MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE FIRST QUARTER ENDING MARCH 31, 2021

FIRST QUARTER REPORT

March 31, 2021

MESSAGE TO SHAREHOLDERS

The Company's first quarter revenues were up 14.3% year-over-year, as reflected in the attached materials, and we had a good quarter overall. Our Company continues to improve, driving our One Martinrea culture. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2021

MARTINREA INTERNATIONAL INC. REPORTS FIRST-QUARTER RESULTS, PROVIDES LONG-TERM OUTLOOK, AND DECLARES DIVIDEND

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the first quarter ended March 31, 2021 and that it has declared a quarterly cash dividend of $0.05 per share.

HIGHLIGHTS

- Total sales of $997.2 million, up 14.3% year-over-year; production sales of $924.1 million
- First quarter diluted net earnings per share of $0.48
- First quarter Adjusted Net Earnings per Share[(1)] of $0.41
- Balance sheet continues to be strong; Banking facility renewed
- New business awards of approximately $130 million in annualized sales at mature volumes
- First quarter results impacted by the global semiconductor shortage, which will continue in the second quarter; longer-term outlook remains positive
- Quarterly cash dividend of $0.05 declared

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "First quarter results were impacted by some short-term headwinds, including the industry-wide shortage of semiconductors, a temporary lag in the pricing pass-through of higher aluminum costs, and an emerging third wave of COVID-19 which is presenting additional short-term challenges in some locations. In addition, we are managing through a substantial amount of new business launches which of course is very good news for future sales and profitability. While the semiconductor shortage will continue to impact results in the near-term, the longer-term outlook is very solid. U.S. auto sales have been trending near record levels in recent months, and vehicle inventories are at their lowest levels in decades, particularly on truck, SUV and CUV models, where we have the majority of our platform exposure. We believe this sets the stage for a prolonged period of strong production growth once supply chain pressures ease. Our future is bright, and our team continues to manage well under challenging circumstances. I would like to thank the people of Martinrea for their continued dedication and commitment to our organization."

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[1] The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures, included anywhere in this press release, include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt". A reconciliation of certain non-IFRS financial measures to measures determined in accordance with IFRS are contained in the Company's Management Discussion and Analysis for the three months ended March 31, 2021 and in this press release.

He added: "I am also pleased to announce new business wins since we reported last quarter totaling $130 million in annualized sales at mature volumes, including approximately $90 million in our Lightweight Structures commercial group with various customers, including General Motors, Toyota and Tesla; $35 million in our Propulsion Systems commercial group with General Motors, Stellantis, and GAC; and our first contract with JLG in our Flexible Manufacturing Group. We are excited about our new EV battery joint venture with NanoXplore, named VoltaXplore, as we believe we have a differentiated technology that has the potential to provide a solution to produce EV batteries that will help governments and automotive OEMs meet ambitious targets for the production of electric vehicles."

Fred Di Tosto, Chief Financial Officer, stated: "Sales for the first quarter, excluding tooling sales of $73.1 million, were $924.1 million, and our Adjusted Net Earnings per Share was $0.41, both within the range of our previously-disclosed guidance. We continue to work through the many challenges the pandemic has put in front of us and the industry. While the temporary pricing lag in our aluminum business is largely behind us, the global semiconductor shortage is expected to continue to have an impact on production volumes in the second quarter before stabilizing later this year. Taking these headwinds into account, we expect second-quarter production sales to be in the range of $850 million to $950 million, and Adjusted Net Earnings per Share to be in the range of $0.36 to $0.46. On a full-year basis, we continue to expect 2021 Adjusted Net Earnings per Share to approach 2019 levels and Free Cash Flow to be approximately breakeven. These targets are dependent on a recovery in production volumes from an improving supply of semiconductors in the back half of the year. On the financing front, we are pleased to note we extended our credit facilities with our lending syndicate to 2025, on very favourable terms."

Rob Wildeboer, Executive Chairman, stated: "At Martinrea, we spend a lot of time thinking about capital allocation. Our overarching priority is quite simple – to generate long-term positive returns for our shareholders. While maintaining a strong balance sheet, we seek to invest in growth opportunities that have the potential to generate strong returns, be they organic capital investments, research and development initiatives, or acquisitions that make strategic and financial sense. We are driven by a strict hurdle rate mentality, which is evident by our return on invested capital profile, which is among the best in our space. Ultimately, companies that generate strong returns on invested capital tend to generate strong free cash flow over time. We are making investments in our business today that are expected to lead to sales growth in excess of market growth, and generate strong returns and Free Cash Flow. We have a high degree of confidence and conviction in our future and, given our confidence, we are rolling out our 2023 outlook, which calls for total sales, including tooling sales, of $4.6 billion to $4.8 billion, an Adjusted Operating Income Margin exceeding 8%, and Free Cash Flow in excess of $200 million. When we rolled out our Martinrea 2.0 strategy back in 2015, we said that we would double margins over a five-year period, and that is exactly what we did – to a level among the best in our industry. Simply put, we did what we said we would do, and we are very confident we will do so again in delivering on our 2023 outlook. We have a great future."

RESULTS OF OPERATIONS

All amounts in this press release are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares.

