MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

Martinrea International Inc.

Table of Contents

Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note		March 31, 2021		December 31, 2020
ASSETS					
Cash and cash equivalents		$	145,348	$	152,786
Trade and other receivables	3		660,236		589,315
Inventories	4		528,468		492,659
Prepaid expenses and deposits			25,450		23,550
Income taxes recoverable			12,919		13,527
TOTAL CURRENT ASSETS			1,372,421		1,271,837
Property, plant and equipment	5		1,613,680		1,615,197
Right-of-use assets	6		183,549		192,630
Deferred tax assets			189,594		195,538
Intangible assets	7		50,957		52,644
Investments	8		51,439		40,557
TOTAL NON-CURRENT ASSETS			2,089,219		2,096,566
TOTAL ASSETS		$	3,461,640	$	3,368,403
LIABILITIES					
Trade and other payables		$	1,031,996	$	967,952
Provisions	9		3,807		4,258
Income taxes payable			13,045		13,230
Current portion of long-term debt	10		20,326		19,492
Current portion of lease liabilities	11		33,079		34,064
TOTAL CURRENT LIABILITIES			1,102,253		1,038,996
Long-term debt	10		852,996		815,730
Lease liabilities	11		168,447		177,749
Pension and other post-retirement benefits			67,050		74,030
Deferred tax liabilities			87,240		86,174
TOTAL NON-CURRENT LIABILITIES			1,175,733		1,153,683
TOTAL LIABILITIES			2,277,986		2,192,679
EQUITY					
Capital stock	13		662,530		662,427
Contributed surplus			44,171		43,860
Accumulated other comprehensive income			60,919		96,645
Retained earnings			416,034		372,792
TOTAL EQUITY			1,183,654		1,175,724
TOTAL LIABILITIES AND EQUITY		$	3,461,640	$	3,368,403

Contingencies (note 19)

Subsequent Events (note 8, note 10)

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, 2021		Three months ended March 31, 2020
SALES		$	997,150	$	872,706
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)			(822,074)		(702,486)
Depreciation of property, plant and equipment and right-of-use assets (production)			(54,219)		(49,983)
Total cost of sales			(876,293)		(752,469)
GROSS MARGIN			120,857		120,237
Research and development costs			(7,809)		(9,453)
Selling, general and administrative			(60,750)		(57,408)
Depreciation of property, plant and equipment and right-of-use assets (non-production)			(3,839)		(3,871)
Restructuring costs	9		(1,029)		-
Amortization of customer contracts and relationships			-		(300)
OPERATING INCOME			47,430		49,205
Share of loss of an associate	8		(926)		(700)
Gain on dilution of investment in associate	8		7,800		-
Finance expense	15		(8,411)		(9,462)
Other finance income (expense)	15		5,762		1,130
INCOME BEFORE INCOME TAXES			51,655		40,173
Income tax expense	12		(12,954)		(11,210)
NET INCOME FOR THE PERIOD		$	38,701	$	28,963
Basic earnings per share	14	$	0.48	$	0.36
Diluted earnings per share	14	$	0.48	$	0.36

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, 2021	Three months ended March 31, 2020
NET INCOME FOR THE PERIOD	$ 38,701	$ 28,963
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	(36,357)	107,886
Cash flow hedging derivative and non-derivative financial instruments:		
Unrealized gain (loss) in fair value of financial instruments	892	(5,759)
Reclassification of loss (gain) to net income	(269)	195
Items that will not be reclassified to net income		
Share of other comprehensive income of an associate (note 8)	8	26
Remeasurement of defined benefit plans	8,556	(5,749)
Other comprehensive income (loss), net of tax	(27,170)	96,599
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 11,531	$ 125,562

