MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2019

THIRD QUARTER REPORT

September 30, 2019

MESSAGE TO SHAREHOLDERS

The Company experienced a record third quarter, as reflected in the attached materials. Our Company continues to improve, driving our One Martinrea culture. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

PRESS RELEASE

FOR IMMEDIATE RELEASE
November 12, 2019

MARTINREA INTERNATIONAL INC. REPORTS RECORD THIRD QUARTER RESULTS AND DECLARES DIVIDEND

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the third quarter ended September 30, 2019 and that it has declared a quarterly cash dividend of $0.045 per share.

HIGHLIGHTS

- Total sales of $974 million; production sales of $847 million, both up year-over-year
- Record third quarter diluted net earnings per share of $0.56
- Record third quarter adjusted diluted net earnings per share(1) of $0.53
- Some unfavourable impact of UAW-GM work stoppage in quarter
- Quarterly adjusted operating income(1) (7.1%) and adjusted EBITDA(1) (12.6%) margins up year-over-year
- Record third quarter adjusted EBITDA(1)
- Quarterly free cash flow(1) of $39 million; year-to-date free cash flow (1) of $75 million
- Balance sheet continuing to be strong; net debt:adjusted EBITDA(1) down to 1.45x (excluding impact of IFRS 16)
- New business awards of approximately $55 million in annualized sales at peak volumes
- Quarterly cash dividend of $0.045 per share declared
- Repurchased over a million common shares in the quarter under normal course issuer bid
- Increased investment in NanoXplore Inc. to hold a 25% stake

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "Our third quarter results were great, despite some impact from the GM strike. Overall, the strike affected sales and earnings in this quarter but, positively, we experienced solid financial and operating performance, as our adjusted net earnings per share, adjusted EBITDA, and free cash flow are all up year over year. We continue to launch quite a bit of new work, and launches are proceeding well. In the past few weeks we have won approximately $55 million in annualized sales at peak volumes, including $40 million in lightweight structures work with Ford, FCA and Volvo starting in 2021, and $15 million of propulsion systems work for GM, Jaguar Land Rover, Ford and Rivian starting in 2021. Our people are performing well, and we thank them for their efforts."

Mr. D'Eramo added: "We just completed our annual budget process, and we anticipate that 2020 will show growth in production sales, continued margin improvement, stronger operating earnings, free cash flow, and a strong balance sheet. Overall, we are seeing many new program delays and slower ramp ups than originally planned. Most of the

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[1] 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".

delays are 6-9 months, moving out projected sales originally planned for 2020 to 2021. The delayed programs include the Jeep Grand Cherokee, Nissan Rogue and Pathfinder, and Ford's new product in its Hermosillo assembly plant. These programs represent annual business to us when fully launched in excess of $400 million. It appears to us, and to industry estimates, that overall volumes for 2020 will be flat or down in China, in Europe and somewhat in North America. As a result of the program delays and slower ramp ups, and the overall market volume outlook, we are pushing out our $4 billion sales target to 2021; and while operating margins are anticipated to improve in 2020 from 2019 and exceed 8%, we are moving our 9% target to 2021 also to be prudent."

Fred Di Tosto, Chief Financial Officer, stated: "Sales for the third quarter, excluding tooling sales of approximately $128 million, were $847 million, within the range of our previously announced sales guidance. In the quarter, our adjusted net earnings per share, on a diluted basis, was $0.53 per share, also within the range of our quarterly guidance and a record third quarter, despite the disruption of the GM strike for two weeks in the quarter. Adjusted operating income margin for the quarter was 7.1%, up year over year. I'm also happy to report that we were free cash flow positive for the third quarter and anticipate that positive trend to continue over the next few years. For our fourth quarter, we will experience the impact on sales, margins and earnings of some volume decreases, primarily because of the GM strike, which eventually affected the entire month of October. GM is our largest customer and we lost about $20 million in production sales in September, and approximately $70 million in October. We anticipate that a portion of the volumes will be made up over the next several months, but are unsure of the time frames. As a result, our earnings per share guidance for the quarter will have a broader range. In the fourth quarter, we are also seeing some other customers cut back production to adjust inventories and deal with lower market volumes overall. Fourth quarter sales, excluding tooling sales, should be in the range of $750 million to $810 million, and adjusted net earnings per share in the range of $0.35 to $0.45 per share."

Rob Wildeboer, Executive Chairman, stated: "The year 2019 will be a great year for Martinrea. Looking forward, we anticipate a strong 2020, with increased production sales and future growth beyond that. The industry has been seeing some challenges, but we believe we are seeing some positive signs for our industry. Trade issues, for North America and for China and Brexit, are showing positive signs of getting resolved; labour issues are also getting resolved; both have been challenges facing the industry. The underlying economy in North America and elsewhere is showing resiliency and some positive signs, such as low interest rates. These are all reasons for optimism. With our strong financial performance and cash flow, we will continue to invest in the business, maintain a strong balance sheet, make solid strategic investments and acquisitions where appropriate, and invest in ourselves by repurchasing shares where it makes sense. In the third quarter, we did renew our normal course issuer bid and bought over a million shares. We also increased our investment in NanoXplore, which we are excited about. We believe our company is performing very well on an absolute and relative basis, and the challenges and opportunities in the industry provide opportunities for us."