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Position for the three months ended March 31, 2021 ("MD&A"), the Company's interim condensed consolidated financial statements for the first quarter ended March 31, 2021 (the "interim financial statements") and the Company's Annual Information Form for the year ended December 31, 2020 can be found at www.sedar.com.

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, 2021 and 2020. Refer to the Company's interim financial statements for the three months ended March 31, 2021 for a detailed account of the Company's performance for the periods presented in the table below.

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
Sales	$ 997,150	$ 872,706	124,444	14.3%
Gross Margin	120,857	120,237	620	0.5%
Operating Income	47,430	49,205	(1,775)	(3.6%)
Net Income for the period	38,701	28,963	9,738	33.6%
Net Earnings per Share - Basic and Diluted	$ 0.48	$ 0.36	0.12	33.3%
Non-IFRS Measures*				
Adjusted Operating Income	$ 48,459	$ 50,752	(2,293)	(4.5%)
% of Sales	*4.9%*	*5.8%*		
Adjusted EBITDA	109,815	107,724	2,091	1.9%
% of Sales	*11.0%*	*12.3%*		
Adjusted Net Income	32,631	30,123	2,508	8.3%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.41	$ 0.38	0.03	7.9%

***Non-IFRS Measures**

The Company prepares its interim 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, 2021	Three months ended March 31, 2020
Net Income	$ 38,701	$ 28,963
Unusual and Other Items (after-tax)*	(6,070)	1,160
Adjusted Net Income	$ 32,631	$ 30,123

**Unusual and Other Items are explained in the "Adjustments to Net Income" section of this Press Release.*

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net Income	$ 38,701	$ 28,963
Income tax expense	12,954	11,210
Other finance income	(5,762)	(1,130)
Share of loss of an associate	926	700
Finance expense	8,411	9,462
Unusual and Other Items (before-tax)*	(6,771)	1,547
Adjusted Operating Income	$ 48,459	$ 50,752
Depreciation of property, plant and equipment and right-of-use assets	58,058	53,854
Amortization of intangible assets	3,298	3,118
Adjusted EBITDA	$ 109,815	$ 107,724

**Unusual and Other Items are explained in the "Adjustments to Net Income" section of this Press Release.*

<u>SALES</u>

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
North America	$ 704,130	$ 687,528	16,602	2.4%
Europe	254,069	159,897	94,172	58.9%
Rest of the World	46,513	27,859	18,654	67.0%
Eliminations	(7,562)	(2,578)	(4,984)	193.3%
Total Sales	$ 997,150	$ 872,706	124,444	14.3%

The Company’s consolidated sales for the first quarter of 2021 increased by $124.4 million or 14.3% to $997.2 million as compared to $872.7 million for the first quarter of 2020. Sales increased year-over-year across all operating segments.

Sales for the first quarter of 2021 in the Company’s North America operating segment increased by $16.6 million or 2.4% to $704.1 million from $687.5 million for the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $18.6 million of the year-over-year increase in sales (including a $0.6 million decrease in tooling sales). Excluding the acquired operations, first quarter sales in North America decreased year-over-year by $2.0 million or 0.3%. The decrease was due to lower year-over-year production sales from light vehicle programs impacted by the industry-wide shortage of semiconductor chips, 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 2021 of $18.0 million as compared to the first quarter of 2020. These negative factors were partially offset by the higher year-over-year production volumes on General Motors’ pick-up truck and large SUV platform; the launch of new programs during or subsequent to the first quarter of 2020 including the new Ford Mach E Mustang and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $21.6 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer. Overall first quarter OEM light vehicle production volumes in North America decreased by approximately 5% year-over-year, with the industry-wide shortage of semiconductor chips negatively impacting current year volumes, and the onset of the COVID-19 global pandemic negatively impacting prior year volumes.

Sales for the first quarter of 2021 in the Company's Europe operating segment increased by $94.2 million or 58.9% to $254.1 million from $159.9 million for the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $43.3 million of the year-over-year increase in sales (including a $0.4 million increase in tooling sales). Excluding the acquired operations, first quarter sales in Europe increased year-over-year by $50.9 million or 35.2%. The increase can be attributed to the launch of new programs during or subsequent to the first quarter of 2020, mainly with Volvo and Ford; higher production volumes on specific platforms, with Daimler and Jaguar Land Rover; a $10.4 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2020; and a $4.2 million increase in tooling sales.

Sales for the first quarter of 2021 in the Company's Rest of the World operating segment increased by $18.7 million or 67.0% to $46.5 million from $27.9 million in the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $16.0 million of the year-over-year increase in sales. Excluding the acquired operations, first quarter sales in the Rest of the World increased year-over-year by $2.7 million or 12.3%. The increase was due to a post-COVID recovery of overall production volumes; partly offset by a $2.7 million decrease in tooling sales, a $2.0 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2020, and a program with Ford in China that ended production during or subsequent to the first quarter of 2020.

Overall tooling sales increased by $22.9 million to $73.1 million for the first quarter of 2021 from $50.2 million for the first quarter of 2020.