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, 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 ($0.05 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
Net loss for the period	-	-	-	(56,280)	(56,280)
Compensation expense related to stock options	-	1,812	-	-	1,812
Dividends ($0.15 per share)	-	-	-	(12,032)	(12,032)
Exercise of employee stock options	3,479	(1,005)	-	-	2,474
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(2,664)	(2,664)
Foreign currency translation differences	-	-	(103,986)	-	(103,986)
Share of other comprehensive loss of an associate	-	-	(105)	-	(105)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	8,474	-	8,474
Reclassification of loss to net income	-	-	807	-	807
BALANCE AT DECEMBER 31, 2020	662,427	43,860	96,645	372,792	1,175,724
Net income for the period	-	-	-	38,701	38,701
Compensation expense related to stock options	-	340	-	-	340
Dividends ($0.05 per share)	-	-	-	(4,015)	(4,015)
Exercise of employee stock options	103	(29)	-	-	74
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	8,556	8,556
Foreign currency translation differences	-	-	(36,357)	-	(36,357)
Share of other comprehensive income of an associate	-	-	8	-	8
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	892	-	892
Reclassification of gain to net income	-	-	(269)	-	(269)
BALANCE AT MARCH 31, 2021	$ 662,530	$ 44,171	$ 60,919	$ 416,034	$ 1,183,654

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, 2021	Three months ended March 31, 2020
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 38,701	$ 28,963
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	58,058	53,854
Amortization of customer contracts and relationships	-	300
Amortization of development costs	3,298	2,818
Unrealized loss (gain) on foreign exchange forward contracts	(744)	108
Finance expense	8,411	9,462
Income tax expense	12,954	11,210
Deferred and restricted share units benefit	(1,707)	(4,180)
Stock options expense	340	604
Share of loss of an associate	926	700
Gain on dilution of investment in associate	(7,800)	-
Pension and other post-retirement benefits expense	1,015	1,250
Contributions made to pension and other post-retirement benefits	(938)	(812)
	112,514	104,277
Changes in non-cash working capital items:		
Trade and other receivables	(84,801)	(1,537)
Inventories	(47,996)	(44,260)
Prepaid expenses and deposits	(2,339)	(1,891)
Trade, other payables and provisions	99,859	46,607
	77,237	103,196
Interest paid	(9,176)	(9,921)
Income taxes paid	(10,646)	(11,743)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 57,415	$ 81,532
FINANCING ACTIVITIES:		
Increase in long-term debt	50,976	56,428
Repayment of long-term debt	(4,540)	(4,090)
Principal payments of lease liabilities	(8,593)	(7,365)
Dividends paid	(4,015)	(3,612)
Exercise of employee stock options	74	-
Repurchase of common shares	-	(3,367)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 33,902	$ 37,994
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (excluding capitalized interest)*	(90,811)	(74,054)
Business acquisition (note 2)	-	(10,503)
Capitalized development costs	(2,557)	(1,783)
Investment in NanoXplore Inc. (note 8)	(4,000)	-
Proceeds on disposal of property, plant and equipment	-	266
NET CASH USED IN INVESTING ACTIVITIES	$ (97,368)	$ (86,074)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,387)	4,090
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,438)	37,542
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	152,786	118,973
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 145,348	$ 156,515

*As at March 31, 2021, $51,249 (December 31, 2020 - $61,207) 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. (“Martinrea” or 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, 2020.

(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, 2020.

(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 2020, 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 2020, but resumed in March 2020. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company’s business, results of operations, cash flows and financial position during the second half of March 2020 and for the second quarter ended June 30, 2020. A phased restart of the Company’s manufacturing facilities and dependent functions commenced in May and June 2020 and continued into the second half of 2020 as OEMs began producing vehicles again. The ultimate business and economic impacts of COVID-19 will depend on various factors, including the possibility of future shutdowns, 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 any future wave of COVID-19, the potential for a recession in key markets due to the effect of the pandemic, and the impact on customers and suppliers, including the recent industry-wide shortage of semiconductor chips which has had a negative impact on OEM light vehicle production levels and customer demand globally in 2021 to date.

