MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE FIRST QUARTER ENDING MARCH 31, 2020

FIRST QUARTER REPORT

March 31, 2020

MESSAGE TO SHAREHOLDERS

The Company experienced a challenging first quarter, as reflected in the attached materials, with the COVID-19 pandemic resulting in customer shutdowns by the end of the quarter. Our materials discuss the current automotive environment in detail. While these are challenging times, we are responding well to the challenge.

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
May 13, 2020

MARTINREA INTERNATIONAL INC. REPORTS FIRST QUARTER RESULTS

Toronto, Ontario, May 13, 2020 – 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 first quarter ended March 31, 2020.

HIGHLIGHTS

- Total sales of $872.7 million; production sales of $822.5 million
- First quarter diluted net earnings per share of $0.36
- First quarter diluted adjusted net earnings per share(1) of $0.38
- Unfavourable impact of shutdowns related to COVID-19 in the quarter
- Quarterly free cash flow(1) of $9.9 million
- Balance sheet ended the quarter strong; net debt(1):adjusted EBITDA(1) ratio (excluding impact of IFRS 16) of 1.62x
- Company has taken aggressive cash conservation measures
- Company has implemented detailed COVID-19 safety protocols
- Company has contributed to fighting COVID-19 with production of ventilator stands, PPE and volunteer efforts
- Share repurchases under normal course issuer bid suspended for now
- $280 million of additional capacity added to revolving credit lines in April 2020
- New business awards of approximately $35 million in annualized sales at mature volumes

OVERVIEW

Rob Wildeboer, Executive Chairman, stated: "Although this is our quarterly release, the past is not where our minds are focused these days, but on the present and future. While the quarter was challenging yet better than expected in some ways, we recognize that the COVID-19 pandemic has created unique challenges for all of us, and for Martinrea and our industry. We have seen an unprecedented shutdown of our industry, and most of our customers in North America, Brazil and Europe are either not operating or are just restarting some of their plants. We have been extremely focused as a management team and as a board of directors on the crisis and how we best deal with the shutdown of our business, its restart and our return to full production in future. Our management team, led by Pat, has daily meetings to deal with the closure and now focused on the best restart possible, and we have had weekly update meetings with our board members. Our focus throughout has been very proactive on safety measures, and we have developed a very robust set of safety protocols for our plants and offices. Our people have to be safe and feel safe. Furthermore, the well-being of our employees extends beyond just the COVID-19 threat of course. Our people need to have meaningful work and an ability to sustain themselves economically by coming to work. In that regard, we have been

[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", "Free Cash Flow" and "Net Debt". A reconciliation of certain non-IFRS financial measures to measures determined in accordance with IFRS are contained in the Company's Management Discussion and Analysis for the first quarter ended March 31, 2020.

very involved in preparing ourselves and our industry for an expeditious, successful and safe restart. We are dealing with the COVID-19 pandemic with a sense of focus, dedication and resilience and, coming out of the crisis, we will continue to be a strong player in our industry.”

Pat D’Eramo, President and Chief Executive Officer, stated: “Our first quarter was in many ways a solid quarter despite the impact on sales of customer shutdowns in March due to the COVID-19 pandemic. Our fully diluted adjusted net earnings were $0.38 cents per share, we generated an adjusted operating income margin of 5.8%, we had positive free cash flow in the quarter, we completed and financed the acquisition of operations from Metalsa, and our balance sheet ended the quarter strong. We remain well positioned to address the major challenges our company and our industry are facing. In terms of operations, we have restarted our operations in China, and we are in the process of restarting our operations elsewhere as our customers start to produce. While the ramp up is likely to be fairly slow at first, we expect it to build up over June and the second half of the year. We are extremely well positioned to return to production. Our restart in China has gone very well, and our industrial operations and some of our automotive operations have continued to work well over the past two months. One of the products our industrial team is making are ventilator stands for General Motors that have been well publicized. We developed and produced these products at an accelerated pace. We are very proud of the team’s efforts on this product. Our people have done an exceptional job on COVID safety processes, as they have for safety initiatives over the last few years, and we will remain world class in our approach to the safety of our people. We have decided to produce masks for Martinrea globally going forward. Operationally, we have been very focused on improving processes and strengthening our Company throughout the shutdown, and we believe that we will be stronger in the future because of it. Despite the shutdowns, we have won some new work in the past few weeks, and I am pleased to announce $35 million in annualized sales at mature volumes including $28 million in propulsion systems work for GM, Ford and Audi, and $7 million in lightweight structures for Audi. I want to thank our leadership and their teams for their tremendous efforts and dedication, and outstanding performance, during this crisis.”

Fred Di Tosto, Chief Financial Officer, stated: “Total sales for the first quarter were $872.7 million, and adjusted net earnings per share, on a diluted basis, was $0.38 per share, both down year-over-year. The year-over-year decrease in financial results was largely due to overall lower industry volumes, driven predominantly by the COVID-19 pandemic and related shutdowns. Our focus since mid-March has been on responding to COVID-19. Our response has been measured, prudent and decisive with an emphasis on safety, cash conservation and enhancing liquidity. As disclosed previously, balance sheet preservation is a top priority for us, and we have taken measures to conserve cash. We temporarily suspended our share buyback program. We have aggressively flexed and reduced our cost base and eliminated most discretionary spending where possible. We have taken action on employee layoffs, and delay of capital and tooling spending where and when appropriate. There have been temporary salary reductions taken at all levels of the Company. The Company has also further enhanced its liquidity position by increasing our revolving credit facilities by another $280 million. We have taken all these measures in order to prudently manage downside risk and we will continue to be prudent as the COVID-19 pandemic and its economic impact continue to evolve. With that said, we believe we entered the COVID-19 driven downturn with a strong balance sheet which will ultimately allow us to keep a long term focus on the business as we work our way through the challenges in front of 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 first quarter ended March 31, 2020 (“MD&A”), the Company’s interim condensed consolidated financial statements for the first quarter ended March 31, 2020 (the “interim consolidated financial statements”) and the Company’s Annual Information Form for the year ended December 31, 2019, 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.

RECENT DEVELOPMENTS

COVID-19 PANDEMIC AND IMPACT ON OUR BUSINESS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but resumed in March. Martinrea, along with the rest of the automotive supply chain generally, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's financial results during the second half of March and continued into the second quarter. Although the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, a phased restart of the Company's manufacturing facilities and dependent functions is currently expected to commence in May and June 2020, aligned with current OEM restart plans as OEMs prepare to begin producing vehicles again.

The Company's response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and enhancing liquidity. The health and safety of our employees, their families, our customers and our communities is, and will continue to be, our top priority. The Company has implemented, and is in the process of implementing, various protocols throughout its global footprint to ensure a safe work environment, including the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational remote work schedules, where possible; and restricting travel.

The Company has also taken actions to conserve cash by aggressively flexing and reducing its cost base and eliminating discretionary spending across its global footprint. These actions have included a significant number of temporary hourly and salaried employee layoffs, temporary reductions of salaried employee base wages of 20% (50% in the case of the Company's Executive Chairman, President and Chief Executive Officer, and Chief Financial Officer), the curtailment of non-production spending and the delay of capital and tooling spending where and when appropriate. The Company has also temporarily suspended the repurchase of common stock under its normal course issuer bid, the continuation of which is to be re-assessed at a later date.

As at March 31, 2020, the Company had total liquidity of $300 million, including cash and cash equivalents and availability under the Company's revolving credit lines. On April 17, 2020, the Company further enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility, which increased the revolving credit lines available to the Company by another $280 million. The Company's banking facility also includes a $300 million allowance for asset based financing that the Company can use for additional financing if required, of which $236 million was available as at March 31, 2020. The Company also completed a forecast of cash flows and covenant compliance using available internal and external information.

As the COVID-19 pandemic and its economic impact continue to evolve, the Company will continue to respond in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and maintenance of its liquidity position. The financial impact to the Company will depend on the timing and extent to which overall industry sales volumes return.

The COVID-19 pandemic is expected to have an adverse effect on our business, results of operations, cash flows and financial position; however, the full impact cannot be determined at this time. The extent of the impact will depend on various factors, including the ultimate duration of the shutdowns, its impact on customers, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lock-downs due to this wave of COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V ("Metalsa"). The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housing and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The preliminary purchase price for the transaction was US$19.5 million ($26.0 million), inclusive of working capital less cash on hand, and on a debt free basis. The preliminary purchase price is subject to certain adjustments post-closing to be finalized over the coming months.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020, and has contributed incremental sales of $28.7 million and an operating loss of $1.3 million for the three months ended March 31, 2020. As a result of the acquisition, year-over-year financial results may not be directly comparable.

OVERALL RESULTS

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.

The following table sets out certain highlights of the Company's performance for the three months ended March 31, 2020 and 2019. Refer to the Company's financial statements for the three months ended March 31, 2020 for a detailed account of the Company's performance for the periods presented in the table below.

		Three months ended March 31, 2020		Three months ended March 31, 2019	$ Change	% Change
Sales	$	872,706	$	1,023,161	(150,455)	(14.7%)
Gross Margin		120,237		157,501	(37,264)	(23.7%)
Operating Income		49,205		83,463	(34,258)	(41.0%)
Net Income for the period		28,963		55,268	(26,305)	(47.6%)
Net Earnings per Share - Basic and Diluted	$	0.36	$	0.66	(0.30)	(45.5%)
Non-IFRS Measures*						
Adjusted Operating Income	$	50,752	$	83,463	(32,711)	(39.2%)
% of Sales		*5.8%*		*8.2%*		
Adjusted EBITDA		107,724		133,911	(26,187)	(19.6%)
% of Sales		*12.3%*		*13.1%*		
Adjusted Net Income		30,123		55,776	(25,653)	(46.0%)
Adjusted Net Earnings per Share - Basic and Diluted	$	0.38	$	0.67	(0.29)	(43.3%)

*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", "Free Cash Flow" and "Net Debt".