GROSS MARGIN

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
Gross margin	$ 120,857	$ 120,237	620	0.5%
% of Sales	12.1%	13.8%		

The gross margin percentage for the first quarter of 2021 of 12.1% decreased as a percentage of sales by 1.7% as compared to the gross margin percentage for the first quarter of 2020 of 13.8%. The decrease in gross margin as a percentage of sales was generally due to:

- operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers;
- a negative sales mix; and
- an increase in tooling sales which typically earn low margins for the Company.

These factors were partially offset by:

- the receipt of certain COVID-related subsidies, namely wage subsidies related to active employees; and
- productivity and efficiency improvements at certain operating facilities.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain unusual and other items, as set out in the following table 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, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021 (a)	Three months ended March 31, 2020 (b)	(a)-(b) Change
NET INCOME (A)	**$38,701**	**$28,963**	**$9,738**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	1,029	-	1,029
Gain on dilution of investment in associate (2)	(7,800)	-	(7,800)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (3)	-	1,547	(1,547)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($6,771)**	**$1,547**	**($8,318)**
Tax impact of above items	701	(387)	1,088
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($6,070)**	**$1,160**	**($7,230)**
ADJUSTED NET INCOME (A + B)	**$32,631**	**$30,123**	**$2,508**
Number of Shares Outstanding – Basic ('000)	80,296	80,121	
Adjusted Basic Net Earnings Per Share	$0.41	$0.38	
Number of Shares Outstanding – Diluted ('000)	80,533	80,281	
Adjusted Diluted Net Earnings Per Share	$0.41	$0.38	

1) **Restructuring costs**

Additions to the restructuring provision during the first quarter of 2021 totaled $1.0 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

2) **Gain on dilution of investment in associate**

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. 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 $4.0 million. 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 $7.8 million for the three months ended March 31, 2021.

3) **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. Included in SG&A expense are transaction costs related to the acquisition totaling $1.5 million for the three months ended March 31, 2020.

NET INCOME

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Net Income	$	38,701	$	28,963	9,738	33.6%
Adjusted Net Income	$	32,631	$	30,123	2,508	8.3%
Net Earnings per Share						
Basic and Diluted	$	0.48	$	0.36		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.41	$	0.38		

Net income, before adjustments, for the first quarter of 2021 increased by $9.7 million to $38.7 million from $29.0 million for the first quarter of 2020. Excluding the unusual and other items explained in Table A under "Adjustments to Net Income", Adjusted Net Income for the first quarter of 2021 increased by $2.5 million to $32.6 million or $0.41 per share, on a basic and diluted basis, from $30.1 million or $0.38 per share, on a basic and diluted basis, for the first quarter of 2020.

Adjusted Net Income for the first quarter of 2021, as compared to the first quarter of 2020, was positively impacted by the following:

- a net foreign exchange gain of $5.3 million for the first quarter of 2021 compared to a gain of $1.0 million for the first quarter of 2020;
- a year-over-year decrease in research and development costs; and
- a year-over-year decrease in finance expense on the Company's long-term debt as a result of lower borrowing rates;

These factors were partially offset by a year-over-year increase in SG&A expense as previously discussed. Gross margin was essentially flat year-over-year, on higher sales, as previously explained.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Additions to PP&E	$	81,592	$	63,964	17,628	27.6%

Additions to PP&E increased by $17.6 million to $81.6 million or 8.2% of sales in the first quarter of 2021 from $64.0 million or 7.3% of sales in the first quarter of 2020. General timing of expenditures makes quarterly additions to PP&E quite volatile in nature. Certain new program additions, previously delayed during the COVID-related shutdowns in the second quarter of 2020, moved in to the back half of 2020 and 2021 to date, as preparations for upcoming new program launches resumed. Capital additions also include incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

DIVIDEND

A cash dividend of $0.05 per share has been declared by the Board of Directors payable to shareholders of record on June 30, 2021, on or about July 15, 2021.

ABOUT MARTINREA INTERNATIONAL INC.

Martinrea is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea operates in 57 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa and Japan. Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on Twitter and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Thursday, May 6, 2021 at 6:00 p.m. Eastern Time. To participate, please dial 416-641-6104 (Toronto area) or 800-952-5114 (toll free Canada and US) and enter participant code 4636275#. Please call 10 minutes prior to the start of the conference call.

The conference call will also be webcast live in listen-only mode and archived for twelve months. The webcast and accompanying presentation can be accessed online at https://www.martinrea.com/investor-relations/events-presentations/.

There will also be a rebroadcast of the call available by dialing 905-694-9451 or toll free 800-408-3053 (Conference ID – 4851137#). The rebroadcast will be available until June 5, 2021.