As a result of the uncertain economic and business impacts 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 the determination of whether indications of any asset impairment exist. As a result of this review, asset impairment charges were recognized during the second quarter of 2020. No such charges were recognized during the third or fourth quarters of 2020 or in the first quarter of 2021. Further revisions may be required in future periods depending on the extent of the negative impacts on the business arising from the COVID-19 pandemic, as it continues to evolve. Any such revisions (due to COVID-19 or otherwise) may result in, among other things, further asset impairments, restructuring costs, and/or adjustments to the carrying amount of trade and other receivables 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 result 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.

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

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 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.

The purchase price for the transaction was US $19,864 ($26,531), inclusive of working capital, and on a debt-free basis.

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

		USD		CAD
Current assets (includes cash of US $11,636)	$	107,167	$	143,131
Property, plant and equipment		35,071		46,841
Current liabilities (excluding current portion of lease liabilities and provisions)		(79,195)		(105,771)
Deferred tax liabilities (net)		(7,760)		(10,364)
Provisions		(19,659)		(26,258)
Lease liabilities		(4,124)		(5,507)
		31,500		42,072
Less: Cash on hand		(11,636)		(15,541)
Final net consideration	$	19,864	$	26,531

Included in selling, general and administrative expense for the three months ended March 31, 2020 are transaction costs related to the acquisition totaling $1,547.

3. TRADE AND OTHER RECEIVABLES

		March 31, 2021		December 31, 2020
Trade receivables	$	638,722	$	568,839
Other receivables		18,504		18,003
Foreign exchange forward contracts not accounted for as hedges (note 18(d))		744		647
Foreign exchange forward contracts accounted for as hedges (note 18(d))		2,266		1,826
	$	660,236	$	589,315

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, 2021		December 31, 2020
Raw materials	$	199,558	$	168,321
Work in progress		56,957		48,608
Finished goods		40,632		39,096
Tooling work in progress and other inventory		231,321		236,634
	$	528,468	$	492,659

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

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2021			December 31, 2020		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 170,789	$ (28,346)	$ 142,443	$ 171,501	$ (27,355)	$ 144,146
Leasehold improvements	74,650	(48,515)	26,135	75,148	(48,025)	27,123
Manufacturing equipment	2,477,244	(1,356,648)	1,120,596	2,496,782	(1,350,004)	1,146,778
Tooling and fixtures	35,890	(32,111)	3,779	36,496	(32,491)	4,005
Other assets	71,489	(43,433)	28,056	72,432	(43,396)	29,036
Construction in progress	292,671	-	292,671	264,109	-	264,109
	$ 3,122,733	$ (1,509,053)	$ 1,613,680	$ 3,116,468	$ (1,501,271)	$ 1,615,197

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, 2019	$ 107,069	$ 29,391	$ 1,121,789	$ 5,132	$ 29,583	$ 248,931	$ 1,541,895
Additions	-	-	2,303	-	1,779	299,311	303,393
Additions from acquisition (note 2)	23,106	-	23,735	-	-	-	46,841
Disposals	-	-	(726)	(10)	(218)	(65)	(1,019)
Depreciation	(4,844)	(4,647)	(177,073)	(861)	(7,943)	-	(195,368)
Impairment	-	-	(73,573)	(425)	(295)	(1,804)	(76,097)
Transfers from construction in progress	21,873	1,824	250,424	226	6,018	(280,365)	-
Foreign currency translation adjustment	(3,058)	555	(101)	(57)	112	(1,899)	(4,448)
Net as of December 31, 2020	144,146	27,123	1,146,778	4,005	29,036	264,109	1,615,197
Additions	-	-	526	-	242	80,824	81,592
Depreciation	(1,634)	(1,013)	(44,992)	(170)	(2,022)	-	(49,831)
Transfers from construction in progress	2,819	563	42,081	-	1,314	(46,777)	-
Foreign currency translation adjustment	(2,888)	(538)	(23,797)	(56)	(514)	(5,485)	(33,278)
Net as of March 31, 2021	$ 142,443	$ 26,135	$ 1,120,596	$ 3,779	$ 28,056	$ 292,671	$ 1,613,680

