MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents		$ 214,049	$ 118,973
Trade and other receivables	3	672,870	560,976
Inventories	4	509,517	383,682
Prepaid expenses and deposits		21,844	25,846
Income taxes recoverable		31,163	16,783
TOTAL CURRENT ASSETS		1,449,443	1,106,260
Property, plant and equipment	5	1,591,823	1,541,895
Right-of-use assets	6	204,113	188,378
Deferred tax assets		191,185	165,890
Intangible assets	7	55,006	54,787
Investments	8	40,188	37,085
TOTAL NON-CURRENT ASSETS		2,082,315	1,988,035
TOTAL ASSETS		$ 3,531,758	$ 3,094,295
LIABILITIES			
Trade and other payables	10	$ 1,052,494	$ 728,787
Provisions	11	5,100	8,584
Income taxes payable		24,329	7,477
Current portion of long-term debt	12	18,107	15,651
Current portion of lease liabilities	13	34,123	28,247
TOTAL CURRENT LIABILITIES		1,134,153	788,746
Long-term debt	12	870,258	765,922
Lease liabilities	13	190,282	174,105
Pension and other post-retirement benefits		74,933	63,789
Deferred tax liabilities		76,633	83,310
TOTAL NON-CURRENT LIABILITIES		1,212,106	1,087,126
TOTAL LIABILITIES		2,346,259	1,875,872
EQUITY			
Capital stock	14	662,427	661,422
Contributed surplus		43,256	42,449
Accumulated other comprehensive income		147,813	89,107
Retained earnings		332,003	425,445
TOTAL EQUITY		1,185,499	1,218,423
TOTAL LIABILITIES AND EQUITY		$ 3,531,758	$ 3,094,295

Subsequent event (note 2)

Contingencies (note 20)

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
SALES		$ 971,060	$ 974,384	$ 2,304,330	$ 2,946,078
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(768,280)	(783,885)	(1,890,680)	(2,353,926)
Depreciation of property, plant and equipment and right-of-use assets (production)		(51,302)	(46,598)	(154,394)	(135,972)
Total cost of sales		(819,582)	(830,483)	(2,045,074)	(2,489,898)
GROSS MARGIN		151,478	143,901	259,256	456,180
Research and development costs		(6,884)	(10,086)	(21,571)	(28,159)
Selling, general and administrative		(64,537)	(57,381)	(169,479)	(176,024)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,935)	(3,602)	(11,650)	(10,959)
Amortization of customer contracts and relationships		(323)	(536)	(964)	(1,569)
Gain (loss) on disposal of property, plant and equipment		(237)	947	(237)	1,206
Impairment of assets	9	-	-	(85,783)	(18,502)
Restructuring costs	11	-	-	(8,170)	(8,165)
OPERATING INCOME (LOSS)		75,562	73,243	(38,598)	214,008
Share of loss of an associate	8	(300)	(818)	(1,881)	(1,330)
Finance expense (including interest on lease liabilities)	17	(9,138)	(9,345)	(26,886)	(29,085)
Other finance income (expense)	17	(1,852)	(273)	(5,008)	(1,369)
INCOME (LOSS) BEFORE INCOME TAXES		64,272	62,807	(72,373)	182,224
Income tax (expense) benefit	15	(18,636)	(16,129)	86	(52,156)
NET INCOME (LOSS) FOR THE PERIOD		$ 45,636	$ 46,678	$ (72,287)	$ 130,068

Basic earnings (loss) per share	16	$ 0.57	$ 0.57	$ (0.90)	$ 1.57
Diluted earnings (loss) per share	16	$ 0.57	$ 0.56	$ (0.90)	$ 1.56

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 September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
NET INCOME (LOSS) FOR THE PERIOD	$ 45,636	$ 46,678	$ (72,287)	$ 130,068
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(14,770)	(1,556)	59,153	(51,479)
Cash flow hedging derivative and non-derivative financial instruments:				
Unrealized gain (loss) in fair value of financial instruments	1,977	(1,184)	(1,267)	2,336
Reclassification of loss to net income	324	240	831	1,033
Items that will not be reclassified to net income				
Change in fair value of investments	-	-	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method	-	-	-	(4,314)
Share of other comprehensive income (loss) of an associate	(82)	(6)	(11)	18
Remeasurement of defined benefit plans	2,051	(3,763)	(8,245)	(8,187)
Other comprehensive income (loss), net of tax	(10,500)	(6,269)	50,461	(61,369)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 35,136	$ 40,409	$ (21,826)	$ 68,699

