MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

Martinrea International Inc.
Table of Contents

Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		$ 52,465	$ 59,165
Trade and other receivables	2	520,105	568,445
Inventories	3	378,939	306,130
Prepaid expenses and deposits		17,149	14,758
Income taxes recoverable		15,459	9,786
Assets held for sale	4	17,622	-
TOTAL CURRENT ASSETS		1,001,739	958,284
Property, plant and equipment	5	1,239,702	1,257,247
Deferred income tax assets		178,708	179,702
Intangible assets	6	67,979	73,261
Other assets	7	7,663	-
TOTAL NON-CURRENT ASSETS		1,494,052	1,510,210
TOTAL ASSETS		$ 2,495,791	$ 2,468,494
LIABILITIES			
Trade and other payables	9	$ 720,104	$ 707,007
Provisions	10	5,349	6,689
Income taxes payable		37,117	18,622
Current portion of long-term debt	11	15,355	27,982
TOTAL CURRENT LIABILITIES		777,925	760,300
Long-term debt	11	643,011	693,421
Pension and other post-retirement benefits		71,184	66,863
Deferred income tax liabilities		95,344	118,234
TOTAL NON-CURRENT LIABILITIES		809,539	878,518
TOTAL LIABILITIES		1,587,464	1,638,818
EQUITY			
Capital stock	13	710,794	710,510
Contributed surplus		42,689	42,660
Accumulated other comprehensive income		80,278	117,048
Retained earnings (accumulated deficit)		74,566	(40,020)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		908,327	830,198
Non-controlling interest		-	(522)
TOTAL EQUITY		908,327	829,676
TOTAL LIABILITIES AND EQUITY		$ 2,495,791	$ 2,468,494

Contingencies (note 18)
Subsequent Events (notes 4, and 11)

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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
SALES		$ 838,535	$ 914,725	$ 2,811,857	$ 2,978,000
Cost of sales (excluding depreciation of property, plant and equipment)		(690,629)	(783,692)	(2,348,953)	(2,556,008)
Depreciation of property, plant and equipment (production)		(34,488)	(31,335)	(102,345)	(94,254)
Total cost of sales		(725,117)	(815,027)	(2,451,298)	(2,650,262)
GROSS MARGIN		113,418	99,698	360,559	327,738
Research and development costs		(6,745)	(5,482)	(19,997)	(17,614)
Selling, general and administrative		(53,864)	(48,023)	(159,002)	(150,138)
Depreciation of property, plant and equipment (non-production)		(2,385)	(2,165)	(7,056)	(6,469)
Amortization of customer contracts and relationships		(552)	(587)	(1,632)	(1,710)
Gain on sale of land and building	5	-	-	5,698	-
Gain/(loss) on disposal of property, plant and equipment		234	(47)	527	(76)
Impairment of assets	8	-	-	-	(34,579)
Restructuring costs	10	-	-	-	(3,684)
OPERATING INCOME		50,106	43,394	179,097	113,468
Finance expense		(5,451)	(6,018)	(16,792)	(18,112)
Other finance income (expense)	15	1,715	770	2,458	(2,570)
INCOME BEFORE INCOME TAXES		46,370	38,146	164,763	92,786
Income tax expense	12	(10,348)	(9,319)	(37,863)	(31,455)
NET INCOME FOR THE PERIOD		$ 36,022	$ 28,827	$ 126,900	$ 61,331
Non-controlling interest		207	271	277	296
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$ 36,229	$ 29,098	$ 127,177	$ 61,627
Basic earnings per share	14	$ 0.42	$ 0.34	$ 1.47	$ 0.71
Diluted earnings per share	14	$ 0.42	$ 0.34	$ 1.47	$ 0.71

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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
NET INCOME FOR THE PERIOD	$ 36,022	$ 28,827	$ 126,900	$ 61,331
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(27,752)	15,690	(40,106)	(35,234)
Change in fair value of available for sale investments	3,336	-	3,336	-
Items that will not be reclassified to net income				
Remeasurement of defined benefit plans	775	(4,028)	(2,954)	(9,448)
Other comprehensive income (loss), net of tax	(23,641)	11,662	(39,724)	(44,682)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 12,381	$ 40,489	$ 87,176	$ 16,649
Attributable to:				
Equity holders of the Company	12,588	40,760	87,453	16,945
Non-controlling interest	(207)	(271)	(277)	(296)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 12,381	$ 40,489	$ 87,176	$ 16,649

