PRESS RELEASE

FOR IMMEDIATE RELEASE
August 10, 2020

MARTINREA INTERNATIONAL INC. REPORTS SECOND QUARTER RESULTS AND DECLARES DIVIDEND

Toronto, Ontario, August 10, 2020 – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the second quarter ended June 30, 2020 and that it has declared a quarterly cash dividend of $0.05 per share.

HIGHLIGHTS

- Quarterly sales, net income down due to COVID-19 related shutdowns
- Near breakeven adjusted EBITDA[1] in second quarter
- Balance sheet ended the quarter strong, with strong liquidity position
- Restart going very well; strong third quarter anticipated
- Dividend of $0.05 per share declared

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "Our second quarter was difficult with lower sales and net income reflecting the effects of the COVID-19 related shutdowns during the quarter. In June we saw a return of volumes, a steady ramp-up over the course of the month, and while there were some issues in opening up operations for the industry, overall the restart has gone quite well. The steps we have taken to improve our operations during the shutdown period strengthen our go forward position. We continually focus on increasing productivity and efficiency, and we are a stronger and more competitive supplier as a result. We are looking forward to a strong third quarter, based on anticipated volumes as we see them today, as OEMs replenish currently low vehicle inventory levels. We expect production sales in the range of $850 million to $950 million, and adjusted net earnings per share in the range of $0.40 to $0.50, including the newly acquired Metalsa operations. The operations we purchased from Metalsa, which we are integrating into our business, lost money in the second quarter and there will be some drag on earnings the rest of the year as we drive efficiencies, in particular in our new facility in Germany. Our third quarter will not reach the record earnings levels of 2019, but we expect it will be one of the best third quarters in the history of the company, and that's great news. We are also happy to announce new business wins totalling $65 million in annualized sales, including $40 million in aluminum transmission housings for the ZF Group starting in 2023, and $25 million in various lightweight structures for Ford and Toyota, starting in 2022 and 2023."

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[1] The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "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 second quarter ended June 30, 2020.

Fred Di Tosto, Chief Financial Officer, stated: “Our second quarter results were obviously hit hard by the COVID-19 related shutdowns during the quarter. Second quarter production sales, excluding the acquired operations from Metalsa, were down 60% year-over-year, with adjusted EBITDA(1) for the quarter coming in at ($8) million, a near breakeven level. This was a respectable result considering the rapid dissipation of customer volumes and reflective of the aggressive cost cutting measures we took at the onset of the pandemic. Ultimately, our response to the COVID crisis has been measured, prudent and decisive. A top priority was preserving the balance sheet and, in that regard, we ended the quarter in good shape, with ample liquidity. Our net debt to EBITDA(1) ratio ended the quarter at 2.64x, and under 2.0x for bank covenant purposes, given the agreement we reached with our banking syndicate to eliminate Q2 EBITDA(1) from the covenant calculation. We believe we entered the COVID-19 driven downturn with a strong balance sheet which has ultimately allowed us to navigate our way through the crisis with confidence. Overall, considering the magnitude of the volume declines and the consequent challenges we faced, we are pleased with our second quarter results and our response to the COVID-19 shutdowns during the quarter. Although the pandemic is not over, we believe we have seen the bottom from a volume perspective, as we now look to the broader industry and economic recovery. As the dust settles from the events of the past few months, it has been refreshing to get back to business, opening up all our facilities, and doing what we do best, producing great parts for our customers.”

Rob Wildeboer, Executive Chairman, stated: “From a macro perspective, our industry has endured the longest shutdown in its history, and everyone has been affected. Our team has responded well, not only in improving our company for the long term, but in our dedication to developing and implementing leading safety protocols, and in contributing to the fight against COVID-19 by building ventilator stands and PPE such as masks for our people and people in our communities. Just as with the great financial crisis of 2008-9, we will be a stronger and more competitive company going forward coming out of the crisis. It’s in times like these that our focus on culture and our vision of making people’s lives better by being the best we can be in the products we make and the services we provide comes through for us. We want to thank our dedicated employees for their great service, as well as our shareholders, lenders, suppliers, customers and governments for their hard work and support. We believe that our industry hit its low point in the second quarter, and looking forward, we see a steady, gradual recovery. We expect that the second half of 2020 will be much better than the first half, and, while the rate of growth is still somewhat unclear, we expect growth in 2021 from this year’s levels and further growth in 2022 and beyond.”

