deferred financing fees		230
Reclassficiation of equipment loans to lease liabilities upon adoption of IFRS 16		(457)
Foreign currency translation adjustment		(8,277)
Net as of March 31, 2019	$	809,552

11. LEASE LIABILITIES

The Company enters into lease agreements for land and buildings, manufacturing equipment and other assets as a part of regular operations as a means of efficiently utilizing capital and managing the Company's cash flows.

Below is a summary of the activity related to the Company's lease liabilities for the three months ended March 31, 2019.

		Three months ended March 31, 2019
Net as of December 31, 2018	$	-
Initial recognition of lease liabilities upon transition to IFRS 16 (note 1(d))		228,623
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		457
Net additions		630
Principal payments of lease liabilities		(7,275)
Foreign currency translation adjustment and other		(681)
Net as of March 31, 2019	$	221,754

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

The maturity of contractual undiscounted lease liabilities as at March 31, 2019 is as follows:

Within one year	$	35,668
One to two years		34,521
Two to three years		32,277
Three to four years		30,354
Thereafter		134,228
Total undiscounted lease liabilities at March 31, 2019	$	267,048
Interest on lease liabilities		(45,294)
Total present value of minimum lease payments	$	221,754
Current portion		(28,581)
	$	193,173

12. CAPITAL STOCK

Common shares outstanding:	**Number**		**Amount**
Balance, December 31, 2017 and March 31, 2018	86,745,834	$	713,425
Exercise of stock options	233,750		2,523
Repurchase of common shares under normal course issuer bid	(2,150,400)		(17,699)
Repurchase of common shares subsequent to year-end under an automatic share purchase program with a broker	(2,198,079)		(18,092)
Balance, December 31, 2018	82,631,105	$	680,157
Exercise of stock options	115,500		1,294
Balance, March 31, 2019	82,746,605	$	681,451

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

Repurchase of capital stock:

During 2018, the Company received approval from the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid ("NCIB"), up to 4,348,479 common shares of the Company. The bid commenced on August 31, 2018 and spans a 12-month period.

During 2018, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,150,400 common shares for an aggregate purchase price of $25,513, resulting in a decrease to stated capital of $17,699 and a decrease to retained earnings of $7,814. The shares were purchased and cancelled directly under the NCIB.

At the end of 2018, the Company entered into an Automatic Share Purchase Program ("ASPP") with a broker that allowed the purchase of common shares for cancellation under the NCIB at any time during the predetermined trading blackout period. As at December 31, 2018, an obligation for the repurchase of 2,198,079 common shares under the ASPP was recognized in trade and other payables. During the three months ended March 31, 2019, the Company purchased the 2,198,079 common shares under the ASPP for an aggregate purchase price of $26,335, resulting in a decrease to stated capital of $18,092 and a decrease to retained earnings of $8,243. The shares were purchased and cancelled directly under the NCIB.

Stock options

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

	Three months ended March 31, 2019			**Three months ended March 31, 2018**		
	Number of options		**Weighted average exercise price**	**Number of options**		**Weighted average exercise price**
Balance, beginning of period	2,430,700	$	11.46	1,844,450	$	10.12
Granted during the period	20,000		13.19	100,000		16.06
Exercised during the period	(115,500)		7.98	-		-
Balance, end of period	2,335,200	$	11.65	1,944,450	$	10.43
Options exercisable, end of period	1,545,200	$	10.77	1,869,450	$	10.20

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

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2019:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.00 - 8.70	443,200	2009 - 2012	2019 - 2022
$10.67 - 16.06	1,892,000	2012 - 2019	2022 - 2029
Total share purchase options	2,335,200		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes-Merton option pricing model. The Black-Scholes-Merton 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 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.

