MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2019

The following management discussion and analysis ("MD&A") was prepared as of November 12, 2019 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2019 ("financial statements"), as well as the Company's audited financial statements and MD&A for the year ended December 31, 2018 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2018, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs approximately 15,000 skilled and motivated people in 52 locations (including sales and engineering centers) in Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China and Japan.

Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. The Company's mission is to make people's lives better by: delivering outstanding quality products and services to our customers; providing meaningful opportunity, job satisfaction, and job security for our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities.

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to IFRS measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

The following tables set out certain key financial metrics underlying the Company's performance for the three and nine months ended September 30, 2019 and 2018. Refer to the Company's financial statements for the three and nine months ended September 30, 2019 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2019	Three months ended September 30, 2018	$ Change	% Change
Sales	$ 974,384	$ 851,136	123,248	14.5%
Gross Margin	143,901	127,130	16,771	13.2%
Operating Income	73,243	58,449	14,794	25.3%
Net Income for the period	46,678	36,381	10,297	28.3%
Net Earnings per Share - Basic	$ 0.57	$ 0.42	0.15	35.7%
Net Earnings per Share - Diluted	$ 0.56	$ 0.42	0.14	33.3%
Non-IFRS Measures*				
Adjusted Operating Income	$ 69,044	$ 58,449	10,595	18.1%
% of Sales	*7.1%*	*6.9%*		
Adjusted EBITDA	122,401	103,744	18,657	18.0%
% of Sales	*12.6%*	*12.2%*		
Adjusted Net Income	43,507	37,169	6,338	17.1%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.53	$ 0.43	0.10	23.3%

		Nine months ended September 30, 2019		Nine months ended September 30, 2018	$ Change	% Change
Sales	$	2,946,078	$	2,736,746	209,332	7.6%
Gross Margin		456,180		421,594	34,586	8.2%
Operating Income		214,008		218,565	(4,557)	(2.1%)
Net Income for the period		130,068		148,067	(17,999)	(12.2%)
Net Earnings per Share - Basic	$	1.57	$	1.71	(0.14)	(8.2%)
Net Earnings per Share - Diluted	$	1.56	$	1.70	(0.14)	(8.2%)
Non-IFRS Measures*						
Adjusted Operating Income	$	236,476	$	218,565	17,911	8.2%
% of Sales		*8.0%*		*8.0%*		
Adjusted EBITDA		394,021		349,438	44,583	12.8%
% of Sales		*13.4%*		*12.8%*		
Adjusted Net Income		153,853		149,326	4,527	3.0%
Adjusted Net Earnings per Share - Basic	$	1.86	$	1.72	0.14	8.1%
Adjusted Net Earnings per Share - Diluted	$	1.85	$	1.71	0.14	8.2%

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly-titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA" and "Free Cash Flow".

Impact of the Adoption of IFRS 16, Leases

Effective January 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases ("IFRS 16"). In adopting the new standard, the Company used the modified retrospective approach which involves recognizing transitional adjustments in opening retained earnings, if any, on the date of initial application without restating comparative prior periods. As such, 2018 prior year comparatives have not been restated.

The adoption of the new standard resulted in the recognition of lease liabilities of $228.6 million and right-of-use assets of $223.8 million, net of accrued liabilities related to the leases of $4.8 million, recognized as at January 1, 2019 in the interim condensed consolidated balance sheet. From an earnings perspective, while timing differences may exist, the new standard results in a decrease in operating rent expense essentially replaced by increases in finance and depreciation expenses as recognized in the interim condensed consolidated statement of operations. As such, the adoption of IFRS 16 did not have a significant impact on the Company's operating results and the financial metrics for the three and nine months ended September 30, 2019 outlined above other than "Adjusted EBITDA". The adoption of IFRS 16 contributed approximately 8% of the year-to-date year-over-year growth in Adjusted EBITDA due to the recognition of depreciation expense on right-of-use assets, in lieu of operating rent expense, as required by the new standard. The adoption of the new standard is further explained in "Recently adopted and applicable accounting standards and policies" in this MD&A and note 1(d)(i) of the financial statements for the three and nine months ended September 30, 2019.

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

	Three months ended September 30, 2019	Three months ended September 30, 2018
Net Income	$ 46,678	$ 36,381
Unusual and Other Items (after-tax)*	(3,171)	788
Adjusted Net Income	$ 43,507	$ 37,169

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net Income	$ 130,068	$ 148,067
Unusual and Other Items (after-tax)*	23,785	1,259
Adjusted Net Income	$ 153,853	$ 149,326

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

	Three months ended September 30, 2019	Three months ended September 30, 2018
Net Income	$ 46,678	$ 36,381
Income tax expense	16,129	12,236
Other finance expense - excluding Unusual and Other Items*	844	1,994
Share of loss of an associate	818	-
Finance expense	9,345	6,937
Unusual and Other Items (before-tax)*	(4,770)	901
Adjusted Operating Income	$ 69,044	$ 58,449
Depreciation of property, plant and equipment and right-of-use assets	50,200	41,787
Amortization of intangible assets	4,104	3,349
Loss (gain) on disposal of property, plant and equipment	(947)	159
Adjusted EBITDA	$ 122,401	$ 103,744

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net Income	$ 130,068	$ 148,067
Income tax expense	52,156	48,254
Other finance expense - excluding Unusual and Other Items*	1,130	460
Share of loss of an associate	1,330	-
Finance expense	29,085	20,345
Unusual and Other Items (before-tax)*	22,707	1,439
Adjusted Operating Income	$ 236,476	$ 218,565
Depreciation of property, plant and equipment and right-of-use assets	146,931	120,345
Amortization of intangible assets	11,820	10,159
Loss (gain) on disposal of property, plant and equipment	(1,206)	369
Adjusted EBITDA	$ 394,021	$ 349,438

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

SALES

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

		Three months ended September 30, 2019		Three months ended September 30, 2018	$ Change	% Change
North America	$	780,989	$	648,649	132,340	20.4%
Europe		157,736		171,902	(14,166)	(8.2%)
Rest of the World		37,727		33,542	4,185	12.5%
Eliminations		(2,068)		(2,957)	889	(30.1%)
Total Sales	$	974,384	$	851,136	123,248	14.5%

The Company's consolidated sales for the third quarter of 2019 increased by $123.3 million or 14.5% to $974.4 million as compared to $851.1 million for the third quarter of 2018. The total increase in sales was driven by year-over-year increases in the North America and Rest of the World operating segments, partially offset by a decrease in Europe.