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 second quarter ended June 30, 2020 (“MD&A”), the Company’s interim condensed consolidated financial statements for the second quarter ended June 30, 2020 (the “interim financial statements”) and the Company’s Annual Information Form for the year ended December 31, 2019, 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 tables set out certain highlights of the Company’s performance for the three and six months ended June 30, 2020 and 2019. Refer to the Company’s interim financial statements for the three and six months ended June 30, 2020 for a detailed account of the Company’s performance for the periods presented in the tables below.

	Three months ended June 30, 2020	Three months ended June 30, 2019	$ Change	% Change
Sales	$ 460,564	$ 948,533	(487,969)	(51.4%)
Gross Margin	(12,459)	154,778	(167,237)	(108.0%)
Operating Income (Loss)	(163,365)	57,302	(220,667)	(385.1%)
Net Income (Loss) for the period	(146,886)	28,122	(175,008)	(622.3%)
Net Earnings (Loss) per Share - Basic and Diluted	$ (1.84)	$ 0.34	(2.18)	(641.2%)
Non-IFRS Measures*				
Adjusted Operating Income (Loss)	$ (68,470)	$ 83,969	(152,439)	(181.5%)
% of Sales	*(14.9%)*	*8.9%*		
Adjusted EBITDA	(8,177)	137,709	(145,886)	(105.9%)
% of Sales	*(1.8%)*	*14.5%*		
Adjusted Net Income (Loss)	(73,115)	54,570	(127,685)	(234.0%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$ (0.91)	$ 0.66	(1.57)	(237.9%)

	Six months ended June 30, 2020	Six months ended June 30, 2019	$ Change	% Change
Sales	$ 1,333,270	$ 1,971,694	(638,424)	(32.4%)
Gross Margin	107,778	312,279	(204,501)	(65.5%)
Operating Income (Loss)	(114,160)	140,765	(254,925)	(181.1%)
Net Income (Loss) for the period	(117,923)	83,390	(201,313)	(241.4%)
Net Earnings (Loss) per Share - Basic and Diluted	$ (1.47)	$ 1.00	(2.47)	(247.0%)
Non-IFRS Measures*				
Adjusted Operating Income (Loss)	$ (17,718)	$ 167,432	(185,150)	(110.6%)
% of Sales	*(1.3%)*	*8.5%*		
Adjusted EBITDA	99,547	271,620	(172,073)	(63.4%)
% of Sales	*7.5%*	*13.8%*		
Adjusted Net Income (Loss)	(42,992)	110,346	(153,338)	(139.0%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$ (0.54)	$ 1.33	(1.87)	(140.6%)

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company’s performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include “Adjusted Net Income (Loss)”, “Adjusted Net Earnings (Loss) per Share (on a basic and diluted basis)”, “Adjusted Operating Income (Loss)”, "Adjusted EBITDA”, “Free Cash Flow” and “Net Debt”.

The following tables provide a reconciliation of IFRS “Net Income (Loss)” to Non-IFRS “Adjusted Net Income (Loss)”, “Adjusted Operating Income (Loss)” and “Adjusted EBITDA”.