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 comprehensive income	Retained earnings/ (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at December 31, 2015	$ 709,396	$ 42,648	$ 147,442	$ (123,157)	$ 776,329	$ (103)	$ 776,226
Net income for the period	-	-	-	61,627	61,627	(296)	61,331
Compensation expense related to stock options	-	250	-	-	250	-	250
Dividends ($0.09 per share)	-	-	-	(7,775)	(7,775)	-	(7,775)
Exercise of employee stock options	101	(29)	-	-	72	-	72
Other comprehensive loss, net of tax							
Remeasurement of defined benefit plans	-	-	-	(9,448)	(9,448)	-	(9,448)
Foreign currency translation differences	-	-	(35,234)	-	(35,234)	-	(35,234)
Balance at September 30, 2016	709,497	42,869	112,208	(78,753)	785,821	(399)	785,422
Net income for the period	-	-	-	30,753	30,753	(123)	30,630
Compensation expense related to stock options	-	83	-	-	83	-	83
Dividends ($0.03 per share)	-	-	-	(2,591)	(2,591)	-	(2,591)
Exercise of employee stock options	1,013	(292)	-	-	721	-	721
Other comprehensive income, net of tax							
Remeasurement of defined benefit plans	-	-	-	10,571	10,571	-	10,571
Foreign currency translation differences	-	-	4,840	-	4,840	-	4,840
Balance at December 31, 2016	710,510	42,660	117,048	(40,020)	830,198	(522)	829,676
Net income for the period	-	-	-	127,177	127,177	(277)	126,900
Change in non-controlling interest	-	-	-	(1,849)	(1,849)	799	(1,050)
Compensation expense related to stock options	-	111	-	-	111	-	111
Dividends ($0.09 per share)	-	-	-	(7,788)	(7,788)	-	(7,788)
Exercise of employee stock options	284	(82)	-	-	202	-	202
Other comprehensive income (loss), net of tax							
Remeasurement of defined benefit plans	-	-	-	(2,954)	(2,954)	-	(2,954)
Foreign currency translation differences	-	-	(40,106)	-	(40,106)	-	(40,106)
Change in fair value of available for sale investments	-	-	3,336	-	3,336	-	3,336
Balance at September 30, 2017	$ 710,794	$ 42,689	$ 80,278	$ 74,566	$ 908,327	$ -	$ 908,327

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 September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	$ 36,022	$ 28,827	$ 126,900	$ 61,331
Adjustments for:				
Depreciation of property, plant and equipment	36,873	33,500	109,401	100,723
Amortization of customer contracts and relationships	552	587	1,632	1,710
Amortization of development costs	3,345	3,086	9,991	10,045
Impairment of assets (note 8)	-	-	-	34,579
Unrealized losses (gains) on foreign exchange forward contracts	331	(772)	781	144
Unrealized gain on derivative instruments (note 7)	(1,375)	-	(1,375)	-
Finance expense	5,451	6,018	16,792	18,112
Income tax expense	10,348	9,319	37,863	31,455
Gain on sale of land and building (note 5)	-	-	(5,698)	-
Loss (gain) on disposal of property, plant and equipment	(234)	47	(527)	76
Deferred and restricted share units expense	473	1	1,262	254
Stock options expense	37	84	111	250
Pension and other post-retirement benefits expense	1,137	1,183	3,429	3,450
Contributions made to pension and other post-retirement benefits	(473)	(308)	(1,449)	(1,347)
	92,487	81,572	299,113	260,782
Changes in non-cash working capital items:				
Trade and other receivables	73,413	185	30,311	(65,961)
Inventories	(48,863)	(2,305)	(85,615)	6,023
Prepaid expenses and deposits	622	(693)	(3,243)	(1,513)
Trade, other payables and provisions	(42,659)	13,714	54,846	22,103
	75,000	92,473	295,412	221,434
Interest paid (excluding capitalized interest)	(4,797)	(5,336)	(14,761)	(15,336)
Income taxes paid	(10,597)	(9,527)	(43,254)	(40,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 59,606	$ 77,610	$ 237,397	$ 165,303
FINANCING ACTIVITIES:				
Increase in long-term debt	-	66	-	88,876
Repayment of long-term debt	(4,608)	(29,087)	(39,198)	(51,607)
Dividends paid	(2,606)	(2,591)	(7,788)	(7,774)
Exercise of employee stock options	-	-	202	72
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ (7,214)	$ (31,612)	$ (46,784)	$ 29,567
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(49,004)	(61,981)	(192,556)	(164,942)
Capitalized development costs	(3,289)	(3,342)	(10,580)	(9,653)
Proceeds on disposal of property, plant and equipment	705	125	1,330	370
Investment in NanoXplore Inc.(note 7)	(2,475)	-	(2,475)	-
Proceeds on disposal of land and building (note 5)	-	-	9,872	-
Upfront recovery of development costs incurred	-	-	1,170	-
NET CASH USED IN INVESTING ACTIVITIES	$ (54,063)	$ (65,198)	$ (193,239)	$ (174,225)
Effect of foreign exchange rate changes on cash and cash	(3,007)	1,931	(4,074)	(1,976)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,678)	(17,269)	(6,700)	18,669
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	57,143	64,837	59,165	28,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,465	$ 47,568	$ 52,465	$ 47,568