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 March 31, 2020	Three months ended March 31, 2019
Net Income	$ 28,963	$ 55,268
Unusual and Other Items (after-tax)*	1,160	508
Adjusted Net Income	$ 30,123	$ 55,776

**Unusual and other items are explained in the "Adjustments to Net Income" section of this Press Release*

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net Income	$ 28,963	$ 55,268
Income tax expense	11,210	18,385
Other finance expense - excluding Unusual and Other Items*	(1,130)	(567)
Share of loss in associate	700	-
Finance expense	9,462	9,796
Unusual and Other Items (before-tax)*	1,547	581
Adjusted Operating Income	$ 50,752	$ 83,463
Depreciation of property, plant and equipment and right-of-use assets	53,854	46,894
Amortization of intangible assets	3,118	3,665
Loss (gain) on disposal of property, plant and equipment	-	(111)
Adjusted EBITDA	$ 107,724	$ 133,911

**Unusual and other items are explained in the "Adjustments to Net Income" section of this Press Release*

SALES

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
North America	$ 687,528	$ 811,137	(123,609)	(15.2%)
Europe	159,897	190,395	(30,498)	(16.0%)
Rest of the World	27,859	23,332	4,527	19.4%
Eliminations	(2,578)	(1,703)	(875)	51.4%
Total Sales	$ 872,706	$ 1,023,161	(150,455)	(14.7%)

The Company's consolidated sales for the first quarter of 2020 decreased by $150.5 million or 14.7% to $872.7 million as compared to $1,023.2 million for the first quarter of 2019. The total decrease in sales was driven by year-over-year decreases in the North America and Europe operating segments, partially offset by an increase in the Rest of the World.

Sales for the first quarter of 2020 in the Company's North America operating segment decreased by $123.6 million or 15.2% to $687.5 million from $811.1 million for the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $7.4 million of year-over-year sales to the North America operating segment. Excluding the acquired operations, first quarter sales in North America decreased year-over-year by $131.0 million or 16.2%. This decrease was due to overall lower industry volumes, primarily as a result of the early impacts of the COVID-19 pandemic; a decrease in tooling sales of $39.4 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 negative impact on overall sales for the first quarter of 2020 of approximately $6.8 million as compared to the first quarter of 2019. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2019, namely the next generation GM Silverado/Sierra pick-up truck.

Sales for the first quarter of 2020 in the Company's Europe operating segment decreased by $30.5 million or 16.0% to $159.9 million from $190.4 million for the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $15.3 million of year-over-year sales to the Europe operating segment. Excluding the acquired operations, first quarter sales in Europe decreased year-over-year by $45.8 million or 24.1%. This decrease was due to overall lower industry volumes, largely as a result of the early impacts of the COVID-19 pandemic; lower year-over-year production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover, and including programs that ended production during or subsequent to the first quarter of 2019; an $8.2 million decrease in tooling sales; and a $6.3 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2019. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2019, including new aluminum engine blocks for Ford and Volvo, and an aluminum transmission for Volkswagen.

Sales for the first quarter of 2020 in the Company's Rest of the World operating segment increased by $4.5 million or 19.4% to $27.9 million from $23.3 million in the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $6.0 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, first quarter sales in the Rest of the World decreased year-over-year by $1.5 million or 6.5%. This decrease was largely driven by COVID-19 related disruption, and a $1.3 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the first quarter of 2019. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and a $1.9 million increase in tooling sales.

Overall tooling sales decreased by $45.7 million to $50.2 million for the first quarter of 2020 from $95.9 million for the first quarter of 2019.

GROSS MARGIN

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Gross margin	$ 120,237	$ 157,501	(37,264)	(23.7%)
% of Sales	13.8%	15.4%		

The gross margin percentage for the first quarter of 2020 of 13.8% decreased as a percentage of sales by 1.6% as compared to the gross margin percentage for the first quarter of 2019 of 15.4%. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume, driven largely by the early impacts of the COVID-19 pandemic; 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 a negative impact on overall margin from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020. Excluding the acquired operations, first quarter gross margin as a percentage of sales was 14.2%. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; and a decrease in tooling sales which typically earn low margins for the Company.

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 March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020 (a)	Three months ended March 31, 2019 (b)	(a)-(b) Change
NET INCOME (A)	**$28,963**	**$55,268**	**($26,305)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A) (1)	1,547	-	1,547
Unrealized loss on derivative instruments (2)	-	581	(581)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$1,547**	**$581**	**$966**
Tax impact of above items	(387)	(73)	(314)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$1,160**	**$508**	**$652**
ADJUSTED NET INCOME (A + B)	**$30,123**	**$55,776**	**($25,653)**
Number of Shares Outstanding - Basic ('000)	80,121	83,364	
Adjusted Basic Net Earnings Per Share	$0.38	$0.67	
Number of Shares Outstanding - Diluted ('000)	80,281	83,586	
Adjusted Diluted Net Earnings Per Share	$0.38	$0.67	

- **Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A)**

  On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. The Company expensed $1.5 million in transaction costs related to the acquisition during the first quarter of 2020, recorded in selling general and administrative expense.

- **Unrealized loss on derivative instruments**

  Martinrea held warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represented derivative instruments and were 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. Based on the fair value of the outstanding warrants as at March 31, 2019, an unrealized loss of $0.6 million was recognized for the three months ended March 31, 2019, in other finance income (expense). This unrealized loss has been added back for Adjusted Net Income purposes. All outstanding remaining warrants in NanoXplore expired in March 2020 unexercised.

NET INCOME

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

		Three months ended March 31, 2020		Three months ended March 31, 2019	$ Change	% Change
Net Income	$	28,963	$	55,268	(26,305)	(47.6%)
Adjusted Net Income	$	30,123	$	55,776	(25,653)	(46.0%)
Net Earnings per Share						
Basic and Diluted	$	0.36	$	0.66		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.38	$	0.67		

Net income, before adjustments, for the first quarter of 2020 decreased by $26.3 million to $29.0 million from $55.3 million for the first quarter of 2019. Excluding unusual and other items as explained in Table A under "Adjustments to Net Income", adjusted net income for the first quarter of 2020 decreased to $30.1 million or $0.38 per share, on a basic and diluted basis, from $55.7 million or $0.67 per share, on a basic and diluted basis, for the first quarter of 2019.

Adjusted Net Income for the first quarter of 2020, as compared to the first quarter of 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due largely to the early impacts of the COVID-19 pandemic;
- negative March results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in depreciation expense as previously discussed;
- the Company's share of loss of an associate in the amount of $0.7 million; and
- a higher effective tax rate on adjusted income due generally to mix of earnings and the inclusion of results from the operations acquired from Metalsa effective March 2, 2020 (27.8% for the first quarter of 2020 compared to 24.9% for the first quarter of 2019).

These negative factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously discussed; and
- a net foreign exchange gain of $1.0 million for the first quarter of 2020 compared to a net foreign exchange gain of $0.5 million for the first quarter of 2019.

ABOUT MARTINREA

Martinrea is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems, and complex aluminum products focused primarily on the automotive sector. Martinrea operates in 57 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa 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. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on Twitter and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Wednesday, May 13, 2020 at 5:30 p.m. (Toronto time) which can be accessed by dialing 416-340-2217 (international: 001-416-340-2217) or toll free 800-806-5484 (participant code 7624867#). 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 – 1749951#). The rebroadcast will be available until June 12, 2020.

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 in, expansion of and/or guidance or outlook as to the expected impact of or duration of the COVID-19 pandemic, or as a result of any current or future government actions, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers, the timing of and the expected restart and ramp up of operations, including OEM and supplier preparations to resume production; the Company's current and future strategy, priorities and response related to COVID-19, and the status of implementation; the expected economic impact resulting from COVID-19, the type of factors affecting the economic impact; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations and global impact, the growth of the Company, the intention to remain world class in safety; the intention to make masks, the strength of the Company, including post-COVID-19, the intention to maintain a strong balance sheet and pay down debt over time, program wins, the ramping up and launching of new programs and the expected financial impact of launches and other new programs, pursuit of its strategies (including investing in the business, strategic investments and acquisitions), the payment of dividends, the effects and impact of COVID-19, the ability to grow business and serve customers, the benefit of the assets acquired from Metalsa, the intention to purchase 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 most recent Management Discussion and Analysis and Annual Information Form and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions and epidemics or pandemics;
- 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;
- product development and technological change;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;

- limited financial resources/uncertainty of future financing/banking;
- risks associated with the integration of acquisitions;
- risks associated with private or public investment in technology companies;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour relations matters;
- trade restrictions;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- quote and pricing assumptions;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation and climate change;
- the impact of climate, political, social and economic risks, natural disasters and pandemics in the countries in which we operate or sell to, or from which we source production;
- 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:

Fred Di Tosto
Chief Financial Officer
Martinrea International Inc.
3210 Langstaff Road
Vaughan, Ontario L4K 5B2

Tel: 416-749-0314
Fax: 289-982-3001

MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2020

The following management discussion and analysis ("MD&A") was prepared as of May 13, 2020 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 ("financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2019 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, 2019, 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 operates in 57 locations (including sales and engineering centers) in Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China, Japan and South Africa.

Martinrea's vision is to make people's 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 to our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities.

RECENT DEVELOPMENTS

COVID-19 PANDEMIC AND IMPACT ON OUR BUSINESS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but resumed in March. Martinrea, along with the rest of the automotive supply chain generally, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's financial results during the second half of March and continued into the second quarter. Although the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, a phased restart of the Company's manufacturing facilities and dependent functions is currently expected to commence in May and June 2020, aligned with current OEM restart plans as OEMs prepare to begin producing vehicles again.

The Company's response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and enhancing liquidity. The health and safety of our employees, their families, our customers and our communities is, and will continue to be, our top priority. The Company has implemented, and is in the process of implementing, various protocols throughout its global footprint to ensure a safe work environment, including the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational remote work schedules, where possible; and restricting travel.

The Company has also taken actions to conserve cash by aggressively flexing and reducing its cost base and eliminating discretionary spending across its global footprint. These actions have included a significant number of temporary hourly and salaried employee layoffs, temporary reductions of salaried employee base wages of 20% (50% in the case of the Company's Executive Chairman, President and Chief Executive Officer, and Chief Financial Officer), the curtailment of non-production spending and the delay of capital and tooling spending where and when appropriate. The Company has also temporarily suspended the repurchase of common stock under its normal course issuer bid, the continuation of which is to be re-assessed at a later date.

As at March 31, 2020, the Company had total liquidity of $300 million, including cash and cash equivalents and availability under the Company's revolving credit lines. On April 17, 2020, the Company further enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility, which increased the revolving credit lines available to the Company by another $280 million. The Company's banking facility also includes a $300 million allowance for asset based financing that the Company can use for additional financing if required, of which $236 million was available as at March 31, 2020. The Company also completed a forecast of cash flows and covenant compliance using available internal and external information.