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

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This Press Release and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws Including statements related to the Company's beliefs or views or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, production sales, margin, gross margin, earnings, earnings per share, adjusted earnings per share, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, cash flow, free cash flow, including outlook for 2021, 2022 and 2023; the expected impact of or duration of the COVID-19 pandemic; 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 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 potential effects or issues relating to a prolonged pandemic or lockdown(s), including its global impact, demand for vehicles; the growth of the Company and pursuit of, and belief in, its strategies; the impact of or the expected duration of the semiconductor shortage; the Company's views of longer term outlook or results of future increases or growth in production; the Company's views about VoltaXplore and EV batteries; the ramping up and launching of new business; continued investments and expected benefit of those investments in its business and technologies; the opportunity to increase sales; 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 Company's expectations of future macroeconomic conditions 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2020 and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company's dependence on key customers
- Financial Viability of Suppliers;
- 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 liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;
- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;
- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post-Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

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

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

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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2021

The following management discussion and analysis ("MD&A") was prepared as of May 6, 2021 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2020 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, 2020, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs approximately 15,800 skilled and motivated people in 57 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

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 for 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 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 OEM demand globally in 2021 to date.

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 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 also took aggressive actions in March and during the second quarter of 2020 to conserve cash in response to the COVID-19 related shutdowns and lower volumes. These actions 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 also suspended the repurchase of common stock under its normal course issuer bid, which expired in August 2020.

During the second quarter ended June 30, 2020, the Company also enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility and putting in place a liquidity tranche as part of its revolving credit line. The exercise was completed on April 17, 2020, and increased the revolving credit lines available to the Company by another US $200 million ($280 million). As at March 31, 2021, the Company had total liquidity of approximately $470 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, 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 approximately $245 million was available as at March 31, 2021.

Further, on June 24, 2020, the Company amended its lending agreements with its banking syndicate to provide enhanced financial flexibility. The amendment in essence provides that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA ratio, for the four quarters up to and including the first quarter of 2021, would exclude EBITDA from the second quarter of 2020 and instead will be based on the annualized total of the remaining three quarters (i.e. the sum of the three quarters divided by three fourths). As a result, the impact of the COVID-19 related shutdown of the industry, and most of the Company's operations, occurring during the second quarter of 2020, would be ignored for the purpose of financial covenant calculations under the Company's lending arrangements.

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 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.

The Company will continue to respond to the COVID-19 pandemic in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

The Company continues to work with all its stakeholders to address the challenges, including:

- our supply base to deal with their challenges, including maintaining production and safety protocols;
- our customers to assist with meeting production requirements, 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 impacts of the pandemic, including a safe and healthy work environment.

As the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration. A prolonged pandemic 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 intermittent facility shutdowns due to the recent industry-wide shortage of semiconductor chips or other such material shortages;
- elevate the financial pressure on our customers, which could lead to an OEM insolvency, and would likely increase pricing pressure on the Company; and
- reduce our production levels, including as a result of 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.

AMENDMENT TO CREDIT FACILITY

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.

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 housings 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 purchase price for the transaction was US $19.9 million ($26.5 million), inclusive of working capital less cash on hand, and on a debt-free basis.

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. As a result of the acquisition, year-over-year financial results may not be directly comparable.

<u>OVERALL RESULTS</u>

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, 2021 and 2020. Refer to the Company's interim financial statements for the three months ended March 31, 2021 for a detailed account of the Company's performance for the periods presented in the table below.

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
Sales	$ 997,150	$ 872,706	124,444	14.3%
Gross Margin	120,857	120,237	620	0.5%
Operating Income	47,430	49,205	(1,775)	(3.6%)
Net Income for the period	38,701	28,963	9,738	33.6%
Net Earnings per Share - Basic and Diluted	$ 0.48	$ 0.36	0.12	33.3%
Non-IFRS Measures*				
Adjusted Operating Income	$ 48,459	$ 50,752	(2,293)	(4.5%)
% of Sales	*4.9%*	*5.8%*		
Adjusted EBITDA	109,815	107,724	2,091	1.9%
% of Sales	*11.0%*	*12.3%*		
Adjusted Net Income	32,631	30,123	2,508	8.3%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.41	$ 0.38	0.03	7.9%

***Non-IFRS Measures**

The Company prepares its interim 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, 2021	Three months ended March 31, 2020
Net Income	$ 38,701	$ 28,963
Unusual and Other Items (after-tax)*	(6,070)	1,160
Adjusted Net Income	$ 32,631	$ 30,123

**Unusual and Other Items are explained in the "Adjustments to Net Income" section of this MD&A.*

	Three months ended March 31, 2021	Three months ended March 31, 2020
Net Income	$ 38,701	$ 28,963
Income tax expense	12,954	11,210
Other finance income	(5,762)	(1,130)
Share of loss of an associate	926	700
Finance expense	8,411	9,462
Unusual and Other Items (before-tax)*	(6,771)	1,547
Adjusted Operating Income	$ 48,459	$ 50,752
Depreciation of property, plant and equipment and right-of-use assets	58,058	53,854
Amortization of intangible assets	3,298	3,118
Adjusted EBITDA	$ 109,815	$ 107,724

**Unusual and Other Items are explained in the "Adjustments to Net Income" section of this MD&A.*

SALES

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
North America	$ 704,130	$ 687,528	16,602	2.4%
Europe	254,069	159,897	94,172	58.9%
Rest of the World	46,513	27,859	18,654	67.0%
Eliminations	(7,562)	(2,578)	(4,984)	193.3%
Total Sales	$ 997,150	$ 872,706	124,444	14.3%

The Company's consolidated sales for the first quarter of 2021 increased by $124.4 million or 14.3% to $997.2 million as compared to $872.7 million for the first quarter of 2020. Sales increased year-over-year across all operating segments.