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, 2018	$ 680,157	$ 42,016	$ 158,395	$ 270,981	$ 1,151,549
Net income for the period	-	-	-	130,068	130,068
Compensation expense related to stock options	-	892	-	-	892
Dividends ($0.135 per share)	-	-	-	(11,126)	(11,126)
Exercise of employee stock options	2,036	(586)	-	-	1,450
Repurchase of common shares	(8,708)	-	-	(5,655)	(14,363)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(8,187)	(8,187)
Foreign currency translation differences	-	-	(51,479)	-	(51,479)
Change in fair value of investments	-	-	(776)	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method	-	-	(4,314)	4,314	-
Share of other comprehensive income of an associate	-	-	18	-	18
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	2,336	-	2,336
Reclassification of loss to net income	-	-	1,033	-	1,033
BALANCE AT SEPTEMBER 30, 2019	673,485	42,322	105,213	380,395	1,201,415
Net income for the period	-	-	-	51,153	51,153
Compensation expense related to stock options	-	303	-	-	303
Dividends ($0.045 per share)	-	-	-	(3,612)	(3,612)
Exercise of employee stock options	645	(176)	-	-	469
Repurchase of common shares	(12,708)	-	-	(6,897)	(19,605)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	4,406	4,406
Foreign currency translation differences	-	-	(17,716)	-	(17,716)
Share of other comprehensive loss of an associate	-	-	(44)	-	(44)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	1,399	-	1,399
Reclassification of loss to net income	-	-	255	-	255
BALANCE AT DECEMBER 31, 2019	661,422	42,449	89,107	425,445	1,218,423
Net loss for the period	-	-	-	(72,287)	(72,287)
Compensation expense related to stock options	-	1,812	-	-	1,812
Dividends ($0.15 per share)	-	-	-	(12,017)	(12,017)
Exercise of employee stock options	3,479	(1,005)	-	-	2,474
Repurchase of common shares	(2,474)	-	-	(893)	(3,367)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(8,245)	(8,245)
Foreign currency translation differences	-	-	59,153	-	59,153
Share of other comprehensive loss of an associate	-	-	(11)	-	(11)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized loss in fair value of financial instruments	-	-	(1,267)	-	(1,267)
Reclassification of loss to net income	-	-	831	-	831
BALANCE AT SEPTEMBER 30, 2020	$ 662,427	$ 43,256	$ 147,813	$ 332,003	$ 1,185,499

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) (unaudited)

		Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES:					
Net Income (loss) for the period	$	45,636 $	46,678 $	(72,287) $	130,068
Adjustments for:					
Depreciation of property, plant and equipment and right-of-use assets		55,237	50,200	166,044	146,931
Amortization of customer contracts and relationships		323	536	964	1,569
Amortization of development costs		2,873	3,568	8,690	10,251
Impairment of assets (note 9)		-	-	85,783	18,502
Unrealized loss on foreign exchange forward contracts		2,214	627	2,533	368
Loss (gain) on warrants		-	(571)	-	239
Finance expense (including interest on lease liabilities)		9,138	9,345	26,886	29,085
Income tax expense (benefit)		18,636	16,129	(86)	52,156
Loss (gain) on disposal of property, plant and equipment		237	(947)	237	(1,206)
Deferred and restricted share units expense (benefit)		(236)	1,833	226	3,761
Stock options expense		604	264	1,812	892
Share of loss of an associate		300	818	1,881	1,330
Pension and other post-retirement benefits expense		1,036	1,177	3,570	3,386
Contributions made to pension and other post-retirement benefits		(1,992)	(1,616)	(5,328)	(4,249)
		134,006	128,041	220,925	393,083
Changes in non-cash working capital items:					
Trade and other receivables		(143,374)	1,795	(1,792)	(53,146)
Inventories		(62,073)	28,596	(84,780)	27,309
Prepaid expenses and deposits		316	(2,137)	6,730	(5,002)
Trade, other payables and provisions		268,806	(38,097)	158,959	7,076
		197,681	118,198	300,042	369,320
Interest paid		(8,895)	(9,243)	(27,375)	(31,412)
Income taxes paid		(10,262)	(11,885)	(24,473)	(52,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	178,524 $	97,070 $	248,194 $	285,736
FINANCING ACTIVITIES:					
Increase in long-term debt (net of additions to deferred financing fees)		265	7,756	103,561	92,483
Repayment of long-term debt		(4,481)	(3,811)	(12,696)	(27,193)
Principal payments of lease liabilities		(8,606)	(6,873)	(23,885)	(20,984)
Dividends paid		(4,004)	(3,724)	(11,614)	(11,265)
Exercise of employee stock options		1,618	528	2,474	1,450
Repurchase of common shares		-	(11,899)	(3,367)	(38,234)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$	(15,208) $	(18,023) $	54,473 $	(3,743)
INVESTING ACTIVITIES:					
Purchase of property, plant and equipment (excluding capitalized interest)*		(72,347)	(57,431)	(188,233)	(217,877)
Business acquisition (excluding cash acquired) (note 2)		-	-	(10,503)	-
Capitalized development costs		(3,902)	(2,624)	(8,557)	(8,056)
Investment in NanoXplore Inc. (note 8)		-	(14,478)	(5,000)	(29,477)
Proceeds on disposal of property, plant and equipment		42	4,774	308	5,489
Upfront recovery of development costs incurred		-	767	-	767
NET CASH USED IN INVESTING ACTIVITIES	$	(76,207) $	(68,992) $	(211,985) $	(249,154)
Effect of foreign exchange rate changes on cash and cash equivalents		1,106	1,214	4,394	(1,592)
INCREASE IN CASH AND CASH EQUIVALENTS		88,215	11,269	95,076	31,247
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		125,834	90,140	118,973	70,162
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	214,049 $	101,409 $	214,049 $	101,409

*As at September 30, 2020, $40,731 (December 31, 2019 - $49,120) 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. (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, 2019, except as outlined in note 1(e).

(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, 2019.

(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, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February, but resumed in March. Martinrea, 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. 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. Although the ultimate magnitude and duration of the business and economic impacts of COVID-19 are uncertain, a phased restart of the Company's manufacturing facilities and dependent functions commenced in May and June 2020, and continued into the third quarter 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, impact on customers and suppliers, 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 wave of COVID-19, and the potential for a recession in key markets due to the effect of the pandemic.

Use of estimates and judgments:

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, sales and expenses, and related disclosures with respect to contingent assets and liabilities. Actual results may differ from these estimates. 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 and restructuring costs were recognized during the second quarter of 2020 as further explained in notes 11 and 9 of these interim condensed consolidated financial statements. No such charges were recognized during the third quarter of 2020. 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 and 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.