Sales for the third quarter of 2019 in the Company's North America operating segment increased by $132.4 million or 20.4% to $781.0 million from $648.6 million for the third quarter of 2018. The increase was due to an increase in tooling sales of $86.8 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer; the launch of new programs during or subsequent to the third quarter of 2018, including the next generation GM Silverado/Sierra, RAM pick-up trucks and the new Chevrolet Blazer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the third quarter of 2019 of approximately $5.9 million as compared to the third quarter of 2018. These positive factors were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms, in particular the Ford Escape, and programs that ended production during or subsequent to the third quarter of 2018. The United Auto Workers (UAW) strike, which began on September 16, 2019 at General Motors in the United States, negatively impacted production sales for third quarter by approximately $20.0 million across several platforms.

Sales for the third quarter of 2019 in the Company's Europe operating segment decreased by $14.2 million or 8.2% to $157.7 million from $171.9 million for the third quarter of 2018. The decrease can be attributed to lower year-over-year production volumes on certain light-vehicle platforms, in particular with Daimler and Jaguar Land Rover, and including programs that ended production during or subsequent to the third quarter of 2018; a $9.5 million decrease in tooling sales; and a $4.3 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2018. These negative factors were partially offset by the launch of new programs during or subsequent to the third quarter of 2018, including new aluminum engine blocks for Ford, Jaguar Land Rover and Volvo, and an aluminum transmission for Volkswagen.

Sales for the third quarter of 2019 in the Company's Rest of the World operating segment increased by $4.2 million or 12.5% to $37.7 million from $33.5 million in the third quarter of 2018. The increase was due to higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China; the ramp up of new aluminum structural components work for Jaguar Land Rover in China, which began to ramp up in 2018 but at significantly lower than expected volumes; and a $2.5 million increase in tooling sales. These positive factors were partially offset by lower year-over-year production volumes on the Ford Mondeo vehicle platform in China; lower year-over-year production sales in the Company's operating facility in Brazil; and a $0.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2018.

Overall tooling sales increased by $79.8 million to $127.8 million for the third quarter of 2019 from $48.0 million for the third quarter of 2018.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

		Nine months ended September 30, 2019		Nine months ended September 30, 2018	$ Change	% Change
North America	$	2,346,167	$	2,091,651	254,516	12.2%
Europe		513,742		546,328	(32,586)	(6.0%)
Rest of the World		91,526		107,751	(16,225)	(15.1%)
Eliminations		(5,357)		(8,984)	3,627	(40.4%)
Total Sales	$	2,946,078	$	2,736,746	209,332	7.6%

The Company's consolidated sales for the nine months ended September 30, 2019 increased by $209.4 million or 7.6% to $2,946.1 million as compared to $2,736.7 million for the nine months ended September 30, 2018. The total increase in sales was driven by an increase in the North America operating segment, partially offset by year-over-year decreases in sales in Europe and Rest of the World.

Sales for the nine months ended September 30, 2019 in the Company's North America operating segment increased by $254.5 million or 12.2% to $2,346.2 million from $2,091.7 million for the nine months ended September 30, 2018. The increase was due to the launch of new programs during or subsequent to the nine months ended September 30, 2018, including the next generation GM Silverado/Sierra, RAM pick-up trucks, and the new Chevrolet Blazer; an increase in tooling sales of $99.6 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2019 of approximately $64.6 million as compared to the corresponding period of 2018. These positive factors were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms, including the Ford Escape and Jeep Wrangler, and programs that ended production during or subsequent to the nine months ended September 30, 2018. The UAW strike, which began on September 16, 2019 at General Motors in the United States, negatively impacted production sales for the nine months ended September 30, 2019 by approximately $20.0 million across several platforms.

Sales for the nine months ended September 30, 2019 in the Company's Europe operating segment decreased by $32.6 million or 6.0% to $513.7 million from $546.3 million for the nine months ended September 30, 2018. The decrease can be attributed to lower year-over-year production volumes on certain light vehicle platforms, in particular with Jaguar Land Rover, and including programs that ended production during or subsequent to the nine months September 30, 2018; the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2019 of $11.2 million as compared to the corresponding period of 2018; and a $6.2 million decrease in tooling sales. These negative factors were partially offset by the launch of new programs during or subsequent to the nine months ended September 30, 2018, including new aluminum engine blocks for Ford, Jaguar Land Rover and Volvo, and an aluminum transmission for Volkswagen.

Sales for the nine months ended September 30, 2019 in the Company's Rest of the World operating segment decreased by $16.3 million or 15.1% to $91.5 million from $107.8 million for the nine months ended September 30, 2018. The decrease was due to lower year-over-year production volumes on the Ford Mondeo vehicle platform in China; lower year-over-year production sales in the Company's operating facility in Brazil; a $3.3 million decrease in tooling sales; and a $2.9 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2018. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and the ramp up of new aluminum structural components work for Jaguar Land Rover in China, which began to ramp up in 2018, but at significantly lower than expected volumes.

Overall tooling sales increased by $90.2 million to $274.2 million for the nine months ended September 30, 2019 from $184.0 million for the nine months ended September 30, 2018.

GROSS MARGIN

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	Three months ended September 30, 2019	Three months ended September 30, 2018	$ Change	% Change
Gross margin	$ 143,901	$ 127,130	16,771	13.2%
% of Sales	14.8%	14.9%		

The gross margin percentage for the third quarter of 2019 of 14.8% decreased slightly as a percentage of sales by 0.1% as compared to the gross margin percentage for the third quarter of 2018 of 14.9%. The slight decrease was generally due to an increase in tooling sales which typically earn low margins for the Company; the impact of the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales during the last two weeks of September, on the Company's margin profile for the quarter; and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched. These negative factors were essentially offset by productivity and efficiency improvements at certain operating facilities, and an improvement in general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2018.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	$ Change	% Change
Gross margin	$ 456,180	$ 421,594	34,586	8.2%
% of Sales	15.5%	15.4%		

The gross margin percentage for the nine months ended September 30, 2019 of 15.5% increased slightly as a percentage of sales by 0.1% as compared to the gross margin percentage for the nine months ended September 30, 2018 of 15.4%. The slight increase was generally due to productivity and efficiency improvements at certain operating facilities; and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2018. These positive factors were essentially offset by an increase in tooling sales which typically earn low margins for the Company; the impact of the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales during the last two weeks of September, on the Company's margin profile for the nine months ended September 30, 2019; and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