6. RIGHT-OF-USE ASSETS

	March 31, 2021			December 31, 2020		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 231,909	$ (60,593)	$ 171,316	$ 233,434	$ (55,150)	$ 178,284
Leased manufacturing equipment	23,597	(12,647)	10,950	24,630	(11,656)	12,974
Leased other assets	3,428	(2,145)	1,283	3,351	(1,979)	1,372
	$ 258,934	$ (75,385)	$ 183,549	$ 261,415	$ (68,785)	$ 192,630

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

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

		Leased buildings		Leased manufacturing equipment		Leased other assets		Total
Net as of December 31, 2019	$	171,953	$	14,900	$	1,525	$	188,378
Additions		15,242		3,143		643		19,028
Lease modifications		16,445		90		-		16,535
Depreciation		(25,169)		(5,828)		(973)		(31,970)
Impairment		(451)		-		-		(451)
Foreign currency translation adjustment		264		669		177		1,110
Net as of December 31, 2020	$	178,284	$	12,974	$	1,372	$	192,630
Additions		2,155		-		174		2,329
Lease modifications		279		-		-		279
Depreciation		(6,440)		(1,563)		(224)		(8,227)
Foreign currency translation adjustment		(2,962)		(461)		(39)		(3,462)
Net as of March 31, 2021	$	171,316	$	10,950	$	1,283	$	183,549

7. INTANGIBLE ASSETS

	March 31, 2021						December 31, 2020					
		Cost		Accumulated amortization		Net book value		Cost		Accumulated amortization and impairment losses		Net book value
Development costs	$	150,183	$	(99,226)	$	50,957	$	151,203	$	(98,559)	$	52,644

Movement in intangible assets is summarized as follows:

		Customer contracts and relationships		Development costs		Total
Net as of December 31, 2019	$	1,753	$	53,034	$	54,787
Additions		-		12,304		12,304
Amortization		(1,835)		(11,807)		(13,642)
Impairment		-		(707)		(707)
Foreign currency translation adjustment		82		(180)		(98)
Net as of December 31, 2020		-		52,644		52,644
Additions		-		2,557		2,557
Amortization		-		(3,298)		(3,298)
Foreign currency translation adjustment		-		(946)		(946)
Net as of March 31, 2021	$	-	$	50,957	$	50,957

8. INVESTMENTS

		March 31, 2021		December 31, 2020
Investment in common shares of NanoXplore Inc.	$	51,439	$	40,557

As at March 31, 2021, the Company held 35,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of 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.

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

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46,000. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of $4,000. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of $7,800 for the three months ended March 31, 2021.

		Investment in common shares of NanoXplore
Net balance as of December 31, 2019	$	37,080
Additions to investment		5,000
Gain on dilution of investment in associate		866
Share of loss for the year		(2,310)
Share of other comprehensive loss for the year		(79)
Net balance as of December 31, 2020	$	40,557
Additions to investment		4,000
Gain on dilution of investment in associate		7,800
Share of loss for the period		(926)
Share of other comprehensive income for the period		8
Net balance as of March 31, 2021	$	51,439

As at March 31, 2021, the stock market value of the shares held in NanoXplore by the Company was $112,848.

Subsequent to the quarter ended March 31, 2021, on April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, VoltaXplore Inc. ("VoltaXplore"), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested $4,000 into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional $6,000 in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers, will support the business case for the construction of a battery production facility in Canada.