(e) Recently adopted and applicable accounting standards and policies

Amendments to IFRS 9, Financial Instruments ("IFRS 9") and IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")

On September 26, 2019, the IASB issued amendments for some of its requirements for hedge accounting in IFRS 9, Financial Instruments and IAS 39, Financial Instruments: Recognition and Measurement, as well as the related standard on disclosures, IFRS 7, Financial Instruments: Disclosures. The amendments are effective from January 1, 2020. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by interest rate benchmark reform in the following areas:

- the 'highly' probable requirement,
- prospective assessments,
- retrospective assessments (for IAS 39), and
- eligibility of risk components.

The adoption of the amendments to these standards did not have a material impact on the interim condensed consolidated financial statements in the current or comparative periods.

Amendments to IFRS 3, Business Combinations

On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3") that seek to clarify whether a transaction results in an asset or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020.

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

The adoption of the amendments to this standard did not have a material impact on the interim condensed consolidated financial statements in the current or comparative periods.

IFRS 3, Business Combinations

For every business combination, the Company identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill:

In a business combination, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired entity, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, including cash, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes contingent consideration and share-based payment awards exchanged in the business combination. Payments that effectively settle pre-existing relationships between the Company and the acquiree, payments to compensate employees or former owners for future services, and a reimbursement of transaction costs incurred by the acquiree on behalf of the Company are not accounted for as part of the business combination.

Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are excluded from acquisition accounting, and are expensed as incurred.

Contingent liabilities:
Contingent liabilities that are present obligations that arose from past events are recognized at fair value at the acquisition date.

Accounting for Government Grants and Disclosure of Government Assistance
The Company recognizes income from government grants, in accordance with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"), only when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants have been or will be received. The grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. IAS 20 provides an accounting policy choice to present grants related to income as part of profit or loss under a separate caption or as a deduction of the related expense. The Company has chosen to present these grants as a deduction from the related expense in the interim condensed consolidated statement of operations.

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 second and third quarters of 2020, the Company determined that it qualified for certain of this government assistance primarily in Canada and Germany for subsidies designed to offset the wages and related social costs of both inactive employees (i.e. those on temporary layoff but still on the Company's payroll) and active employees. Amounts recognized related to inactive employees were disbursed by the governments to the Company as reimbursement for amounts paid by the Company to the employee. For the three and nine months ended September 30, 2020, the Company had recognized $3,006 and $20,074, respectively, related to inactive employees in both Germany and Canada, and $6,613 and $17,418, respectively, in subsidies related to active employees in Canada. 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 $8,424 and 1,195, respectively, for the three months ended September 30, 2020, and $33,114 and $4,378, respectively, for the nine months ended September 30, 2020. The Company will continue to evaluate all applicable government relief programs and intends to apply for any subsequent application periods, if the Company meets the qualification criteria.

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 Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housing and bumpers; and several other components such as fuel tanks. The operations also have some leading-edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, with the results of operations consolidated with those of the Company effective March 2, 2020. The acquired operations contributed incremental sales of $104,873 and $195,315, and operating losses of $3,301 and $17,412, for the three and nine months ended September 30, 2020, respectively (including $2,196 in restructuring costs).

The purchase price for the transaction was US $19,864 ($26,531), inclusive of working capital less cash on hand, and on a debt free basis. The purchase price was subject to certain adjustments post-closing, finalized in a settlement agreement executed subsequent to the quarter-end on October 8, 2020 resulting in a final payment to the seller of US $12,000 ($15,541).

The purchase price allocation has been done on a preliminary basis taking into account all relevant information available at the time these interim condensed consolidated financial statements were prepared.

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

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

		USD		CAD
Current assets (includes cash of US $11,636)	$	110,726	$	147,885
Property, plant and equipment		24,121		32,216
Current liabilities (excluding current portion of lease liabilities and provisions)		(74,424)		(99,400)
Provisions		(19,660)		(26,258)
Lease liabilities		(4,197)		(5,605)
Other		(5,066)		(6,766)
		31,500		42,072
Less: Cash on hand		(11,636)		(15,541)
Net consideration	$	19,864	$	26,531

The preliminary purchase price allocation is subject to change and may be subsequently adjusted to reflect final valuation results.

Included in SG&A expenses are transaction costs related to the acquisition totaling $nil and $2,489 for the three and nine months ended September 30, 2020, respectively.

3. TRADE AND OTHER RECEIVABLES

		September 30, 2020		December 31, 2019
Trade receivables	$	651,723	$	542,409
Other receivables		21,147		18,149
Foreign exchange forward contracts not accounted for as hedges (note 19(d))		-		418
	$	672,870	$	560,976

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 19.

4. INVENTORIES

		September 30, 2020		December 31, 2019
Raw materials	$	176,266	$	144,570
Work in progress		49,285		41,976
Finished goods		35,748		38,956
Tooling work in progress and other inventory		248,218		158,180
	$	509,517	$	383,682

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 147,790	$ (26,935)	$ 120,855	$ 130,272	$ (23,203)	$ 107,069
Leasehold improvements	75,315	(48,122)	27,193	74,634	(45,243)	29,391
Manufacturing equipment	2,431,732	(1,354,542)	1,077,190	2,279,905	(1,158,116)	1,121,789
Tooling and fixtures	38,319	(33,912)	4,407	37,419	(32,287)	5,132
Other assets	69,637	(42,277)	27,360	66,732	(37,149)	29,583
Construction in progress	334,818	-	334,818	248,931	-	248,931
	$ 3,097,611	$ (1,505,788)	$ 1,591,823	$ 2,837,893	$ (1,295,998)	$ 1,541,895

