



PRESS RELEASE

FOR IMMEDIATE RELEASE

November 12, 2019

MARTINREA INTERNATIONAL INC. REPORTS RECORD THIRD QUARTER RESULTS 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 third quarter ended September 30, 2019 and that it has declared a quarterly cash dividend of \$0.045 per share.

HIGHLIGHTS

- Total sales of \$974 million; production sales of \$847 million, both up year-over-year
- Record third quarter diluted net earnings per share of \$0.56
- Record third quarter adjusted diluted net earnings per share⁽¹⁾ of \$0.53
- Some unfavourable impact of UAW-GM work stoppage in quarter
- Quarterly adjusted operating income⁽¹⁾ (7.1%) and adjusted EBITDA⁽¹⁾ (12.6%) margins up year-over-year
- Record third quarter adjusted EBITDA⁽¹⁾
- Quarterly free cash flow⁽¹⁾ of \$39 million; year-to-date free cash flow ⁽¹⁾ of \$75 million
- Balance sheet continuing to be strong; net debt:adjusted EBITDA⁽¹⁾ down to 1.45x (excluding impact of IFRS 16)
- New business awards of approximately \$55 million in annualized sales at peak volumes
- Quarterly cash dividend of \$0.045 per share declared
- Repurchased over a million common shares in the quarter under normal course issuer bid
- Increased investment in NanoXplore Inc. to hold a 25% stake

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "Our third quarter results were great, despite some impact from the GM strike. Overall, the strike affected sales and earnings in this quarter but, positively, we experienced solid financial and operating performance, as our adjusted net earnings per share, adjusted EBITDA, and free cash flow are all up year over year. We continue to launch quite a bit of new work, and launches are proceeding well. In the past few weeks we have won approximately \$55 million in annualized sales at peak volumes, including \$40 million in lightweight structures work with Ford, FCA and Volvo starting in 2021, and \$15 million of propulsion systems work for GM, Jaguar Land Rover, Ford and Rivian starting in 2021. Our people are performing well, and we thank them for their efforts."

Mr. D'Eramo added: "We just completed our annual budget process, and we anticipate that 2020 will show growth in production sales, continued margin improvement, stronger operating earnings, free cash flow, and a strong balance sheet. Overall, we are seeing many new program delays and slower ramp ups than originally planned. Most of the

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" and "Free Cash Flow".

delays are 6-9 months, moving out projected sales originally planned for 2020 to 2021. The delayed programs include the Jeep Grand Cherokee, Nissan Rogue and Pathfinder, and Ford's new product in its Hermosillo assembly plant. These programs represent annual business to us when fully launched in excess of \$400 million. It appears to us, and to industry estimates, that overall volumes for 2020 will be flat or down in China, in Europe and somewhat in North America. As a result of the program delays and slower ramp ups, and the overall market volume outlook, we are pushing out our \$4 billion sales target to 2021; and while operating margins are anticipated to improve in 2020 from 2019 and exceed 8%, we are moving our 9% target to 2021 also to be prudent."

Fred Di Tosto, Chief Financial Officer, stated: "Sales for the third quarter, excluding tooling sales of approximately \$128 million, were \$847 million, within the range of our previously announced sales guidance. In the quarter, our adjusted net earnings per share, on a diluted basis, was \$0.53 per share, also within the range of our quarterly guidance and a record third quarter, despite the disruption of the GM strike for two weeks in the quarter. Adjusted operating income margin for the quarter was 7.1%, up year over year. I'm also happy to report that we were free cash flow positive for the third quarter and anticipate that positive trend to continue over the next few years. For our fourth quarter, we will experience the impact on sales, margins and earnings of some volume decreases, primarily because of the GM strike, which eventually affected the entire month of October. GM is our largest customer and we lost about \$20 million in production sales in September, and approximately \$70 million in October. We anticipate that a portion of the volumes will be made up over the next several months, but are unsure of the time frames. As a result, our earnings per share guidance for the quarter will have a broader range. In the fourth quarter, we are also seeing some other customers cut back production to adjust inventories and deal with lower market volumes overall. Fourth quarter sales, excluding tooling sales, should be in the range of \$750 million to \$810 million, and adjusted net earnings per share in the range of \$0.35 to \$0.45 per share."