*As at September 30, 2017, $47,106 (December 31, 2016- $71,557) of purchases of property, plant and equipment remain unpaid.

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, 2016, 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, 2016.

(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 and applicable accounting standards and policies

Non-current Assets Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. An asset meets the criteria for held for sale classification when its sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets. A sale is considered highly probable when management is committed to a plan to sell the asset, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and included in Other Assets. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in Other Comprehensive Income. When an investment is derecognized, the accumulated gain or loss in Other Comprehensive Income is transferred to profit or loss.

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 11 (Long-term debt) of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Performance and Restricted Share Unit Plan

On November 3, 2016, as amended on April 28, 2017, a Performance and Restricted Share Unit Plan (the “PRSU Plan”) was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units (“RSUs”) and/or Performance Share Units (“PSUs”) to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan), at the Company's option, for either common shares or cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in earnings.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

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 core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company is in the process of finalizing its assessment of the potential impact; the adoption of IFRS 15 may have on the consolidated financial statements, including consultation with industry peers and review of relevant contracts. As part of the evaluation, the Company is analyzing the standard's impact on customer contracts, comparing its historical accounting policies and practices to the requirements of the new standard, and identifying potential differences from application of the new standard's requirements. Aside from any potential accounting policy changes, the new standard will require additional disclosure around revenue which the Company will address upon adoption beginning on January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 9 on the consolidated financial statements. The extent of the impact has not yet been determined.

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

IFRS 16, Leases

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. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of IFRS 16 on the consolidated financial statements. The extent of the impact has not yet been determined.

Amendments to IFRS 2, Share-Based Payments

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

2. TRADE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016
Trade receivables	$ 502,804	$ 555,074
VAT and other receivables	17,301	13,371
	$ 520,105	$ 568,445

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

	September 30, 2017	December 31, 2016
Raw materials	$ 160,744	$ 146,802
Work in progress	43,192	38,323
Finished goods	37,390	39,088
Tooling work in progress and other inventory	137,613	81,917
	$ 378,939	$ 306,130

4. ASSETS HELD FOR SALE

Subsequent to the quarter ended September 30, 2017, the Company entered into a sale-leaseback arrangement involving the land and building of two of its operating facilities in the Greater Toronto Area. The agreement was executed on October 2, 2017 and is expected to close in November, 2017. Net proceeds of approximately $31,000 are expected on closing of the transaction. The assets being sold had a total carrying value of $17,622 as at September 30, 2017 and have been classified as held for sale. The corresponding leaseback of the assets is for a term of ten years at market lease rates.