9. PROVISIONS

		Restructuring		Claims and Litigation		Total
Net as of December 31, 2019	$	4,214	$	4,370	$	8,584
Net additions		8,170		662		8,832
Additions from acquisition (note 2)		26,258		-		26,258
Amounts used during the year		(38,320)		(1,295)		(39,615)
Foreign currency translation adjustment		1,038		(839)		199
Net as of December 31, 2020		1,360		2,898		4,258
Net additions		1,029		108		1,137
Amounts used during the period		(720)		(564)		(1,284)
Foreign currency translation adjustment		(60)		(244)		(304)
Net as of March 31, 2021	$	1,609	$	2,198	$	3,807

Additions to the restructuring provision during the first quarter of 2021 totalled $1,029 and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Based on estimated cash outflows, all provisions as at March 31, 2021 and December 31, 2020 are presented on the interim condensed consolidated balance sheets as current liabilities.

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

10. 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, 2021	December 31, 2020
Banking facility	$ 818,595	$ 773,772
Equipment loans	54,727	61,450
	873,322	835,222
Current portion	(20,326)	(19,492)
	$ 852,996	$ 815,730

Terms and conditions of outstanding loans, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2021 Carrying amount	December 31, 2020 Carrying amount
Banking facility	USD	LIBOR + 2.25%	2022	$ 471,822	$ 427,646
	CAD	BA + 2.25%	2022	346,773	346,126
Equipment loans	EUR	1.05%	2024	17,809	20,239
	CAD	3.80%	2022	13,497	15,555
	EUR	1.40%	2026	13,079	14,454
	EUR	2.00%	2023	9,752	10,265
	EUR	0.00%	2028	369	389
	EUR	0.26%	2025	221	258
	EUR	1.36%	2021	-	290
				$ 873,322	$ 835,222

As at March 31, 2021, the Company had drawn US $376,000 (December 31, 2020 - US $336,000) on the U.S. revolving credit line and $348,000 (December 31, 2020 - $348,000) on the Canadian revolving credit line. At March 31, 2021, the weighted average effective interest rate of the banking facility credit lines was 2.8% (December 31, 2020 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2021.

Deferred financing fees of $1,227 (December 31, 2020 - $1,874) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments as at March 31, 2021 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 21,247	$ (921)	$ 20,326
One to two years	838,298	(306)	837,992
Two to three years	9,006	-	9,006
Three to four years	3,285	-	3,285
Thereafter	2,713	-	2,713
	$ 874,549	$ (1,227)	$ 873,322

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

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2019	$	781,573
Drawdowns		94,424
Loan proceeds		10,339
Repayments		(43,462)
Deferred financing fee additions		(1,254)
Amortization of deferred financing fees		1,758
Foreign currency translation adjustment		(8,156)
Net as of December 31, 2020	$	835,222
Drawdowns		50,976
Repayments		(4,540)
Amortization of deferred financing fees		647
Foreign currency translation adjustment		(8,983)
Net as of March 31, 2021	$	873,322

Subsequent to the quarter ended March 31, 2021, on April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended banking facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of $500 million and US $520 million (up from $370 million and US $420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- 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 $300 million (up from US $200 million);
- pricing terms at market rates and consistent with pre-COVID levels;
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

11. 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 lease liabilities is summarized as follows:

		Total
Net as of December 31, 2019	$	202,352
Net additions		19,028
Lease modifications		16,496
Additions from acquisition (note 2)		5,507
Principal payments of lease liabilities		(32,966)
Foreign currency translation adjustment		1,396
Net as of December 31, 2020	$	211,813
Net additions		2,329
Lease modifications		279
Principal payments of lease liabilities		(8,593)
Termination of leases		(540)
Foreign currency translation adjustment		(3,762)
Net as of March 31, 2021	$	201,526

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

The maturity of contractual undiscounted lease liabilities as at March 31, 2021 is as follows:

		Total
Within one year	$	40,213
One to two years		36,211
Two to three years		33,466
Three to four years		27,736
Thereafter		96,255
Total undiscounted lease liabilities at March 31, 2021	$	233,881
Interest on lease liabilities		(32,355)
Total present value of minimum lease payments	$	201,526
Current portion		(33,079)
	$	168,447

12. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Current income tax expense	$	(11,175)	$	(15,624)
Deferred income tax recovery (expense)		(1,779)		4,414
Total income tax expense	$	(12,954)	$	(11,210)

13. CAPITAL STOCK

Common shares outstanding:	Number		Amount
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
Exercise of stock options	333,200		3,479
Balance as of December 31, 2020	80,294,095	$	662,427
Exercise of stock options	10,500		103
Balance as of March 31, 2021	80,304,595	$	662,530

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 global pandemic, the Company suspended the repurchase of common shares. The NCIB expired at the end of August 2020.

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

Stock options

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

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	2,777,500	$	13.25	3,010,700	$	12.57
Granted during the period	-		-	100,000		14.35
Exercised during the period	(10,500)		7.00	-		-
Balance, end of period	2,767,000	$	13.28	3,110,700	$	12.63
Options exercisable, end of period	1,599,000	$	12.67	1,541,700	$	11.05

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2021:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.03 - 8.70	35,000	2011 - 2012	2021 - 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	2,767,000		

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.

For the three months ended March 31, 2021, the Company expensed $340 (March 31, 2020 - $604) 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, 2021 and 2020:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Outstanding, beginning of period	331,291	246,114
Granted and reinvested dividends	-	-
Redeemed	-	-
Outstanding, end of period	331,291	246,114

At March 31, 2021, the fair value of all outstanding DSUs amounted to $3,637 (March 31, 2020 - $1,733 and December 31, 2020 - $4,069). For the three months ended March 31, 2021, DSU compensation expense/benefit, reflected in the interim condensed consolidated statements of operations, including changes in fair value during the period, amounted to a benefit of $432 (2020 - benefit of $1,008), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at March 31, 2021 was $768 (March 31, 2020 - $303 and December 31, 2020 - $983) and will be recognized in profit and loss over three years as the DSUs vest.

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

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, 2021 and 2020:

	RSUs	PSUs	Total
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
Granted and reinvested dividends	85,109	85,109	170,218
Redeemed	(203,834)	(202,745)	(406,579)
Cancelled	(9,437)	(9,181)	(18,618)
Outstanding, December 31, 2020	342,175	342,518	684,693
Granted and reinvested dividends	19,690	19,690	39,380
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, March 31, 2021	361,865	362,208	724,073

The RSUs and PSUs granted during the three months ended March 31, 2021 and 2020 had a weighted average fair value per unit of $16.10 and $13.10, respectively, on the date of grant. For the three months ended March 31, 2021, RSU and PSU compensation expense/benefit reflected in the interim condensed consolidated statements of operations, including changes in fair value during the period, amounted to a benefit of $1,275 (2020 - benefit of $3,172), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at March 31, 2021 was $2,033 (March 31, 2020 - $2,556 and December 31, 2020 - $3,481) and will be recognized in profit and loss over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the three months ended March 31, 2021 and 2020 are shown in the table below:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Expected life (years)	2.78	2.78
Risk free interest rate	0.26%	0.95%

14. EARNINGS PER SHARE

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

	Three months ended March 31, 2021			Three months ended March 31, 2020		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	80,295,893	$	0.48	80,121,301	$	0.36
Effect of dilutive securities:						
Stock options	236,629		-	159,914		-
Diluted	80,532,522	$	0.48	80,281,215	$	0.36

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, 2021, 950,000 options (2020 - 2,497,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

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

15. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

		Three months ended March 31, 2021		Three months ended March 31, 2020
Debt interest, gross	$	(7,101)	$	(7,867)
Interest on lease liabilities		(2,049)		(2,141)
Capitalized interest - at an average rate of 2.8% (2020 - 3.7%)		739		546
Finance expense	$	(8,411)	$	(9,462)