RESULTS OF OPERATIONS

All amounts in this press release 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 Management Discussion and Analysis of Operating Results and Financial Position for the third quarter ended September 30, 2019 ("MD&A"), the Company's interim condensed consolidated financial statements for the third quarter ended September 30, 2019 (the "interim consolidated financial statements") and the Company's Annual Information Form for the year ended December 31, 2018, can be found at www.sedar.com.

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[(1)]						
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[(1)]						
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%

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 the 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 Press Release*

	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 Press Release*

<u>SALES</u>

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.

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 the 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 the 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.

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 the 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.

DIVIDEND

A cash dividend of $0.045 per share has been declared by the Board of Directors payable to shareholders of record on December 31, 2019, on or about January 15, 2020.

ABOUT MARTINREA

Martinrea 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.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Tuesday, November 12, 2019 at 5:30 p.m. (Toronto time) which can be accessed by dialing 416-340-2218 (international: 001-416-340-2218) or toll free 800-377-0758. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Ganesh Iyer at 416-749-0314.

There will also be a rebroadcast of the call available by dialing 905-694-9451 (international: 001-905-694-9451) or toll free 800-408-3053 (conference id – 2162630#). The rebroadcast will be available until December 12, 2019.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements or belief in, expansion of and/or guidance or outlook as to future revenue, sales (production or tooling), margin, gross margin, earnings, operating earnings, (adjusted) earnings per share, (adjusted) net earnings per share, operating income margins, free cash flow, expected results and targets for the fourth quarter, 2019 and future financial years, the strength of the Company, the intention to pay down debt and maintain a strong balance sheet, program wins, the ramping up and launching of new programs, the delay of program launches to 2021, the financial impact of launches, reduction in volumes for fourth quarter in 2019, the impact on sales, earnings and margin, GM to make up lost volume, pursuit of its strategies, the payment of dividends, the improvement in trade and labour issues and the performance of the economy, industry volume expectations and market outlook, continued investments in the business, including strategic, and repurchasing shares under the normal course issuer bid as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" 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, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form and other public filings which can 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.

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

For further information, please contact:

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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.

MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents		$ 101,409	$ 70,162
Trade and other receivables	2	631,677	597,796
Inventories	3	447,450	492,759
Prepaid expenses and deposits		27,479	23,275
Income taxes recoverable		26,639	21,301
TOTAL CURRENT ASSETS		1,234,654	1,205,293
Property, plant and equipment	4	1,506,360	1,481,452
Right-of-use assets	5	197,541	-
Deferred income tax assets		138,039	145,354
Intangible assets	6	61,681	70,931
Investments	7	37,820	10,781
TOTAL NON-CURRENT ASSETS		1,941,441	1,708,518
TOTAL ASSETS		$ 3,176,095	$ 2,913,811
LIABILITIES			
Trade and other payables	9	$ 800,896	$ 862,699
Provisions	10	10,508	5,393
Income taxes payable		13,033	7,816
Current portion of long-term debt	11	14,914	16,804
Current portion of lease liabilities	12	28,342	-
TOTAL CURRENT LIABILITIES		867,693	892,712
Long-term debt	11	778,332	723,913
Lease liabilities	12	182,649	-
Pension and other post-retirement benefits		69,992	61,267
Deferred income tax liabilities		76,014	84,370
TOTAL NON-CURRENT LIABILITIES		1,106,987	869,550
TOTAL LIABILITIES		1,974,680	1,762,262
EQUITY			
Capital stock	13	673,485	680,157
Contributed surplus		42,322	42,016
Accumulated other comprehensive income		105,213	158,395
Retained earnings		380,395	270,981
TOTAL EQUITY		1,201,415	1,151,549
TOTAL LIABILITIES AND EQUITY		$ 3,176,095	$ 2,913,811

Contingencies (note 19)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Terry Lyons” Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
SALES		$ 974,384	$ 851,136	$ 2,946,078	$ 2,736,746
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(783,885)	(684,888)	(2,353,926)	(2,202,537)
Depreciation of property, plant and equipment and right-of-use assets (production)		(46,598)	(39,118)	(135,972)	(112,615)
Total cost of sales		(830,483)	(724,006)	(2,489,898)	(2,315,152)
GROSS MARGIN		143,901	127,130	456,180	421,594
Research and development costs		(10,086)	(6,228)	(28,159)	(19,375)
Selling, general and administrative		(57,381)	(59,088)	(176,024)	(173,950)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,602)	(2,669)	(10,959)	(7,730)
Amortization of customer contracts and relationships		(536)	(537)	(1,569)	(1,605)
Gain (loss) on disposal of property, plant and equipment		947	(159)	1,206	(369)
Impairment of assets	8	-	-	(18,502)	-
Restructuring costs	10	-	-	(8,165)	-
OPERATING INCOME		73,243	58,449	214,008	218,565
Share of loss of an associate	7	(818)	-	(1,330)	-
Finance expense (including interest on lease liabilities)	16	(9,345)	(6,937)	(29,085)	(20,345)
Other finance income (expense)	16	(273)	(2,895)	(1,369)	(1,899)
INCOME BEFORE INCOME TAXES		62,807	48,617	182,224	196,321
Income tax expense	14	(16,129)	(12,236)	(52,156)	(48,254)
NET INCOME FOR THE PERIOD		$ 46,678	$ 36,381	$ 130,068	$ 148,067
Basic earnings per share	15	$ 0.57	$ 0.42	$ 1.57	$ 1.71
Diluted earnings per share	15	$ 0.56	$ 0.42	$ 1.56	$ 1.70