		Three months ended June 30, 2020	Three months ended June 30, 2019
Net Income (Loss)	$	(146,886) $	28,122
Unusual and Other Items (after-tax)*		73,771	26,448
Adjusted Net Income (Loss)	$	(73,115) $	54,570

		Six months ended June 30, 2020	Six months ended June 30, 2019
Net Income (Loss)	$	(117,923) $	83,390
Unusual and Other Items (after-tax)*		74,931	26,956
Adjusted Net Income (Loss)	$	(42,992) $	110,346

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

		Three months ended June 30, 2020	Three months ended June 30, 2019
Net Income (Loss)	$	(146,886) $	28,122
Income tax expense (benefit)		(29,932)	17,642
Other finance expense - excluding Unusual and Other Items*		4,286	853
Share of loss in associate		881	512
Finance expense		8,286	9,944
Unusual and Other Items (before-tax)*		94,895	26,896
Adjusted Operating Income (Loss)	$	(68,470) $	83,969
Depreciation of property, plant and equipment and right-of-use assets		56,953	49,837
Amortization of intangible assets		3,340	4,051
Gain on disposal of property, plant and equipment		-	(148)
Adjusted EBITDA	$	(8,177) $	137,709

	Six months ended June 30, 2020	Six months ended June 30, 2019
Net Income (Loss)	$ (117,923)	$ 83,390
Income tax expense (benefit)	(18,722)	36,027
Other finance expense - excluding Unusual and Other Items*	3,156	286
Share of loss in associate	1,581	512
Finance expense	17,748	19,740
Unusual and Other Items (before-tax)*	96,442	27,477
Adjusted Operating Income (Loss)	$ (17,718)	$ 167,432
Depreciation of property, plant and equipment and right-of-use assets	110,807	96,731
Amortization of intangible assets	6,458	7,716
Gain on disposal of property, plant and equipment	-	(259)
Adjusted EBITDA	$ 99,547	$ 271,620

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

SALES

Three months ended June 30, 2020 to three months ended June 30, 2019 comparison

	Three months ended June 30, 2020	Three months ended June 30, 2019	$ Change	% Change
North America	$ 318,134	$ 754,041	(435,907)	(57.8%)
Europe	99,988	165,611	(65,623)	(39.6%)
Rest of the World	45,807	30,467	15,340	50.3%
Eliminations	(3,365)	(1,586)	(1,779)	112.2%
Total Sales	$ 460,564	$ 948,533	(487,969)	(51.4%)

The Company's consolidated sales for the second quarter of 2020 decreased by $488.0 million or 51.4% to $460.6 million as compared to $948.5 million for the second quarter of 2019. The total decrease in sales was driven by year-over-year decreases in the North America and Europe operating segments, partially offset by an increase in the Rest of the World.

Sales for the second quarter of 2020 in the Company's North America operating segment decreased by $435.9 million or 57.8% to $318.1 million from $754.0 million for the second quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $10.7 million of year-over-year sales (including $0.7 million in tooling sales) to the North America operating segment. Excluding the acquired operations, second quarter sales in North America decreased year-over-year by $446.6 million or 59.2%. This decrease was due to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic, and a decrease in tooling sales of $12.1 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the second quarter of 2020 of approximately $9.3 million as compared to the second quarter of 2019, and the launch of new programs during the quarter, primarily the production of ventilator stands for General Motors.

Sales for the second quarter of 2020 in the Company's Europe operating segment decreased by $65.6 million or 39.6% to $100.0 million from $165.6 million for the second quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $30.0 million of year-over-year sales (including $2.8 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, second quarter sales in Europe decreased year-over-year by $95.6 million or 57.7%. This decrease was due to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic, and a $1.9 million decrease in tooling sales; partially offset by the launch of new programs during or subsequent to the second quarter of 2019, including a new aluminum engine block for Volvo and an aluminum transmission for Volkswagen, and a $0.6 million positive foreign exchange impact from the translation of Euro-denominated production sales as compared to the second quarter of 2019.

Sales for the second quarter of 2020 in the Company's Rest of the World operating segment increased by $15.3 million or 50.3% to $45.8 million from $30.5 million for the second quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $21.1 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, second quarter sales in the Rest of the World decreased year-over-year by $5.8 million or 19.0%. This decrease was largely driven by COVID-19 related disruption and a $0.6 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the second quarter of 2019. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and a $1.9 million increase in tooling sales.