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

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, 2018	$ 107,560	$ 28,841	$ 922,859	$ 6,460	$ 32,513	$ 383,219	$ 1,481,452
Additions	-	-	-	-	-	312,511	312,511
Disposals	(1,526)	(68)	(3,498)	-	(33)	(109)	(5,234)
Depreciation	(3,929)	(4,363)	(153,905)	(1,071)	(7,260)	-	(170,528)
Impairment (note 9)	-	(1,116)	(4,038)	-	(732)	(1,140)	(7,026)
Reclassification to right-of-use assets	-	-	(445)	-	-	-	(445)
Transfers from construction in progress	10,105	7,184	406,646	11	6,230	(430,176)	-
Foreign currency translation adjustment	(5,141)	(1,087)	(45,830)	(268)	(1,135)	(15,374)	(68,835)
Net as of December 31, 2019	107,069	29,391	1,121,789	5,132	29,583	248,931	1,541,895
Additions	-	-	2,192	-	910	178,351	181,453
Additions from acquisition (note 2)	-	-	-	-	-	32,216	32,216
Disposals	-	-	(294)	(10)	(196)	(45)	(545)
Depreciation	(3,157)	(3,496)	(129,371)	(660)	(5,611)	-	(142,295)
Impairment (note 9)	-	-	(73,573)	(425)	(295)	(1,804)	(76,097)
Transfers from construction in progress	13,815	306	115,489	226	2,249	(132,085)	-
Foreign currency translation adjustment	3,128	992	40,958	144	720	9,254	55,196
Net as of September 30, 2020	$ 120,855	$ 27,193	$ 1,077,190	$ 4,407	$ 27,360	$ 334,818	$ 1,591,823

6. RIGHT-OF-USE ASSETS

	September 30, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 240,127	$ (50,162)	$ 189,965	$ 201,944	$ (29,991)	$ 171,953
Leased manufacturing equipment	22,923	(10,182)	12,741	20,360	(5,460)	14,900
Leased other assets	3,214	(1,807)	1,407	2,552	(1,027)	1,525
	$ 266,264	$ (62,151)	$ 204,113	$ 224,856	$ (36,478)	$ 188,378

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

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2018	$ -	$ -	$ -	$ -
Initial recognition of right-of-use assets upon transition to IFRS 16	207,651	14,226	1,909	223,786
Reclassification from property, plant and equipment upon adoption of IFRS 16	-	445	-	445
Additions	372	6,311	608	7,291
Depreciation	(24,540)	(5,331)	(922)	(30,793)
Lease termination	(252)	(51)	-	(303)
Impairment (note 9)	(6,462)	-	(10)	(6,472)
Foreign currency translation adjustment	(4,816)	(700)	(60)	(5,576)
Net as of December 31, 2019	$ 171,953	$ 14,900	$ 1,525	$ 188,378
Additions	15,242	1,293	422	16,957
Lease modifications	16,465	-	-	16,465
Depreciation	(18,732)	(4,274)	(743)	(23,749)
Impairment (note 9)	(451)	-	-	(451)
Foreign currency translation adjustment	5,488	822	203	6,513
Net as of September 30, 2020	$ 189,965	$ 12,741	$ 1,407	$ 204,113

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

7. INTANGIBLE ASSETS

	September 30, 2020			December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,023	$ (61,145)	$ 878	$ 61,512	$ (59,759)	$ 1,753
Development costs	154,721	(100,593)	54,128	148,945	(95,911)	53,034
	$ 216,744	$ (161,738)	$ 55,006	$ 210,457	$ (155,670)	$ 54,787

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2018	$ 3,999	$ 66,932	$ 70,931
Additions	-	10,747	10,747
Amortization	(2,082)	(13,779)	(15,861)
Impairment (note 9)	-	(2,487)	(2,487)
Upfront recovery of development costs incurred	-	(5,563)	(5,563)
Foreign currency translation adjustment	(164)	(2,816)	(2,980)
Net as of December 31, 2019	1,753	53,034	54,787
Additions	-	8,557	8,557
Amortization	(964)	(8,690)	(9,654)
Impairment (note 9)	-	(707)	(707)
Foreign currency translation adjustment	89	1,934	2,023
Net as of September 30, 2020	$ 878	$ 54,128	$ 55,006

8. INVESTMENTS

	September 30, 2020	December 31, 2019
Investment in common shares of NanoXplore Inc.	$ 40,188	$ 37,080
Warrants in NanoXplore Inc.	-	5
	$ 40,188	$ 37,085

As at September 30, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing an approximate 24% equity interest in NanoXplore (on a non-diluted basis). NanoXplore Inc. is a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

The Company applies equity accounting to its investment based on NanoXplore's most recently publicly filed financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date which represents a reasonable estimate of the change in the Company's interest.

On April 2, 2020, the Company acquired an additional 3,846,200 common shares in NanoXplore pursuant to a private placement offering at a price of $1.30 per common share for an aggregate purchase price of $5,000.

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

		Investment in common shares of NanoXplore
Net balance as of December 31, 2019	$	37,080
Additions to investment		5,000
Share of loss for the period		(1,881)
Share of other comprehensive loss for the period		(11)
Net balance as of September 30, 2020	$	40,188

As at December 31, 2019, the Company held 205,900 outstanding warrants in NanoXplore at an exercise price of $2.30 per share. These warrants expired in March 2020 unexercised.

9. IMPAIRMENT OF ASSETS

		Three months ended September 30, 2020		Three months ended September 30, 2019		Nine months ended September 30, 2020		Nine months ended September 30, 2019
North America	$	-	$	-	$	(72,159)	$	-
Europe		-		-		(1,280)		-
Rest of the World		-		-		(12,344)		(18,502)
Total	$	-	$	-	$	(85,783)	$	(18,502)

The Company evaluates its non-financial assets and cash-generating units "(CGU)" for impairment whenever events or circumstances indicate the value of an asset or CGU is not recoverable.