		Three months ended March 31, 2021		Three months ended March 31, 2020
Net unrealized foreign exchange gain	$	5,299	$	1,035
Unrealized loss on warrants		-		(5)
Other income, net		463		100
Other finance income	$	5,762	$	1,130

16. GOVERNMENT SUBSIDIES

In response to the COVID-19 pandemic, the governments of various jurisdictions in which the Company has operations have approved legislation to assist businesses adversely impacted by COVID-19 with the intent of preventing job losses and better position companies to resume normal operations following the crisis. For the three months ended March 31, 2021, the Company determined that it qualified for certain of this government assistance in Canada and recognized $4,774 in subsidies related to active employees. These amounts are not repayable and were recognized as a deduction of the related expenses recorded in cost of sales and selling, general and administrative expenses of $4,096 and $678, respectively. In addition, for the three months ended March 31, 2021, the Company recognized $599 in subsidies related to commercial rent and property expenses for qualifying locations in Canada.

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 among the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of the World.

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2020. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

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

	Three months ended March 31, 2021			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income (loss)**
North America				
Canada	$ 104,409	$ 42,482	$ 146,891	
USA	254,806	35,842	290,648	
Mexico	320,965	7,493	328,458	
Eliminations	(34,545)	(27,322)	(61,867)	
	$ 645,635	$ 58,495	$ 704,130	$ 44,035
Europe				
Germany	189,242	12,519	201,761	
Spain	38,974	681	39,655	
Slovakia	11,867	786	12,653	
	240,083	13,986	254,069	(1,371)
Rest of the World	45,042	1,471	46,513	4,766
Eliminations	(6,668)	(894)	(7,562)	
	$ 924,092	$ 73,058	$ 997,150	$ 47,430

	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

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 defines fair value 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, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 145,348	$ 145,348	$ -	$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	$ 744	$ -	$ 744	$ -
Foreign exchange forward contracts accounted for as hedges (note 3)	$ 2,266	$ -	$ 2,266	$ -

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 152,786	$ 152,786	$ -	$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	$ 647	$ -	$ 647	$ -
Foreign exchange forward contracts accounted for as hedges (note 3)	$ 1,826	$ -	$ 1,826	$ -

Fair values versus carrying amounts

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

March 31, 2021	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	$ -	$ -	$ 657,226	$ -	$ 657,226	$ 657,226
Foreign exchange forward contracts not accounted for as hedges	744	-	-	-	744	744
Foreign exchange forward contracts accounted for as hedges	-	2,266	-	-	2,266	2,266
	744	2,266	657,226	-	660,236	660,236
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,031,996)	(1,031,996)	(1,031,996)
Long-term debt	-	-	-	(873,322)	(873,322)	(873,322)
	-	-	-	(1,905,318)	(1,905,318)	(1,905,318)
Net financial assets (liabilities)	$ 744	$ 2,266	$ 657,226	$ (1,905,318)	$ (1,245,082)	$ (1,245,082)

December 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	$ -	$ -	$ 586,842	$ -	$ 586,842	$ 586,842
Foreign exchange forward contracts not accounted for as hedges	647	-	-	-	647	647
Foreign exchange forward contracts accounted for as hedges	-	1,826	-	-	1,826	1,826
	647	1,826	586,842	-	589,315	589,315
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(967,952)	(967,952)	(967,952)
Long-term debt	-	-	-	(835,222)	(835,222)	(835,222)
	-	-	-	(1,803,174)	(1,803,174)	(1,803,174)
Net financial assets (liabilities)	$ 647	$ 1,826	$ 586,842	$ (1,803,174)	$ (1,213,859)	$ (1,213,859)

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 30.0%, 21.6%, and 12.2% of its production sales for the three months ended March 31, 2021 (2020 - 34.8%, 27.4%, and 12.3%). 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, 2021 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, 2021	December 31, 2020
0-60 days	$ 621,056	$ 547,727
61-90 days	5,805	6,286
Greater than 90 days	11,861	14,826
	$ 638,722	$ 568,839

(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, 2021, the Company had cash of $145,348 (2020 - $152,786) and banking facilities available as discussed in note 10. All the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility as further described in note 10.