Overall tooling sales decreased by $8.6 million to $41.8 million for the second quarter of 2020 from $50.4 million for the second quarter of 2019.

Six months ended June 30, 2020 to six months ended June 30, 2019 comparison

		Six months ended June 30, 2020		Six months ended June 30, 2019	$ Change	% Change
North America	$	1,005,662	$	1,565,178	(559,516)	(35.7%)
Europe		259,885		356,006	(96,121)	(27.0%)
Rest of the World		73,666		53,799	19,867	36.9%
Eliminations		(5,943)		(3,289)	(2,654)	80.7%
Total Sales	$	1,333,270	$	1,971,694	(638,424)	(32.4%)

The Company's consolidated sales for the six months ended June 30, 2020 decreased by $638.4 million or 32.4% to $1,333.3 million as compared to $1,971.7 million for the six months ended June 30, 2019. The total decrease in sales was driven by decreases in the North America and Europe operating segments, partially offset by an increase in sales in the Rest of the World.

Sales for the six months ended June 30, 2020 in the Company's North America operating segment decreased by $559.5 million or 35.7% to $1,005.7 million from $1,565.2 million for the six months ended June 30, 2019. The operations acquired from Metalsa, the results for which were consolidated with those of the Company effective March 2, 2020, contributed $18.0 million of year-over-year sales (including $1.3 million in tooling sales) to the North America operating segment. Excluding the acquired operations, sales for the six months ended June 30, 2020 in North America decreased year-over-year by $577.5 million or 36.9%. This decrease was due to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic, and a decrease in tooling sales of $52.2 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the launch of new programs during or subsequent to the six months ended June 30, 2019, including the GM heavy duty truck and the production of ventilator stands for General Motors, and the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the six months ended June 30, 2020 of approximately $11.9 million as compared to the corresponding period of 2019.

Sales for the six months ended June 30, 2020 in the Company's Europe operating segment decreased by $96.1 million or 27.0% to $259.9 million from $356.0 million for the six months ended June 30, 2019. The operations acquired from Metalsa, the results for which were consolidated with those of the Company effective March 2, 2020, contributed $45.3 million of year-over-year sales (including $3.9 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, sales for the six months ended June 30, 2020 in Europe decreased year-over-year by $141.4 million or 39.7%. This decrease can be attributed to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic; lower year-over-year production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover; an $11.2 million decrease in tooling sales; and a $2.6 million negative foreign exchange impact from the translation of Euro-denominated production sales as compared to the corresponding period of 2019. These negative factors were partially offset by the launch of new programs during or subsequent to the six months ended June 30, 2019, including new aluminum engine blocks for Ford and Volvo, and an aluminum transmission for Volkswagen.

Sales for the six months ended June 30, 2020 in the Company's Rest of the World operating segment increased by $19.9 million or 36.9% to $73.7 million from $53.8 million for the six months ended June 30, 2019. The operations acquired from Metalsa, the results for which were consolidated with those of the Company effective March 2, 2020, contributed $27.1 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, sales for the six months ended June 30, 2020 in the Rest of the World decreased year-over-year by $7.2 million or 13.4%. This decrease was largely driven by COVID-19 related disruption, and a $2.2 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the corresponding period of 2019. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and a $3.8 million increase in tooling sales.

Overall tooling sales decreased by $54.4 million to $92.0 million for the six months ended June 30, 2020 from $146.4 million for the six months ended June 30, 2019.

GROSS MARGIN

Three months ended June 30, 2020 to three months ended June 30, 2019 comparison

	Three months ended June 30, 2020	Three months ended June 30, 2019	$ Change	% Change
Gross margin	$ (12,459)	$ 154,778	(167,237)	(108.0%)
% of Sales	(2.7%)	16.3%		

The gross margin percentage for the second quarter of 2020 decreased to a negative level from a positive gross margin percentage of 16.3% for the second quarter of 2019. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven essentially by the impact of the COVID-19 pandemic, and a negative impact on overall margin from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020. The sharp sales decline in April and May coupled with a volatile restart and ramp-up of production in May and June with limited predictability had a significant impact on gross margin for the second quarter of 2020, despite major reductions in costs.