As the COVID-19 pandemic and its economic impact continue to evolve, the Company will continue to respond in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and maintenance of its liquidity position. The financial impact to the Company will depend on the timing and extent to which overall industry sales volumes return.

The Company will work with all its stakeholders to address the challenges. We are working with:

- our supply base to deal with their challenges, including the restart of production and safety protocols;
- our customers to prepare for the resumption of full production at some point, as well as the development of new programs and products;
- our governmental and regulatory authorities to ensure safety and the economic well-being of our industry;
- our capital providers to ensure liquidity; and
- our employees to minimize the risks associated with the shutdowns and layoffs in the industry, including in many cases engaging in emergency government wage protection programs where applicable, as well as a safe and healthy return to work.

The COVID-19 pandemic is expected to have an adverse effect on our business, results of operations, cash flows and financial position; however, the full impact cannot be determined at this time. The extent of the impact will depend on various factors, including the ultimate duration of the shutdowns, its impact on customers, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lock-downs due to this wave of COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

Since the pandemic and public response to it continue to evolve rapidly, it is difficult to accurately assess its continued magnitude, outcome and duration. A prolonged pandemic and lockdown would likely:

- deteriorate economic conditions, resulting in lower consumer confidence which typically translates into lower vehicle sales and production levels;
- reduce our customers' production volume levels, including as a result of continued or intermittent facility shutdowns;
- elevate the financial pressure on our customers, which could lead to an OEM insolvency, and would likely increase pricing pressure on us; and
- reduce our production levels, including as a result of continued or intermittent shutdowns of our manufacturing facilities.

Additionally, a prolonged pandemic could:

- cause potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;
- lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or
- result in governmental regulation adversely impacting our business.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations.

Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date are likely to affect household income and wealth beyond 2020, which would likely directly affect vehicle sales and thus production as well.

ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V ("Metalsa"). The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housing and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The preliminary purchase price for the transaction was US$19.5 million ($26.0 million), inclusive of working capital less cash on hand, and on a debt free basis. The preliminary purchase price is subject to certain adjustments post-closing to be finalized over the coming months.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020, and has contributed incremental sales of $28.7 million and an operating loss of $1.3 million for the three months ended March 31, 2020. As a result of the acquisition, year-over-year financial results may not be directly comparable.

OVERALL RESULTS

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.

The following table sets out certain highlights of the Company's performance for the three months ended March 31, 2020 and 2019. Refer to the Company's financial statements for the three months ended March 31, 2020 for a detailed account of the Company's performance for the periods presented in the table below.

		Three months ended March 31, 2020		Three months ended March 31, 2019	$ Change	% Change
Sales	$	872,706	$	1,023,161	(150,455)	(14.7%)
Gross Margin		120,237		157,501	(37,264)	(23.7%)
Operating Income		49,205		83,463	(34,258)	(41.0%)
Net Income for the period		28,963		55,268	(26,305)	(47.6%)
Net Earnings per Share - Basic and Diluted	$	0.36	$	0.66	(0.30)	(45.5%)
Non-IFRS Measures*						
Adjusted Operating Income	$	50,752	$	83,463	(32,711)	(39.2%)
% of Sales		*5.8%*		*8.2%*		
Adjusted EBITDA		107,724		133,911	(26,187)	(19.6%)
% of Sales		*12.3%*		*13.1%*		
Adjusted Net Income		30,123		55,776	(25,653)	(46.0%)
Adjusted Net Earnings per Share - Basic and Diluted	$	0.38	$	0.67	(0.29)	(43.3%)

*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", "Free Cash Flow" and "Net Debt".

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 March 31, 2020	Three months ended March 31, 2019
Net Income	$ 28,963	$ 55,268
Unusual and Other Items (after-tax)*	1,160	508
Adjusted Net Income	$ 30,123	$ 55,776

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net Income	$ 28,963	$ 55,268
Income tax expense	11,210	18,385
Other finance expense - excluding Unusual and Other Items*	(1,130)	(567)
Share of loss in associate	700	-
Finance expense	9,462	9,796
Unusual and Other Items (before-tax)*	1,547	581
Adjusted Operating Income	$ 50,752	$ 83,463
Depreciation of property, plant and equipment and right-of-use assets	53,854	46,894
Amortization of intangible assets	3,118	3,665
Loss (gain) on disposal of property, plant and equipment	-	(111)
Adjusted EBITDA	$ 107,724	$ 133,911

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

SALES

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
North America	$ 687,528	$ 811,137	(123,609)	(15.2%)
Europe	159,897	190,395	(30,498)	(16.0%)
Rest of the World	27,859	23,332	4,527	19.4%
Eliminations	(2,578)	(1,703)	(875)	51.4%
Total Sales	$ 872,706	$ 1,023,161	(150,455)	(14.7%)

The Company’s consolidated sales for the first quarter of 2020 decreased by $150.5 million or 14.7% to $872.7 million as compared to $1,023.2 million for the first quarter of 2019. The total decrease in sales was driven by year-over-year decreases in the North America and Europe operating segments, partially offset by an increase in the Rest of the World.

Sales for the first quarter of 2020 in the Company’s North America operating segment decreased by $123.6 million or 15.2% to $687.5 million from $811.1 million for the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $7.4 million of year-over-year sales to the North America operating segment. Excluding the acquired operations, first quarter sales in North America decreased year-over-year by $131.0 million or 16.2%. This decrease was due to overall lower industry volumes, primarily as a result of the early impacts of the COVID-19 pandemic; a decrease in tooling sales of $39.4 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 negative impact on overall sales for the first quarter of 2020 of approximately $6.8 million as compared to the first quarter of 2019. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2019, namely the next generation GM Silverado/Sierra pick-up truck.

Sales for the first quarter of 2020 in the Company's Europe operating segment decreased by $30.5 million or 16.0% to $159.9 million from $190.4 million for the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $15.3 million of year-over-year sales to the Europe operating segment. Excluding the acquired operations, first quarter sales in Europe decreased year-over-year by $45.8 million or 24.1%. This decrease was due to overall lower industry volumes, largely as a result of the early impacts of the COVID-19 pandemic; lower year-over-year production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover, and including programs that ended production during or subsequent to the first quarter of 2019; an $8.2 million decrease in tooling sales; and a $6.3 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2019. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2019, including new aluminum engine blocks for Ford and Volvo, and an aluminum transmission for Volkswagen.

Sales for the first quarter of 2020 in the Company's Rest of the World operating segment increased by $4.5 million or 19.4% to $27.9 million from $23.3 million in the first quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $6.0 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, first quarter sales in the Rest of the World decreased year-over-year by $1.5 million or 6.5%. This decrease was largely driven by COVID-19 related disruption, and a $1.3 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the first quarter of 2019. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and a $1.9 million increase in tooling sales.

Overall tooling sales decreased by $45.7 million to $50.2 million for the first quarter of 2020 from $95.9 million for the first quarter of 2019.

GROSS MARGIN

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Gross margin	$ 120,237	$ 157,501	(37,264)	(23.7%)
% of Sales	13.8%	15.4%		

The gross margin percentage for the first quarter of 2020 of 13.8% decreased as a percentage of sales by 1.6% as compared to the gross margin percentage for the first quarter of 2019 of 15.4%. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume, driven largely by the early impacts of the COVID-19 pandemic; 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 a negative impact on overall margin from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020. Excluding the acquired operations, first quarter gross margin as a percentage of sales was 14.2%. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; and a decrease in tooling sales which typically earn low margins for the Company.

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

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Selling, general & administrative	$ 57,408	$ 60,858	(3,450)	(5.7%)
% of Sales	6.6%	5.9%		

SG&A expense for the first quarter of 2020 decreased by $3.5 million to $57.4 million as compared to $60.9 million for the first quarter of 2019. Excluding transaction costs related to the operations acquired from Metalsa expensed as SG&A as explained in Table A under "Adjustments to Net Income", SG&A expense for the first quarter of 2020 decreased by $5.0 million to $55.9 million from $60.9 million for the comparative period in 2019. The decrease can be attributed to lower year-over-year incentive compensation related to deferred/restricted share units of $6.3 million, and a decrease in travel related costs; partially offset by the addition of the operations acquired from Metalsa and higher outbound freight costs.

Excluding adjustments, SG&A expense as a percentage of sales increased to 6.4% for the first quarter of 2020 compared to 5.9% for the first quarter of 2019 due mainly to overall lower sales volume, driven largely by the early impacts of the COVID-19 pandemic.

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

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 49,983	$ 43,429	6,554	15.1%
Depreciation of PP&E and right-of-use assets (non-production)	3,871	3,465	406	11.7%
Amortization of customer contracts and relationships	300	537	(237)	(44.1%)
Amortization of development costs	2,818	3,128	(310)	(9.9%)
Total depreciation and amortization	$ 56,972	$ 50,559	6,413	12.7%

Total depreciation and amortization expense for the first quarter of 2020 increased by $6.4 million to $57.0 million as compared to $50.6 million for the first quarter of 2019. The increase in total depreciation and amortization expense was due mainly to an increase in depreciation expense on a larger PP&E asset base connected to new and replacement business that commenced during or subsequent to the first quarter of 2019.

A significant portion of the Company’s recent investments relates to various new programs that commenced during or subsequent to the first quarter of 2019 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 5.7% for the first quarter of 2020 from 4.2% for the first quarter of 2019 due mainly to overall lower sales volume, driven largely by the early impacts of the COVID-19 pandemic.

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 March 31, 2020 to three months ended March 31, 2019 comparison

	Three months ended March 31, 2020 (a)	Three months ended March 31, 2019 (b)	(a)-(b) Change
NET INCOME (A)	**$28,963**	**$55,268**	**($26,305)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A) (1)	1,547	-	1,547
Unrealized loss on derivative instruments (2)	-	581	(581)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$1,547**	**$581**	**$966**
Tax impact of above items	(387)	(73)	(314)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$1,160**	**$508**	**$652**
ADJUSTED NET INCOME (A + B)	**$30,123**	**$55,776**	**($25,653)**
Number of Shares Outstanding - Basic (‘000)	80,121	83,364	
Adjusted Basic Net Earnings Per Share	$0.38	$0.67	
Number of Shares Outstanding - Diluted (‘000)	80,281	83,586	
Adjusted Diluted Net Earnings Per Share	$0.38	$0.67	

(1) Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A)

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. The Company expensed $1.5 million in transaction costs related to the acquisition during the first quarter of 2020, recorded in selling general and administrative expense.