The key assumptions, on a weighted average basis, used in the valuation of options granted during the three months ended March 31, 2019 and 2018 are shown in the table below:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Expected volatility	36.67%	37.21%
Risk free interest rate	2.19%	1.82%
Expected life (years)	4.9	4.0
Dividend yield	1.36%	0.75%
Weighted average fair value of options granted	$ 3.82	$ 4.76

For the three months ended March 31, 2019, the Company expensed $314 (2018 - $174), to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

Deferred Share Unit Plan

The following is a summary of the issued and outstanding DSUs as at March 31, 2019 and 2018:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Outstanding, beginning of period	174,574	123,313
Granted and reinvested dividends	-	-
Redeemed	-	-
Outstanding, end of period	174,574	123,313

At March 31, 2019, the fair value of all outstanding DSUs amounted to $2,202 (March 31, 2018 - $1,867 and December 31, 2018 - $1,806). For the three months ended March 31, 2019, DSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $396 (2018 - benefit of $71), recorded in selling, general and administrative expense.

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

Performance Restricted Share Unit Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the three months ended March 31, 2019 and 2018:

	RSUs	PSUs	Total
Outstanding, December 31, 2017	77,304	77,304	154,608
Granted and reinvested dividends	19,900	19,900	39,800
Redeemed	-	-	-
Forfeited	-	-	-
Outstanding, March 31, 2018	97,204	97,204	194,408
Granted and reinvested dividends	192,006	192,006	384,012
Redeemed	-	-	-
Forfeited	-	-	-
Outstanding, December 31, 2018	289,210	289,210	578,420
Granted and reinvested dividends	25,274	25,274	50,548
Redeemed	-	-	-
Forfeited	-	-	-
Outstanding, March 31, 2019	314,484	314,484	628,968

The RSUs and PSUs granted during the three months ended March 31, 2019 and 2018 had a weighted average fair value per unit of $12.68 and $13.61, respectively, on the date of grant. For the three months ended March 31, 2019, RSU and PSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $1,736 (2018 - $373), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at March 31, 2019 was $3,144 (March 31, 2018 - $962 and December 31, 2018 - $2,868) and will be recognized in income over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the three months ended March 31, 2019 and 2018 are shown in the table below:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Expected life (years)	2.80	1.79
Risk free interest rate	1.56%	1.97%

13. INCOME TAXES

The components of income tax expense are as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
Current income tax expense	$ (18,518)	$ (37,610)
Deferred income tax recovery	133	19,657
Total income tax expense	$ (18,385)	$ (17,953)

14. EARNINGS PER SHARE

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

	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	83,364,186	$	0.66	86,745,834	$	0.65
Effect of dilutive securities:						
Stock options	222,185		-	605,696		(0.01)
Diluted	83,586,371	$	0.66	87,351,530	$	0.64

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

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 March 31, 2019, 1,107,000 stock options (2018 - 100,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

15. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Debt interest, gross	$ (9,390)	$ (7,252)
Interest on lease liabilities	(1,580)	-
Capitalized interest - at an average rate of 3.7% (2018 - 2.9%)	1,174	751
Finance expense (including interest on lease liabilities)	(9,796)	(6,501)

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net unrealized foreign exchange gain	$ 496	$ 2,672
Unrealized loss on warrants (note 7)	(581)	(767)
Other income, net	71	67
Other finance income (expense)	(14)	1,972

16. 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 the World.

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2018. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

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

	Three months ended March 31, 2019			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 160,337	$ 3,569	$ 163,906	
USA	313,957	36,485	350,442	
Mexico	306,149	61,889	368,038	
Eliminations	(45,524)	(25,725)	(71,249)	
	$ 734,919	$ 76,218	$ 811,137	$ 71,125
Europe				
Germany	118,268	16,231	134,499	
Spain	41,435	2,091	43,526	
Slovakia	13,135	1,079	14,214	
Eliminations	-	(1,844)	(1,844)	
	172,838	17,557	190,395	15,287
Rest of the World	21,003	2,329	23,332	(2,949)
Eliminations	(1,507)	(196)	(1,703)	
	$ 927,253	$ 95,908	$ 1,023,161	$ 83,463