Rob Wildeboer, Executive Chairman, stated: "The year 2019 will be a great year for Martinrea. Looking forward, we anticipate a strong 2020, with increased production sales and future growth beyond that. The industry has been seeing some challenges, but we believe we are seeing some positive signs for our industry. Trade issues, for North America and for China and Brexit, are showing positive signs of getting resolved; labour issues are also getting resolved; both have been challenges facing the industry. The underlying economy in North America and elsewhere is showing resiliency and some positive signs, such as low interest rates. These are all reasons for optimism. With our strong financial performance and cash flow, we will continue to invest in the business, maintain a strong balance sheet, make solid strategic investments and acquisitions where appropriate, and invest in ourselves by repurchasing shares where it makes sense. In the third quarter, we did renew our normal course issuer bid and bought over a million shares. We also increased our investment in NanoXplore, which we are excited about. We believe our company is performing very well on an absolute and relative basis, and the challenges and opportunities in the industry provide opportunities for us."

RESULTS OF OPERATIONS

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

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Position for the third quarter ended September 30, 2019 ("MD&A"), the Company's interim condensed consolidated financial statements for the third quarter ended September 30, 2019 (the "interim consolidated financial statements") and the Company's Annual Information Form for the year ended December 31, 2018, can be found at www.sedar.com.

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to IFRS measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

The following tables set out certain key financial metrics underlying the Company's performance for the three and nine months ended September 30, 2019 and 2018. Refer to the Company's financial statements for the three and nine months ended September 30, 2019 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2019		Three months ended September 30, 2018		\$ Change	% Change
Sales	\$	974,384	\$	851,136	123,248	14.5%
Gross Margin		143,901		127,130	16,771	13.2%
Operating Income		73,243		58,449	14,794	25.3%
Net Income for the period		46,678		36,381	10,297	28.3%
Net Earnings per Share - Basic	\$	0.57	\$	0.42	0.15	35.7%
Net Earnings per Share - Diluted	\$	0.56	\$	0.42	0.14	33.3%
Non-IFRS Measures⁽¹⁾						
Adjusted Operating Income	\$	69,044	\$	58,449	10,595	18.1%
<i>% of Sales</i>		7.1%		6.9%		
Adjusted EBITDA		122,401		103,744	18,657	18.0%
<i>% of Sales</i>		12.6%		12.2%		
Adjusted Net Income		43,507		37,169	6,338	17.1%
Adjusted Net Earnings per Share - Basic and Diluted	\$	0.53	\$	0.43	0.10	23.3%

	Nine months ended September 30, 2019		Nine months ended September 30, 2018		\$ Change	% Change
Sales	\$	2,946,078	\$	2,736,746	209,332	7.6%
Gross Margin		456,180		421,594	34,586	8.2%
Operating Income		214,008		218,565	(4,557)	(2.1%)
Net Income for the period		130,068		148,067	(17,999)	(12.2%)
Net Earnings per Share - Basic	\$	1.57	\$	1.71	(0.14)	(8.2%)
Net Earnings per Share - Diluted	\$	1.56	\$	1.70	(0.14)	(8.2%)
Non-IFRS Measures⁽¹⁾						
Adjusted Operating Income	\$	236,476	\$	218,565	17,911	8.2%
<i>% of Sales</i>		8.0%		8.0%		
Adjusted EBITDA		394,021		349,438	44,583	12.8%
<i>% of Sales</i>		13.4%		12.8%		
Adjusted Net Income		153,853		149,326	4,527	3.0%
Adjusted Net Earnings per Share - Basic	\$	1.86	\$	1.72	0.14	8.1%
Adjusted Net Earnings per Share - Diluted	\$	1.85	\$	1.71	0.14	8.2%

Impact of the Adoption of IFRS 16, Leases

Effective January 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases (“IFRS 16”). In adopting the new standard, the Company used the modified retrospective approach which involves recognizing transitional adjustments in opening retained earnings, if any, on the date of initial application without restating comparative prior periods. As such, 2018 prior year comparatives have not been restated.