(2) Unrealized loss on derivative instruments

Martinrea held warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represented derivative instruments and were 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. Based on the fair value of the outstanding warrants as at March 31, 2019, an unrealized loss of $0.6 million was recognized for the three months ended March 31, 2019, in other finance income (expense). This unrealized loss has been added back for Adjusted Net Income purposes. All outstanding remaining warrants in NanoXplore expired in March 2020 unexercised.

NET INCOME

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

		Three months ended March 31, 2020		Three months ended March 31, 2019	$ Change	% Change
Net Income	$	28,963	$	55,268	(26,305)	(47.6%)
Adjusted Net Income	$	30,123	$	55,776	(25,653)	(46.0%)
Net Earnings per Share						
Basic and Diluted	$	0.36	$	0.66		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.38	$	0.67		

Net income, before adjustments, for the first quarter of 2020 decreased by $26.3 million to $29.0 million from $55.3 million for the first quarter of 2019. Excluding unusual and other items as explained in Table A under "Adjustments to Net Income", adjusted net income for the first quarter of 2020 decreased to $30.1 million or $0.38 per share, on a basic and diluted basis, from $55.7 million or $0.67 per share, on a basic and diluted basis, for the first quarter of 2019.

Adjusted Net Income for the first quarter of 2020, as compared to the first quarter of 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due largely to the early impacts of the COVID-19 pandemic;
- negative March results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in depreciation expense as previously discussed;
- the Company's share of loss of an associate in the amount of $0.7 million; and
- a higher effective tax rate on adjusted income due generally to mix of earnings and the inclusion of results from the operations acquired from Metalsa effective March 2, 2020 (27.8% for the first quarter of 2020 compared to 24.9% for the first quarter of 2019).

These negative factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously discussed; and
- a net foreign exchange gain of $1.0 million for the first quarter of 2020 compared to a net foreign exchange gain of $0.5 million for the first quarter of 2019.

Withdrawal of Guidance

On March 20, 2020, the Company issued a press release withdrawing its previously disclosed financial guidance and medium-term outlook. A copy of the press release is available under the Company's SEDAR profile at www.sedar.com.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2020 to three months ended March 31, 2019 comparison

		Three months ended March 31, 2020		Three months ended March 31, 2019	$ Change	% Change
Additions to PP&E	$	63,964	$	68,313	(4,349)	(6.4%)

Additions to PP&E remained relatively consistent year-over-year decreasing slightly by $4.3 million to $64.0 million or 7.3% of sales in the first quarter of 2020 from $68.3 million or 6.7% of sales in the first quarter of 2019. General timing of expenditures makes quarterly additions to PP&E quite volatile in nature. 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 March 31, 2020 to three months ended March 31, 2019 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended March 31, 2020	Three months ended March 31, 2019	Three months ended March 31, 2020	Three months ended March 31, 2019
North America	$ 687,528	$ 811,137	$ 50,179	$ 71,125
Europe	159,897	190,395	37	15,287
Rest of the World	27,859	23,332	536	(2,949)
Eliminations	(2,578)	(1,703)	-	-
Adjusted Operating Income	-	-	$ 50,752	$ 83,463
Unusual and Other Items*	-	-	(1,547)	-
Total	$ 872,706	$ 1,023,161	$ 49,205	$ 83,463

** Operating income for the operating segments has been adjusted for unusual and other items. The $1.5 million of unusual and other items for the first quarter of 2020 was recognized in North America. 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 $21.0 million to $50.2 million or 7.3% of sales for the first quarter of 2020 from $71.1 million or 8.8% for the first quarter of 2019 due mainly to overall lower sales volume, as previously explained, due largely to the early impacts of the COVID-19 pandemic; 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 partially offset by productivity and efficiency improvements at certain operating facilities.

Europe

Adjusted Operating Income in Europe decreased by $15.3 million to essentially breakeven for the first quarter of 2020 from $15.3 million or 8.0% of sales for the first quarter of 2019 due mainly to overall lower sales volume, as previously explained, due largely to the early impacts of the COVID-19 pandemic; lower volumes related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover; and negative operating results from the business acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year from a negative level in the first quarter of 2019 to operating income of $0.5 million or 1.9% of sales for the first quarter of 2020 due generally to higher year-over-year sales and a positive sales mix.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2020	2019				2018		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	872,706	917,581	974,384	948,533	1,023,161	926,154	851,136	921,710
Gross Margin	120,237	129,921	143,901	154,778	157,501	134,567	127,130	150,035
Net Income for the period	28,963	51,153	46,678	28,122	55,268	37,816	36,381	55,727
Adjusted Net Income *	30,123	33,834	43,507	54,570	55,776	43,840	37,169	55,527
Basic Net Earnings per Share	0.36	0.63	0.57	0.34	0.66	0.44	0.42	0.64
Diluted Net Earnings per Share	0.36	0.63	0.56	0.34	0.66	0.44	0.42	0.64
Adjusted Basic and Diluted Net Earnings per Share *	0.38	0.42	0.53	0.66	0.67	0.51	0.43	0.64

***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", "Free Cash Flow" and "Net Debt". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2019 and 2018 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

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 a syndicate of ten banks, include the following:

- a move to an unsecured credit structure;
- improved financial covenants;
- available revolving credit lines of $370 million and US $420 million;
- available asset based financing capacity of $300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $200 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 March 31, 2020, the Company had drawn US $344 million (December 31, 2019 - $301 million) on the U.S. revolving credit line and $328 million (December 31, 2019 - $328 million) on the Canadian revolving credit line. As at March 31, 2020, the Company had total liquidity of $300 million, including cash and cash equivalents and availability under the Company's revolving credit lines. Further, as noted above, the Company's banking facility includes a $300 million allowance for asset based financing that the Company can use for additional financing if required, of which $236 million was available as at March 31, 2020.

In response to the COVID-19 pandemic, the Company has taken controlled and measured actions to preserve liquidity including aggressively flexing and reducing its cost base, eliminating discretionary spending across its global footprint and delaying capital and tooling spending where and when appropriate. The Company has also temporarily suspended the repurchase of common stock under its normal course issuer bid to preserve cash. In addition, on April 17, 2020, the Company further enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility and entering into a new loan agreement. The exercise of the accordion feature increased the revolving credit lines available to the Company by another $280 million, at interest rates approximately 25 basis points higher than the existing credit lines.

On April 30, 2020, the Company finalized an equipment loan in the amount of € 6.6 million ($10.3 million) repayment in monthly installments starting in 2021 over three years at a fixed annual interest rate of 2%.

The principal sources of liquidity available for the Company's future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments.

Debt leverage ratios:

Excluding the impact of IFRS 16:	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Long-term debt	$ 871,207	$ 781,573	$ 793,246	$ 785,843	$ 809,552
	871,207	781,573	793,246	785,843	809,552
Less: Cash and cash equivalents	(156,515)	(118,973)	(101,409)	(90,140)	(76,447)
Net Debt	$ 714,692	$ 662,600	$ 691,837	$ 695,703	$ 733,105
Trailing 12-month Adjusted EBITDA*	$ 441,517	$ 468,355	$ 478,692	$ 469,140	$ 466,347
Net Debt to Adjusted EBITDA ratio*	1.62x	1.41x	1.45x	1.48x	1.57x

Including the impact of IFRS 16:	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Long-term debt	$ 871,207	$ 781,573	$ 793,246	$ 785,843	$ 809,552
Lease liabilities	220,525	202,352	210,991	217,654	221,754
	1,091,732	983,925	1,004,237	1,003,497	1,031,306
Less: Cash and cash equivalents	(156,515)	(118,973)	(101,409)	(90,140)	(76,447)
Net Debt	$ 935,217	$ 864,952	$ 902,828	$ 913,357	$ 954,859
Trailing 12-month Adjusted EBITDA*	$ 478,368	$ 504,555	$ 513,813	$ 503,162	$ 499,194
Net Debt to Adjusted EBITDA ratio*	1.96x	1.71x	1.76x	1.82x	1.91x

The Company's net debt (excluding the impact of adopting IFRS 16 and as outlined above) increased by $52.1 million during the first quarter of 2020 to $714.7 million from $662.6 million at the end of the fourth quarter of 2019, due largely to the financing of the acquisition from Metalsa and foreign exchange translation. As a result, the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) increased during the quarter to 1.62x from 1.41x at the end of the fourth quarter of 2019.

The Company was in compliance with its debt covenants as at March 31, 2020. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

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.

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.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to $0.20 per share, to be paid in four quarterly installments of $0.05 per share, commencing at the beginning of 2020. The first such dividend was paid on April 14, 2020. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current COVID-19 situation, the Company's financial performance, and then current anticipated needs at that time.

Cash flow

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 104,277	$ 137,272	(32,995)	(24.0%)
Change in non-cash working capital items	(1,081)	(38,097)	37,016	(97.2%)
	103,196	99,175	4,021	4.1%
Interest paid	(9,921)	(10,584)	663	(6.3%)
Income taxes paid	(11,743)	(28,465)	16,722	(58.7%)
Cash provided by operating activities	81,532	60,126	21,406	35.6%
Cash provided by financing activities	37,994	40,834	(2,840)	(7.0%)
Cash used in investing activities	(86,074)	(94,250)	8,176	(8.7%)
Effect of foreign exchange rate changes on cash and cash equivalents	4,090	(425)	4,515	(1,062.4%)
Increase in cash and cash equivalents	$ 37,542	$ 6,285	31,257	497.3%

Cash provided by operating activities during the first quarter of 2020 was $81.5 million, compared to cash provided by operating activities of $60.1 million in the corresponding period of 2019. The components for the first quarter of 2020 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $104.3 million;
- working capital items use of cash of $1.1 million comprised of an increase in trade and other receivables of $1.5 million, an increase in inventories of $44.3 million, an increase in prepaid expenses and deposits of $1.9 million; partially offset by an increase in trade, other payables and provisions of $46.6 million;
- interest paid (excluding capitalized interest) of $9.9 million; and
- income taxes paid of $11.7 million.