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

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	Three months ended September 30, 2019	Three months ended September 30, 2018	$ Change	% Change
Selling, general & administrative	$ 57,381	$ 59,088	(1,707)	(2.9%)
% of Sales	5.9%	6.9%		

SG&A expense, before adjustments, for the third quarter of 2019 decreased by $1.7 million to $57.4 million as compared to SG&A expense for the third quarter of 2018 of $59.1 million. Excluding the unusual and other items relating to the Company's operating facility in Brazil, as explained in Table A under "Adjustments to Net Income", SG&A expense for the third quarter of 2019 increased by $2.5 million to $61.6 million from $59.1 million for the comparative period of 2018. The increase can be attributed to increased costs incurred at new and/or expanded facilities launching and ramping up new work; a general increase in employment and other costs to support the evolution of the business and operating margin expansion initiatives; and higher year-over-year incentive compensation related to deferred/restricted share units and stock option expense. These negative factors were partially offset by a decrease in travel-related expenses and lower year-over-year operating rent expense as a result of the adoption of IFRS 16, which was essentially replaced with depreciation of right-of-use assets.

Excluding adjustments, SG&A expense as a percentage of sales decreased year-over-year to 6.3% for the third quarter of 2019 from 6.9% for the third quarter of 2018 due mainly to the year-over-year increase in tooling sales during the quarter, as described above.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	$ Change	% Change
Selling, general & administrative	$ 176,024	$ 173,950	2,074	1.2%
% of Sales	6.0%	6.4%		

SG&A expense, before adjustments, for the nine months ended September 30, 2019 increased by $2.1 million to $176.0 million as compared to SG&A expense for the nine months ended September 30, 2018 of $174.0 million. Excluding the unusual and other items relating to the Company's operating facility in Brazil, as explained in Table B under "Adjustments to Net Income", SG&A expense for the nine months ended September 30, 2019 increased by $6.3 million to $180.2 million from $174.0 million for the comparative period in 2018. The increase can be attributed to increased costs incurred at new and/or expanded facilities launching and ramping up new work; a general increase in employment and corresponding costs to support the evolution of the business and operating margin expansion initiatives; and higher year-over-year incentive compensation based on the performance of the business, including an increase in deferred/restricted share units and stock option expense. These negative factors were partially offset by a decrease in travel related expenses and lower year-over-year operating rent expense as a result of the adoption of IFRS 16, which was essentially replaced with depreciation of right-of-use assets.

Excluding adjustments, SG&A expense as a percentage of sales decreased year-over-year to 6.1% for the nine months ended September 30, 2019 from 6.4% for the nine months ended September 30, 2018 due mainly to the year-over-year increase in overall sales, as described above.

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

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

		Three months ended September 30, 2019		Three months ended September 30, 2018	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	46,598	$	39,118	7,480	19.1%
Depreciation of PP&E and right-of-use assets (non-production)		3,602		2,669	933	35.0%
Amortization of customer contracts and relationships		536		537	(1)	(0.2%)
Amortization of development costs		3,568		2,812	756	26.9%
Total depreciation and amortization	$	54,304	$	45,136	9,168	20.3%

Total depreciation and amortization expense for the third quarter of 2019 increased by $9.2 million to $54.3 million as compared to $45.1 million for the third quarter of 2018. The increase in total depreciation and amortization expense was primarily due to the adoption of IFRS 16, which added a total of $7.6 million in incremental depreciation expense on right-of-use assets.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2018 and new and replacement programs scheduled to launch over the next two to three years in all of the Company's various product offerings. The Company continues to make significant investments in the operations of the Company in light of its growing backlog of business and growing global footprint.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales increased year-over-over to 4.8% for the third quarter of 2019 from 4.6% for the third quarter of 2018 due mainly to the adoption of IFRS 16, which added incremental depreciation expense on right-of-use assets; partially offset by the year-over-year increase in tooling sales during the quarter, as described above.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

		Nine months ended September 30, 2019		Nine months ended September 30, 2018	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	135,972	$	112,615	23,357	20.7%
Depreciation of PP&E and right-of-use assets (non-production)		10,959		7,730	3,229	41.8%
Amortization of customer contracts and relationships		1,569		1,605	(36)	(2.2%)
Amortization of development costs		10,251		8,554	1,697	19.8%
Total depreciation and amortization	$	158,751	$	130,504	28,247	21.6%

Total depreciation and amortization expense for the nine months ended September 30, 2019 increased by $28.3 million to $158.8 million as compared to $130.5 million for the nine months ended September 30, 2018. Consistent with the year-over-year increase in the third quarter of 2019 as explained above, the increase in total depreciation and amortization expense for the nine months ended September 30, 2019 was primarily due to the adoption of IFRS 16, which added a total of $23.3 million in incremental depreciation expense on right-of-use assets.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales increased year-over-year to 4.6% for the nine months ended September 30, 2019 from 4.1% for the nine months ended September 30, 2018 due mainly to the adoption of IFRS 16, which added incremental depreciation expense on right-of-use assets; partially offset by the year-over-year increase in overall sales, as described above.

ADJUSTMENTS TO NET INCOME

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

TABLE A

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	Three months ended September 30, 2019 (a)	Three months ended September 30, 2018 (b)	(a)-(b) Change
NET INCOME (A)	**$46,678**	**$36,381**	**$10,297**
Add Back - Unusual and Other Items:			
Loss (gain) on derivative instruments (1)	(571)	901	(1,472)
Net gain in the Company's operating facility in Brazil (2)	(4,199)	-	(4,199)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($4,770)**	**$901**	**($5,671)**
Tax impact of above items	1,599	(113)	1,712
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($3,171)**	**$788**	**($3,959)**
ADJUSTED NET INCOME (A + B)	**$43,507**	**$37,169**	**$6,338**
Number of Shares Outstanding - Basic ('000)	82,593	86,685	
Adjusted Basic Net Earnings Per Share	$0.53	$0.43	
Number of Shares Outstanding - Diluted ('000)	82,713	87,096	
Adjusted Diluted Net Earnings Per Share	$0.53	$0.43	