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

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 128,193	$ (29,475)	$ 98,718	$ 161,438	$ (41,389)	$ 120,049
Leasehold improvements	58,451	(34,995)	23,456	58,303	(33,316)	24,987
Manufacturing equipment	1,768,528	(906,308)	862,220	1,684,395	(876,359)	808,036
Tooling and fixtures	41,174	(33,407)	7,767	42,806	(34,387)	8,419
Other assets	51,414	(25,503)	25,911	40,795	(23,038)	17,757
Construction in progress and spare parts	221,630	-	221,630	277,999	-	277,999
	$ 2,269,390	$ (1,029,688)	$ 1,239,702	$ 2,265,736	$ (1,008,489)	$ 1,257,247

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, 2015	$ 113,323	$ 24,604	$ 780,750	$ 5,743	$ 17,936	$ 259,806	$ 1,202,162
Additions	-	221	7,083	18	304	241,828	249,454
Disposals	(4)	-	(512)	-	(62)	(207)	(785)
Depreciation	(4,038)	(4,510)	(121,976)	(1,604)	(4,216)	-	(136,344)
Impairment (note 8)	-	(723)	(21,021)	-	(26)	-	(21,770)
Transfers from construction in progress and spare parts	13,005	6,131	188,457	4,310	4,417	(216,320)	-
Foreign currency translation adjustment	(2,237)	(736)	(24,745)	(48)	(596)	(7,108)	(35,470)
Net as of December 31, 2016	$ 120,049	$ 24,987	$ 808,036	$ 8,419	$ 17,757	$ 277,999	$ 1,257,247
Additions	-	617	1,358	-	235	165,895	168,105
Disposals	(3,363)	-	(1,297)	-	(212)	(105)	(4,977)
Assets held for sale (note 4)	(17,622)	-	-	-	-	-	(17,622)
Depreciation	(3,079)	(3,100)	(98,170)	(1,096)	(3,956)	-	(109,401)
Transfers from construction in progress and spare parts	8,271	1,555	186,709	987	12,678	(210,200)	-
Foreign currency translation adjustment	(5,538)	(603)	(34,416)	(543)	(591)	(11,959)	(53,650)
Net as of September 30, 2017	$ 98,718	$ 23,456	$ 862,220	$ 7,767	$ 25,911	$ 221,630	$ 1,239,702

The Company has entered into certain asset-backed financing arrangements that were structured as sales- leaseback arrangements. At September 30, 2017, the carrying value of property, plant and equipment under such arrangements was $21,780 (December 31, 2016 - $25,632). The corresponding amounts owing are recorded within long-term debt (note 11).

During the quarter ended March 31, 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an “as-is, where-is” basis. The building was sold for proceeds of $9,872 (net of closing costs of $378) resulting in a pre-tax gain of $5,698.

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

6. INTANGIBLE ASSETS

	September 30, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,042	$ (55,650)	$ 6,392	$ 62,044	$ (53,872)	$ 8,172
Development costs	140,162	(78,575)	61,587	138,416	(73,327)	65,089
	$ 202,204	$ (134,225)	$ 67,979	$ 200,460	$ (127,199)	$ 73,261

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2015	$ 10,773	$ 72,817	$ 83,590
Additions	-	12,624	12,624
Amortization	(2,307)	(13,652)	(15,959)
Impairment (note 8)	-	(4,179)	(4,179)
Foreign currency translation adjustment	(294)	(2,521)	(2,815)
Net as of December 31, 2016	$ 8,172	$ 65,089	$ 73,261
Additions	-	10,580	10,580
Amortization	(1,632)	(9,991)	(11,623)
Upfront recovery of development costs incurred	-	(1,170)	(1,170)
Foreign currency translation adjustment	(148)	(2,921)	(3,069)
Net as of September 30, 2017	$ 6,392	$ 61,587	$ 67,979

7. OTHER ASSETS

	September 30, 2017	December 31, 2016
Investment in common shares of NanoXplore Inc. (1)	$ 5,995	$ -
Warrants in NanoXplore Inc. (1)	1,668	-
	$ 7,663	$ -

(1) Investment in NanoXplore Inc.

In the third quarter, the Company acquired 5.5 million common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2,475 through a private placement offering. As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

NanoXplore is a graphene company, 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.