Cash provided by financing activities during the first quarter of 2020 was $38.0 million, compared to cash provided by financing activities of $40.8 million in the corresponding period in 2019, as a result of a $52.3 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility of $56.4 million, partially offset by repayments on equipment loans of $4.1 million); partially offset by the repayment of lease liabilities of $7.4 million, $3.6 million in dividends paid, and the repurchase of common shares by way of the normal course issuer bid of $3.4 million.

Cash used in investing activities during the first quarter of 2020 was $86.1 million, compared to $94.3 million in the corresponding period in 2019. The components for the first quarter of 2020 primarily include the following:

- cash additions to PP&E of $74.1 million;
- net preliminary cash consideration paid for operations acquired from Metalsa of $10.5 million;
- capitalized development costs relating to upcoming new program launches of $1.8 million; partially offset by
- proceeds from the disposal of PP&E of $0.3 million.

Taking into account the opening cash balance of $119.0 million at the beginning of the first quarter of 2020, and the activities described above, the cash and cash equivalents balance at March 31, 2020 was $156.5 million.

Free Cash Flow

	Three months ended March 31, 2020	Three months ended March 31, 2019	$ Change
Adjusted EBITDA	$ 107,724	$ 133,911	(26,187)
Add (deduct):			
Change in non-cash working capital items	(1,081)	(38,097)	37,016
Cash purchase of property, plant and equipment	(74,054)	(77,418)	3,364
Cash proceeds on disposal of property, plant and equipment	266	483	(217)
Capitalized development costs	(1,783)	(2,316)	533
Interest on long term debt, net of capitalized interest*	(9,462)	(9,796)	334
Cash income taxes	(11,743)	(28,465)	16,722
Free cash flow*	9,867	(21,698)	31,565

**Note: Prior year comparative figures were revised to include $1.6 million of interest on lease liabilities*

Free cash flow increased this quarter. Lower year-over-year Adjusted EBITDA, driven largely by lower sales volumes from the early impacts of the COVID-19 pandemic, was more than offset by a decreases in cash required for non-cash working capital, cash purchases of property, plant and equipment, and cash taxes.

All tooling related working capital accounts, including inventory, trade receivables and trade payables on a net basis, increased to $100.0 million as at March 31, 2020, from $59.4 million as at December 31, 2019 and $118.9 million as at March 31, 2019. Tooling related working capital related to the operations acquired from Metalsa added $11.6 million to the balance as at March 31, 2020.

Reconciliation of IFRS “Net cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Net cash provided by operating activities	$ 81,532	$ 60,126
Add (deduct):		
Cash purchases of property, plant and equipment	(74,054)	(77,418)
Transaction costs associated with the acquisition of Metalsa	1,547	-
Cash proceeds on disposal of property, plant and equipment	266	483
Capitalized development costs	(1,783)	(2,316)
Interest on long-term debt, net of capitalized interest	(9,462)	(9,796)
Interest paid	9,921	10,584
Unrealized loss on foreign exchange contracts	(108)	(583)
Deferred and restricted share units benefit (expense)	4,180	(2,132)
Stock options expense	(604)	(314)
Pension and other post-employment benefits expense	(1,250)	(1,023)
Contributions made to pension and other post-retirement benefits expense	812	1,258
Net unrealized foreign exchange loss and other income	(1,130)	(567)
Free cash flow	$ 9,867	$ (21,698)

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 ("AIF") dated March 5, 2020 and available through SEDAR at www.sedar.com which are incorporated herein by reference. The disclosure in this MD&A and, in particular under "Recent Developments: COVID-19 Pandemic and Impact on our Business", supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 13, 2020, the Company had 79,960,895 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at May 13, 2020, options to acquire 3,110,700 common shares were outstanding.

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of $3.4 million, resulting in a decrease to stated capital of $2.5 million and a decrease to retained earnings of $0.9 million. The shares were purchased for cancellation directly under the Company's normal course issuer bid ("NCIB").

In light of the COVID-19 pandemic, the Company has temporarily suspended the repurchase of common stock under the NCIB, to be re-assessed at a later date.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2020, 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, 2019.

Guarantees

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2020, 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 as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

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 March 31, 2020, 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	$	46,570	1.3995	1
Buy Mexican Peso	$	17,935	22.8600	1

The aggregate value of these forward contracts as at March 31, 2020 was a pre-tax loss of $0.1 million and was recorded in trade and other payables (December 31, 2019 - gain of $0.4 million and was 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	$	51,930	1.3141	45

The aggregate value of these forward contracts as at March 31, 2020 was a pre-tax loss of $4.3 million and was recorded in trade and other payables (December 31, 2019 - loss of $0.8 million and was recorded in trade and other payables).

INVESTMENTS

As at March 31, 2020, the Company held 30,199,800 common shares of NanoXplore Inc. ("NanoXplore") representing an approximate 25% equity interest in NanoXplore (on a non-diluted basis). NanoXplore Inc. 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.

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.

		Investment in common shares of NanoXplore
Net balance as of December 31, 2019	$	37,080
Share of loss for the period		(700)
Share of other comprehensive income for the period		26
Net balance as of March 31, 2020	$	36,406

Subsequent to the quarter end, on April 2, 2020, the Company acquired an additional 3,846,200 common shares in NanoXplore pursuant to a private placement offering at a price of $1.30 per common share for an aggregate purchase price of $5.0 million. The Company continues to maintain an approximate 25% equity interest in NanoXplore.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Subject to the limitation in the following paragraph, 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.

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V ("Metalsa"). The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housing and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

In accordance with National Instrument 52-109 3.3(1)(b), management has limited its design of its disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the acquired operations from Metalsa which was acquired within 365 days before the end of the recent financial report. The acquired business contributed incremental sales of $28.7 million and an operating loss of $1.3 million for the three months ended March 31, 2020. In addition, the acquired business constitutes $48.0 million, $21.4 million and $10.0 million of the Company's working capital (including cash), non-current assets and non-current liabilities as at March 31, 2020.

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 expected impact of or duration of the COVID-19 pandemic, or as a result of any current or future government actions, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers; the timing of and the expected restart of operations, including OEM and supplier preparations to resume production; the Company's current and future strategy, priorities and response related to COVID-19, and the status of implementation; the expected economic impact resulting from COVID-19, the type of factors affecting the economic impact; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations and global impact, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business, continued investments in its business and technologies, its ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments, the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs and using the tools as collateral, the finalization of the Metalsa purchase price, the reassessment of the NCIB 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, 2019 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions and epidemics or pandemics;
- 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;
- product development and technological change;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources/uncertainty of future financing/banking;
- risks associated with the integration of acquisitions;
- risks associated with private or public investment in technology companies;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour relations matters;
- trade restrictions;

- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- quote and pricing assumptions;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation and climate change;
- the impact of climate, political, social and economic risks, natural disasters and pandemics in the countries in which we operate or sell to, or from which we source production;
- 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 MONTHS ENDED MARCH 31, 2020

Martinrea International Inc.

Table of Contents

Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note		March 31, 2020		December 31, 2019
ASSETS					
Cash and cash equivalents		$	156,515	$	118,973
Trade and other receivables	3		657,076		560,976
Inventories	4		531,802		383,682
Prepaid expenses and deposits			31,891		25,846
Income taxes recoverable			7,264		16,783
TOTAL CURRENT ASSETS			1,384,548		1,106,260
Property, plant and equipment	5		1,685,366		1,541,895
Right-of-use assets	6		199,719		188,378
Deferred tax assets			204,386		165,890
Intangible assets	7		57,387		54,787
Investments	8		36,406		37,085
TOTAL NON-CURRENT ASSETS			2,183,264		1,988,035
TOTAL ASSETS		$	3,567,812	$	3,094,295
LIABILITIES					
Trade and other payables	9	$	918,590	$	728,787
Provisions	10		26,916		8,584
Income taxes payable			3,332		7,477
Current portion of long-term debt	11		16,567		15,651
Current portion of lease liabilities	12		32,734		28,247
TOTAL CURRENT LIABILITIES			998,139		788,746
Long-term debt	11		854,640		765,922
Lease liabilities	12		187,791		174,105
Pension and other post-retirement benefits			81,066		63,789
Deferred tax liabilities			108,952		83,310
TOTAL NON-CURRENT LIABILITIES			1,232,449		1,087,126
TOTAL LIABILITIES			2,230,588		1,875,872
EQUITY					
Capital stock	14		658,948		661,422
Contributed surplus			43,053		42,449
Accumulated other comprehensive income			191,455		89,107
Retained earnings			443,768		425,445
TOTAL EQUITY			1,337,224		1,218,423
TOTAL LIABILITIES AND EQUITY		$	3,567,812	$	3,094,295

Contingencies (note 19)

Subsequent events (notes 8 and 11)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Terry Lyons” Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended March 31, 2020	Three months ended March 31, 2019
SALES		$ 872,706	$ 1,023,161
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(702,486)	(822,231)
Depreciation of property, plant and equipment and right-of-use assets (production)		(49,983)	(43,429)
Total cost of sales		(752,469)	(865,660)
GROSS MARGIN		120,237	157,501
Research and development costs		(9,453)	(9,289)
Selling, general and administrative		(57,408)	(60,858)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,871)	(3,465)
Amortization of customer contracts and relationships		(300)	(537)
Gain on disposal of property, plant and equipment		-	111
OPERATING INCOME		49,205	83,463
Share of loss of an associate	8	(700)	-
Finance expense	16	(9,462)	(9,796)
Other finance income (expense)	16	1,130	(14)
INCOME BEFORE INCOME TAXES		40,173	73,653
Income tax expense	13	(11,210)	(18,385)
NET INCOME FOR THE PERIOD		$ 28,963	$ 55,268

Basic earnings per share	15	$ 0.36	$ 0.66
Diluted earnings per share	15	$ 0.36	$ 0.66

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
NET INCOME FOR THE PERIOD	$ 28,963	$ 55,268
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	107,886	(28,038)
Cash flow hedging derivative and non-derivative financial instruments:		
Unrealized gain (loss) in fair value of financial instruments	(5,759)	2,038
Reclassification of loss to net income	195	371
Items that will not be reclassified to net income		
Change in fair value of investments	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method	-	(4,314)
Share of other comprehensive income of an associate	26	-
Remeasurement of defined benefit plans	(5,749)	1,085
Other comprehensive income (loss), net of tax	96,599	(29,634)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 125,562	$ 25,634