TABLE B

Nine months ended September 30, 2019 to nine months ended September 30, 2018

	Nine months ended September 30, 2019 (a)	Nine months ended September 30, 2018 (b)	(a)-(b) Change
NET INCOME (A)	**$130,068**	**$148,067**	**($17,999)**
Add Back - Unusual and Other Items:			
Loss on derivative instruments (1)	239	1,439	(1,200)
Net gain in the Company's operating facility in Brazil (2)	(4,199)	-	(4,199)
Impairment of assets (3)	18,502	-	18,502
Restructuring costs (4)	8,165	-	8,165
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$22,707**	**$1,439**	**$21,268**
Tax impact of above items	1,078	(180)	1,258
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$23,785**	**$1,259**	**$22,526**
ADJUSTED NET INCOME (A + B)	**$153,853**	**$149,326**	**$4,527**
Number of Shares Outstanding - Basic ('000)	82,897	86,790	
Adjusted Basic Net Earnings Per Share	$1.86	$1.72	
Number of Shares Outstanding - Diluted ('000)	83,054	87,360	
Adjusted Diluted Net Earnings Per Share	$1.85	$1.71	

(1) Unrealized loss (gain) on derivative instruments

As further described in note 7 of the financial statements and later on in this MD&A under "Investments", Martinrea holds warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants 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 it relates to the warrants as at September 30, 2019, a gain of $0.6 million was recognized for the three months ended September 30, 2019 (2018 - unrealized loss of $0.9 million), and a loss of $0.2 million was recognized for the nine months ended September 30, 2019 (2018 - unrealized loss of $1.4 million), recorded in other finance income (expense) and added back to Adjusted Net Income.

(2) Net gain in the Company's operating facility in Brazil

Included in income for the three months ended September 30, 2019 is a non-recurring benefit recognized in the Company's operating facility in Brazil, included in the Rest of the World operating segment. The benefit represents a $6.5 million recovery of previously paid local social security taxes, partially offset by a $2.3 million true-up of the facility's claims and litigation provision related to certain employee-related matters. The benefit was recorded against selling, general and administrative expense.

(3) Impairment of assets

During the second quarter of 2019, the Company recorded impairment charges on property, plant, equipment, right-of-use assets, intangible assets and inventories totaling $18.5 million related to an operating facility in China included in the Rest of the World operating segment. The impairment charges resulted from lower OEM production volumes on certain light vehicle platforms being serviced by the facility, representing a significant portion of the business, causing the Company to complete an analysis of strategic alternatives. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts, including consideration for where specific assets can be transferred to other facilities.

(4) Restructuring costs

Additions to the restructuring accrual in 2019 totaled $8.2 million and represent employee-related severance resulting from the right-sizing of operating facilities in Brazil ($6.2 million), Canada ($1.7 million) and China ($0.3 million) during the second quarter.

NET INCOME

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

		Three months ended September 30, 2019		Three months ended September 30, 2018	$ Change	% Change
Net Income	$	46,678	$	36,381	10,297	28.3%
Adjusted Net Income	$	43,507	$	37,169	6,338	17.1%
Net Earnings per Share						
Basic	$	0.57	$	0.42		
Diluted	$	0.56	$	0.42		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.53	$	0.43		

Net income, before adjustments, for the third quarter of 2019 increased by $10.3 million to $46.7 million from $36.4 million for the third quarter of 2018 due in part to the unusual and other items recognized during the three months ended September 30, 2019 and 2018 as explained in Table A under “Adjustments to Net Income”. Excluding these unusual and other items, net income for the third quarter of 2019 increased to $43.5 million or $0.53 per share, on a basic and diluted basis, from $37.2 million or $0.43 per share, on a basic and diluted basis, for the third quarter of 2018. The lower outstanding Martinrea share count as a result of the recent share repurchases the Company completed under a normal course issuer bid, as further explained in note 13 of the financial statements and later on in this MD&A under “Disclosure of Outstanding Share Data”, contributed to the year-over-year increase in Adjusted Net Earnings per Share.

Adjusted Net Income for the third quarter of 2019, as compared to the third quarter of 2018, was positively impacted by the following:

- higher gross profit on increased year-over-year sales as previously explained;
- a $0.9 million gain on the disposal of property, plant and equipment for the third quarter of 2019 compared to a loss of $0.2 million for the third quarter of 2018;
- a net foreign exchange loss of $1.1 million for the third quarter of 2019 compared to a loss of $2.1 million for the third quarter of 2018; and
- lower operating rent expense due to the adoption of IFRS 16, generally replaced by increases in finance and depreciation expenses.

These positive factors were partially offset by the following:

- a year-over-year increase in depreciation expense due primarily to the adoption of IFRS 16;
- a year-over-year increase in research and development costs due to increased new product and process research and development activity and an increase in program-related development cost amortization;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously discussed;
- a year-over-year increase in finance expense on the Company’s revolving bank debt and equipment loans as a result of interest on lease liabilities as a result of the adoption of IFRS 16; and
- the Company’s share of loss of an associate in the amount of $0.8 million.

Three months ended September 30, 2019 actual to guidance comparison:

On August 6, 2019, the Company provided the following guidance for the third quarter of 2019:

		Guidance		Actual
Production sales (in millions)	$	820 - 860	$	847
Adjusted Net Earnings per Share				
Basic & Diluted	$	0.53 - 0.57	$	0.53

For the third quarter of 2019, production sales of $847 million and Adjusted Net Earnings per Share of $0.53 were within the published sales and earnings guidance ranges provided.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

		Nine months ended September 30, 2019		Nine months ended September 30, 2018	$ Change	% Change
Net Income	$	130,068	$	148,067	(17,999)	(12.2%)
Adjusted Net Income	$	153,853	$	149,326	4,527	3.0%
Net Earnings per Share						
Basic	$	1.57	$	1.71		
Diluted	$	1.56	$	1.70		
Adjusted Net Earnings per Share						
Basic	$	1.86	$	1.72		
Diluted	$	1.85	$	1.71		

Net Income, before adjustments, for the nine months ended September 30, 2019 decreased by $18.0 million to $130.1 million from $148.1 million for the nine months ended September 30, 2018 due largely to the unusual and other items incurred as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the nine months ended September 30, 2019 increased to $153.9 million or $1.86 per share, on a basic basis, and $1.85 per share on a diluted basis, from $149.3 million or $1.72 per share, on a basic basis, and $1.71 per share on a diluted basis, for the nine months ended September 30, 2018. The lower outstanding Martinrea share count as a result of recent share repurchases the Company completed under a normal course issuer bid, as further explained in note 13 of the financial statements and later on in this MD&A under "Disclosure of Outstanding Share Data", contributed to the year-over-year increase in Adjusted Net Earnings per Share.