Sales for the first quarter of 2021 in the Company's North America operating segment increased by $16.6 million or 2.4% to $704.1 million from $687.5 million for the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $18.6 million of the year-over-year increase in sales (including a $0.6 million decrease in tooling sales). Excluding the acquired operations, first quarter sales in North America decreased year-over-year by $2.0 million or 0.3%. The decrease was due to lower year-over-year production sales from light vehicle programs impacted by the industry-wide shortage of semiconductor chips, 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 2021 of $18.0 million as compared to the first quarter of 2020. These negative factors were partially offset by the higher year-over-year production volumes on General Motors' pick-up truck and large SUV platform; the launch of new programs during or subsequent to the first quarter of 2020 including the new Ford Mach E Mustang and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $21.6 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer. Overall first quarter OEM light vehicle production volumes in North America decreased by approximately 5% year-over-year, with the industry-wide shortage of semiconductor chips negatively impacting current year volumes, and the onset of the COVID-19 global pandemic negatively impacting prior year volumes.

Sales for the first quarter of 2021 in the Company's Europe operating segment increased by $94.2 million or 58.9% to $254.1 million from $159.9 million for the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $43.3 million of the year-over-year increase in sales (including a $0.4 million increase in tooling sales). Excluding the acquired operations, first quarter sales in Europe increased year-over-year by $50.9 million or 35.2%. The increase can be attributed to the launch of new programs during or subsequent to the first quarter of 2020, mainly with Volvo and Ford; higher production volumes on specific platforms, with Daimler and Jaguar Land Rover; a $10.4 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2020; and a $4.2 million increase in tooling sales.

Sales for the first quarter of 2021 in the Company's Rest of the World operating segment increased by $18.7 million or 67.0% to $46.5 million from $27.9 million in the first quarter of 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $16.0 million of the year-over-year increase in sales. Excluding the acquired operations, first quarter sales in the Rest of the World increased year-over-year by $2.7 million or 12.3%. The increase was due to a post-COVID recovery of overall production volumes; partly offset by a $2.7 million decrease in tooling sales, a $2.0 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2020, and a program with Ford in China that ended production during or subsequent to the first quarter of 2020.

Overall tooling sales increased by $22.9 million to $73.1 million for the first quarter of 2021 from $50.2 million for the first quarter of 2020.

GROSS MARGIN

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Gross margin	$	120,857	$	120,237	620	0.5%
% of Sales		12.1%		13.8%		

The gross margin percentage for the first quarter of 2021 of 12.1% decreased as a percentage of sales by 1.7% as compared to the gross margin percentage for the first quarter of 2020 of 13.8%. The decrease in gross margin as a percentage of sales was generally due to:

- operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers;
- a negative sales mix; and
- an increase in tooling sales which typically earn low margins for the Company.

These factors were partially offset by:
- the receipt of certain COVID-related subsidies, namely wage subsidies related to active employees; and
- productivity and efficiency improvements at certain operating facilities.

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

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Selling, general & administrative	$	60,750	$	57,408	3,342	5.8%
% of Sales		6.1%		6.6%		

SG&A expense for the first quarter of 2021 increased by $3.3 million to $60.8 million as compared to SG&A expense for the first quarter of 2020 of $57.4 million. Excluding transaction costs related to the operations acquired from Metalsa expensed as SG&A in the first quarter of 2020 as explained in Table A under "Adjustments to Net Income", SG&A expense for the first quarter of 2021 increased by $4.9 million year-over-year. The increase can be attributed to the addition of the operations acquired from Metalsa, and a $2.5 million lower benefit from equity-based compensation related to deferred/restricted share units; partially offset by a reduction in travel related expenses and other costs as a result of the COVID-19 pandemic.

Excluding adjustments, SG&A expense as a percentage of sales decreased to 6.1% for the first quarter of 2021 compared to 6.4% for the first quarter of 2020.

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

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	54,219	$	49,983	4,236	8.5%
Depreciation of PP&E and right-of-use assets (non-production)		3,839		3,871	(32)	(0.8%)
Amortization of development costs		3,298		2,818	480	17.0%
Amortization of customer contracts and relationships		-		300	(300)	(100.0%)
Total depreciation and amortization	$	61,356	$	56,972	4,384	7.7%

Total depreciation and amortization expense for the first quarter of 2021 increased by $4.4 million to $61.4 million as compared to $57.0 million for the first quarter of 2020. The increase in total depreciation and amortization expense was due mainly to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the first quarter of 2020, partially offset by a decrease in depreciation and amortization expense resulting from impairment charges recorded in the second quarter of 2020.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the first quarter of 2020 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 decreased year-over-over to 5.4% for the first quarter of 2021 from 5.7% for the first quarter of 2020 due mainly to higher overall sales.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain unusual and other items, as set out in the following table 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, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021 (a)	**Three months ended March 31, 2020 (b)**	**(a)-(b) Change**
NET INCOME (A)	**$38,701**	**$28,963**	**$9,738**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	1,029	-	1,029
Gain on dilution of investment in associate (2)	(7,800)	-	(7,800)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (3)	-	1,547	(1,547)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($6,771)**	**$1,547**	**($8,318)**
Tax impact of above items	701	(387)	1,088
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($6,070)**	**$1,160**	**($7,230)**
ADJUSTED NET INCOME (A + B)	**$32,631**	**$30,123**	**$2,508**
Number of Shares Outstanding – Basic ('000)	80,296	80,121	
Adjusted Basic Net Earnings Per Share	$0.41	$0.38	
Number of Shares Outstanding – Diluted ('000)	80,533	80,281	
Adjusted Diluted Net Earnings Per Share	$0.41	$0.38	