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, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
NET INCOME FOR THE PERIOD	$ 46,678	$ 36,381	$ 130,068	$ 148,067
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(1,556)	(26,682)	(51,479)	13,143
Cash flow hedging derivative and non-derivative financial instruments:				
Unrealized gain (loss) in fair value of financial instruments	(1,184)	2,378	2,336	403
Reclassification of loss (gain) to net income	240	(219)	1,033	(190)
Items that will not be reclassified to net income				
Change in fair value of investments	-	(1,552)	(776)	(2,091)
Transfer of unrealized gain on investments to retained earnings on change in accounting method (note 7)	-	-	(4,314)	-
Share of other comprehensive income (loss) of an associate	(6)	-	18	-
Remeasurement of defined benefit plans	(3,763)	(595)	(8,187)	1,650
Other comprehensive income (loss), net of tax	(6,269)	(26,670)	(61,369)	12,915
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 40,409	$ 9,711	$ 68,699	$ 160,982

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2017	$ 713,425	$ 41,981	$ 94,268	$ 108,825	$ 958,499
Net income for the period	-	-	-	148,067	148,067
Compensation expense related to stock options	-	283	-	-	283
Dividends ($0.12 per share)	-	-	-	(10,396)	(10,396)
Exercise of employee stock options	2,422	(587)	-	-	1,835
Repurchase of common shares	(5,298)	-	-	(3,662)	(8,960)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	1,650	1,650
Foreign currency translation differences	-	-	13,143	-	13,143
Change in fair value of investments	-	-	(2,091)	-	(2,091)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	403	-	403
Reclassification of gain to net income	-	-	(190)	-	(190)
BALANCE AT SEPTEMBER 30, 2018	710,549	41,677	105,533	244,484	1,102,243
Net income for the period	-	-	-	37,816	37,816
Compensation expense related to stock options	-	368	-	-	368
Dividends ($0.045 per share)	-	-	-	(3,817)	(3,817)
Exercise of employee stock options	101	(29)	-	-	72
Repurchase of common shares	(12,401)	-	-	(4,152)	(16,553)
Estimated repurchase of common shares subsequent to year-end under an automatic share repurchase program with a broker	(18,092)	-	-	(5,779)	(23,871)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	2,429	2,429
Foreign currency translation differences	-	-	59,467	-	59,467
Change in fair value of investments	-	-	(776)	-	(776)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized loss in fair value of financial instruments	-	-	(6,439)	-	(6,439)
Reclassification of loss to net income	-	-	610	-	610
BALANCE AT DECEMBER 31, 2018	680,157	42,016	158,395	270,981	1,151,549
Net income for the period	-	-	-	130,068	130,068
Compensation expense related to stock options	-	892	-	-	892
Dividends ($0.135 per share)	-	-	-	(11,126)	(11,126)
Exercise of employee stock options	2,036	(586)	-	-	1,450
Repurchase of common shares	(8,708)	-	-	(5,655)	(14,363)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(8,187)	(8,187)
Foreign currency translation differences	-	-	(51,479)	-	(51,479)
Change in fair value of investments	-	-	(776)	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method (note 7)	-	-	(4,314)	4,314	-
Share of other comprehensive income of an associate	-	-	18	-	18
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	2,336	-	2,336
Reclassification of loss to net income	-	-	1,033	-	1,033
BALANCE AT SEPTEMBER 30, 2019	$ 673,485	$ 42,322	$ 105,213	$ 380,395	$ 1,201,415

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, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	$ 46,678	$ 36,381	$ 130,068	$ 148,067
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	50,200	41,787	146,931	120,345
Amortization of customer contracts and relationships	536	537	1,569	1,605
Amortization of development costs	3,568	2,812	10,251	8,554
Impairment of assets (note 8)	-	-	18,502	-
Unrealized loss (gain) on foreign exchange forward contracts	627	(235)	368	(700)
Loss (gain) on warrants (note 7)	(571)	901	239	1,439
Finance expense (including interest on lease liabilities)	9,345	6,937	29,085	20,345
Income tax expense	16,129	12,236	52,156	48,254
Loss (gain) on disposal of property, plant and equipment	(947)	159	(1,206)	369
Deferred and restricted share units expense (benefit)	1,833	1,009	3,761	2,389
Stock options expense	264	55	892	283
Share of loss of an associate	818	-	1,330	-
Pension and other post-retirement benefits expense	1,177	1,193	3,386	3,565
Contributions made to pension and other post-retirement benefits	(1,616)	(1,660)	(4,249)	(4,284)
	128,041	102,112	393,083	350,231
Changes in non-cash working capital items:				
Trade and other receivables	1,795	(35,769)	(53,146)	(47,335)
Inventories	28,596	(26,603)	27,309	(85,841)
Prepaid expenses and deposits	(2,137)	(1,693)	(5,002)	(5,385)
Trade, other payables and provisions	(38,097)	54,460	7,076	108,041
	118,198	92,507	369,320	319,711
Interest paid (including interest on lease liabilities; excluding capitalized interest)	(9,243)	(8,065)	(31,412)	(22,309)
Income taxes paid	(11,885)	(16,675)	(52,172)	(79,253)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 97,070	$ 67,767	$ 285,736	$ 218,149
FINANCING ACTIVITIES:				
Increase in long-term debt	7,756	33,144	92,483	89,719
Repayment of long-term debt	(3,811)	(5,340)	(27,193)	(52,343)
Principal payments of lease liabilities	(6,873)	-	(20,984)	-
Dividends paid	(3,724)	(3,909)	(11,265)	(9,114)
Exercise of employee stock options	528	750	1,450	1,835
Repurchase of common shares	(11,899)	(8,960)	(38,234)	(8,960)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ (18,023)	$ 15,685	$ (3,743)	$ 21,137
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(57,431)	(69,506)	(217,877)	(220,808)
Capitalized development costs	(2,624)	(3,610)	(8,056)	(10,094)
Investment in NanoXplore Inc. (note 7)	(14,478)	-	(29,477)	(680)
Proceeds on disposal of property, plant and equipment	4,774	155	5,489	1,128
Upfront recovery of development costs incurred	767	169	767	2,445
NET CASH USED IN INVESTING ACTIVITIES	$ (68,992)	$ (72,792)	$ (249,154)	$ (228,009)
Effect of foreign exchange rate changes on cash and cash equivalents	1,214	(2,224)	(1,592)	1,224
INCREASE IN CASH AND CASH EQUIVALENTS	11,269	8,436	31,247	12,501
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	90,140	75,258	70,162	71,193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 101,409	$ 83,694	$ 101,409	$ 83,694