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, 2018	$ 680,157	$ 42,016	$ 158,395	$ 270,981	$ 1,151,549
Net income for the period	-	-	-	55,268	55,268
Compensation expense related to stock options	-	314	-	-	314
Dividends ($0.045 per share)	-	-	-	(3,724)	(3,724)
Exercise of employee stock options	1,294	(372)	-	-	922
Repurchase of common shares	-	-	-	(2,464)	(2,464)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	1,085	1,085
Foreign currency translation differences	-	-	(28,038)	-	(28,038)
Change in fair value of investments	-	-	(776)	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method			(4,314)	4,314	-
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	2,038	-	2,038
Reclassification of loss to net income	-	-	371	-	371
BALANCE AT MARCH 31, 2019	681,451	41,958	127,676	325,460	1,176,545
Net income for the period	-	-	-	125,953	125,953
Compensation expense related to stock options	-	881	-	-	881
Dividends ($0.135 per share)	-	-	-	(11,014)	(11,014)
Exercise of employee stock options	1,387	(390)	-	-	997
Repurchase of common shares	(21,416)	-	-	(10,088)	(31,504)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(4,866)	(4,866)
Foreign currency translation differences	-	-	(41,157)	-	(41,157)
Share of other comprehensive income of an associate	-	-	(26)	-	(26)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	1,697	-	1,697
Reclassification of loss to net income	-	-	917	-	917
BALANCE AT DECEMBER 31, 2019	661,422	42,449	89,107	425,445	1,218,423
Net income for the period	-	-	-	28,963	28,963
Compensation expense related to stock options	-	604	-	-	604
Dividends ($0.050 per share)	-	-	-	(3,998)	(3,998)
Repurchase of common shares	(2,474)	-	-	(893)	(3,367)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(5,749)	(5,749)
Foreign currency translation differences	-	-	107,886	-	107,886
Share of other comprehensive income of an associate	-	-	26	-	26
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized loss in fair value of financial instruments	-	-	(5,759)	-	(5,759)
Reclassification of loss to net income	-	-	195	-	195
BALANCE AT MARCH 31, 2020	$ 658,948	$ 43,053	$ 191,455	$ 443,768	$ 1,337,224

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

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

	Three months ended March 31, 2020	Three months ended March 31, 2019
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 28,963	$ 55,268
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	53,854	46,894
Amortization of customer contracts and relationships	300	537
Amortization of development costs	2,818	3,128
Unrealized loss on foreign exchange forward contracts	108	583
Loss on warrants	-	581
Finance expense (including interest on lease liabilities)	9,462	9,796
Income tax expense	11,210	18,385
Gain on disposal of property, plant and equipment	-	(111)
Deferred and restricted share units expense (benefit)	(4,180)	2,132
Stock options expense	604	314
Share of loss of an associate	700	-
Pension and other post-retirement benefits expense	1,250	1,023
Contributions made to pension and other post-retirement benefits	(812)	(1,258)
	104,277	137,272
Changes in non-cash working capital items:		
Trade and other receivables	(1,537)	(112,987)
Inventories	(44,260)	16,067
Prepaid expenses and deposits	(1,891)	(2,952)
Trade, other payables and provisions	46,607	61,775
	103,196	99,175
Interest paid	(9,921)	(10,584)
Income taxes paid	(11,743)	(28,465)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 81,532	$ 60,126
FINANCING ACTIVITIES:		
Increase in long-term debt	56,428	81,420
Repayment of long-term debt	(4,090)	(4,081)
Principal payments of lease liabilities	(7,365)	(7,275)
Dividends paid	(3,612)	(3,817)
Exercise of employee stock options	-	922
Repurchase of common shares	(3,367)	(26,335)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 37,994	$ 40,834
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (excluding capitalized interest)*	(74,054)	(77,418)
Business acquisition (note 2)	(26,044)	-
Cash acquired in business acquisition (note 2)	15,541	-
Capitalized development costs	(1,783)	(2,316)
Investment in NanoXplore Inc.	-	(14,999)
Proceeds on disposal of property, plant and equipment	266	483
NET CASH USED IN INVESTING ACTIVITIES	$ (86,074)	$ (94,250)
Effect of foreign exchange rate changes on cash and cash equivalents	4,090	(425)
INCREASE IN CASH AND CASH EQUIVALENTS	37,542	6,285
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	118,973	70,162
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 156,515	$ 76,447

*As at March 31, 2020, $38,484 (December 31, 2019 - $49,120) 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, 2019, except as outlined in note 1(e).

(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, 2019.

(c) COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March, the Company’s OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but resumed in March. Martinrea, along with essentially the rest of the automotive supply chain generally, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company’s financial results during the second half of March and continued into the second quarter. Although the potential magnitude and duration of the business and economic impacts of COVID-19 are uncertain, a phased restart of the Company’s manufacturing facilities and dependent functions is currently expected to commence in May and June 2020, aligned with current OEM restart plans as OEMs prepare to begin producing vehicles again.

The COVID-19 pandemic is expected to have an adverse effect on our business, results of operations, cash flows and financial position however, the full impact cannot be determined at this time. The extent of the impact will depend on various factors, including the ultimate duration of the shutdowns, its impact on customers, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lock-downs due to this wave of COVID-19, or any future wave, and the potential for a recession in key markets due to the effect of the pandemic.

Use of estimates and judgments:

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, sales and expenses, and related disclosures with respect to contingent assets and liabilities. Actual results may differ from these estimates. As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, management has reviewed the estimates, judgments and assumptions used in the preparation of the interim condensed consolidated financial statements, including with respect to: the determination of whether indications of any asset impairment exist and the discount rates applied to the Company’s pension obligations. Although no significant revision to such estimates, judgments, or assumptions were required for the first quarter of 2020, revisions may be required in future periods to the extent that the negative impacts on the business arising from COVID-19 continue or worsen. Any such revision (due to COVID-19 or otherwise) may result in, among other things, write-downs or impairment to assets, and/or adjustments to the carrying amount of accounts receivable and/or inventories, or to the valuation of deferred tax assets and/or pension assets or obligations, any of which could have a material impact on results of operations and financial position.

(d) 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.

(e) Recently adopted and applicable accounting standards and policies

Amendments to IFRS 9, Financial Instruments ("IFRS 9") and IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standards on disclosures, IFRS 7, Financial Instruments: Disclosures. The amendments are effective from January 1, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by interest rate benchmark reform in the following areas:

- the 'highly' probable requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The adoption of the amendments to these standards did not have a material impact on the interim condensed consolidated financial statements in the current or comparative periods.

Amendments to IFRS 3, Business Combinations

On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

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

IFRS 3, Business Combinations

For every business combination, the Company identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill:

In a business combination, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired entity, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, including cash, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes contingent consideration and share-based payment awards exchanged in the business combination. Payments that effectively settle pre-existing relationships between the Company and the acquiree, payments to compensate employees or former owners for future services, and a reimbursement of transaction costs incurred by the acquiree on behalf of the Company are not accounted for as part of the business combination.

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

Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are excluded from acquisition accounting, and are expensed as incurred.

Contingent liabilities:
Contingent liabilities that are present obligations that arose from past events are recognized at fair value at the acquisition date.

2. ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housing and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020 and has contributed incremental sales of $28,674 and an operating loss of $1,318 for the three months ended March 31, 2020.

The preliminary purchase price for the transaction was US $19,500 ($26,044), inclusive of working capital less cash on hand, and on a debt free basis. The preliminary purchase price is subject to certain adjustments post-closing to be finalized over the coming months.

The purchase price allocation has been done on a preliminary basis taking into account all relevant information available at the time these interim condensed consolidated financial statements were prepared.

The preliminary fair values of assets acquired and liabilities assumed in the acquisition are as follows:

	USD	CAD
Current assets (includes cash of US $11,636)	$ 114,730	$ 153,233
Property, plant and equipment	14,436	19,281
Current liabilities (excluding current portion of lease liabilities and provisions)	(69,312)	(92,574)
Provisions	(19,455)	(25,984)
Lease liabilities	(4,197)	(5,605)
Pension and other post-retirement benefits	(5,066)	(6,766)
	31,136	41,585
Less: Cash on hand	(11,636)	(15,541)
Net preliminary consideration	$ 19,500	$ 26,044

The preliminary purchase price allocation is subject to change and may be subsequently adjusted to reflect final valuation results and finalization of the purchase price.

Included in SG&A expense is a total of $1,547 of acquisition related costs recognized as an expense in the three months ended March 31, 2020.

3. TRADE AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019
Trade receivables	$ 631,976	$ 542,409
Other receivables	25,100	18,149
Foreign exchange forward contracts not accounted for as hedges (note 18(d))	-	418
	$ 657,076	$ 560,976

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

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

4. INVENTORIES

	March 31, 2020	December 31, 2019
Raw materials	$ 190,070	$ 144,570
Work in progress	53,399	41,976
Finished goods	55,256	38,956
Tooling work in progress and other inventory	233,077	158,180
	$ 531,802	$ 383,682

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 141,647	$ (25,947)	$ 115,700	$ 130,272	$ (23,203)	$ 107,069
Leasehold improvements	77,694	(47,836)	29,858	74,634	(45,243)	29,391
Manufacturing equipment	2,444,859	(1,261,517)	1,183,342	2,279,905	(1,158,116)	1,121,789
Tooling and fixtures	39,871	(34,651)	5,220	37,419	(32,287)	5,132
Other assets	69,271	(39,746)	29,525	66,732	(37,149)	29,583
Construction in progress	321,721	-	321,721	248,931	-	248,931
	$ 3,095,063	$ (1,409,697)	$ 1,685,366	$ 2,837,893	$ (1,295,998)	$ 1,541,895

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

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress	Total
Net as of December 31, 2018	$ 107,560	$ 28,841	$ 922,859	$ 6,460	$ 32,513	$ 383,219	$ 1,481,452
Additions	-	-	-	-	-	312,511	312,511
Disposals	(1,526)	(68)	(3,498)	-	(33)	(109)	(5,234)
Depreciation	(3,929)	(4,363)	(153,905)	(1,071)	(7,260)	-	(170,528)
Impairment	-	(1,116)	(4,038)	-	(732)	(1,140)	(7,026)
Reclassification to right-of-use assets	-	-	(445)	-	-	-	(445)
Transfers from construction in progress	10,105	7,184	406,646	11	6,230	(430,176)	-
Foreign currency translation adjustment	(5,141)	(1,087)	(45,830)	(268)	(1,135)	(15,374)	(68,835)
Net as of December 31, 2019	107,069	29,391	1,121,789	5,132	29,583	248,931	1,541,895
Additions	-	-	-	-	-	63,964	63,964
Additions from acquisition (note 2)	-	-	-	-	-	19,281	19,281
Disposals	-	-	(224)	(10)	-	(32)	(266)
Depreciation	(977)	(1,218)	(42,030)	(250)	(1,816)	-	(46,291)
Transfers from construction in progress	2,010	260	27,753	-	447	(30,470)	-
Foreign currency translation adjustment	7,598	1,425	76,054	348	1,311	20,047	106,783
Net as of March 31, 2020	$ 115,700	$ 29,858	$ 1,183,342	$ 5,220	$ 29,525	$ 321,721	$ 1,685,366