A summary of contractual maturities of long-term debt is provided in note 10.

(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.

(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, 2021	December 31, 2020
Variable rate instruments	$ 818,595	$ 773,772
Fixed rate instruments	54,727	61,450
	$ 873,322	$ 835,222

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $2,027 on the Company's interim condensed consolidated financial results for the three months ended March 31, 2021 (2020 - $1,895).

(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, 2021, 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
Sell Canadian Dollars	$ 45,000	1.2525	1
Buy Mexican Peso	$ 38,612	20.7190	1
Buy Euro	$ 586	0.8471	1

The aggregate value of these forward contracts as at March 31, 2021 was a pre-tax gain of $744 and was recorded in trade and other receivables (December 31, 2020 - pre-tax gain of $647 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	$ 34,520	1.3236	32

The aggregate value of these forward contracts as at March 31, 2021 was a pre-tax gain of $2,266 and was recorded in trade and other receivables (December 31, 2020 - pre-tax gain of $1,826 recorded in trade and other receivables).

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

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

March 31, 2021		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	324,227	€	102,218	$	21,259	R$	42,371	¥	126,419
Trade and other payables		(451,249)		(187,993)		(754,649)		(36,820)		(169,840)
Long-term debt		(376,000)		(27,904)		-		-		-
	$	(503,022)	€	(113,679)	$	(733,390)	R$	5,551	¥	(43,421)

December 31, 2020		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	299,576	€	73,574	$	29,025	R$	33,866	¥	148,507
Trade and other payables		(402,598)		(165,244)		(543,043)		(32,370)		(166,696)
Long-term debt		(336,000)		(29,509)		-		-		-
	$	(439,022)	€	(121,179)	$	(514,018)	R$	1,496	¥	(18,189)

The following summary illustrates the fluctuations in the exchange rates applied:

	Average rate		Closing rate	
	Three months ended March 31, 2021	Three months ended March 31, 2020	March 31, 2021	December 31, 2020
USD	1.2769	1.3176	1.2548	1.2728
EURO	1.5473	1.4561	1.4776	1.5553
PESO	0.0635	0.0696	0.0618	0.0640
BRL	0.2396	0.3147	0.2193	0.2453
CNY	0.1966	0.1890	0.1914	0.1949

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, 2021 and 2020 by the amounts shown below, assuming all other variables remain constant:

		Three months ended March 31, 2021		Three months ended March 31, 2020
USD	$	(2,764)	$	(3,693)
EURO		339		(213)
BRL		37		202
CNY		(406)		(118)
	$	(2,794)	$	(3,822)

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 these interim condensed consolidated financial statements 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.

Legal contingency

In December 2020, a customer, Fiat Chrysler (FCA), filed a claim against two subsidiaries of the Company alleging a breach of contract connected to one of the Company's operating facilities in Mexico, alleging a shortage of casted aluminum engine blocks. The company believes that the claim is unwarranted and that the part shortage, if any, is due to FCA's actions. The Company's subsidiaries have sought external legal advice and believe that the contract has been complied with, in all material respects, and will vigorously defend against the claim. 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.

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 $49,240 (BRL $224,559) including interest and penalties to March 31, 2021 (December 31, 2020 - $55,003 or BRL $224,192). 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 assessments are at various stages in the process. The largest assessment of $34,426 (BRL $157,000) including interest and penalties as at March 31, 2021 has entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to this assessment up to $14,472 (BRL $66,000) shortly through a pledge of assets, bank letter of credit 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, 2021, the amount of the off-balance sheet program financing was $37,584 (December 31, 2020 - $42,863) 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 2020 or 2021. 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 range up to twenty-four months.