*As at September 30, 2019, $37,093 (December 31, 2018 - $45,341) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables and provisions.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. The Company is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems.

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2018, except as outlined in note 1(d).

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2018.

(c) Presentation currency

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

(d) Recently adopted and applicable accounting standards and policies

(i) 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 accrued liabilities related to the leases of $4,837, recognized in the interim condensed consolidated balance sheet immediately before the date of initial application, with no net impact on retained earnings.

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

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

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

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

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

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

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

New Lease Accounting Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. TRADE AND OTHER RECEIVABLES

		September 30, 2019		December 31, 2018
Trade receivables	$	614,579	$	585,790
Other receivables		17,098		11,940
Foreign exchange forward contracts not accounted for as hedges (note 18(d))		-		66
	$	631,677	$	597,796

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 18.

3. INVENTORIES

		September 30, 2019		December 31, 2018
Raw materials	$	163,362	$	173,123
Work in progress		41,200		39,591
Finished goods		36,422		37,761
Tooling work in progress and other inventory		206,466		242,284
	$	447,450	$	492,759

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 127,931	$ (22,605)	$ 105,326	$ 130,106	$ (22,546)	$ 107,560
Leasehold improvements	74,784	(44,826)	29,958	70,079	(41,238)	28,841
Manufacturing equipment	2,172,948	(1,144,117)	1,028,831	2,009,183	(1,086,324)	922,859
Tooling and fixtures	38,496	(33,032)	5,464	39,551	(33,091)	6,460
Other assets	66,388	(36,087)	30,301	63,807	(31,294)	32,513
Construction in progress	306,480	-	306,480	383,219	-	383,219
	$ 2,787,027	$ (1,280,667)	$ 1,506,360	$ 2,695,945	$ (1,214,493)	$ 1,481,452

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

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

	Land and buildings	Leasehold improvements	Manufacturin equipment	Tooling and fixtures	Other assets	Construction progress	Total
Net as of December 31, 2017	$ 100,997	$ 26,203	$ 849,350	$ 7,475	$ 28,404	$ 270,195	$ 1,282,624
Additions	8	140	-	-	66	290,299	290,513
Disposals	-	(5)	(1,326)	-	(25)	(683)	(2,039)
Depreciation	(4,026)	(4,220)	(146,798)	(1,773)	(6,481)	-	(163,298)
Impairment	-	-	(5,436)	-	-	-	(5,436)
Transfers from construction in progress	3,868	5,786	176,593	306	9,444	(195,997)	-
Foreign currency translation adjustment	6,713	937	50,476	452	1,105	19,405	79,088
Net as of December 31, 2018	107,560	28,841	922,859	6,460	32,513	383,219	1,481,452
Additions	-	-	-	-	-	209,629	209,629
Disposals	(1,526)	(40)	(2,690)	-	(20)	(7)	(4,283)
Depreciation	(2,930)	(3,367)	(111,244)	(827)	(5,275)	-	(123,643)
Impairment (note 8)	-	(1,116)	(4,038)	-	(732)	(1,140)	(7,026)
Reclassification to right-of-use assets	-	-	(445)	-	-	-	(445)
Transfers from construction in progress	5,762	6,589	256,574	10	4,735	(273,670)	-
Foreign currency translation adjustment	(3,540)	(949)	(32,185)	(179)	(920)	(11,551)	(49,324)
Net as of September 30, 2019	$ 105,326	$ 29,958	$ 1,028,831	$ 5,464	$ 30,301	$ 306,480	$ 1,506,360

5. RIGHT-OF-USE ASSETS

	September 30, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 203,942	$ (24,334)	$ 179,608
Leased manufacturing equipment	20,335	(4,098)	16,237
Leased other assets	2,491	(795)	1,696
	$ 226,768	$ (29,227)	$ 197,541

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

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2018	$ -	$ -	$ -	$ -
Initial recognition of right-of-use assets upon transition to IFRS 16 (note 1(d))	207,651	14,226	1,909	223,786
Reclassification from property, plant and equipment upon adoption of IFRS 16	-	445	-	445
Additions	372	6,273	534	7,179
Depreciation	(18,658)	(3,945)	(685)	(23,288)
Lease termination	(252)	-	-	(252)
Impairment (note 8)	(6,462)	-	(10)	(6,472)
Foreign currency translation adjustment	(3,043)	(762)	(52)	(3,857)
Net as of September 30, 2019	$ 179,608	$ 16,237	$ 1,696	$ 197,541