Adjusted Net Income for the nine months ended September 30, 2019, as compared to the nine months ended September 30, 2018, was positively impacted by the following:

- higher gross profit on increased year-over-year sales as previously explained;
- a $1.2 million gain on the disposal of property, plant and equipment for the nine months ended September 30, 2019 compared to a loss of $0.4 million for the comparative period of 2018; and
- lower operating rent expense due to the adoption of IFRS 16, generally replaced by increases in finance and depreciation expenses.

These positive factors were partially offset by the following:

- a year-over-year increase in depreciation expense due primarily to the adoption of IFRS 16;
- a year-over-year increase in research and development costs due to increased new product and process research and development activity and an increase in program-related development cost amortization;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously discussed;
- a year-over-year increase in finance expense on the Company's revolving bank debt and equipment loans as a result of increased debt levels and borrowing rates, and interest on lease liabilities as a result of the adoption of IFRS 16;
- a net foreign exchange loss of $1.5 million for the nine months ended September 30, 2019 compared to a loss of $0.7 million for the nine months ended September 30, 2018; and
- the Company's share of loss of an associate in the amount of $1.3 million.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

		Three months ended September 30, 2019		Three months ended September 30, 2018	$ Change	% Change
Additions to PP&E	$	75,748	$	62,591	13,157	21.0%

Additions to PP&E increased by $13.1 million to $75.7 or 7.8% of sales in the third quarter of 2019 from $62.6 million or 7.4% of sales in the third quarter of 2018 due in large part to the timing of expenditures. The Company continues to make investments in the business, including in various sales and margin growth projects and in both new and replacement business, as the Company's global footprint expands and as it executes on its backlog of new business in all its various product offerings.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	$ Change	% Change
Additions to PP&E	$ 209,629	$ 182,502	27,127	14.9%

Additions to PP&E increased by $27.1 million year-over-year to $209.6 million or 7.1% of sales for the nine months ended September 30, 2019 compared to $182.5 million or 6.7% of sales for the nine months ended September 30, 2018 due generally to the timing of expenditures. As explained above, the Company continues to make investments in the business, including in various sales and margin growth projects and in both new and replacement business, as the Company's global footprint expands and as it executes on its backlog of new business in all its various product offerings.

SEGMENT ANALYSIS

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

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	SALES		OPERATING INCOME *	
	Three months ended September 30, 2019	Three months ended September 30, 2018	Three months ended September 30, 2019	Three months ended September 30, 2018
North America	$ 780,989	$ 648,649	$ 48,405	$ 52,237
Europe	157,736	171,902	13,927	6,164
Rest of the World	37,727	33,542	6,712	48
Eliminations	(2,068)	(2,957)	-	-
Adjusted Operating Income	-	-	$ 69,044	$ 58,449
Unusual and Other Items*	-	-	4,199	-
Total	$ 974,384	$ 851,136	$ 73,243	$ 58,449

** Operating income for the operating segments has been adjusted for unusual and other items. The $4.2 million of unusual and other items for the third quarter of 2019 was recognized in Rest of the World. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America decreased by $3.8 million to $48.4 million or 6.2% of sales for the third quarter of 2019 from $52.2 million or 8.1% for the third quarter of 2018 on higher sales, as previously explained, driven in large part by higher year-over-year tooling sales which typically earn low margins for the Company. Adjusted Operating Income in North America was negatively impacted by the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales and corresponding contribution during the last two weeks of September, and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched, and higher year-over-year research and development costs and SG&A expenses as previously explained. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities, and an improvement in general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2018.

Europe

Adjusted Operating Income in Europe increased by $7.7 million to $13.9 million or 8.8% of sales for the third quarter of 2019 from $6.2 million or 3.6% of sales for the third quarter of 2018, despite a decrease in sales. Adjusted Operating Income as a percentage of sales increased year-over-year due generally to sales mix, productivity and efficiency improvements at certain operating facilities, and lower upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year from a breakeven level in the third quarter of 2018 to operating income of $6.7 million or 17.8% of sales for the third quarter of 2019 due to a positive sales mix, lower launch related costs, and productivity and efficiency improvements across the operating facilities in the segment.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	SALES		OPERATING INCOME *	
	Nine months ended September 30, 2019	**Nine months ended September 30, 2018**	**Nine months ended September 30, 2019**	**Nine months ended September 30, 2018**
North America	$ 2,346,167	$ 2,091,651	$ 191,207	$ 180,864
Europe	513,742	546,328	39,926	36,746
Rest of the World	91,526	107,751	5,343	955
Eliminations	(5,357)	(8,984)	-	-
Adjusted Operating Income	-	-	$ 236,476	$ 218,565
Unusual and Other Items*	-	-	(22,468)	-
Total	$ 2,946,078	$ 2,736,746	$ 214,008	$ 218,565

** Operating income for the operating segments has been adjusted for unusual and other items. Of the $22.5 million of unusual and other items for the nine months ended September 30, 2019, $1.7 million was incurred in North America and $20.8 million in the Rest of the World. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $10.3 million to $191.2 million or 8.1% of sales for the nine months ended September 30, 2019 from $180.9 million or 8.6% of sales for the nine months ended September 30, 2018 on higher sales as previously discussed. Adjusted Operating Income as a percentage of sales for the nine months ended September 30, 2019 was negatively impacted by the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales and corresponding contribution during the last two weeks of September, and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched, and higher year-over-year research and development costs and SG&A expenses as previously explained. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities, and an improvement in general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2018.