(1) Restructuring costs

Additions to the restructuring provision during the first quarter of 2021 totaled $1.0 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

(2) Gain on dilution of investment in associate

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. (“NanoXplore”) representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. 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 $4.0 million. 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 $7.8 million for the three months ended March 31, 2021.

(3) 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. Included in SG&A expense are transaction costs related to the acquisition totaling $1.5 million for the three months ended March 31, 2020.

NET INCOME

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

		Three months ended March 31, 2021		Three months ended March 31, 2020	$ Change	% Change
Net Income	$	38,701	$	28,963	9,738	33.6%
Adjusted Net Income	$	32,631	$	30,123	2,508	8.3%
Net Earnings per Share						
Basic and Diluted	$	0.48	$	0.36		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.41	$	0.38		

Net income, before adjustments, for the first quarter of 2021 increased by $9.7 million to $38.7 million from $29.0 million for the first quarter of 2020. Excluding the unusual and other items explained in Table A under “Adjustments to Net Income”, Adjusted Net Income for the first quarter of 2021 increased by $2.5 million to $32.6 million or $0.41 per share, on a basic and diluted basis, from $30.1 million or $0.38 per share, on a basic and diluted basis, for the first quarter of 2020.

Adjusted Net Income for the first quarter of 2021, as compared to the first quarter of 2020, was positively impacted by the following:

- a net foreign exchange gain of $5.3 million for the first quarter of 2021 compared to a gain of $1.0 million for the first quarter of 2020;
- a year-over-year decrease in research and development costs; and
- a year-over-year decrease in finance expense on the Company’s long-term debt as a result of lower borrowing rates;

These factors were partially offset by a year-over-year increase in SG&A expense as previously discussed. Gross margin was essentially flat year-over-year, on higher sales, as previously explained.

Three months ended March 31, 2021 actual to guidance comparison:

On March 4, 2021, the Company provided the following guidance for the first quarter of 2021:

		Guidance		Actual
Production sales (in millions)	$	900 - 1,000	$	924
Adjusted Net Earnings per Share				
Basic & Diluted	$	0.36 - 0.44	$	0.41

For the first quarter of 2021, production sales of $924 million and Adjusted Net Earnings per Share of $0.41 were both within the published guidance ranges.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change	% Change
Additions to PP&E	$ 81,592	$ 63,964	17,628	27.6%

Additions to PP&E increased by $17.6 million to $81.6 million or 8.2% of sales in the first quarter of 2021 from $64.0 million or 7.3% of sales in the first quarter of 2020. General timing of expenditures makes quarterly additions to PP&E quite volatile in nature. Certain new program additions, previously delayed during the COVID-related shutdowns in the second quarter of 2020, moved in to the back half of 2020 and 2021 to date, as preparations for upcoming new program launches resumed. Capital additions also include incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

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 among North America, Europe and the Rest of the World. The Company measures segment operating performance based on operating income (loss).

Three months ended March 31, 2021 to three months ended March 31, 2020 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended March 31, 2021	Three months ended March 31, 2020	Three months ended March 31, 2021	Three months ended March 31, 2020
North America	$ 704,130	$ 687,528	$ 44,035	$ 50,179
Europe	254,069	159,897	(342)	37
Rest of the World	46,513	27,859	4,766	536
Eliminations	(7,562)	(2,578)	-	-
Adjusted Operating Income	-	-	$ 48,459	$ 50,752
Unusual and Other Items*	-	-	(1,029)	(1,547)
Total	$ 997,150	$ 872,706	$ 47,430	$ 49,205

** Operating income for the operating segments has been adjusted for unusual and other items. The $1.0 million of unusual and other items for the first quarter of 2021 was recognized in Europe. 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 $6.2 million to $44.0 million or 6.3% of sales for the first quarter of 2021 from $50.2 million or 7.3% for the first quarter of 2020. The decrease in Adjusted Operating Income as a percentage of sales was generally due to operational inefficiencies at certain facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; a negative sales mix; an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers; an increase in tooling sales, which typically earn low margins for the Company; and higher SG&A expenses as previously explained. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; the receipt of certain COVID-related subsidies, namely wage subsidies related to active employees; and lower research and development expense.

Europe

Adjusted Operating Income in Europe decreased by $0.4 million to a loss of $0.3 million or (0.1%) of sales for the first quarter of 2021 from essentially breakeven for the first quarter of 2020. The overall slight decrease in Adjusted Operating Income was generally due to an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, and operational inefficiencies at certain operating facilities including launch related costs; essentially offset by incremental contribution from the higher year-over-year sales and productivity and efficiency improvements at certain operating facilities.