The initial purchase price of $2,475 was allocated to the common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $2,182 being initially allocated to the common shares and $293 to the warrants.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes valuation model, with the change in fair value recorded through profit or loss. As at September 30, 2017, the warrants had a fair value of $1,668 resulting in an unrealized gain of $1,375 for the three and nine months ended September 30, 2017, which is recorded in Other finance income (expense) in the interim condensed consolidated statement of operations. The table below summarizes the assumptions used in valuing the warrants using the Black-Scholes valuation model as at acquisition date and September 30, 2017:

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

	Acquisition	September 30, 2017
Expected volatility	76.29%	76.55%
Risk-free interest rate	1.31%	1.52%
Expected life (years)	2	2

The acquired common shares in NanoXplore have been classified as available-for-sale for reporting purposes. As such, the common shares are recorded at their fair value at the end of each reporting period based on publicly quoted prices, with the change in fair value recorded in Other comprehensive income (loss). As at September 30, 2017, the common shares had a fair value of $5,995 resulting in an unrealized gain of $3,813 ($3,336 net of tax) for the three months ended September 30, 2017.

8. IMPAIRMENT OF ASSETS

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Property, plant and equipment	$ -	$ -	$ -	$ 21,770
Intangible Assets - Development costs	-	-	-	4,179
Inventories	-	-	-	8,630
Total Impairment	$ -	$ -	$ -	$ 34,579

9. TRADE AND OTHER PAYABLES

	September 30, 2017	December 31, 2016
Trade accounts payable and accrued liabilities	$ 719,323	$ 706,799
Foreign exchange forward contracts (note 17(d))	781	208
	$ 720,104	$ 707,007

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

10. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Total
Net as of December 31, 2015	$ 14,026	$ 1,572	$ 15,598
Net additions	3,684	189	3,873
Amounts used during the period	(12,118)	(512)	(12,630)
Foreign currency translation adjustment	(344)	192	(152)
Net as of December 31, 2016	$ 5,248	$ 1,441	$ 6,689
Net additions	-	4,850	4,850
Amounts used during the period	(3,808)	(2,214)	(6,022)
Foreign currency translation adjustment	66	(234)	(168)
Net as of September 30, 2017	$ 1,506	$ 3,843	$ 5,349

Based on estimated cash outflows, all provisions as at September 30, 2017 and December 31, 2016 are presented on the interim condensed consolidated balance sheets as current liabilities.

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

(a) Restructuring

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated. The restructuring accrual as at December 31, 2015 relates to restructuring activities undertaken in Martinrea Honsel for employee related severance. Additional restructuring costs for Martinrea Honsel in Meschede, Germany of $1,810 (€1,238) were incurred during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during 2016 totaled $1,874 (US$1,441) and represent employee related payouts resulting from the closure of an operating facility in Detroit, Michigan as described in note 8.

(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.

The increase in claims and litigation provision for the nine months ended September 30, 2017 predominately related to certain employee-related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

11. 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.

	September 30, 2017	December 31, 2016
Banking facility	$ 589,692	$ 631,879
Equipment loans	68,674	89,524
	658,366	721,403
Current portion	(15,355)	(27,982)
	$ 643,011	$ 693,421

Terms and conditions of outstanding loans, as at September 30, 2017, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2017 Carrying amount	December 31, 2016 Carrying amount
Banking facility	USD	LIBOR+1.75%	2020	$ 319,488	$ 362,529
	CAD	BA+1.75%	2020	270,204	269,350
Equipment loans	EUR	3.06%	2024	15,957	15,337
	EUR	2.54%	2025	15,240	14,648
	EUR	4.93%	2023	14,820	14,370
	USD	4.25%	2018	12,176	23,532
	EUR	4.34%	2025	3,164	3,041
	EUR	3.35%	2019	2,829	3,797
	EUR	1.36%	2021	2,056	2,548
	USD	7.36%	2017	1,479	6,195
	USD	3.80%	2022	432	527
	EUR	0.26%	2025	367	353
	BRL	5.00%	2020	154	200
	USD	4.25%	2017	-	3,872
	EUR	3.37%	2017	-	904
	USD	3.99%	2017	-	200
				$ 658,366	$ 721,403

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

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

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

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

As at September 30, 2017, the Company has drawn US$256,000 (December 31, 2016 - US$270,000) on the U.S. revolving credit line and $273,000 (December 31, 2016 - $273,000) on the Canadian revolving credit line. At September 30, 2017, the weighted average effective rate of the banking facility credit lines was 2.9% (December 31, 2016 - 2.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2017.