Six months ended June 30, 2020 to six months ended June 30, 2019 comparison

	Six months ended June 30, 2020	Six months ended June 30, 2019	$ Change	% Change
Gross margin	$ 107,778	$ 312,279	(204,501)	(65.5%)
% of Sales	8.1%	15.8%		

The gross margin percentage for the six months ended June 30, 2020 of 8.1% decreased as a percentage of sales by 7.7% as compared to the gross margin percentage for the six months ended June 30, 2019 of 15.8%. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven primarily by the impact of the COVID-19 pandemic; operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched; and a negative impact on overall margin from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; and a decrease in tooling sales which typically earn low margins for the Company. The sharp sales decline in April and May coupled with a volatile restart and ramp-up of production in May and June with limited predictability had a significant impact on gross margin for the six months ended June 30, 2020, despite major reductions in costs.

ADJUSTMENTS TO NET INCOME (LOSS)

Adjusted Net Income (Loss) excludes certain unusual and other items, as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income (Loss) 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 June 30, 2020 to three months ended June 30, 2019 comparison

	Three months ended June 30, 2020 (a)	Three months ended June 30, 2019 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**($146,886)**	**$28,122**	**($175,008)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A) (1)	942	-	942
Impairment of assets (2)	85,783	18,502	67,281
Restructuring costs (3)	8,170	8,165	5
Unrealized loss on derivative instruments (4)	-	229	(229)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$94,895**	**$26,896**	**$67,999**
Tax impact of above items	(21,124)	(448)	(20,676)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$73,771**	**$26,448**	**$47,323**
ADJUSTED NET INCOME (LOSS) (A + B)	**($73,115)**	**$54,570**	**($127,685)**
Number of Shares Outstanding - Basic ('000)	79,961	82,747	
Adjusted Basic Net Earnings (Loss) Per Share	($0.91)	$0.66	
Number of Shares Outstanding - Diluted ('000)	79,961	82,922	
Adjusted Diluted Net Earnings (Loss) Per Share	($0.91)	$0.66	

TABLE B

Six months ended June 30, 2020 to six months ended June 30, 2019 comparison

	Six months ended June 30, 2020 (a)	Six months ended June 30, 2019 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**($117,923)**	**$83,390**	**($201,313)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A) (1)	2,489	-	2,489
Impairment of assets (2)	85,783	18,502	67,281
Restructuring costs (3)	8,170	8,165	5
Unrealized loss on derivative instruments (4)	-	810	(810)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$96,442**	**$27,477**	**$68,965**
Tax impact of above items	(21,511)	(521)	(20,990)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$74,931**	**$26,956**	**$47,975**
ADJUSTED NET INCOME (LOSS) (A + B)	**($42,992)**	**$110,346**	**($153,338)**
Number of Shares Outstanding - Basic (‘000)	80,041	83,052	
Adjusted Basic Net Earnings (Loss) Per Share	($0.54)	$1.33	
Number of Shares Outstanding - Diluted (‘000)	80,041	83,246	
Adjusted Diluted Net Earnings (Loss) Per Share	($0.54)	$1.33	

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

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. Included in SG&A expense are transaction costs related to the acquisition totaling $0.9 million and $2.5 million for the three and six months ended June 30, 2020, respectively.

2) Impairment of assets

The significant reduction in volumes and current industry production projections as a result of the COVID-19 global pandemic has negatively impacted the recoverable amount of certain of the Company’s production-related assets and has also changed the expected usage of certain other assets. As a result, the Company completed an analysis of its asset base and concluded there existed certain indicators of impairment for specific assets and cash generating units (CGUs). Accordingly, the Company tested these assets and CGUs for recoverability using projected sales and cash flows modelled from current industry production projections. Based on the results of this testing, the Company recorded impairment charges on property, plant and equipment, right-of-use assets, intangible assets and inventories across its three operating segments totaling $85.8 million for the three months ended June 30, 2020, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company’s segments, including the United States, Slovakia, China and Brazil. Of the total impairment charge, $72.2 million was recognized in North America, $1.3 million in Europe, and $12.3 million in the Rest of the World. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