The significant reduction in volumes and 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, during the second quarter of 2020, the Company completed an analysis of its asset base and concluded there existed certain indicators of impairment for specific assets and CGUs. Accordingly, the Company tested these assets and CGUs for recoverability using projected sales and cash flows modelled from industry production projections. Based on the results of this testing, during the second quarter of 2020, the Company recorded impairment charges on property, plant and equipment, right-of-use assets, intangible assets and inventories across its three operating segments totaling $85,783, 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. 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 $18,502 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 where specific assets can be transferred to other facilities.

10. TRADE AND OTHER PAYABLES

		September 30, 2020		December 31, 2019
Trade accounts payable and accrued liabilities	$	1,049,004	$	728,000
Foreign exchange forward contracts not accounted for as hedges (note 19(d))		2,533		-
Foreign exchange forward contracts accounted for as hedges (note 19(d))		957		787
	$	1,052,494	$	728,787

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

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

11. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2018	$ 2,073	$ 3,320	$ 5,393
Net additions	8,165	3,500	11,665
Amounts used during the period	(5,860)	(2,166)	(8,026)
Foreign currency translation adjustment	(164)	(284)	(448)
Net as of December 31, 2019	4,214	4,370	8,584
Net additions	8,170	310	8,480
Additions from acquisition (note 2)	26,258	-	26,258
Amounts used during the period	(37,245)	(1,039)	(38,284)
Foreign currency translation adjustment	936	(874)	62
Net as of September 30, 2020	$ 2,333	$ 2,767	$ 5,100

(a) Restructuring

Additions to the restructuring provision, recognized during the second quarter of 2020, totaled $8,170 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, $6,573 relates to North America, $984 to Europe and $613 to the Rest of the World.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

12. 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 19.

	September 30, 2020	December 31, 2019
Banking facility	$ 822,328	$ 716,452
Equipment loans	66,037	65,121
	888,365	781,573
Current portion	(18,107)	(15,651)
	$ 870,258	$ 765,922

Terms and conditions of outstanding loans, as at September 30, 2020, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2020 Carrying amount	December 31, 2019 Carrying amount
Banking facility	USD	LIBOR + 2.25%	2022	$ 476,769	$ 390,830
	CAD	BA + 2.25%	2022	345,559	325,622
Equipment loans	EUR	1.05%	2024	21,756	24,505
	CAD	3.80%	2022	17,593	23,594
	EUR	1.40%	2026	15,158	15,872
	EUR	2.00%	2023	10,278	-
	EUR	1.36%	2021	604	858
	EUR	0.00%	2028	389	-
	EUR	0.26%	2025	259	266
	BRL	5.00%	2020	-	26
				$ 888,365	$ 781,573

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

On July 23, 2018, the Company's banking facility was amended to extend its maturity date and enhance certain provisions of the facility. The primary terms of the amended banking facility, with a syndicate of ten banks, include the following:

- a move to an unsecured credit structure;
- improved financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x;
- available revolving credit lines of $370 million and US $420 million;
- available asset based financing capacity of $300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $200 million;
- pricing terms at market rates and consistent with the previous facility;
- a maturity date of July 2022; and
- no mandatory principal repayment provisions.

In light of the COVID-19 global pandemic, the Company enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility, as noted above, and amended such facility. The exercise was completed on April 17, 2020, and increased the revolving credit lines available to the Company by another US $200,000 ($280,000), at interest rates approximately 25 basis points higher than the Company's existing credit lines.

On June 24, 2020, the Company amended its lending agreements with its banking syndicate to provide enhanced financial covenant flexibility on a present and go forward basis. 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 next four quarterly calculations, 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. The amendment resulted in projected incremental borrowing costs to the Company of approximately 25 basis points on all outstanding debt under the revolving credit lines.

As at September 30, 2020, the Company had drawn US$356,000 (December 31, 2019 - US$301,000) on the U.S. revolving credit line and $348,000 (December 31, 2019 - $328,000) on the Canadian revolving credit line. At September 30, 2020, the weighted average effective interest rate of the banking facility credit lines was 2.8% (December 31, 2019 - 3.9%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2020.

Deferred financing fees of $2,441 (December 31, 2019 - $2,378) have been netted against the carrying amount of the long-term debt.

On July 2, 2020, the Company finalized an eight year equipment loan in the amount of € 972 ($1,514) repayable in bi-annual installments commencing in 2024 at a fixed annual interest rate of 0.0%.

On April 30, 2020, the Company finalized a three year equipment loan in the amount of € 6,600 ($9,958) repayable in monthly installments commencing in 2021 at a fixed annual interest rate of 2.0%.