The adoption of the new standard resulted in the recognition of lease liabilities of \$228.6 million and right-of-use assets of \$223.8 million, net of accrued liabilities related to the leases of \$4.8 million, recognized as at January 1, 2019 in the interim condensed consolidated balance sheet. From an earnings perspective, while timing differences may exist, the new standard results in a decrease in operating rent expense essentially replaced by increases in finance and depreciation expenses as recognized in the interim condensed consolidated statement of operations. As such, the adoption of IFRS 16 did not have a significant impact on the Company’s operating results and the financial metrics for the three and nine months ended September 30, 2019 outlined above other than “Adjusted EBITDA”. The adoption of IFRS 16 contributed approximately 8% of the year-to-date year-over-year growth in Adjusted EBITDA due to the recognition of depreciation expense on right-of-use assets, in lieu of operating rent expense, as required by the new standard. The adoption of the new standard is further explained in “Recently adopted and applicable accounting standards and policies” in the MD&A and note 1(d)(i) of the financial statements for the three and nine months ended September 30, 2019.

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 September 30, 2019		Three months ended September 30, 2018	
Net Income	\$	46,678	\$	36,381
Unusual and Other Items (after-tax)*		(3,171)		788
Adjusted Net Income	\$	43,507	\$	37,169

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
Net Income	\$	130,068	\$	148,067
Unusual and Other Items (after-tax)*		23,785		1,259
Adjusted Net Income	\$	153,853	\$	149,326

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

	Three months ended September 30, 2019		Three months ended September 30, 2018	
Net Income	\$	46,678	\$	36,381
Income tax expense		16,129		12,236
Other finance expense - excluding Unusual and Other Items*		844		1,994
Share of loss of an associate		818		-
Finance expense		9,345		6,937
Unusual and Other Items (before-tax)*		(4,770)		901
Adjusted Operating Income	\$	69,044	\$	58,449
Depreciation of property, plant and equipment and right-of-use assets		50,200		41,787
Amortization of intangible assets		4,104		3,349
Loss (gain) on disposal of property, plant and equipment		(947)		159
Adjusted EBITDA	\$	122,401	\$	103,744

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
Net Income	\$	130,068	\$	148,067
Income tax expense		52,156		48,254
Other finance expense - excluding Unusual and Other Items*		1,130		460
Share of loss of an associate		1,330		-
Finance expense		29,085		20,345
Unusual and Other Items (before-tax)*		22,707		1,439
Adjusted Operating Income	\$	236,476	\$	218,565
Depreciation of property, plant and equipment and right-of-use assets		146,931		120,345
Amortization of intangible assets		11,820		10,159
Loss (gain) on disposal of property, plant and equipment		(1,206)		369
Adjusted EBITDA	\$	394,021	\$	349,438

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

SALES

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	Three months ended September 30, 2019	Three months ended September 30, 2018	\$ Change	% Change
North America	\$ 780,989	\$ 648,649	132,340	20.4%
Europe	157,736	171,902	(14,166)	(8.2%)
Rest of the World	37,727	33,542	4,185	12.5%
Eliminations	(2,068)	(2,957)	889	(30.1%)
Total Sales	\$ 974,384	\$ 851,136	123,248	14.5%

The Company's consolidated sales for the third quarter of 2019 increased by \$123.3 million or 14.5% to \$974.4 million as compared to \$851.1 million for the third quarter of 2018. The total increase in sales was driven by year-over-year increases in the North America and Rest of the World operating segments, partially offset by a decrease in Europe.

Sales for the third quarter of 2019 in the Company's North America operating segment increased by \$132.4 million or 20.4% to \$781.0 million from \$648.6 million for the third quarter of 2018. The increase was due to an increase in tooling sales of \$86.8 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer; the launch of new programs during or subsequent to the third quarter of 2018, including the next generation GM Silverado/Sierra, RAM pick-up trucks and the new Chevrolet Blazer; 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 third quarter of 2019 of approximately \$5.9 million as compared to the third quarter of 2018. These positive factors were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms, in particular the Ford Escape, and programs that ended production during or subsequent to the third quarter of 2018. The United Auto Workers (UAW) strike, which began on September 16, 2019 at General Motors in the United States, negatively impacted production sales for third quarter by approximately \$20.0 million across several platforms.