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

6. INTANGIBLE ASSETS

	September 30, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 61,713	$ (59,448)	$ 2,265	$ 62,497	$ (58,498)	$ 3,999
Development costs	159,793	(100,377)	59,416	160,008	(93,076)	66,932
	$ 221,506	$ (159,825)	$ 61,681	$ 222,505	$ (151,574)	$ 70,931

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2017	$ 5,920	$ 62,494	$ 68,414
Additions	-	14,171	14,171
Amortization	(2,140)	(11,342)	(13,482)
Upfront recovery of development costs incurred	-	(2,566)	(2,566)
Foreign currency translation adjustment	219	4,175	4,394
Net as of December 31, 2018	3,999	66,932	70,931
Additions	-	8,056	8,056
Amortization	(1,569)	(10,251)	(11,820)
Impairment (note 8)	-	(2,487)	(2,487)
Upfront recovery of development costs incurred	-	(767)	(767)
Foreign currency translation adjustment	(165)	(2,067)	(2,232)
Net as of September 30, 2019	$ 2,265	$ 59,416	$ 61,681

7. INVESTMENTS

	September 30, 2019	December 31, 2018
Investment in common shares of NanoXplore Inc.	$ 37,803	$ 8,572
Warrants in NanoXplore Inc.	17	2,209
	$ 37,820	$ 10,781

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

As at December 31, 2018, the Company held 5,911,800 common shares and 2,955,900 warrants in NanoXplore. On January 11, 2019, the Company acquired an additional 11,538,000 common shares in NanoXplore for a total of $14,999 through a private placement offering, increasing its holdings in NanoXplore to 17,449,800 common shares. 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 NanoXplore (on a non-diluted basis).

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

		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.

8. 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 $18,502 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 where specific assets can be transferred to other facilities.

		Three months ended September 30, 2019		Three months ended September 30, 2018		Nine months ended September 30, 2019		Nine months ended September 30, 2018
Property, plant and equipment	$	-	$	-	$	(7,026)	$	-
Right-of-use assets		-		-		(6,472)		-
Intangible Assets - Development costs		-		-		(2,487)		-
Inventories		-		-		(2,517)		-
Total Impairment	$	-	$	-	$	(18,502)	$	-

9. TRADE AND OTHER PAYABLES

		September 30, 2019		December 31, 2018
Trade accounts payable and accrued liabilities	$	798,613	$	834,732
Estimated share repurchase liability		-		23,871
Foreign exchange forward contracts not accounted for as hedges (note 18(d))		368		-
Foreign exchange forward contracts accounted for as hedges (note 18(d))		1,915		4,096
	$	800,896	$	862,699

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 18.

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

10. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2017	$ 1,116	$ 3,932	$ 5,048
Net additions	2,073	2,046	4,119
Amounts used during the period	(1,116)	(2,453)	(3,569)
Foreign currency translation adjustment	-	(205)	(205)
Net as of December 31, 2018	2,073	3,320	5,393
Net additions	8,165	3,139	11,304
Amounts used during the period	(3,943)	(1,705)	(5,648)
Foreign currency translation adjustment	(200)	(341)	(541)
Net as of September 30, 2019	$ 6,095	$ 4,413	$ 10,508

Additions to the restructuring provision in 2019 totaled $8,165 and represent employee-related severance resulting from the right sizing of operating facilities in Brazil ($6,208), Canada ($1,679) and China ($278) during the second quarter.

Additions to the claims and litigation provision in 2019 totaled $3,139, of which $2,310 resulted from a true-up of the provision related to certain employee-related matters in the Company's operating facility in Brazil, recorded in the third quarter.

Based on estimated cash outflows, all provisions as at September 30, 2019 and December 31, 2018 are presented on the interim condensed consolidated balance sheets as current liabilities.

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 18.

	September 30, 2019	December 31, 2018
Banking facility	$ 724,969	$ 657,803
Equipment loans	68,277	82,914
	793,246	740,717
Current portion	(14,914)	(16,804)
	$ 778,332	$ 723,913

Terms and conditions of outstanding loans, as at September 30, 2019, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2019 Carrying amount	December 31, 2018 Carrying amount
Banking facility	USD	LIBOR + 1.70%	2022	$ 394,577	$ 388,102
	CAD	BA + 1.70%	2022	330,392	269,701
Equipment loans	EUR	1.05%	2024	25,751	32,076
	CAD	3.80%	2022	25,556	31,334
	EUR	1.40%	2026	15,790	-
	EUR	1.36%	2021	854	1,544
	EUR	0.26%	2025	289	362
	BRL	5.00%	2020	37	76
	EUR	2.54%	2025	-	16,093
	EUR	3.35%	2019	-	966
	USD	3.80%	2022	-	463
				$ 793,246	$ 740,717

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

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

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

As at September 30, 2019, the Company has 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. At September 30, 2019, the weighted average effective interest rate of the banking facility credit lines was 4.0% (December 31, 2018 - 3.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2019.

Deferred financing fees of $2,608 (December 31, 2018 - $3,299) have been netted against the carrying amount of the long-term debt.