Europe

Adjusted Operating Income in Europe increased by $3.2 million to $39.9 million or 7.8% of sales for the nine months ended September 30, 2019 from $36.7 million or 6.7% for the nine months ended September 30, 2018, despite a decrease in sales. Adjusted Operating Income as a percentage of sales increased year-over-year due generally to sales mix, and productivity and efficiency improvements at certain operating facilities.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year on lower sales, as previously explained, from operating income of $1.0 million or 0.9% of sales for the nine months ended September 30, 2018 to operating income of $5.3 million or 5.8% of sales for the nine months ended September 30, 2019 due to a positive sales mix, lower launch related costs, and productivity and efficiency improvements across the operating facilities in the segment.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	974,384	948,533	1,023,161	926,154	851,136	921,710	963,900	878,642
Gross Margin	143,901	154,778	157,501	134,567	127,130	150,035	144,429	124,042
Net Income for the period	46,678	28,122	55,268	37,816	36,381	55,727	55,959	32,366
Adjusted Net Income*	43,507	54,570	55,776	43,840	37,169	55,527	56,630	43,179
Basic Net Earnings per Share	0.57	0.34	0.66	0.44	0.42	0.64	0.65	0.37
Diluted Net Earnings per Share	0.56	0.34	0.66	0.44	0.42	0.64	0.64	0.37
Adjusted Basic and Diluted Net Earnings per Share*	0.53	0.66	0.67	0.51	0.43	0.64	0.65	0.50

*Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA" and "Free Cash Flow". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2018 and 2017 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at September 30, 2019, the Company had total equity of $1,201.4 million. As at September 30, 2019, the Company's ratio of current assets to current liabilities was 1.42:1 (December 31, 2018 - 1.35:1). The Company's current working capital level of $367.0 million at September 30, 2019 is up from $312.6 million at December 31, 2018 due generally to seasonality, as working capital levels tend to increase at the beginning of every year after the typical industry wide December holiday shutdowns as production ramps back up, and decrease at the end of any given year heading into the December holiday shutdowns as production ramps down. Credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset based financing.

Cash flow

	Three months ended September 30, 2019	Three months ended September 30, 2018	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 128,041	$ 102,112	25,929	25.4%
Change in non-cash working capital items	(9,843)	(9,605)	(238)	2.5%
	118,198	92,507	25,691	27.8%
Interest paid	(9,243)	(8,065)	(1,178)	14.6%
Income taxes paid	(11,885)	(16,675)	4,790	(28.7%)
Cash provided by operating activities	97,070	67,767	29,303	43.2%
Cash provided by (used in) financing activities	(18,023)	15,685	(33,708)	(214.9%)
Cash used in investing activities	(68,992)	(72,792)	3,800	(5.2%)
Effect of foreign exchange rate changes on cash and cash equivalents	1,214	(2,224)	3,438	(154.6%)
Increase in cash and cash equivalents	$ 11,269	$ 8,436	2,833	33.6%

Cash provided by operating activities during the third quarter of 2019 was $97.1 million, compared to cash provided by operating activities of $67.8 million in the corresponding period of 2018. The components for the third quarter of 2019 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $128.0 million;
- working capital items use of cash of $9.8 million comprised of a decrease in trade, other payables and provisions of $38.1 million, and an increase in prepaid expenses and deposits of $2.1 million; partially offset by a decrease in inventories of $28.6 million, and a decrease in trade and other receivables of $1.8 million;
- interest paid (excluding capitalized interest) of $9.2 million; including $2.2 million related to interest on lease liabilities resulting from the adoption of IFRS 16; and
- income taxes paid of $11.9 million.

Cash used by financing activities during the third quarter of 2019 was $18.0 million, compared to cash provided by financing activities of $15.7 million in the corresponding period in 2018, as a result of the repurchase of common shares by way of normal course issuer bid (as described in note 13 of the financial statements) of $11.9 million, repayment of lease liabilities from the adoption of IFRS 16 of $6.9 million, and $3.7 million in dividends paid; partially offset by a $3.9 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility of $7.7 million, partially offset by repayments made on equipment loans of $3.8 million), and $0.5 million in proceeds from the exercise of employee stock options.

Cash used in investing activities during the third quarter of 2019 was $69.0 million, compared to $72.8 million in the corresponding period in 2018. The components for the third quarter of 2019 primarily include the following:

- cash additions to PP&E of $57.4 million;
- capitalized development costs relating to upcoming new program launches of $2.6 million;
- an investment in NanoXplore Inc. (as described in note 7 of the financial statements) of $14.5 million; partially offset by
- proceeds from the disposal of PP&E of $4.8 million; and
- the upfront recovery of development costs incurred of $0.8 million.

Taking into account the opening cash balance of $90.1 million at the beginning of the third quarter of 2019, and the activities described above, the cash and cash equivalents balance at September 30, 2019 was $101.4 million.

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 393,083	$ 350,231	42,852	12.2%
Change in non-cash working capital items	(23,763)	(30,520)	6,757	(22.1%)
	369,320	319,711	49,609	15.5%
Interest paid	(31,412)	(22,309)	(9,103)	40.8%
Income taxes paid	(52,172)	(79,253)	27,081	(34.2%)
Cash provided by operating activities	285,736	218,149	67,587	31.0%
Cash provided by (used in) financing activities	(3,743)	21,137	(24,880)	(117.7%)
Cash used in investing activities	(249,154)	(228,009)	(21,145)	9.3%
Effect of foreign exchange rate changes on cash and cash equivalents	(1,592)	1,224	(2,816)	(230.1%)
Increase in cash and cash equivalents	$ 31,247	$ 12,501	18,746	150.0%

Cash provided by operating activities during the nine months ended September 30, 2019 was $285.7 million, compared to cash provided by operating activities of $218.1 million in the corresponding period of 2018. The components for the nine months ended September 30, 2019 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $393.1 million;
- working capital items use of cash of $23.8 million comprised of an increase in trade and other receivables of $53.1 million, and an increase in prepaid expenses and deposits of $5.0 million; partially offset by a decrease in inventories of $27.3 million, and an increase in trade, other payables and provisions of $7.1 million;
- interest paid (excluding capitalized interest) of $31.4 million; including $6.1 million related to interest on lease liabilities resulting from the adoption of IFRS 16; and
- income taxes paid of $52.2 million.

Cash used by financing activities during the nine months ended September 30, 2019 was $3.7 million, compared to cash provided of $21.1 million in the corresponding period in 2018, as a result of the repurchase of common shares by way of normal course issuer bid (as described in note 13 of the financial statements) of $38.2 million, repayment of lease liabilities from the adoption of IFRS 16 of $21.0 million, and $11.3 million in dividends paid; partially offset by a $65.2 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility of $92.4 million, partially offset by repayments made on equipment loans of $27.2 million), and $1.5 million in proceeds from the exercise of employee stock options.