Sales for the third quarter of 2019 in the Company's Europe operating segment decreased by \$14.2 million or 8.2% to \$157.7 million from \$171.9 million for the third quarter of 2018. The decrease can be attributed to lower year-over-year production volumes on certain light-vehicle platforms, in particular with Daimler and Jaguar Land Rover, and including programs that ended production during or subsequent to the third quarter of 2018; a \$9.5 million decrease in tooling sales; and a \$4.3 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2018. These negative factors were partially offset by the launch of new programs during or subsequent to the third quarter of 2018, including new aluminum engine blocks for Ford, Jaguar Land Rover and Volvo, and an aluminum transmission for Volkswagen.

Sales for the third quarter of 2019 in the Company's Rest of the World operating segment increased by \$4.2 million or 12.5% to \$37.7 million from \$33.5 million in the third quarter of 2018. The increase was due to higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China; the ramp up of new aluminum structural components work for Jaguar Land Rover in China, which began to ramp up in 2018 but at significantly lower than expected volumes; and a \$2.5 million increase in tooling sales. These positive factors were partially offset by lower year-over-year production volumes on the Ford Mondeo vehicle platform in China; lower year-over-year production sales in the Company's operating facility in Brazil; and a \$0.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2018.

Overall tooling sales increased by \$79.8 million to \$127.8 million for the third quarter of 2019 from \$48.0 million for the third quarter of 2018.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	\$ Change	% Change
North America	\$ 2,346,167	\$ 2,091,651	254,516	12.2%
Europe	513,742	546,328	(32,586)	(6.0%)
Rest of the World	91,526	107,751	(16,225)	(15.1%)
Eliminations	(5,357)	(8,984)	3,627	(40.4%)
Total Sales	\$ 2,946,078	\$ 2,736,746	209,332	7.6%

The Company's consolidated sales for the nine months ended September 30, 2019 increased by \$209.4 million or 7.6% to \$2,946.1 million as compared to \$2,736.7 million for the nine months ended September 30, 2018. The total increase in sales was driven by an increase in the North America operating segment, partially offset by year-over-year decreases in sales in Europe and Rest of the World.

Sales for the nine months ended September 30, 2019 in the Company's North America operating segment increased by \$254.5 million or 12.2% to \$2,346.2 million from \$2,091.7 million for the nine months ended September 30, 2018. The increase was due to the launch of new programs during or subsequent to the nine months ended September 30, 2018, including the next generation GM Silverado/Sierra, RAM pick-up trucks, and the new Chevrolet Blazer; an increase in tooling sales of \$99.6 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2019 of approximately \$64.6 million as compared to the corresponding period of 2018. These positive factors were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms, including the Ford Escape and Jeep Wrangler, and programs that ended production during or subsequent to the nine months ended September 30, 2018. The UAW strike, which began on September 16, 2019 at General Motors in the United States, negatively impacted production sales for the nine months ended September 30, 2019 by approximately \$20.0 million across several platforms.

Sales for the nine months ended September 30, 2019 in the Company's Europe operating segment decreased by \$32.6 million or 6.0% to \$513.7 million from \$546.3 million for the nine months ended September 30, 2018. The decrease can be attributed to lower year-over-year production volumes on certain light vehicle platforms, in particular with Jaguar Land Rover, and including programs that ended production during or subsequent to the nine months September 30, 2018; the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2019 of \$11.2 million as compared to the corresponding period of 2018; and a \$6.2 million decrease in tooling sales. These negative factors were partially offset by the launch of new programs during or subsequent to the nine months ended September 30, 2018, including new aluminum engine blocks for Ford, Jaguar Land Rover and Volvo, and an aluminum transmission for Volkswagen.