During the second quarter of 2019, the Company recorded impairment charges on property, plant, equipment, right-of-use assets, intangible assets and inventories totaling $18.5 million related to an operating facility in China included in the Rest of the World operating segment. The impairment charges resulted from lower OEM production volumes on certain light vehicle platforms being serviced by the facility, representing a significant portion of the business, causing the Company to complete an analysis of strategic alternatives. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts, including consideration for where specific assets can be transferred to other facilities.

3) Restructuring costs

Additions to the restructuring provision during the second quarter of 2020 totaled $8.2 million and represent employee-related severance resulting from a reduction in the Company's workforce globally in response to the COVID-19 global pandemic. Of the total addition to the restructuring provision, $6.6 million relates to North America, $1.0 million to Europe and $0.6 million to the Rest of the World.

Additions to the restructuring provision during the second quarter of 2019 totaled $8.2 million and represent employee-related severance resulting from the right-sizing of operating facilities in the North America ($1.7 million) and Rest of the World ($6.5 million) operating segments.

4) Unrealized loss on derivative instruments

Martinrea held warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represented derivative instruments and were fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. Based on the fair value of the outstanding warrants as at June 30, 2019, an unrealized loss of $0.2 million was recognized for the three months ended June 30, 2019 and an unrealized loss of $0.8 million was recognized for the six months ended June 30, 2019. All outstanding remaining warrants in NanoXplore expired in March 2020 unexercised.

NET INCOME (LOSS)

Three months ended June 30, 2020 to three months ended June 30, 2019 comparison

	Three months ended June 30, 2020	Three months ended June 30, 2019	$ Change	% Change
Net Income (Loss)	$ (146,886)	$ 28,122	(175,008)	(622.3%)
Adjusted Net Income (Loss)	$ (73,115)	$ 54,570	(127,685)	(234.0%)
Net Earnings (Loss) per Share				
Basic and Diluted	$ (1.84)	$ 0.34		
Adjusted Net Earnings (Loss) per Share				
Basic and Diluted	$ (0.91)	$ 0.66		

Net income (loss), before adjustments, for the second quarter of 2020 decreased by $175.0 million to a net loss of $146.9 million from net income of $28.1 million for the second quarter of 2019. Excluding unusual and other items as explained in Table A under "Adjustments to Net Income (Loss)", adjusted net income (loss) for the second quarter of 2020 decreased to a net loss of $73.1 million or ($0.91) per share, on a basic and diluted basis, from net income of $54.6 million or $0.66 per share, on a basic and diluted basis, for the second quarter of 2019.

Adjusted Net Income (Loss) for the second quarter of 2020, as compared to the second quarter of 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due primarily to the impact of the COVID-19 pandemic;
- negative second quarter results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in depreciation expense as previously discussed;

- a net foreign exchange loss of $4.3 million for the second quarter of 2020 compared to a net foreign exchange loss of $0.9 million for the second quarter of 2019; and
- a lower effective tax rate on adjusted net income (loss) (10.8% for the second quarter of 2020 compared to 24.9% for the second quarter of 2019).

These negative factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously discussed;
- a year-over-year decrease in research and development costs due primarily to a decrease in new product and process research and development activity in light of the COVID-19 pandemic; and
- a year-over-year decrease in finance expense on the Company's long-term debt primarily as a result of lower borrowing rates.