Deferred financing fees of $3,167 (December 31, 2016 - $4,194) have been netted against the carrying amount of the long-term debt.

Subsequent to the quarter ended September 30, 2017, the Company finalized an equipment loan in the amount of $40,000 repayable in monthly installments over five years at a fixed interest rate of 3.8%. The loan agreement was executed on October 2, 2017.

Future annual minimum principal repayments are as follows:

Within one year	$	15,355
One to two years		4,974
Two to three years		596,243
Three to four years		3,751
Thereafter		38,043
	$	658,366

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2015	$	717,012
Drawdowns and loan proceeds (net of capitalized deferred financing fees of $2,370)		90,784
Repayments		(69,499)
Amortization of deferred financing fees		1,169
Foreign currency translation adjustment		(18,063)
Net as of December 31, 2016	$	721,403
Repayments		(39,198)
Amortization of deferred financing fees		1,027
Foreign currency translation adjustment		(24,866)
Net as of September 30, 2017	$	658,366

12. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Current income tax expense	$	(16,019)	$	(7,011)	$	(58,448)	$	(31,653)
Deferred income tax recovery (expense)		5,671		(2,308)		20,585		198
Total income tax expense	$	(10,348)	$	(9,319)	$	(37,863)	$	(31,455)

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

13. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance, December 31, 2015	86,374,667	$	709,396
Exercise of stock options	10,000		101
Balance, September 30, 2016	86,384,667	$	709,497
Exercise of stock options	100,000		1,013
Balance, December 31, 2016	86,484,667	$	710,510
Exercise of stock options	27,500		284
Balance, September 30, 2017	86,512,167	$	710,794

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

Stock options:

The following is a summary of the activity of the outstanding share	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	3,010,617	$	11.38	4,340,617	$	12.38
Exercised during the period	(27,500)		7.33	(10,000)		7.20
Cancelled during the period	(905,000)		14.91	(1,000,000)		16.15
Balance, end of period	2,078,117	$	9.90	3,330,617	$	11.26
Options exercisable, end of period	1,953,117	$	9.77	3,080,617	$	11.21

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2017:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$6.00 - 8.99	872,368	2008 - 2012	2018 - 2022
$9.00 - 9.99	50,000	2008	2018
$10.00 - 15.99	1,155,749	2007 - 2015	2017 - 2025
Total share purchase options	2,078,117		

For the three and nine months ended September 30, 2017, the Company expensed $37 (three months ended September 30, 2016 - $84) and $111 (nine months ended September 30, 2016 - $250) respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Deferred Share Unit Plan

The following is a summary of the issued and outstanding DSUs as at September 30, 2017:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Units outstanding, beginning of period	67,837	-
Units granted during the period	30,894	31,011
Units settled during the period	-	-
Units for dividends earned during the period (issued twice a year)	420	106
Units outstanding, end of period	99,151	31,117

The DSUs granted during the nine months ended September 30, 2017 were granted to non-executive directors, are not subject to vesting conditions and had a weighted average fair value per unit of $9.71 on the date of grant. At September 30, 2017, the fair value of all outstanding DSUs amounted to $1,107 (September 30, 2016 - $254 and December 31, 2016 - $568). For the three and nine months ended September 30, 2017, DSU compensation expense amounted to $41 (three months ended September 30, 2016 - $1) and $539 (nine months ended September 30, 2016 - $254), respectively, which was recorded in Selling, general and administrative expense in the interim condensed consolidated statement of operations.

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

Performance and Restricted Share Unit Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2017:

	RSUs	PSUs	Total
Units outstanding, beginning of period	-	-	-
Units granted during the period	57,760	57,760	115,520
Units exercised during the period	-	-	-
Units forfeited during the period	-	-	-
Units outstanding, end of period	57,760	57,760	115,520

The RSUs and PSUs granted during the nine months ended September 30, 2017 had a weighted average fair value per unit of $11.70 on the date of grant. For the three and nine months ended September 30, 2017, RSU and PSU compensation expense amounted to $432 and $723 respectively, (three and nine months ended September 30, 2016 - $Nil).