	Three months ended March 31, 2018			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 161,490	$ 14,149	$ 175,639	
USA	321,718	34,279	355,997	
Mexico	246,618	12,205	258,823	
Eliminations	(44,245)	(5,059)	(49,304)	
	$ 685,581	$ 55,574	$ 741,155	$ 61,468
Europe				
Germany	120,877	4,109	124,986	
Spain	42,581	2,947	45,528	
Slovakia	14,152	1,057	15,209	
	177,610	8,113	185,723	15,835
Rest of the World	32,679	7,702	40,381	1,138
Eliminations	(3,179)	(180)	(3,359)	
	$ 892,691	$ 71,209	$ 963,900	$ 78,441

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, long-term debt, and foreign exchange forward contracts.

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 to sell 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.

(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:

	March 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 76,447	$ 76,447	$ -	$ -
Warrants in NanoXplore (note 7)	$ 1,628	$ -	$ 1,628	$ -
Foreign exchange forward contracts not accounted for as hedges (note 8)	$ (583)	$ -	$ (583)	$ -
Foreign exchange forward contracts accounted for as hedges (note 8)	$ (2,310)	$ -	$ (2,310)	$ -

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 70,162	$ 70,162	$ -	$ -
Investments (note 7)	$ 10,781	$ 8,572	$ 2,209	$ -
Foreign exchange forward contracts not accounted for as hedges (note 2)	$ 66	$ -	$ 66	$ -
Foreign exchange forward contracts accounted for as hedges (note 8)	$ (4,096)	$ -	$ (4,096)	$ -

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:

March 31, 2019	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 700,993	$ -	$ 700,993	$ 700,993
Warrants in NanoXplore (note 7)	1,628	-	-	-	1,628	1,628
	1,628	-	700,993	-	702,621	702,621
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(871,592)	(871,592)	(871,592)
Long-term debt	-	-	-	(809,552)	(809,552)	(809,552)
Foreign exchange forward contracts not accounted for as hedges	(583)	-	-	-	(583)	(583)
Foreign exchange forward contracts accounted for as hedges	-	(2,310)	-	-	(2,310)	(2,310)
	(583)	(2,310)	-	(1,681,144)	(1,684,037)	(1,684,037)
Net financial assets (liabilities)	$ 1,045	$ (2,310)	$ 700,993	$ (1,681,144)	$ (981,416)	$ (981,416)

December 31, 2018	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 597,730	$ -	$ 597,730	$ 597,730
Investments (note 7)	2,209	8,572	-	-	10,781	10,781
Foreign exchange forward contracts not accounted for as hedges	66	-	-	-	66	66
	2,275	8,572	597,730	-	608,577	608,577
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(834,732)	(834,732)	(834,732)
Estimated share repurchase liability	-	-	-	(23,871)	(23,871)	(23,871)
Long-term debt	-	-	-	(740,717)	(740,717)	(740,717)
Foreign exchange forward contracts accounted for as hedges	-	(4,096)	-	-	(4,096)	(4,096)
	-	(4,096)	-	(1,599,320)	(1,603,416)	(1,603,416)
Net financial assets (liabilities)	$ 2,275	$ 4,476	$ 597,730	$ (1,599,320)	$ (994,839)	$ (994,839)

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

The fair values of trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying amount since it 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.

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

Credit risk refers to the risk 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 cash equivalents 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. The Company has three customers whose sales were 31.4%, 30.4%, and 13.7% of its production sales for the three months ended March 31, 2019 (2018 - 32.1%, 25.4% and 15.7%). A substantial portion of the Company's trade receivables 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 was past due as at March 31, 2019 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 0.5% of total trade receivables for all periods and movements in the period were minimal.