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

Future annual minimum principal repayments as at September 30, 2019 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 15,835	$ 921	$ 14,914
One to two years	16,726	921	15,805
Two to three years	744,446	766	743,680
Three to four years	9,106		9,106
Thereafter	9,741	-	9,741
	$ 795,854	$ 2,608	$ 793,246

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2017	$ 654,017
Drawdowns	79,360
Equipment loan proceeds	36,886
Repayments	(57,710)
Deferred financing fee additions	(1,750)
Amortization of deferred financing fees	1,278
Foreign currency translation adjustment	28,636
Net as of December 31, 2018	$ 740,717
Drawdowns	75,881
Loan proceeds	16,602
Repayments	(27,193)
Amortization of deferred financing fees	691
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16	(457)
Foreign currency translation adjustment	(12,995)
Net as of September 30, 2019	$ 793,246

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

12. LEASE LIABILITIES

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

Below is a summary of the activity related to the Company's lease liabilities for the nine months ended September 30, 2019:

		Total
Net as of December 31, 2018	$	-
Initial recognition of lease liabilities upon transition to IFRS 16 (note 1(d))		228,623
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		457
Net additions		7,488
Principal payments of lease liabilities		(20,984)
Termination of leases		(258)
Foreign currency translation adjustment and other		(4,335)
Net as of September 30, 2019	$	210,991

The maturity of contractual undiscounted lease liabilities as at September 30, 2019 is as follows:

		Total
Within one year	$	36,560
One to two years		34,712
Two to three years		31,975
Three to four years		30,172
Thereafter		118,025
Total undiscounted lease liabilities at September 30, 2019	$	251,444
Interest on lease liabilities		(40,453)
Total present value of minimum lease payments	$	210,991
Current portion		(28,342)
	$	182,649

13. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of, December 31, 2017	86,745,834	$	713,425
Exercise of stock options	223,750		2,422
Repurchase of common shares under normal course issuer bid	(643,720)		(5,298)
Balance as of, September 30, 2018	86,325,864	$	710,549
Exercise of stock options	10,000		101
Repurchase of common shares under normal course issuer bid	(1,506,680)		(12,401)
Repurchase of common shares subsequent to year-end under an automatic share purchase program with a broker	(2,198,079)		(18,092)
Balance as of, December 31, 2018	82,631,105	$	680,157
Exercise of stock options	180,000		2,036
Repurchase of common shares under normal course issuer bid	(1,057,370)		(8,708)
Balance as of, September 30, 2019	81,753,735	$	673,485

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

Repurchase of capital stock:

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

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

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 Toronto Stock Exchange ("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 1,057,370 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.

Stock options

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

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	2,430,700	$	11.46	1,844,450	$	10.12
Granted during the period	20,000		13.19	820,000		13.54
Exercised during the period	(180,000)		8.05	(223,750)		8.20
Cancelled during the period	(60,000)		13.32	-		-
Balance, end of period	2,210,700	$	11.71	2,440,700	$	11.45
Options exercisable, end of period	2,024,700	$	11.50	1,645,700	$	10.47

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2019:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.00 - 8.70	398,700	2009 - 2012	2019 - 2022
$10.40 - 12.63	882,000	2012 - 2014	2022 - 2024
$13.19 - 16.06	930,000	2015 - 2018	2025 - 2028
Total share purchase options	2,210,700		

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

The key assumptions, on a weighted average basis, used in the valuation of options granted during the nine months ended September 30, 2019 and 2018 are shown in the table below:

		Nine months ended September 30, 2019		Nine months ended September 30, 2018
Expected volatility		36.67%		36.67%
Risk free interest rate		2.19%		2.19%
Expected life (years)		4.9		4.9
Dividend yield		1.36%		1.36%
Weighted average fair value of options granted	$	3.82	$	3.82

For the three and nine months ended September 30, 2019, the Company expensed $264 (2018 - $55) and $892 (2018 - $283), respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

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

Deferred Share Unit Plan ("DSU")

The following is a summary of the issued and outstanding DSUs as at September 30, 2019 and 2018:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Outstanding, beginning of period	174,574	123,313
Granted and reinvested dividends	28,908	19,619
Redeemed	(32,522)	-
Outstanding, end of period	170,960	142,932

The DSUs granted during the nine months ended September 30, 2019 and 2018 were granted to non-executive directors, are not subject to vesting conditions and had a weighted average fair value per unit of $13.26 and $15.77, respectively, on the date of grant. At September 30, 2019, the fair value of all outstanding DSUs amounted to $1,909 (September 30, 2018 - $1,966 and December 31, 2018 - $1,806). For the three and nine months ended September 30, 2019, DSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to a benefit of $169 (2018 - benefit of $207) and an expense of $103 (2018 - expense of $28), respectively, recorded in selling, general and administrative expense.