Unrecognized RSU and PSU compensation expense as at September 30, 2017 was $638 and will be recognized in profit and loss over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the three and nine months ended September 30, 2017 are shown in the table below:

	Average for the nine months ended September 30, 2017
Expected life (years)	2.21
Risk-free interest rate	1.52%

14. EARNINGS PER SHARE

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

	Three months ended September 30, 2017		Three months ended September 30, 2016	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	86,512,167	$ 0.42	86,384,667	$ 0.34
Effect of dilutive securities:				
Stock options	281,866	-	122,643	-
Diluted	86,794,033	$ 0.42	86,507,310	$ 0.34

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	86,505,494	$ 1.47	86,384,557	$ 0.71
Effect of dilutive securities:				
Stock options	233,199	-	185,198	-
Diluted	86,738,693	$ 1.47	86,569,755	$ 0.71

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.

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

For the three months ended September 30, 2017 – 842,000 options (three months ended September 30, 2016 - 2,332,450) and for the nine months ended September 30, 2017 – 1,155,749 options (nine months ended September 30, 2016 - 2,090,749) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

15. OTHER FINANCE INCOME (EXPENSE)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net foreign exchange gain (loss)	$ 246	$ 676	$ 861	$ (2,722)
Unrealized gain on derivative instruments (note 7)	1,375	-	1,375	-
Other income, net	94	94	222	152
Other finance income (expense)	$ 1,715	$ 770	$ 2,458	$ (2,570)

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 audited consolidated financial statements for the year ended December 31, 2016. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Three months ended September 30, 2017		Three months ended September 30, 2016	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 148,841		$ 198,089	$
USA	305,082		377,113	
Mexico	233,007		196,910	
Eliminations	(40,035)		(34,985)	
	$ 646,895	$ 42,459	$ 737,127	$ 39,057
Europe				
Germany	107,109		97,781	
Spain	43,513		41,849	
Slovakia	14,683		12,514	
Eliminations	(165)		(64)	
	165,140	9,034	152,080	6,842
Rest of the World	30,319	(1,387)	27,721	(2,505)
World Eliminations	(3,819)		(2,203)	
	$ 838,535	$ 50,106	$ 914,725	$ 43,394

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

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 612,981		$ 659,624	$
USA	1,063,554		1,253,261	
Mexico	698,379		620,065	
Eliminations	(135,981)		(114,994)	
	$ 2,238,933	$ 155,970	$ 2,417,956	$ 93,024
Europe				
Germany	326,664		315,327	
Spain	122,645		128,919	
Slovakia	44,314		41,671	
Eliminations	(543)		(1,604)	
	493,080	30,892	484,313	25,362
Rest of the World	90,163	(7,765)	84,826	(4,918)
World Eliminations	(10,319)		(9,095)	
	$ 2,811,857	$ 179,097	$ 2,978,000	$ 113,468

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, other assets, 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.

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

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 52,465	$ 52,465	$ -	$ -
Other assets (note 7)	7,663	5,995	1,668	
Foreign exchange forward contracts (note 9)	$ (781)	$ -	$ (781)	$ -

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 59,165	$ 59,165	$ -	$ -
Foreign exchange forward contracts (note 9)	$ (208)	$ -	$ (208)	$ -

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

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:

September 30, 2017	Fair value through profit or loss	Fair value through other comprehensive income	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 520,105	$ -	$ 520,105	$ 520,105
Other assets (note 7)	1,668	5,995	-	-	7,663	7,663
	1,668	5,995	520,105	-	527,768	527,768
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(719,323)	(719,323)	(719,323)
Long-term debt	-	-	-	(658,366)	(658,366)	(658,366)
Foreign exchange forward contracts	(781)	-	-	-	(781)	(781)
	(781)	-	-	(1,377,689)	(1,378,470)	(1,378,470)
Net financial assets (liabilities)	$ 887	$ 5,995	$ 520,105	$ (1,377,689)	$ (850,702)	$ (850,702)

December 31, 2016	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 568,445	$ -	$ 568,445	$ 568,445
	-	568,445	-	568,445	568,445
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(706,799)	(706,799)	(706,799)
Long-term debt	-	-	(721,403)	(721,403)	(721,403)
Foreign exchange forward contracts	(208)	-	-	(208)	(208)
	(208)	-	(1,428,202)	(1,428,410)	(1,428,410)
Net financial assets (liabilities)	$ (208)	$ 568,445	$ (1,428,202)	$ (859,965)	$ (859,965)

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.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, currency risk and market price risk related to publicly-traded investments. 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 thousands of Canadian dollars, except per share amounts) (unaudited)

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 33.2%, 27.3%, and 14.9% of its production sales for the nine months ending September 30, 2017 (nine months ended September 30, 2016 – 32.5%, 27.5% and 15.0%). 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 September 30, 2017 are part of the normal payment pattern 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 year are minimal.

