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.