Rest of the World

Adjusted Operating Income in the Rest of the World increased by $4.3 million to $4.8 million or 10.2% of sales for the first quarter of 2021 from $0.5 million or 1.9% of sales for the first quarter of 2020. The increase in Adjusted Operating Income as a percentage of sales was due generally to higher year-over-year sales.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2021	**2020**				**2019**		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	$997,150	$1,070,956	$971,060	$460,564	$872,706	$917,581	$974,384	$948,533
Gross Margin	$120,857	$155,841	$151,478	($12,459)	$120,237	$129,921	$143,901	$154,778
Net Income (Loss) for the period	$38,701	$44,970	$45,636	($146,886)	$28,963	$51,153	$46,678	$28,122
Adjusted Net Income (Loss)	$32,631	$44,212	$45,636	($73,115)	$30,123	$33,834	$43,507	$54,570
Basic Net Earnings (Loss) per Share	$0.48	$0.56	$0.57	($1.84)	$0.36	$0.63	$0.57	$0.34
Diluted Net Earnings (Loss) per Share	$0.48	$0.56	$0.57	($1.84)	$0.36	$0.63	$0.56	$0.34
Adjusted Basic and Diluted Net Earnings (Loss) per Share	$0.41	$0.55	$0.57	($0.91)	$0.38	$0.42	$0.53	$0.66

LIQUIDITY AND CAPITAL RESOURCES

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 $500.0 million and US $520.0 million (up from $370.0 million and US $420.0 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 $300.0 million;
- an accordion feature which provides the company with the ability to increase the revolving credit facility by up to US $300.0 million (up from US $200.0 million);
- pricing terms at market rates and consistent with pre-COVID levels;
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

As at March 31, 2021, the Company had drawn US $376.0 million (December 31, 2020 – US $336.0 million) on the U.S. revolving credit line and $348.0 million (December 31, 2020 - $348.0 million) 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.

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, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Long-term debt	$ 873,322	$ 835,222	$ 888,365	$ 902,205	$ 871,207
Less: Cash and cash equivalents	(145,348)	(152,786)	(214,049)	(125,834)	(156,515)
Net Debt	$ 727,974	$ 682,436	$ 674,316	$ 776,371	$ 714,692
Trailing 12-month Adjusted EBITDA	$ 324,752	$ 323,797	$ 304,716	$ 294,634	$ 441,517
Net Debt to Adjusted EBITDA ratio	2.24x	2.11x	2.21x	2.64x	1.62x

Including the impact of IFRS 16:	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
Long-term debt	$ 873,322	$ 835,222	$ 888,365	$ 902,205	$ 871,207
Lease liabilities	201,526	211,813	224,405	219,130	220,525
	1,074,848	1,047,035	1,112,770	1,121,335	1,091,732
Less: Cash and cash equivalents	(145,348)	(152,786)	(214,049)	(125,834)	(156,515)
Net Debt	$ 929,500	$ 894,249	$ 898,721	$ 995,501	$ 935,217
Trailing 12-month Adjusted EBITDA	$ 367,594	$ 365,503	$ 344,313	$ 332,482	$ 478,368
Net Debt to Adjusted EBITDA ratio	2.53x	2.45x	2.61x	2.99x	1.96x

The Company's Net Debt (excluding the impact of adopting IFRS 16 and as outlined above) increased by $45.6 million during the first quarter of 2021 to $728.0 million from $682.4 million at the end of the fourth quarter of 2020 due largely to an increase in non-cash working capital during the quarter. As a result, the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) increased to 2.24x from 2.11x at the end of the fourth quarter of 2020.

The Company was in compliance with its debt covenants as at March 31, 2021. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16 and excludes EBITDA from the second quarter of 2020, as previously described.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors (the "Board") approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were $0.12 per share, 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 at the time, 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 increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the pandemic period. 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, 2021	Three months ended March 31, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 112,514	$ 104,277	8,237	7.9%
Change in non-cash working capital items	(35,277)	(1,081)	(34,196)	3,163.4%
	77,237	103,196	(25,959)	(25.2%)
Interest paid	(9,176)	(9,921)	745	(7.5%)
Income taxes paid	(10,646)	(11,743)	1,097	(9.3%)
Cash provided by operating activities	57,415	81,532	(24,117)	(29.6%)
Cash provided by financing activities	33,902	37,994	(4,092)	(10.8%)
Cash used in investing activities	(97,368)	(86,074)	(11,294)	13.1%
Effect of foreign exchange rate changes on cash and cash equivalents	(1,387)	4,090	(5,477)	(133.9%)
Increase (decrease) in cash and cash equivalents	$ (7,438)	$ 37,542	(44,980)	(119.8%)

Cash provided by operating activities during the first quarter of 2021 was $57.4 million, compared to $81.5 million in the corresponding period of 2020. The components for the first quarter of 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $112.5 million;
- working capital use of cash of $35.3 million comprised of an increase in trade and other receivables of $84.8 million, an increase in inventories of $48.0 million, an increase in prepaid expenses and deposits of $2.3 million; partly offset by, an increase in trade, other payables and provisions of $99.8 million;
- interest paid of $9.2 million; and
- income taxes paid of $10.6 million.