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

	September 30, 2017	December 31, 2016
0-60 days	$ 464,263	$ 526,483
61-90 days	14,898	16,540
Greater than 90 days	23,643	12,051
	$ 502,804	$ 555,074

(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 September 30, 2017, the Company had cash of $52,465 and banking facilities available as discussed in note 11. All of 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 11.

(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%.

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

	Carrying amount	
	September 30, 2017	December 31, 2016
Variable rate instruments	$ 589,692	$ 631,879
Fixed rate instruments	68,674	89,524
	$ 658,366	$ 721,403

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,497 (three months ended September 30, 2016 - $1,585) on the Company's financial results for the three months ended September 30, 2017 and $4,582 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $4,668).

(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 sales 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.

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

At September 30, 2017, 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
Sell Euro	$	4,715	1.1788	1
Buy Mexican Peso	$	25,669	17.8429	2

The aggregate value of these forward contracts as at September 30, 2017 was a pre-tax loss of $781 and was recorded in trade and other payables (December 31, 2016 - loss of $208 and was recorded in trade and other payables).

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

September 30, 2017		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	271,402	€	67,987	$	44,999	R$	24,775	¥	105,837
Trade and other payables		(329,316)		(88,341)		(157,819)		(27,538)		(91,782)
Long-term debt		(267,585)		(36,925)		-		(391)		-
	$	(325,499)	€	(57,279)	$	(112,820)	R$	(3,154)	¥	14,055

December 31, 2016		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	289,124	€	59,222	$	27,941	R$	15,359	¥	156,848
Trade and other payables		(353,541)		(73,297)		(116,038)		(17,432)		(79,703)
Long-term debt		(295,971)		(38,813)		-		(495)		-
	$	(360,388)	€	(52,888)	$	(88,097)	R$	(2,568)	¥	77,145

The following summary illustrates the fluctuations in the exchange rates applied during the three and nine months ended September 30, 2017 and 2016:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	September 30, 2017	December 31, 2016
USD	1.2849	1.2965	1.3186	1.3290	1.2480	1.3427
EURO	1.4823	1.4491	1.4494	1.4777	1.4742	1.4169
PESO	0.0718	0.0698	0.0691	0.0736	0.0687	0.0651
BRL	0.3997	0.3944	0.4127	0.3687	0.3941	0.4125
CNY	0.1906	0.1953	0.1927	0.2027	0.1876	0.1930

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 September 30, 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 and nine months ended September 30, 2017 by the amounts shown below, assuming all other variables remain constant:

		Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016
USD	$	(2,733)	$	(2,054)	$	(9,803)	$	(3,377)
EURO		(788)		(830)		(2,616)		(2,411)
BRL		86		149		783		521
CNY		90		136		257		186
	$	(3,345)	$	(2,599)	$	(11,379)	$	(5,081)

A weakening of the Canadian dollar against the above currencies at September 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) Market price risk related to publicly-traded investments

Market price risk related to publicly-traded investments refers to the risk that changes or fluctuations in the market prices of the Company's investments in publicly-traded companies will affect income, cash flows or the value of financial instruments. The Company manages risks related to such changes by regularly reviewing publicly available information related to these investments to ensure that any risks are within reasonable levels of risk tolerance. The Company does not engage in risk management practices such as hedging, derivatives, or short selling with respect to publicly-traded investments.

(f) 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 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.

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, is approximately $84,671 (BRL $214,847) including interest and penalties to September 30, 2017 (December 31, 2016 - $82,453 or BRL 199,886). 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 $58,570 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 September 30, 2017, the amount of the program financing was $72,661 (December 31, 2016 - $65,468) 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 2017 year-to-date or 2016. 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.