Performance Restricted Share Unit Plan ("PSU" and "RSU")

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2019 and 2018:

	RSUs	PSUs	Total
Outstanding, December 31, 2017	77,304	77,304	154,608
Granted and reinvested dividends	188,986	188,986	377,972
Redeemed	-	-	-
Forfeited	-	-	-
Outstanding, September 30, 2018	266,290	266,290	532,580
Granted and reinvested dividends	22,920	22,920	45,840
Redeemed	-	-	-
Forfeited	-	-	-
Outstanding, December 31, 2018	289,210	289,210	578,420
Granted and reinvested dividends	221,251	221,251	442,502
Redeemed	-	-	-
Forfeited	(13,498)	(14,500)	(27,998)
Outstanding, September 30, 2019	496,963	495,961	992,924

The RSUs and PSUs granted during the nine months ended September 30, 2019 and 2018 had a weighted average fair value per unit of $12.26 and $15.83, respectively, on the date of grant. For the three and nine months ended September 30, 2019, RSU and PSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $2,002 (2018 - expense of $1,216) and an expense of $3,658 (2018 - expense of $2,361), respectively, recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at September 30, 2019 was $5,270 (September 30, 2018 - $3,796 and December 31, 2018 - $2,868) and will be recognized in earnings over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the nine months ended September 30, 2019 and 2018 are shown in the table below:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Expected life (years)	2.38	2.47
Risk free interest rate	1.59%	2.02%

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

14. INCOME TAXES

The components of income tax expense are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Current income tax expense	$ (16,377)	$ (33,204)	$ (52,593)	$ (93,474)
Deferred income tax recovery	248	20,968	437	45,220
Total income tax expense	$ (16,129)	$ (12,236)	$ (52,156)	$ (48,254)

15. EARNINGS PER SHARE

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

	Three months ended September 30, 2019		Three months ended September 30, 2018	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	82,592,979	$ 0.57	86,684,746	$ 0.42
Effect of dilutive securities:				
Stock options	119,540	(0.01)	411,202	-
Diluted	82,712,519	$ 0.56	87,095,948	$ 0.42

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	82,897,284	$ 1.57	86,790,121	$ 1.71
Effect of dilutive securities:				
Stock options	156,937	(0.01)	569,413	(0.01)
Diluted	83,054,221	$ 1.56	87,359,534	$ 1.70

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

For the three months ended September 30, 2019, 1,637,000 options (2018 - 100,000) and for the nine months ended September 30, 2019, 1,547,000 options (2018 - 100,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

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

16. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Debt interest, gross	$	(8,854) $	(7,889) $	(27,694) $	(22,861)
Interest on lease liabilities		(2,235)	-	(6,131)	-
Capitalized interest - at an average rate of 4.0%, 3.9% (2018 - 3.5%, 3.2%)		1,744	952	4,740	2,516
Finance expense (including interest on lease liabilities)	$	(9,345) $	(6,937) $	(29,085) $	(20,345)

		Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net unrealized foreign exchange loss	$	(1,068) $	(2,100) $	(1,503) $	(719)
Gain (loss) on warrants (note 7)		571	(901)	(239)	(1,439)
Other income, net		224	106	373	259
Other finance income (expense)	$	(273) $	(2,895) $	(1,369) $	(1,899)

17. OPERATING SEGMENTS

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. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

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

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2018 and recently adopted and applicable accounting standards and policies as disclosed in note 1(d) of these financial statements. The Company uses 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 operating segments:

	Three months ended September 30, 2019							
		Production Sales		Tooling Sales		Total Sales		Operating Income
North America								
Canada	$	139,237	$	27,260	$	166,497		
USA		243,597		69,539		313,136		
Mexico		319,582		48,736		368,318		
Eliminations		(41,581)		(25,381)		(66,962)		
	$	660,835	$	120,154	$	780,989	$	48,405
Europe								
Germany		104,115		1,226		105,341		
Spain		38,485		111		38,596		
Slovakia		11,795		2,004		13,799		
		154,395		3,341		157,736		13,927
Rest of the World		32,913		4,814		37,727		10,911
Eliminations		(1,564)		(504)		(2,068)		
	$	846,579	$	127,805	$	974,384	$	73,243

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

	Three months ended September 30, 2018			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 142,063	$ 44,554	$ 186,617	
USA	265,409	28,924	294,333	
Mexico	250,660	13,808	264,468	
Eliminations	(43,475)	(53,294)	(96,769)	
	$ 614,657	$ 33,992	$ 648,649	$ 52,237
Europe				
Germany	115,171	5,689	120,860	
Spain	32,198	5,964	38,162	
Slovakia	11,688	1,261	12,949	
Eliminations	-	(69)	(69)	
	159,057	12,845	171,902	6,164
Rest of the World	31,210	2,332	33,542	48
Eliminations	(1,831)	(1,126)	(2,957)	
	$ 803,093	$ 48,043	$ 851,136	$ 58,449

	Nine months ended September 30, 2019			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 459,501	$ 34,558	$ 494,059	
USA	843,136	118,557	961,693	
Mexico	942,999	131,173	1,074,172	
Eliminations	(130,872)	(52,885)	(183,757)	
	$ 2,114,764	$ 231,403	$ 2,346,167	$ 189,528
Europe				
Germany	326,319	28,627	354,946	
Spain	114,539	5,217	119,756	
Slovakia	38,399	3,396	41,795	
Eliminations	-	(2,755)	(2,755)	
	479,257	34,485	513,742	39,926
Rest of the World	82,412	9,114	91,526	(15,446)
Eliminations	(4,510)	(847)	(5,357)	
	$ 2,671,923	$ 274,155	$ 2,946,078	$ 214,008

	Nine months ended September 30, 2018			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 467,419	$ 69,965	$ 537,384	
USA	882,751	77,631	960,382	
Mexico	735,495	45,648	781,143	
Eliminations	(126,479)	(60,779)	(187,258)	
	$ 1,959,186	$ 132,465	$ 2,091,651	$ 180,864
Europe				
Germany	354,169	24,352	378,521	
Spain	110,572	13,658	124,230	
Slovakia	40,902	3,850	44,752	
Eliminations	-	(1,175)	(1,175)	
	505,643	40,685	546,328	36,746
Rest of the World	95,388	12,363	107,751	955
Eliminations	(7,485)	(1,499)	(8,984)	
	$ 2,552,732	$ 184,014	$ 2,736,746	$ 218,565