Sales for the nine months ended September 30, 2019 in the Company's Rest of the World operating segment decreased by \$16.3 million or 15.1% to \$91.5 million from \$107.8 million for the nine months ended September 30, 2018. The decrease was due to lower year-over-year production volumes on the Ford Mondeo vehicle platform in China; lower year-over-year production sales in the Company's operating facility in Brazil; a \$3.3 million decrease in tooling sales; and a \$2.9 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2018. These negative factors were partially offset by higher year-over-year production volumes on the Cadillac CT6 vehicle platform in China, and the ramp up of new aluminum structural components work for Jaguar Land Rover in China, which began to ramp up in 2018, but at significantly lower than expected volumes.

Overall tooling sales increased by \$90.2 million to \$274.2 million for the nine months ended September 30, 2019 from \$184.0 million for the nine months ended September 30, 2018.

GROSS MARGIN

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

	Three months ended September 30, 2019	Three months ended September 30, 2018	\$ Change	% Change
Gross margin	\$ 143,901	\$ 127,130	16,771	13.2%
% of Sales	14.8%	14.9%		

The gross margin percentage for the third quarter of 2019 of 14.8% decreased slightly as a percentage of sales by 0.1% as compared to the gross margin percentage for the third quarter of 2018 of 14.9%. The slight decrease was generally due to an increase in tooling sales which typically earn low margins for the Company; the impact of the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales during the last two weeks of September, on the Company's margin profile for the quarter; and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched. These negative factors were essentially offset by productivity and efficiency improvements at certain operating facilities, and an improvement in general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2018.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019	Nine months ended September 30, 2018	\$ Change	% Change
Gross margin	\$ 456,180	\$ 421,594	34,586	8.2%
% of Sales	15.5%	15.4%		

The gross margin percentage for the nine months ended September 30, 2019 of 15.5% increased slightly as a percentage of sales by 0.1% as compared to the gross margin percentage for the nine months ended September 30, 2018 of 15.4%. The slight increase was generally due to productivity and efficiency improvements at certain operating facilities; and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2018. These positive factors were essentially offset by an increase in tooling sales which typically earn low margins for the Company; the impact of the UAW strike at General Motors, which began on September 16, 2019 and resulted in lost production sales during the last two weeks of September, on the Company's margin profile for the nine months ended September 30, 2019; and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain unusual and other items, as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

TABLE A*Three months ended September 30, 2019 to three months ended September 30, 2018 comparison*

	Three months ended September 30, 2019 (a)	Three months ended September 30, 2018 (b)	(a)-(b) Change
NET INCOME (A)	\$46,678	\$36,381	\$10,297
Add Back - Unusual and Other Items:			
Loss (gain) on derivative instruments (1)	(571)	901	(1,472)
Net gain in the Company's operating facility in Brazil (2)	(4,199)	-	(4,199)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	(\$4,770)	\$901	(\$5,671)
Tax impact of above items	1,599	(113)	1,712
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	(\$3,171)	\$788	(\$3,959)
ADJUSTED NET INCOME (A + B)	\$43,507	\$37,169	\$6,338
Number of Shares Outstanding - Basic ('000)	82,593	86,685	
Adjusted Basic Net Earnings Per Share	\$0.53	\$0.43	
Number of Shares Outstanding - Diluted ('000)	82,713	87,096	
Adjusted Diluted Net Earnings Per Share	\$0.53	\$0.43	

TABLE B*Nine months ended September 30, 2019 to nine months ended September 30, 2018*

	Nine months ended September 30, 2019 (a)	Nine months ended September 30, 2018 (b)	(a)-(b) Change
NET INCOME (A)	\$130,068	\$148,067	(\$17,999)
Add Back - Unusual and Other Items:			
Loss on derivative instruments (1)	239	1,439	(1,200)
Net gain in the Company's operating facility in Brazil (2)	(4,199)	-	(4,199)
Impairment of assets (3)	18,502	-	18,502
Restructuring costs (4)	8,165	-	8,165
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	\$22,707	\$1,439	\$21,268
Tax impact of above items	1,078	(180)	1,258
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	\$23,785	\$1,259	\$22,526
ADJUSTED NET INCOME (A + B)	\$153,853	\$149,326	\$4,527
Number of Shares Outstanding - Basic ('000)	82,897	86,790	
Adjusted Basic Net Earnings Per Share	\$1.86	\$1.72	
Number of Shares Outstanding - Diluted ('000)	83,054	87,360	
Adjusted Diluted Net Earnings Per Share	\$1.85	\$1.71	