Cash used in investing activities during the nine months ended September 30, 2019 was $249.2 million, compared to $228.0 million in the corresponding period in 2018. The components for the nine months ended September 30, 2019 primarily include the following:

- cash additions to PP&E of $217.9 million;
- capitalized development costs relating to upcoming new program launches of $8.1 million;
- an investment in NanoXplore Inc. (as described in note 7 of the financial statements) of $29.5 million; partially offset by
- proceeds from the disposal of PP&E of $5.5 million; and
- the upfront recovery of development costs incurred of $0.8 million.

Taking into account the opening cash balance of $70.2 million at the beginning of 2019, and the activities described above, the cash and cash equivalents balance at September 30, 2019 was $101.4 million.

Free Cash Flow

	Three months ended September 30, 2019	Three months ended September 30, 2018	$ Change
Adjusted EBITDA	$ 122,401	$ 103,744	18,657
Add (deduct):			
Change in non-cash working capital items	(9,843)	(9,605)	(238)
Cash purchase of property, plant and equipment	(57,431)	(69,506)	12,075
Cash proceeds on disposal of property, plant and equipment	4,774	155	4,619
Capitalized development costs	(2,624)	(3,610)	986
Upfront recovery of capitalized development costs	767	169	598
Interest on long-term debt, net of capitalized interest	(7,110)	(6,937)	(173)
Cash income taxes	(11,885)	(16,675)	4,790
Free cash flow	39,049	(2,265)	41,314

Free cash flow increased this quarter primarily as a result of:

- higher Adjusted EBITDA - approximately 8% of the year-over-year growth relates to the adoption of IFRS 16;
- lower purchases of property, plant and equipment;
- lower cash income taxes;
- higher proceeds on disposal of property, plant and equipment; and
- lower capitalized development costs.

All tooling-related working capital accounts, including inventory, trade receivables and trade payables on a net basis, decreased to $94.9 million as at September 30, 2019, from $115.2 million as at December 31, 2018, and increased slightly from $93.1 million as at September 30, 2018.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended September 30, 2019 and 2018:

	Three months ended September 30, 2019	Three months ended September 30, 2018
Cash provided by operating activities	$ 97,070	$ 67,767
Add (deduct):		
Cash purchases of property, plant and equipment	(57,431)	(69,506)
Cash proceeds on disposal of property, plant and equipment	4,774	155
Capitalized development costs	(2,624)	(3,610)
Upfront recovery of capitalized development costs	767	169
Interest on long-term debt, net of capitalized interest	(7,110)	(6,937)
Interest paid	9,243	8,065
Unrealized gain (loss) on foreign exchange contracts	(627)	235
Deferred and restricted share units expense	(1,833)	(1,009)
Stock options expense	(264)	(55)
Unusual and other items - Gain the Company's operating facility in Brazil (included in SG&A expense)	(4,199)	-
Pension and other post-employment benefits expense	(1,177)	(1,193)
Contributions made to pension and other post-retirement benefits expense	1,616	1,660
Net unrealized foreign exchange loss and other income	844	1,994
Free cash flow	$ 39,049	$ (2,265)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	$ Change
Adjusted EBITDA	$ 394,021	$ 349,438	44,583
Add (deduct):			
Change in non-cash working capital items	(23,763)	(30,520)	6,757
Cash purchase of property, plant and equipment	(217,877)	(220,808)	2,931
Cash proceeds on disposal of property, plant and equipment	5,489	1,128	4,361
Capitalized development costs	(8,056)	(10,094)	2,038
Upfront recovery of capitalized development costs	767	2,445	(1,678)
Interest on long-term debt, net of capitalized interest	(22,954)	(20,345)	(2,609)
Cash income taxes	(52,172)	(79,253)	27,081
Free cash flow	75,455	(8,009)	83,464

Free cash flow increased for the nine months ended September 30, 2019 primarily as a result of:

- higher Adjusted EBITDA - approximately 8% of the year-over-year growth relates to the adoption of IFRS 16;
- lower cash income taxes;
- a decrease in non-cash working capital items as previously noted;
- higher proceeds on the disposal of property, plant and equipment;
- lower purchases of property, plant and equipment; and
- lower capitalization of development costs; partially offset by
- higher interest on long-term debt as a result of increased debt levels and borrowing rates.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the nine months ended September 30, 2019 and 2018:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash provided by operating activities	$ 285,736	$ 218,149
Add (deduct):		
Cash purchases of property, plant and equipment	(217,877)	(220,808)
Cash proceeds on disposal of property, plant and equipment	5,489	1,128
Capitalized development costs	(8,056)	(10,094)
Upfront recovery of capitalized development costs	767	2,445
Restructuring costs	8,165	-
Interest on long-term debt, net of capitalized interest	(22,954)	(20,345)
Interest paid	31,412	22,309
Unrealized gain (loss) on foreign exchange contracts	(368)	700
Deferred and restricted share units expense	(3,761)	(2,389)
Stock options expense	(892)	(283)
Unusual and other items - Gain the Company's operating facility in Brazil (included in SG&A expense)	(4,199)	-
Pension and other post-employment benefits expense	(3,386)	(3,565)
Contributions made to pension and other post-retirement benefits expense	4,249	4,284
Net unrealized foreign exchange loss and other income	1,130	460
Free cash flow	$ 75,455	$ (8,009)

Financing

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 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 repayment provisions.

As at September 30, 2019, the Company had drawn US $298,000 (December 31, 2018 - US $286,000) on the U.S. revolving credit line and $333,000 (December 31, 2018 - $273,000) on the Canadian revolving credit line.

Debt leverage ratios:

Excluding the impact of IFRS 16:		September 30, 2019		June 30, 2019		March 31, 2019		December 31, 2018
Long-term debt	$	793,246	$	785,843	$	809,552	$	740,717
		793,246		785,843		809,552		740,717
Less: Cash and cash equivalents		(101,409)		(90,140)		(76,447)		(70,162)
Net Debt	$	691,837	$	695,703	$	733,105	$	670,555
Trailing 12-month Adjusted EBITDA*	$	478,692	$	469,140	$	466,347	$	461,223
Net Debt to Adjusted EBITDA ratio*		1.45x		1.48x		1.57x		1.45x

*Debt leverage ratios for 2019 periods have been calculated using Adjusted EBITDA inclusive of rent expense as if IFRS 16 was not adopted

Including the impact of IFRS 16:		September 30, 2019		June 30, 2019		March 31, 2019		January 1, 2019
Long-term debt	$	793,246	$	785,843	$	809,552	$	740,717
Lease liabilities		210,991		217,654		221,754		228,623
		1,004,237		1,003,497		1,031,306		969,340
Less: Cash and cash equivalents		(101,409)		(90,140)		(76,447)		(70,162)
Net Debt	$	902,828	$	913,357	$	954,859	$	899,178
Trailing 12-month Adjusted EBITDA*	$	513,813	$	503,162	$	499,194	$	492,630
Net Debt to Adjusted EBITDA ratio*		1.76x		1.82x		1.91x		1.83x

*As comparative periods prior to 2019 have not been restated, debt leverage ratios have been calculated using proforma Adjusted EBITDA to remove rent expense as if IFRS 16 was adopted retrospectively.