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

18. FINANCIAL INSTRUMENTS

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

Fair Value

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

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

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

	September 30, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 101,409	$ 101,409	$ -	$ -
Warrants in NanoXplore (note 7)	$ 17	$ -	$ 17	$ -
Foreign exchange forward contracts not accounted for as hedges (note 9)	$ (368)	$ -	$ (368)	$ -
Foreign exchange forward contracts accounted for as hedges (note 9)	$ (1,915)	$ -	$ (1,915)	$ -

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 70,162	$ 70,162	$ -	$ -
Investments (note 7)	$ 10,781	$ 8,572	$ 2,209	$ -
Foreign exchange forward contracts not accounted for as hedges (note 2)	$ 66	$ -	$ 66	$ -
Foreign exchange forward contracts accounted for as hedges (note 9)	$ (4,096)	$ -	$ (4,096)	$ -

Fair values versus carrying amounts

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

September 30, 2019	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Financial assets at amortized cost**	**Amortized cost**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 631,677	$ -	$ 631,677	$ 631,677
Warrants in NanoXplore (note 7)	17	-	-	-	17	17
	17	-	631,677	-	631,694	631,694
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(798,613)	(798,613)	(798,613)
Long-term debt	-	-	-	(793,246)	(793,246)	(793,246)
Foreign exchange forward contracts not accounted for as hedges	(368)	-	-	-	(368)	(368)
Foreign exchange forward contracts accounted for as hedges	-	(1,915)	-	-	(1,915)	(1,915)
	(368)	(1,915)	-	(1,591,859)	(1,594,142)	(1,594,142)
Net financial assets (liabilities)	$ (351)	$ (1,915)	$ 631,677	$ (1,591,859)	$ (962,448)	$ (962,448)

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

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

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

Risk Management

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

(a) Credit risk

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

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

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

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 33.1%, 27.7%, and 14.3% of its production sales for the nine months ended September 30, 2019 (2018 - 29.3%, 27.3%, and 15.8%). 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, 2019 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 0.5% of total trade receivables for all periods and movements in the period were minimal.

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

	September 30, 2019	December 31, 2018
0-60 days	$ 595,981	$ 540,728
61-90 days	8,470	18,437
Greater than 90 days	10,128	26,625
	$ 614,579	$ 585,790

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

(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, 2019, the Company had cash of $101,409 (December 31, 2018 - $70,162) and banking facilities available as discussed in note 11. All the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

A summary of contractual maturities of long-term debt is provided in note 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, 2019	**December 31, 2018**
Variable rate instruments	$ 724,969	$ 657,803
Fixed rate instruments	68,277	82,914
	$ 793,246	$ 740,717

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,821 (2018 - $1,515) on the Company's consolidated financial results for the three months ended September 30, 2019 and $5,398 (2018 - $4,422) for the nine months ended September 30, 2019.

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At 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 $368 and was recorded in trade and other payables (December 31, 2018 - pre-tax gain of $66 recorded in trade and other receivables).

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

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 $1,915 and was recorded in trade and other payables (December 31, 2018 - pre-tax loss of $4,096 recorded in trade and other payables).

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

September 30, 2019		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	339,190	€	64,256	$	19,480	R$	45,365	¥	103,247
Trade and other payables		(352,954)		(86,002)		(221,866)		(39,300)		(103,667)
Long-term debt		(298,000)		(29,465)		-		(115)		-
	$	(311,764)	€	(51,211)	$	(202,386)	R$	5,950	¥	(420)

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

The following summary illustrates the fluctuations in the exchange rates applied during the three and nine months ended September 30, 2019 and 2018 and as at December 31, 2018:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018	September 30, 2019	December 31, 2018
USD	1.3233	1.3100	1.3315	1.2856	1.3241	1.3570
EURO	1.4825	1.5236	1.5015	1.5367	1.4486	1.5567
PESO	0.0686	0.0677	0.0690	0.0674	0.0673	0.0686
BRL	0.3402	0.3403	0.3451	0.3670	0.3186	0.3498
CNY	0.1909	0.1961	0.1949	0.1982	0.1856	0.1985

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at 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, 2019 and 2018 by the amounts shown below, assuming all other variables remain constant:

		Three months ended September 30, 2019		Three months ended September 30, 2018		Nine months ended September 30, 2019		Nine months ended September 30, 2018
USD	$	(3,134)	$	(3,536)	$	(10,913)	$	(11,233)
EURO		(1,471)		(655)		(4,030)		(3,240)
BRL		(240)		(10)		613		136
CNY		(320)		32		1,694		(73)
	$	(5,165)	$	(4,169)	$	(12,636)	$	(14,410)

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) Capital risk management

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

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

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

19. CONTINGENCIES

Contingencies

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

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately $65,533 (BRL $205,674) including interest and penalties to September 30, 2019 (December 31, 2018 - $74,319 or BRL $212,462). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling $26,936 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.

20. 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 interim condensed consolidated balance sheet. At September 30, 2019, the amount of the off-balance sheet program financing was $30,549 (December 31, 2018 - $58,871) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2018 or 2019. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.

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