(1) Unrealized loss (gain) on derivative instruments

As further described in note 7 of the financial statements and later on in the MD&A under “Investments”, Martinrea holds warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represent derivative instruments and are 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. As it relates to the warrants as at September 30, 2019, a gain of \$0.6 million was recognized for the three months ended September 30, 2019 (2018 - unrealized loss of \$0.9 million), and a loss of \$0.2 million was recognized for the nine months ended September 30, 2019 (2018 - unrealized loss of \$1.4 million), recorded in other finance income (expense) and added back to Adjusted Net Income.

(2) Net gain in the Company’s operating facility in Brazil

Included in income for the three months ended September 30, 2019 is a non-recurring benefit recognized in the Company’s operating facility in Brazil, included in the Rest of the World operating segment. The benefit represents a \$6.5 million recovery of previously paid local social security taxes, partially offset by a \$2.3 million true-up of the facility’s claims and litigation provision related to certain employee-related matters. The benefit was recorded against selling, general and administrative expense.

(3) Impairment of assets

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.

(4) Restructuring costs

Additions to the restructuring accrual in 2019 totaled \$8.2 million and represent employee-related severance resulting from the right-sizing of operating facilities in Brazil (\$6.2 million), Canada (\$1.7 million) and China (\$0.3 million) during the second quarter.

NET INCOME

Three months ended September 30, 2019 to three months ended September 30, 2018 comparison

		Three months ended September 30, 2019		Three months ended September 30, 2018	\$ Change	% Change
Net Income	\$	46,678	\$	36,381	10,297	28.3%
Adjusted Net Income	\$	43,507	\$	37,169	6,338	17.1%
Net Earnings per Share						
Basic	\$	0.57	\$	0.42		
Diluted	\$	0.56	\$	0.42		
Adjusted Net Earnings per Share						
Basic and Diluted	\$	0.53	\$	0.43		

Net income, before adjustments, for the third quarter of 2019 increased by \$10.3 million to \$46.7 million from \$36.4 million for the third quarter of 2018 due in part to the unusual and other items recognized during the three months ended September 30, 2019 and 2018 as explained in Table A under “Adjustments to Net Income”. Excluding these unusual and other items, net income for the third quarter of 2019 increased to \$43.5 million or \$0.53 per share, on a basic and diluted basis, from \$37.2 million or \$0.43 per share, on a basic and diluted basis, for the third quarter of 2018. The lower outstanding Martinrea share count as a result of the recent share repurchases the Company completed under a normal course issuer bid, as further explained in note 13 of the financial statements and later on in the MD&A under “Disclosure of Outstanding Share Data”, contributed to the year-over-year increase in Adjusted Net Earnings per Share.

Adjusted Net Income for the third quarter of 2019, as compared to the third quarter of 2018, was positively impacted by the following:

- higher gross profit on increased year-over-year sales as previously explained;
- a \$0.9 million gain on the disposal of property, plant and equipment for the third quarter of 2019 compared to a loss of \$0.2 million for the third quarter of 2018;
- a net foreign exchange loss of \$1.1 million for the third quarter of 2019 compared to a loss of \$2.1 million for the third quarter of 2018; and
- lower operating rent expense due to the adoption of IFRS 16, generally replaced by increases in finance and depreciation expenses.

These positive factors were partially offset by the following:

- a year-over-year increase in depreciation expense due primarily to the adoption of IFRS 16;
- a year-over-year increase in research and development costs due to increased new product and process research and development activity and an increase in program-related development cost amortization;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously discussed;
- a year-over-year increase in finance expense on the Company's revolving bank debt and equipment loans as a result of interest on lease liabilities as a result of the adoption of IFRS 16; and
- the Company's share of loss of an associate in the amount of \$0.8 million.