Cash provided by financing activities during the first quarter of 2021 was $33.9 million, compared to $38.0 million in the corresponding period of 2020, as a result of a $46.4 million net increase in long-term debt (including drawdowns on the Company's revolving banking facility, partially offset by repayments of equipment loans); partially offset by repayment of lease liabilities from the adoption of IFRS 16 of $8.6 million, and $4.0 million in dividends paid.

Cash used in investing activities during the first quarter of 2021 was $97.4 million, compared to $86.1 million in the corresponding period of 2020. The components for the first quarter of 2021 primarily include the following:

- cash additions to PP&E of $90.8 million;
- capitalized development costs relating to upcoming new program launches of $2.6 million; and
- an additional investment in NanoXplore of $4.0 million.

Taking into account the opening cash balance of $152.8 million at the beginning of the first quarter of 2021, and the activities described above, the cash and cash equivalents balance at March 31, 2021 was $145.3 million.

Free Cash Flow

	Three months ended March 31, 2021	Three months ended March 31, 2020	$ Change
Adjusted EBITDA	$ 109,815	$ 107,724	2,091
Add (deduct):			
Change in non-cash working capital items	(35,277)	(1,081)	(34,196)
Cash purchases of property, plant and equipment	(90,811)	(74,054)	(16,757)
Cash proceeds on disposal of property, plant and equipment	-	266	(266)
Capitalized development costs	(2,557)	(1,783)	(774)
Interest paid*	(9,176)	(9,921)	745
Income taxes paid	(10,646)	(11,743)	1,097
Free cash flow*	(38,652)	9,408	(48,060)

**Note: Prior year comparative figures were revised to include interest on lease liabilities and reflect interest paid.*

Free cash flow for the first quarter of 2021 decreased year-over-year due primarily to an increase in non-cash working capital and cash purchases of property, plant and equipment.

Tooling-related working capital accounts, including inventory, trade receivables and trade payables on a net basis, amounted to $20.9 million as at March 31, 2021, an increase from $13.3 million as at December 31, 2020, and a decrease from $100.0 million as at March 31, 2020.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended March 31, 2021 and 2020:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Cash provided by operating activities	$ 57,415	$ 81,532
Add (deduct):		
Cash purchases of property, plant and equipment	(90,811)	(74,054)
Transaction costs associated with the acquisition of Metalsa	-	1,547
Cash proceeds on disposal of property, plant and equipment	-	266
Capitalized development costs	(2,557)	(1,783)
Restructuring costs	1,029	-
Unrealized gain (loss) on foreign exchange contracts	744	(108)
Deferred and restricted share units benefit	1,707	4,180
Stock options expense	(340)	(604)
Pension and other post-employment benefits expense	(1,015)	(1,250)
Contributions made to pension and other post-retirement benefits	938	812
Net unrealized foreign exchange gain and other income	(5,762)	(1,130)
Free cash flow*	$ (38,652)	$ 9,408

**Note: Prior year comparative figures were revised to include interest on lease liabilities and reflect interest paid.*

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Automotive Industry Highlights and Trends and Risk Factors as outlined in the Company’s Annual Information Form (“AIF”) dated March 4, 2021 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 6, 2021, the Company had 80,312,595 common shares outstanding. The Company’s common shares constitute its only class of voting securities. As at May 6, 2021, options to acquire 2,722,000 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 suspended the repurchase of common stock under the NCIB, which expired at the end of August 2020.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2021, 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, 2020.

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, 2021, the amount of the off balance sheet program financing was $37.6 million (December 31, 2020 - $42.8 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 range up to twenty-four 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 not to utilize financial instruments for trading or speculative purposes.

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 $0.7 million and was recorded in trade and other receivables (December 31, 2020 – pre-tax gain of $0.6 million recorded in trade and other receivables).

Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$	34,520	1.3236	32

The aggregate value of these forward contracts as at March 31, 2021 was a pre-tax gain of $2.3 million and was recorded in trade and other receivables (December 31, 2020 – pre-tax gain of $1.8 million recorded in trade and other receivables).

INVESTMENTS

As at March 31, 2021, the Company held 35,045,954 common shares of NanoXplore representing a 22.2% equity interest in NanoXplore (on a non-diluted basis), with stock market value of $112.8 million as at March 31, 2021. 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.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. 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 $4.0 million. 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 $7.8 million 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

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 $4.0 million into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional $6.0 million 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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 or regulations, 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 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, demand for vehicles, 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, the opportunity to increase sales, 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, 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company’s AIF for the year ended December 31, 2020 and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry’s dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company’s dependence on key customers
- Financial Viability of Suppliers;
- 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 liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;
- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;
- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company’s ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company’s mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

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

MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

Martinrea International Inc.

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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:

<u>Foreign exchange forward contracts not accounted for as hedges and fair valued through profit or loss</u>

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).

<u>Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income</u>

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.

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