The Company's net debt (excluding the impact of adopting IFRS 16 and as outlined above) decreased slightly by $3.9 million during the quarter to $691.8 million from $695.7 million at the end of the second quarter of 2019. The Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) decreased during the quarter to 1.45x from 1.48x at the end of the second quarter of 2019, and from 1.57x at the end of the first quarter of 2019.

The Company was in compliance with its debt covenants as at September 30, 2019. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

On January 30, 2019, the Company finalized an additional 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%.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013, with successive quarterly dividends paid thereafter.

Early in 2018, in view of the Company's financial performance, and its future outlook and cash needs, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly installments of $0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018. The Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated February 28, 2019 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These trends, and risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company should they occur.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 12, 2019, the Company had 81,663,638 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 12, 2019, options to acquire 2,200,700 common shares were outstanding.

During 2018, the Company received approval from the Toronto Stock Exchange ("TSX") 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 spanned 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.

During the third quarter of 2019, the Company renewed the NCIB receiving approval from the TSX to acquire for cancellation, up to an additional 8,000,000 common shares of the Company. The renewed bid commenced on August 31, 2019 and spans a 12-month period.

During the third quarter of 2019, the Company purchased for cancellation an aggregate of 1,057,970 common shares for an aggregate purchase price of $11,899, resulting in a decrease to stated capital of $8,708 and a decrease to retained earnings of $3,191. The shares were purchased for cancellation directly under the NCIB.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended September 30, 2019, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2018.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2019 that provide direct financing for specific programs. As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2019, the amount of the off-balance sheet program financing was $30.5 million representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

Hedge Accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

Cash flow hedges:

During the year ended December 31, 2018, the Company started hedging variability in cash flows of certain forecasted foreign currency sales due to fluctuations in foreign exchange rates.

The Company has designated these foreign currency sales in a cash flow hedge. In such hedges, to the extent that the changes in fair value of the hedging instrument offset the changes in the fair value of the hedged item, they are recorded in other comprehensive income (loss) until the hedged item affects net income (i.e. when settled or otherwise derecognized). Any excess of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item is recorded in net income.

When a cash flow hedge relationship is discontinued, any subsequent change in fair value of the hedging instrument is recognized in net income.

If the hedge is discontinued before the end of the original hedge term, then any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net income, at the earlier of when the hedged item affects net income, or when the forecasted item is no longer expected to occur.

Net investment hedges:

The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

The change in fair value of the hedging US debt is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts will be recognized in income as and when the corresponding accumulated other comprehensive income from the hedged foreign operations is recognized in net income. The Company has not identified any ineffectiveness in these hedge relationships as at September 30, 2019.

Financial Instruments

The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures. It is the Company's policy to not utilize financial instruments for trading or speculative purposes.

At September 30, 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	$	36,869	1.3262	1
Buy Mexican Peso	$	18,536	19.4216	1

The aggregate value of these forward contracts as at September 30, 2019 was a pre-tax loss of $0.4 million and was recorded in trade and other payables (December 31, 2018 - pre-tax gain of $0.1 million 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	$	43,000	1.2780	39

The aggregate value of these forward contracts as at September 30, 2019 was a pre-tax loss of $1.9 million and was recorded in trade and other payables (December 31, 2018 - pre-tax loss of $4.1 million recorded in trade and other payables).

INVESTMENTS

The Company holds an investment in NanoXplore Inc. ("NanoXplore"), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. NanoXplore 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. Prior to January 11, 2019, the Company's investment in NanoXplore was accounted for at fair value based on publicly-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.

Subsequent to January 11, 2019, on July 31, 2019, the Company exercised 2,750,000 of the outstanding warrants. The warrants had an exercise price of $0.70 per share for total consideration paid of $1,925. At the time of the exercise, the warrants, representing derivative instruments fair valued at the end of each reporting period, had a fair value of $1,952, which was transferred to the NanoXplore investment balance in addition to the consideration paid.

On September 9, 2019 the Company acquired an additional 10,000,000 common shares in NanoXplore pursuant to several private agreements. Of the 10,000,000 common shares, 5,474,669 were acquired at a price of $1.20 per share for an aggregate purchase price of $6,570 and 4,525,331 of the common shares were acquired at a purchase price of $1.30 per share for an aggregate purchase price of $5,883. As at September 30, 2019, the Company held 30,199,800 common shares of NanoXplore representing an approximate 25% equity interest in the company (on a non-diluted basis).

		Investment in common shares of NanoXplore
Opening cost base of investment after January 11, 2019 private placement	$	22,685
Additions to investment (including fees incurred)		16,430
Share of loss for the period		(1,330)
Share of other comprehensive income for the period		18
Net balance as of September 30, 2019	$	37,803

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.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes-Merton option valuation model, with the change in fair value recorded through profit or loss. As it relates to the warrants, a gain of $571 was recognized for the three months ended September 30, 2019 (2018 - unrealized loss of $901) and a loss of $239 was recognized for the nine months ended September 30, 2019 (2018 - unrealized loss of $1,439), recorded in other finance income (expense) in the interim condensed consolidated statement of operations. As at September 30, 2019, the remaining outstanding warrants had a fair value of $17.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

RECENTLY ADOPTED NEW ACCOUNTING STANDARDS

IFRS 16, Leases ("IFRS 16")

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 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.

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

Refer to note 1(d)(i) of the financial statements for the Company's new accounting policies to be used for accounting for leases under IFRS 16.

FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated by reference therein contains forward looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views, or beliefs in or on, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business, investments in its business and technologies, the financing of future capital expenditures, and ability to fund anticipated working capital needs, the Company's views on its liquidity and ability to deal with present economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs, and the payment of dividends as well as other forward looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2018 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;

- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials and commodities;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour disputes;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats;
- the potential volatility of the Company's share price; and
- dividends.

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