Nine months ended September 30, 2019 to nine months ended September 30, 2018 comparison

	Nine months ended September 30, 2019		Nine months ended September 30, 2018		\$ Change	% Change
Net Income	\$	130,068	\$	148,067	(17,999)	(12.2%)
Adjusted Net Income	\$	153,853	\$	149,326	4,527	3.0%
Net Earnings per Share						
Basic	\$	1.57	\$	1.71		
Diluted	\$	1.56	\$	1.70		
Adjusted Net Earnings per Share						
Basic	\$	1.86	\$	1.72		
Diluted	\$	1.85	\$	1.71		

Net Income, before adjustments, for the nine months ended September 30, 2019 decreased by \$18.0 million to \$130.1 million from \$148.1 million for the nine months ended September 30, 2018 due largely to the unusual and other items incurred as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the nine months ended September 30, 2019 increased to \$153.9 million or \$1.86 per share, on a basic basis, and \$1.85 per share on a diluted basis, from \$149.3 million or \$1.72 per share, on a basic basis, and \$1.71 per share on a diluted basis, for the nine months ended September 30, 2018. The lower outstanding Martinrea share count as a result of recent share repurchases the Company completed under a normal course issuer bid, as further explained in note 13 of the financial statements and later on in the MD&A under "Disclosure of Outstanding Share Data", contributed to the year-over-year increase in Adjusted Net Earnings per Share.

Adjusted Net Income for the nine months ended September 30, 2019, as compared to the nine months ended September 30, 2018, was positively impacted by the following:

- higher gross profit on increased year-over-year sales as previously explained;
- a \$1.2 million gain on the disposal of property, plant and equipment for the nine months ended September 30, 2019 compared to a loss of \$0.4 million for the comparative period of 2018; and
- lower operating rent expense due to the adoption of IFRS 16, generally replaced by increases in finance and depreciation expenses.

These positive factors were partially offset by the following:

- a year-over-year increase in depreciation expense due primarily to the adoption of IFRS 16;

- a year-over-year increase in research and development costs due to increased new product and process research and development activity and an increase in program-related development cost amortization;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously discussed;
- a year-over-year increase in finance expense on the Company's revolving bank debt and equipment loans as a result of increased debt levels and borrowing rates, and interest on lease liabilities as a result of the adoption of IFRS 16;
- a net foreign exchange loss of \$1.5 million for the nine months ended September 30, 2019 compared to a loss of \$0.7 million for the nine months ended September 30, 2018; and
- the Company's share of loss of an associate in the amount of \$1.3 million.

DIVIDEND

A cash dividend of \$0.045 per share has been declared by the Board of Directors payable to shareholders of record on December 31, 2019, on or about January 15, 2020.

ABOUT MARTINREA

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 currently employs approximately 15,000 skilled and motivated people in 52 locations (including sales and engineering centers) in Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China 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.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Tuesday, November 12, 2019 at 5:30 p.m. (Toronto time) which can be accessed by dialing 416-340-2218 (international: 001-416-340-2218) or toll free 800-377-0758. 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 – 2162630#). The rebroadcast will be available until December 12, 2019.

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 or belief in, expansion of and/or guidance or outlook as to future revenue, sales (production or tooling), margin, gross margin, earnings, operating earnings, (adjusted) earnings per share, (adjusted) net earnings per share, operating income margins, free cash flow, expected results and targets for the fourth quarter, 2019 and future financial years, the strength of the Company, the intention to pay down debt and maintain a strong balance sheet, program wins, the ramping up and launching of new programs, the delay of program launches to 2021, the financial impact of launches, reduction in volumes for fourth quarter in 2019, the impact on sales, earnings and margin, GM to make up lost volume, pursuit of its strategies, the payment of dividends, the improvement in trade and labour issues and the performance of the economy, industry volume expectations and market outlook, continued investments in the business, including strategic, and repurchasing shares under the normal course issuer bid as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such

assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- 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;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour disputes;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- 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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