Future annual minimum principal repayments as at September 30, 2020 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 19,781	$ (1,674)	$ 18,107
One to two years	847,390	(767)	846,623
Two to three years	12,773	-	12,773
Three to four years	6,524	-	6,524
Thereafter	4,338	-	4,338
	$ 890,806	$ (2,441)	$ 888,365

(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, 2018	$	740,717
Drawdowns		74,847
Loan proceeds		16,602
Repayments		(30,575)
Amortization of deferred financing fees		921
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		(457)
Foreign currency translation adjustment		(20,482)
Net as of December 31, 2019	$	781,573
Drawdowns		94,424
Loan proceeds		10,339
Repayments		(12,696)
Deferred financing fee additions		(1,202)
Amortization of deferred financing fees		1,139
Foreign currency translation adjustment		14,788
Net as of September 30, 2020	$	888,365

13. 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, 2018	$	-
Initial recognition of lease liabilities upon transition to IFRS 16		228,623
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16		457
Net additions		7,580
Principal payments of lease liabilities		(27,898)
Termination of leases		(309)
Foreign currency translation adjustment and other		(6,101)
Net as of December 31, 2019	$	202,352
Net additions		16,957
Lease modifications		16,465
Additions from acquisition (note 2)		5,605
Principal payments of lease liabilities		(23,885)
Foreign currency translation adjustment and other		6,911
Net as of September 30, 2020	$	224,405

The maturity of contractual undiscounted lease liabilities as at September 30, 2020 is as follows:

		Total
Within one year	$	42,426
One to two years		38,743
Two to three years		35,739
Three to four years		31,356
Thereafter		114,414
Total undiscounted lease liabilities at September 30, 2020	$	262,678
Interest on lease liabilities		(38,273)
Total present value of minimum lease payments	$	224,405
Current portion		(34,123)
	$	190,282

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

14. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of, December 31, 2018	82,631,105	$	680,157
Exercise of stock options	180,000		2,036
Repurchase of common shares under normal course issuer bid	(1,057,370)		(8,708)
Balance as of, September 30, 2019	81,753,735	$	673,485
Exercise of stock options	50,000		645
Repurchase of common shares under normal course issuer bid	(1,542,655)		(12,708)
Balance as of, December 31, 2019	80,261,080	$	661,422
Exercise of stock options	333,200		3,479
Repurchase of common shares under normal course issuer bid	(300,185)		(2,474)
Balance as of, September 30, 2020	80,294,095	$	662,427

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.

Stock options

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

	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	3,010,700	$	12.57	2,430,700	$	11.46
Granted during the period	100,000		14.35	20,000		13.19
Exercised during the period	(333,200)		7.43	(180,000)		8.05
Cancelled during the period	-		-	(60,000)		13.32
Balance, end of period	2,777,500	$	13.25	2,210,700	$	11.71
Options exercisable, end of period	1,394,500	$	12.30	2,024,700	$	11.50

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2020:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.00 - 8.70	45,500	2010 - 2012	2020 - 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	2,777,500		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes-Merton option valuation model. 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.

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

The key assumptions, on a weighted average basis, used in the valuation of options granted are shown in the table below:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Expected volatility	33.24%	36.67%
Risk free interest rate	1.66%	2.19%
Expected life (years)	5.0	4.9
Dividend yield	1.23%	1.36%
Weighted average fair value of options granted	$ 4.09	$ 3.82

For the three and nine months ended September 30, 2020, the Company expensed $604 (2019 - $264) and $1,812 (2019 - $892), respectively, 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 September 30, 2020 and 2019:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Outstanding, beginning of period	246,114	174,574
Granted and reinvested dividends	96,702	28,908
Redeemed	-	(32,522)
Outstanding, end of period	342,816	170,960

The DSUs granted during the nine months ended September 30, 2020 and 2019 were granted to non-executive directors, are not subject to vesting conditions and had a weighted average fair value per unit of $7.80 and $13.26, respectively, on the date of grant. At September 30, 2020, the fair value of all outstanding DSUs amounted to $3,058 (September 30, 2019 - $1,909 and December 31, 2019 - $2,741). For the three and nine months ended September 30, 2020, 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 $348 (2019 - benefit of $169) and an expense of $316 (2019 - expense of $103), respectively, recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at September 30, 2020 was $293 (September 30, 2019 - nil, December 31, 2019 - $532) and will be recognized in profit and loss over the next three years as the DSUs vest.

Performance Restricted Share Unit ("PSU" and "RSU") Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2020 and 2019:

	RSUs	PSUs	Total
Outstanding, December 31, 2018	289,210	289,210	578,420
Granted and reinvested dividends	221,251	221,251	442,502
Redeemed	-	-	-
Forfeited / Cancelled	(13,498)	(14,500)	(27,998)
Outstanding, September 30, 2019	496,963	495,961	992,924
Granted and reinvested dividends	32,156	32,156	64,312
Redeemed	(77,304)	(77,304)	(154,608)
Forfeited / Cancelled	-	-	-
Outstanding, December 31, 2019	451,815	450,813	902,628
Granted and reinvested dividends	65,646	65,646	131,292
Redeemed	-	-	-
Forfeited / Cancelled	-	-	-
Outstanding, September 30, 2020	517,461	516,459	1,033,920

The RSUs and PSUs granted during the nine months ended September 30, 2020 and 2019 had a weighted average fair value per unit of $12.02 and $12.26, respectively, on the date of grant. For the three and nine months ended September 30, 2020, RSU and PSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $112 (2019 - expense of $2,002) and a benefit of $90 (2019 - expense of $3,658), respectively, recorded in selling, general and administrative expense.