Six months ended June 30, 2020 to six months ended June 30, 2019 comparison

		Six months ended June 30, 2020		Six months ended June 30, 2019	$ Change	% Change
Net Income (Loss)	$	(117,923)	$	83,390	(201,313)	(241.4%)
Adjusted Net Income (Loss)	$	(42,992)	$	110,346	(153,338)	(139.0%)
Net Earnings (Loss) per Share						
Basic and Diluted	$	(1.47)	$	1.00		
Adjusted Net Earnings (Loss) per Share						
Basic and Diluted	$	(0.54)	$	1.33		

Net Income (Loss), before adjustments, for the six months ended June 30, 2020 decreased by $201.3 million to a net loss of $117.9 million from net income of $83.4 million for the six months ended June 30, 2019. Excluding unusual and other items as explained in Table B under "Adjustments to Net Income (Loss)", adjusted net income (loss) for the six months ended June 30, 2020 decreased to a net loss of $43.0 million or ($0.54) per share, on a basic and diluted basis, from net income of $110.3 million or $1.33 per share, on a basic and diluted basis, for the six months ended June 30, 2019.

Adjusted Net Income (Loss) for the six months ended June 30, 2020, as compared to the six months ended June 30, 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due primarily to the impact of the COVID-19 pandemic;
- negative year-to-date results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in depreciation expense as previously discussed;
- an increase in the Company's share of loss of an associate of $1.1 million;
- a net foreign exchange loss of $3.3 million for the six months ended June 30, 2020 compared to a loss of $0.4 million for the six months ended June 30, 2019; and
- a lower effective tax rate on adjusted net income (loss) (6.9% for the six months ended June 30, 2020 compared to 24.9% for the six months ended June 30, 2019).

These factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously discussed;
- a year-over-year decrease in research and development costs due primarily to a decrease in new product and process research and development activity in light of the COVID-19 pandemic, and
- a year-over-year decrease in finance expense on the Company's long-term debt primarily as a result of lower borrowing rates.

DIVIDEND

A cash dividend of $0.05 per share has been declared by the Board of Directors payable to shareholders of record on September 30, 2020, on or about October 15, 2020.

ABOUT MARTINREA

Martinrea is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems, and complex aluminum products focused primarily on the automotive sector. Martinrea operates in 57 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa and Japan.

Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. The Company's mission is to make people's lives better by: delivering outstanding quality products and services to our customers; providing meaningful opportunity, job satisfaction, and job security for our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on Twitter and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Tuesday, August 11, 2020 at 9:45 a.m. (Toronto time) which can be accessed by dialing 416-641-6104 (international: 001-416-641-6104) or toll free 800-952-5114 (participant code 4636275#). Please call 10 minutes prior to the start of the conference call.

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

There will also be a rebroadcast of the call available by dialing 905-694-9451 (international: 001-905-694-9451) or toll free 800-408-3053 (conference id – 8944834#). The rebroadcast will be available until September 9, 2020.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, margin, gross margin, earnings, and earnings per share, adjusted earnings per share, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, volumes, the strength of the third quarter 2020, growth for 2021 and 2022 and beyond; the effects and expected impact of or duration of the COVID-19 pandemic, or as a result of any current or future government actions, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers, including impacts on volumes, and the auto industry, the type of factors affecting the economic impact; the Company's current and future strategy, priorities and response related to COVID-19, and the status of implementation; the recovery of the automotive industry; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations and global impact, the growth of the Company; the strength of the Company, including post-COVID-19; anticipated program wins, expected launch dates, the ramping up and launching of new programs and the expected financial impact of launches and other new programs; pursuit of its strategies (including investing in the business, strategic investments and acquisitions, continued focus on increasing productivity and efficiency); the ability to grow business and serve customers; the benefit of the assets acquired from Metalsa and the expectations on financial results for the remainder of the year; the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's most recent Management Discussion and Analysis and Annual Information Form and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions and epidemics or pandemics;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials and commodities;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- product development and technological change;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources/uncertainty of future financing/banking;
- risks associated with the integration of acquisitions;
- risks associated with private or public investment in technology companies;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour relations matters;
- trade restrictions;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- quote and pricing assumptions;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation and climate change;
- the impact of climate, political, social and economic risks, natural disasters and pandemics in the countries in which we operate or sell to, or from which we source production;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats;
- the potential volatility of the Company's share price; and
- dividends.

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

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

For further information, please contact:

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