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

6. RIGHT-OF-USE ASSETS

	March 31, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 221,521	$ (37,958)	$ 183,563	$ 201,944	$ (29,991)	$ 171,953
Leased manufacturing equipment	21,916	(7,290)	14,626	20,360	(5,460)	14,900
Leased other assets	2,887	(1,357)	1,530	2,552	(1,027)	1,525
	$ 246,324	$ (46,605)	$ 199,719	$ 224,856	$ (36,478)	$ 188,378

	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	207,651	14,226	1,909	223,786
Reclassification from property, plant and equipment upon adoption of IFRS 16	-	445	-	445
Additions	372	6,311	608	7,291
Depreciation	(24,540)	(5,331)	(922)	(30,793)
Lease termination	(252)	(51)	-	(303)
Impairment	(6,462)	-	(10)	(6,472)
Foreign currency translation adjustment	(4,816)	(700)	(60)	(5,576)
Net as of December 31, 2019	$ 171,953	$ 14,900	$ 1,525	$ 188,378
Additions	1,330	162	44	1,536
Lease modifications	5,883	-	-	5,883
Depreciation	(5,950)	(1,368)	(245)	(7,563)
Foreign currency translation adjustment	10,347	932	206	11,485
Net as of March 31, 2020	$ 183,563	$ 14,626	$ 1,530	$ 199,719

7. INTANGIBLE ASSETS

	March 31, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,691	$ (61,128)	$ 1,563	$ 61,512	$ (59,759)	$ 1,753
Development costs	159,968	(104,144)	55,824	148,945	(95,911)	53,034
	$ 222,659	$ (165,272)	$ 57,387	$ 210,457	$ (155,670)	$ 54,787

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

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2018	$ 3,999	$ 66,932	$ 70,931
Additions	-	10,747	10,747
Amortization	(2,082)	(13,779)	(15,861)
Impairment	-	(2,487)	(2,487)
Upfront recovery of development costs incurred	-	(5,563)	(5,563)
Foreign currency translation adjustment	(164)	(2,816)	(2,980)
Net as of December 31, 2019	1,753	53,034	54,787
Additions	-	1,783	1,783
Amortization	(300)	(2,818)	(3,118)
Foreign currency translation adjustment	110	3,825	3,935
Net as of March 31, 2020	$ 1,563	$ 55,824	$ 57,387

8. INVESTMENTS

	March 31, 2020	December 31, 2019
Investment in common shares of NanoXplore Inc.	$ 36,406	$ 37,080
Warrants in NanoXplore Inc.	-	5
	$ 36,406	$ 37,085

As at March 31, 2020, the Company held 30,199,800 common shares of NanoXplore Inc. ("NanoXplore") representing an approximate 25% equity interest in NanoXplore (on a non-diluted basis). NanoXplore Inc. 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.

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.

	Investment in common shares of NanoXplore
Net balance as of December 31, 2019	$ 37,080
Share of loss for the period	(700)
Share of other comprehensive income for the period	26
Net balance as of March 31, 2020	$ 36,406

Subsequent to the quarter end, on April 2, 2020, the Company acquired an additional 3,846,200 common shares in NanoXplore pursuant to a private placement offering at a price of $1.30 per common share for an aggregate purchase price of $5,000. The Company continues to maintain an approximate 25% equity interest in NanoXplore.

As at December 31, 2019 the Company held 205,900 outstanding warrants in NanoXplore at an exercise price of $2.30 per share. These warrants expired in March 2020 unexercised.

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

9. TRADE AND OTHER PAYABLES

	March 31, 2020	December 31, 2019
Trade accounts payable and accrued liabilities	$ 914,200	$ 728,000
Foreign exchange forward contracts not accounted for as hedges (note 18(d))	108	-
Foreign exchange forward contracts accounted for as hedges (note 18(d))	4,282	787
	$ 918,590	$ 728,787

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

10. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2018	$ 2,073	$ 3,320	$ 5,393
Net additions	8,165	3,500	11,665
Amounts used during the period	(5,860)	(2,166)	(8,026)
Foreign currency translation adjustment	(164)	(284)	(448)
Net as of December 31, 2019	4,214	4,370	8,584
Net additions	-	32	32
Additions from acquisition (note 2)	25,984	-	25,984
Amounts used during the period	(6,245)	(554)	(6,799)
Foreign currency translation adjustment	(356)	(529)	(885)
Net as of March 31, 2020	$ 23,597	$ 3,319	$ 26,916

Based on estimated cash outflows, all provisions as at March 31, 2020 and December 31, 2019 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.

	March 31, 2020	December 31, 2019
Banking facility	$ 807,411	$ 716,452
Equipment loans	63,796	65,121
	871,207	781,573
Current portion	(16,567)	(15,651)
	$ 854,640	$ 765,922

Terms and conditions of outstanding loans, as at March 31, 2020, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2020 Carrying amount	December 31, 2019 Carrying amount
Banking facility	USD	LIBOR + 1.70%	2022	$ 481,559	$ 390,830
	CAD	BA + 1.70%	2022	325,852	325,622
Equipment loans	EUR	1.05%	2024	24,747	24,505
	CAD	3.80%	2022	21,612	23,594
	EUR	1.40%	2026	16,535	15,872
	EUR	1.36%	2021	605	858
	EUR	0.26%	2025	285	266
	BRL	5.00%	2020	12	26
				$ 871,207	$ 781,573

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 a syndicate of ten banks, include the following:

- a move to an unsecured credit structure;

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

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

As at March 31, 2020, the Company has drawn US $344,000 (December 31, 2019 – US $301,000) on the U.S. revolving credit line and $328,000 (December 31, 2019 - $328,000) on the Canadian revolving credit line. At March 31, 2020, the weighted average effective interest rate of the banking facility credit lines was 3.4% (December 31, 2019 - 3.9%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2020.

Deferred financing fees of $2,148 (December 31, 2019 - $2,378) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments as at March 31, 2020 are as follows:

		Scheduled principal repayments		Scheduled amortization of deferred financing fees		Carrying amount of outstanding loans
Within one year	$	17,488	$	921	$	16,567
One to two years		17,286		921		16,365
Two to three years		823,583		306		823,277
Three to four years		9,062		-		9,062
Thereafter		5,936		-		5,936
	$	873,355	$	2,148	$	871,207

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2018	$	740,717
Drawdowns		74,847
Loan proceeds		16,602
Repayments		(30,575)
Amortization of deferred financing fees		921
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		(457)
Foreign currency translation adjustment		(20,482)
Net as of December 31, 2019	$	781,573
Drawdowns		56,428
Repayments		(4,090)
Amortization of deferred financing fees		230
Foreign currency translation adjustment		37,066
Net as of March 31, 2020	$	871,207

In light of the COVID-19 pandemic, the Company has enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility and entered into a new loan agreement. The exercise was completed subsequent to the quarter-end on April 17, 2020, and increased the revolving credit lines available to the Company by another US $200,000 ($280,000), at interest rates approximately 25 basis points higher than the Company's existing credit lines.

On April 30, 2020, the Company finalized an equipment loan in the amount of € 6,600 ($10,286) repayable in monthly installments starting in 2021 over three years at a fixed annual interest rate of 2%.

(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.

Movement in the Company's lease liabilities is summarized as follows:

		Total
Net as of December 31, 2018	$	-
Initial recognition of lease liabilities upon transition to IFRS 16		228,623
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		457
Net additions		7,580
Principal payments of lease liabilities		(27,898)
Termination of leases		(309)
Foreign currency translation adjustment and other		(6,101)
Net as of December 31, 2019	$	202,352
Net additions		1,536
Lease modifications		5,883
Additions from acquisition (note 2)		5,605
Principal payments of lease liabilities		(7,365)
Foreign currency translation adjustment and other		12,514
Net as of March 31, 2020	$	220,525

The maturity of contractual undiscounted lease liabilities as at March 31, 2020 is as follows:

		Total
Within one year	$	41,306
One to two years		38,125
Two to three years		33,655
Three to four years		31,254
Thereafter		116,818
Total undiscounted lease liabilities at March 31, 2020	$	261,158
Interest on lease liabilities		(40,633)
Total present value of minimum lease payments	$	220,525
Current portion		(32,734)
	$	187,791

13. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended March 31, 2020		Three months ended March 31, 2019
Current income tax expense	$	(15,624)	$	(18,518)
Deferred income tax recovery		4,414		133
Total income tax expense	$	(11,210)	$	(18,385)

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

14. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of, December 31, 2018	82,631,105	$	680,157
Exercise of stock options	115,500		1,294
Balance as of, March 31, 2019	82,746,605	$	681,451
Exercise of stock options	114,500		1,387
Repurchase of common shares under normal course issuer bid	(2,600,025)		(21,416)
Balance as of, December 31, 2019	80,261,080	$	661,422
Repurchase of common shares under normal course issuer bid	(300,185)		(2,474)
Balance as of, March 31, 2020	79,960,895	$	658,948

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 the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of $3,367, resulting in a decrease to stated capital of $2,474 and a decrease to retained earnings of $893. The shares were purchased for cancellation directly under the Company's normal course issuer bid (NCIB).

In light of the COVID-19 pandemic, the Company has temporarily suspended the repurchase of common shares under the NCIB, to be reassessed at a later date.

Stock options

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

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	3,010,700	$	12.57	2,430,700	$	11.46
Granted during the period	100,000		14.35	20,000		13.19
Exercised during the period	-		-	(115,500)		7.98
Balance, end of period	3,110,700	$	12.63	2,335,200	$	11.65
Options exercisable, end of period	1,541,700	$	11.05	1,545,200	$	10.77

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2020:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.00 - 8.70	378,700	2010 - 2012	2020 - 2022
$10.40 - 12.63	852,000	2012 - 2014	2022 - 2024
$13.19 - 16.06	1,880,000	2015 - 2020	2025 - 2030
Total share purchase options	3,110,700		

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.