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

	March 31, 2019	December 31, 2018
0-60 days	$ 648,099	$ 540,728
61-90 days	7,833	18,437
Greater than 90 days	30,517	26,625
	$ 686,449	$ 585,790

(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 March 31, 2019, the Company had cash of $76,447 (December 31, 2018 - $70,162) and banking facilities available as discussed in note 10. All the Company's financial liabilities other than long-term debt 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 that 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, one month LIBOR or the Banker's 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 1.0%.

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

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

		Carrying amount		
		March 31, 2019		**December 31, 2018**
Variable rate instruments	$	716,723	$	657,803
Fixed rate instruments		92,829		82,914
	$	809,552	$	740,717

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,762 (2018 - $1,420) on the Company's consolidated financial results for the three months ended March 31, 2019.

(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 March 31, 2019, the Company had committed to the following foreign exchange contracts:

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

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$	20,000	1.3402	1
Sell Euros	$	8,000	1.1279	1
Buy Mexican Peso	$	19,222	18.9618	1

The aggregate value of these forward contracts as at March 31, 2019 was a pre-tax loss of $583 and was recorded in trade and other payables (December 31, 2018 - pre-tax gain of $66 recorded in trade and other receivables).

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

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$	52,300	1.2780	45

The aggregate value of these forward contracts as at March 31, 2019 was a pre-tax loss of $2,310 and was recorded in trade and other payables (December 31, 2018 - pre-tax loss of $4,096 recorded in trade and other payables).

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

March 31, 2019		**USD**		**EURO**		**PESO**		**BRL**		**CNY**
Trade and other receivables	$	367,024	€	83,294	$	81,609	R$	24,589	¥	49,180
Trade and other payables		(411,247)		(99,280)		(271,599)		(36,615)		(76,713)
Long-term debt		(297,000)		(42,264)		-		(184)		-
	$	(341,223)	€	(58,250)	$	(189,990)	R$	(12,210)	¥	(27,533)

December 31, 2018		**USD**		**EURO**		**PESO**		**BRL**		**CNY**
Trade and other receivables	$	297,895	€	66,826	$	84,181	R$	26,348	¥	89,887
Trade and other payables		(383,618)		(88,627)		(219,130)		(37,578)		(104,990)
Long-term debt		(286,341)		(32,787)		-		(218)		-
	$	(372,064)	€	(54,588)	$	(134,949)	R$	(11,448)	¥	(15,103)

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

The following summary illustrates the fluctuations in the exchange rates applied during the three months ended March 31, 2019 and 2018 and as at December 31, 2018:

	Average rate		Closing rate	
	Three months ended March 31, 2019	Three months ended March 31, 2018	March 31, 2019	December 31, 2018
USD	1.3328	1.2612	1.3360	1.3570
EURO	1.5173	1.5290	1.4987	1.5567
PESO	0.0682	0.0667	0.0688	0.0686
BRL	0.3516	0.3877	0.3411	0.3498
CNY	0.1955	0.1957	0.1990	0.1985

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at March 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three months ended March 31, 2019 and 2018 by the amounts shown below, assuming all other variables remain constant:

	Three months ended March 31, 2019	Three months ended March 31, 2018
USD	$ (4,255)	$ (4,060)
EURO	(1,256)	(1,327)
BRL	208	91
CNY	163	(246)
	$ (5,140)	$ (5,542)

A weakening of the Canadian dollar against the above currencies at March 31, 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 income and retained earnings, 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 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.

18. 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 Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao 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 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 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 and most recent developments surrounding the assessments, is approximately $69,075 (BRL $202,528) including interest and penalties to March 31, 2019 (December 31, 2018- $74,319 or BRL 212,462). 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. The Company may be required to present guarantees totaling $28,335 at some point through a pledge of assets, bank letter of credits or cash deposit. 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.

19. 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 March 31, 2019, the amount of the off-balance sheet program financing was $35,276 (December 31, 2018 - $58,871) 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 2018 or 2019. 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.