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

Unrecognized RSU and PSU compensation expense as at September 30, 2020 was $2,658 (September 30, 2019 - $5,270 and December 31, 2019 - $5,835) 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 nine months ended September 30, 2020 and 2019 are shown in the table below:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Expected life (years)	2.47	2.38
Risk free interest rate	0.45%	1.59%

15. INCOME TAXES

The components of income tax (expense) benefit are as follows:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Current income tax expense	$ (16,470)	$ (16,377)	$ (25,990)	$ (52,593)
Deferred income tax (expense) benefit	(2,166)	248	26,076	437
Total income tax (expense) benefit	$ (18,636)	$ (16,129)	$ 86	$ (52,156)

16. EARNINGS PER SHARE

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

	Three months ended September 30, 2020		Three months ended September 30, 2019	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,189,397	$ 0.57	82,592,979	$ 0.57
Effect of dilutive securities:				
Stock options	11,046	-	119,540	(0.01)
Diluted	80,200,443	$ 0.57	82,712,519	$ 0.56

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,090,371	$ (0.90)	82,897,284	$ 1.57
Effect of dilutive securities:				
Stock options	-	-	156,937	(0.01)
Diluted	80,090,371	$ (0.90)	83,054,221	$ 1.56

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 September 30, 2020, 2,732,000 options (2019 - 1,637,000) and for the nine months ended September 30, 2020, 2,732,000 options (2019 - 1,547,000) 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)

17. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Debt interest, gross	$ (7,393)	$ (8,854)	$ (21,868)	$ (27,694)
Interest on lease liabilities	(2,253)	(2,235)	(6,627)	(6,131)
Capitalized interest - at an average rate of 2.9%, 3.3% (2019 - 4.0%, 3.9%)	508	1,744	1,609	4,740
Finance expense (including interest on lease liabilities)	$ (9,138)	$ (9,345)	$ (26,886)	$ (29,085)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net unrealized foreign exchange loss	$ (1,865)	$ (1,068)	$ (5,160)	$ (1,503)
Unrealized gain (loss) on warrants	-	571	(5)	(239)
Other income, net	13	224	157	373
Other finance income (expense)	$ (1,852)	$ (273)	$ (5,008)	$ (1,369)

18. 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 offerings 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, 2019 and recently adopted and applicable accounting standards and policies as disclosed in note 1(e) of these interim condensed consolidated financial statements. 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 September 30, 2020			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income (loss)**
North America				
Canada	$ 145,369	$ 57,940	$ 203,309	
USA	285,430	10,521	295,951	
Mexico	332,761	10,390	343,151	
Eliminations	(45,315)	(57,607)	(102,922)	
	$ 718,245	$ 21,244	$ 739,489	$ 76,290
Europe				
Germany	133,137	16,230	149,367	
Spain	29,234	779	30,013	
Slovakia	9,471	551	10,022	
Eliminations	-	(36)	(36)	
	171,842	17,524	189,366	(6,478)
Rest of the World	46,440	559	46,999	5,750
Eliminations	(3,236)	(1,558)	(4,794)	
	$ 933,291	$ 37,769	$ 971,060	$ 75,562

	Three months ended September 30, 2019			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 139,237	$ 27,260	$ 166,497	
USA	243,597	69,539	313,136	
Mexico	319,582	48,736	368,318	
Eliminations	(41,581)	(25,381)	(66,962)	
	$ 660,835	$ 120,154	$ 780,989	$ 48,405
Europe				
Germany	104,115	1,226	105,341	
Spain	38,485	111	38,596	
Slovakia	11,795	2,004	13,799	
	154,395	3,341	157,736	13,927
Rest of the World	32,913	4,814	37,727	10,911
Eliminations	(1,564)	(504)	(2,068)	
	$ 846,579	$ 127,805	$ 974,384	$ 73,243

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

	Nine months ended September 30, 2020			
	Production Sales	Tooling Sales	Total Sales	Operating Income (loss)
North America				
Canada	$ 325,686	$ 85,800	$ 411,486	
USA	681,528	27,672	709,200	
Mexico	753,687	50,146	803,833	
Eliminations	(98,330)	(81,038)	(179,368)	
	$ 1,662,571	$ 82,580	$ 1,745,151	$ 4,868
Europe				
Germany	304,623	35,217	339,840	
Spain	77,356	2,629	79,985	
Slovakia	25,866	3,596	29,462	
Eliminations	-	(36)	(36)	
	407,845	41,406	449,251	(42,684)
Rest of the World	111,984	8,681	120,665	(782)
Eliminations	(7,831)	(2,906)	(10,737)	
	$ 2,174,569	$ 129,761	$ 2,304,330	$ (38,598)

	Nine months ended September 30, 2019			
	Production Sales	Tooling Sales	Total Sales	Operating Income (loss)
North America				
Canada	$ 459,501	$ 34,558	$ 494,059	
USA	843,136	118,557	961,693	
Mexico	942,999	131,173	1,074,172	
Eliminations	(130,872)	(52,885)	(183,757)	
	$ 2,114,764	$ 231,403	$ 2,346,167	$ 189,528
Europe				
Germany	326,319	28,627	354,946	
Spain	114,539	5,217	119,756	
Slovakia	38,399	3,396	41,795	
Eliminations	-	(2,755)	(2,755)	
	479,257	34,485	513,742	39,926
Rest of the World	82,412	9,114	91,526	(15,446)
Eliminations	(4,510)	(847)	(5,357)	
	$ 2,671,923	$ 274,155	$ 2,946,078	$ 214,008

19. 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:

		September 30, 2020			
		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$	214,049	$ 214,049	$ -	$ -
Foreign exchange forward contracts not accounted for as hedges (note 10)	$	(2,533)	$ -	$ (2,533)	$ -
Foreign exchange forward contracts accounted for as hedges (note 10)	$	(957)	$ -	$ (957)	$ -

		December 31, 2019			
		Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$	118,973	$ 118,973	$ -	$ -
Warrants in NanoXplore (note 8)	$	5	$ -	$ 5	$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	$	418	$ -	$ 418	$ -
Foreign exchange forward contracts accounted for as hedges (note 10)	$	(787)	$ -	$ (787)	$ -

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:

September 30, 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	$ -	$ -	$ 672,870	$ -	$ 672,870	$ 672,870
	-	-	672,870	-	672,870	672,870
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,049,004)	(1,049,004)	(1,049,004)
Long-term debt	-	-	-	(888,365)	(888,365)	(888,365)
Foreign exchange forward contracts not accounted for as hedges	(2,533)	-	-	-	(2,533)	(2,533)
Foreign exchange forward contracts accounted for as hedges	-	(957)	-	-	(957)	(957)
	(2,533)	(957)	-	(1,937,369)	(1,940,859)	(1,940,859)
Net financial assets (liabilities)	$ (2,533)	$ (957)	$ 672,870	$ (1,937,369)	$ (1,267,989)	$ (1,267,989)

December 31, 2019	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	$ -	$ -	$ 560,558	$ -	$ 560,558	$ 560,558
Warrants in NanoXplore (note 8)	5	-	-	-	5	5
Foreign exchange forward contracts not accounted for as hedges	418	-	-	-	418	418
	423	-	560,558	-	560,981	560,981
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(728,000)	(728,000)	(728,000)
Long-term debt	-	-	-	(781,573)	(781,573)	(781,573)
Foreign exchange forward contracts accounted for as hedges	-	(787)	-	-	(787)	(787)
	-	(787)	-	(1,509,573)	(1,510,360)	(1,510,360)
Net financial assets (liabilities)	$ 423	$ (787)	$ 560,558	$ (1,509,573)	$ (949,379)	$ (949,379)

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 34.2%. 24.1%, 11.2% of its production sales for the nine months ended September 30, 2020 (2019 - 33.1%, 27.7%, and 14.3%). 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 September 30, 2020 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:

	September 30, 2020	December 31, 2019
0-60 days	$ 624,512	$ 521,354
61-90 days	13,143	13,094
Greater than 90 days	14,068	7,961
	$ 651,723	$ 542,409

(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 September 30, 2020, the Company had cash of $214,049 (2019 - $118,973) and banking facilities available as discussed in note 12. All the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

On April 17, 2020, in light of the COVID-19 pandemic, the Company enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility as further described in note 12.

On June 24, 2020, the Company amended its lending agreement with its syndicate of banks to provide enhanced financial covenant flexibility as further described in note 12.

A summary of contractual maturities of long-term debt is provided in note 12.

(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, and may cause the interest rate to increase.

(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	
	September 30, 2020	December 31, 2019
Variable rate instruments	$ 822,328	$ 716,452
Fixed rate instruments	66,037	65,121
	$ 888,365	$ 781,573

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $2,112 (2019 - $1,821) on the Company's consolidated financial results for the three months ended September 30, 2020 and $6,065 (2019 - $5,398) for the nine months ended September 30, 2020.

(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 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 September 30, 2020, the Company had committed to the following foreign exchange contracts:

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	$ 10,000	1.3179	1
Buy Mexican Peso	$ 33,294	21.0250	1

The aggregate value of these forward contracts as at September 30, 2020 was a pre-tax loss of $2,533 and was recorded in trade and other payables (December 31, 2019 - pre-tax gain of $418 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	$ 43,565	1.3183	39

The aggregate value of these forward contracts as at September 30, 2020 was a pre-tax loss of $957 and was recorded in trade and other payables (December 31, 2019 - pre-tax loss of $787 recorded in trade and other payables).

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

September 30, 2020	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 345,861	€ 71,313	$ 15,881	R$ 29,810	¥ 189,408
Trade and other payables	(442,767)	(160,104)	(451,697)	(26,623)	(208,635)
Long-term debt	(356,000)	(31,108)	-	-	-
	$ (452,906)	€ (119,899)	$ (435,816)	R$ 3,187	¥ (19,227)

December 31, 2019	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 295,696	€ 60,033	$ 58,203	R$ 29,107	¥ 122,567
Trade and other payables	(351,949)	(91,126)	(258,786)	(27,642)	(118,925)
Long-term debt	(301,000)	(28,501)	-	(80)	-
	$ (357,253)	€ (59,594)	$ (200,583)	R$ 1,385	¥ 3,642

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

The following summary illustrates the fluctuations in the exchange rates applied during the three and nine months ended September 30, 2020 and 2019 and as at December 31, 2019:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019	September 30, 2020	December 31, 2019
USD	1.3493	1.3233	1.3534	1.3315	1.3392	1.2984
EURO	1.5448	1.4825	1.5078	1.5015	1.5573	1.4561
PESO	0.0603	0.0686	0.0636	0.0690	0.0599	0.0686
BRL	0.2538	0.3402	0.2794	0.3451	0.2412	0.3230
CNY	0.1921	0.1909	0.1928	0.1949	0.1965	0.1864

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 September 30, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the nine months ended September 30, 2020 and 2019 by the amounts shown below, assuming all other variables remain constant:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
USD	$ (4,666)	$ (3,134)	$ 1,830	$ (10,913)
EURO	453	(1,471)	2,929	(4,030)
BRL	56	(240)	1,314	613
CNY	(423)	(320)	(724)	1,694
	$ (4,580)	$ (5,165)	$ 5,349	$ (12,636)

A weakening of the Canadian dollar against the above currencies at September 30, 2020 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.

20. 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 this report 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.

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 $53,903 (BRL $223,502) including interest and penalties to September 30, 2020 (December 31, 2019 - $66,977 or BRL $207,353). 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 $37,623 (BRL $156,000) including interest and penalties as at September 30, 2020 has entered the judicial litigation process. The Company may be required to present guarantees related to this assessment 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.

21. 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 sheets. At September 30, 2020, the amount of the off-balance sheet program financing was $41,094 (December 31, 2019 - $22,212) 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 2019 or 2020. 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 ranges from six to eighteen months.