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

The key assumptions, on a weighted average basis, used in the valuation of options granted are shown in the table below:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Expected volatility	33.24%	36.67%
Risk free interest rate	1.66%	2.19%
Expected life (years)	5.0	4.9
Dividend yield	1.23%	1.36%
Weighted average fair value of options granted	$ 4.09	$ 3.82

For the three months ended March 31, 2020, the Company expensed $604 (2019 - $314), to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

Deferred Share Unit ("DSU") Plan

The following is a summary of the issued and outstanding DSUs as at March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Outstanding, beginning of period	246,114	174,574
Granted and reinvested dividends	-	-
Redeemed	-	-
Outstanding, end of period	246,114	174,574

At March 31, 2020, the fair value of all outstanding DSUs amounted to $1,733 (March 31, 2019 - $2,202 and December 31, 2019 - $2,741). For the three months ended March 31, 2020, DSU compensation expense/benefit reflected in the interim consolidated statement of operations, including changes in fair value during the period, amounted to a benefit of $1,008 (2019 - expense of $396), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at March 31, 2020 was $303 (March 31, 2019 – nil and December 31, 2019 - $532), and will be recognized in profit and loss over the next three years as the DSUs vest.

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

The following is a summary of the issued and outstanding RSUs and PSUs for the three months ended March 31, 2020 and 2019:

	RSUs	PSUs	Total
Outstanding, December 31, 2018	289,210	289,210	578,420
Granted and reinvested dividends	25,274	25,274	50,548
Redeemed	-	-	-
Outstanding, March 31, 2019	314,484	314,484	628,968
Granted and reinvested dividends	228,133	228,133	456,266
Redeemed	(77,304)	(77,304)	(154,608)
Cancelled	(13,498)	(14,500)	(27,998)
Outstanding, December 31, 2019	451,815	450,813	902,628
Granted and reinvested dividends	18,522	18,522	37,044
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, March 31, 2020	470,337	469,335	939,672

The RSUs and PSUs granted during the three months ended March 31, 2020 and 2019 had a weighted average fair value per unit of $13.10 and $12.68, respectively, on the date of grant. For the three months ended March 31, 2020, 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 a benefit of $3,172 (2019 - expense of $1,736), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at March 31, 2020 was $2,556 (March 31, 2019 - $3,144 and December 31, 2019 - $5,835) and will be recognized in profit and loss over the next two years as the RSUs and PSUs vest.

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

The key assumptions used in the valuation of PSUs granted during the three months ended March 31, 2020 and 2019 are shown in the table below:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Expected life (years)	2.78	2.80
Risk free interest rate	0.95%	1.56%

15. EARNINGS PER SHARE

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

	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	80,121,301	$	0.36	83,364,186	$	0.66
Effect of dilutive securities:						
Stock options	159,914		-	222,185		-
Diluted	80,281,215	$	0.36	83,586,371	$	0.66

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

For the three months ended March 31, 2020, 2,497,000 options (2019 - 1,107,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

16. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

		Three months ended March 31, 2020		Three months ended March 31, 2019
Debt interest, gross	$	(7,867)	$	(9,390)
Interest on lease liabilities		(2,141)		(1,580)
Capitalized interest - at an average rate of 3.7% (2019 - 3.7%)		546		1,174
Finance expense (including interest on lease liabilities)	$	(9,462)	$	(9,796)

		Three months ended March 31, 2020		Three months ended March 31, 2019
Net unrealized foreign exchange gain	$	1,035	$	496
Unrealized loss on warrants		(5)		(581)
Other income, net		100		71
Other finance income (expense)	$	1,130	$	(14)

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.

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

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, 2019 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 March 31, 2020			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 121,966	$ 25,715	$ 147,681	
USA	278,486	9,147	287,633	
Mexico	289,834	22,705	312,539	
Eliminations	(39,933)	(20,392)	(60,325)	
	$ 650,353	$ 37,175	$ 687,528	$ 48,632
Europe				
Germany	101,882	5,927	107,809	
Spain	38,496	1,301	39,797	
Slovakia	10,122	2,169	12,291	
	150,500	9,397	159,897	37
Rest of the World	23,641	4,218	27,859	536
Eliminations	(2,018)	(560)	(2,578)	
	$ 822,476	$ 50,230	$ 872,706	$ 49,205

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

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.

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

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

	March 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 156,515	$ 156,515	$ -	$ -
Foreign exchange forward contracts not accounted for as hedges (note 9)	$ (108)	$ -	$ (108)	$ -
Foreign exchange forward contracts accounted for as hedges (note 9)	$ (4,282)	$ -	$ (4,282)	$ -

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 118,973	$ 118,973	$ -	$ -
Warrants in NanoXplore (note 8)	$ 5	$ -	$ 5	$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	$ 418	$ -	$ 418	$ -
Foreign exchange forward contracts accounted for as hedges (note 9)	$ (787)	$ -	$ (787)	$ -

Fair values versus carrying amounts

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

March 31, 2020	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	$ -	$ -	$ 657,076	$ -	$ 657,076	$ 657,076
	-	-	657,076	-	657,076	657,076
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(914,200)	(914,200)	(914,200)
Long-term debt	-	-	-	(871,207)	(871,207)	(871,207)
Foreign exchange forward contracts not accounted for as hedges	(108)	-	-	-	(108)	(108)
Foreign exchange forward contracts accounted for as hedges	-	(4,282)	-	-	(4,282)	(4,282)
	(108)	(4,282)	-	(1,785,407)	(1,789,797)	(1,789,797)
Net financial assets (liabilities)	$ (108)	$ (4,282)	$ 657,076	$ (1,785,407)	$ (1,132,721)	$ (1,132,721)

December 31, 2019	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 560,558	$ -	$ 560,558	$ 560,558
Warrants in NanoXplore (note 8)	5	-	-	-	5	5
Foreign exchange forward contracts not accounted for as hedges	418	-	-	-	418	418
	423	-	560,558	-	560,981	560,981
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(728,000)	(728,000)	(728,000)
Long-term debt	-	-	-	(781,573)	(781,573)	(781,573)
Foreign exchange forward contracts accounted for as hedges	-	(787)	-	-	(787)	(787)
	-	(787)	-	(1,509,573)	(1,510,360)	(1,510,360)
Net financial assets (liabilities)	$ 423	$ (787)	$ 560,558	$ (1,509,573)	$ (949,379)	$ (949,379)

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.

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

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 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 34.8%, 27.4% and 12.3% of its production sales for the three months ended March 31, 2020 (2019 - 31.4%, 30.4%, and 13.7%). A substantial portion of the Company's trade receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that was past due as at March 31, 2020 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 0.5% of total trade receivables for all periods and movements in the period were minimal.

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

	March 31, 2020	December 31, 2019
0-60 days	$ 605,673	$ 521,354
61-90 days	12,979	13,094
Greater than 90 days	13,324	7,961
	$ 631,976	$ 542,409

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At March 31, 2020, the Company had cash of $156,515 (2019 - $118,973) 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.

On April 17, 2020, in light of the COVID-19 pandemic, the Company enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility as further described in note 11.

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%.

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

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

	Carrying amount	
	March 31, 2020	December 31, 2019
Variable rate instruments	$ 807,411	$ 716,452
Fixed rate instruments	63,796	65,121
	$ 871,207	$ 781,573

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,895 (three months ended March 31, 2019 - $1,762) on the Company's consolidated financial results for the three months ended March 31, 2020.

(d) Currency risk

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

At March 31, 2020, 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	$ 46,570	1.3995	1
Buy Mexican Peso	$ 17,935	22.8600	1

The aggregate value of these forward contracts as at March 31, 2020 was a pre-tax loss of $108 and was recorded in trade and other payables (December 31, 2019 - pre-tax gain of $418 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	$ 51,930	1.3141	45

The aggregate value of these forward contracts as at March 31, 2020 was a pre-tax loss of $4,282 and was recorded in trade and other payables (December 31, 2019 - pre-tax loss of $787 recorded in trade and other payables).

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

March 31, 2020	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 323,685	€ 72,530	$ 72,233	R$ 34,792	¥ 135,355
Trade and other payables	(370,108)	(151,589)	(361,395)	(30,931)	(124,719)
Long-term debt	(344,000)	(27,058)	-	(46)	-
	$ (390,423)	€ (106,117)	$ (289,162)	R$ 3,815	¥ 10,636

December 31, 2019	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 295,696	€ 60,033	$ 58,203	R$ 29,107	¥ 122,567
Trade and other payables	(351,949)	(91,126)	(258,786)	(27,642)	(118,925)
Long-term debt	(301,000)	(28,501)	-	(80)	-
	$ (357,253)	€ (59,594)	$ (200,583)	R$ 1,385	¥ 3,642

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

The following summary illustrates the fluctuations in the exchange rates applied during the three months ended March 31, 2020 and 2019 and as at December 31, 2019:

	Average rate		Closing rate	
	Three months ended March 31, 2020	**Three months ended March 31, 2019**	**March 31, 2020**	**December 31, 2019**
USD	1.3176	1.3328	1.3999	1.2984
EURO	1.4561	1.5173	1.5585	1.4561
PESO	0.0696	0.0682	0.0596	0.0686
BRL	0.3147	0.3516	0.2740	0.3230
CNY	0.1890	0.1955	0.1983	0.1864

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at March 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three months ended March 31, 2020 and 2019 by the amounts shown below, assuming all other variables remain constant:

	Three months ended March 31, 2020	**Three months ended March 31, 2019**
USD	$ (3,693)	$ (4,255)
EURO	(213)	(1,256)
BRL	202	208
CNY	(118)	163
	$ (3,822)	$ (5,140)

A weakening of the Canadian dollar against the above currencies at March 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

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

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

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

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 $56,991 (BRL $208,010) including interest and penalties to March 31, 2020 (December 31, 2019 - $66,977 or BRL $207,353). 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 $23,454 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 March 31, 2020, the amount of the off-balance sheet program financing was $30,493 (December 31, 2019 - $22,212) 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 2019 or 2020. 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.

MARTINREA INTERNATIONAL INC.

Website: www.martinrea.com
Investor Information: investor@martinrea.com