MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2020

THIRD QUARTER REPORT

September 30, 2020

MESSAGE TO SHAREHOLDERS

The Company experienced a record third quarter, despite the challenges we have faced this year, as reflected in the attached materials. Our Company continues to improve, driving our One Martinrea culture. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

PRESS RELEASE

FOR IMMEDIATE RELEASE
November 11, 2020

MARTINREA INTERNATIONAL INC. REPORTS RECORD THIRD QUARTER RESULTS AND DECLARES DIVIDEND

Toronto, Ontario, November 11, 2020 – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the third quarter ended September 30, 2020 and that it has declared a quarterly cash dividend of $0.05 per share.

HIGHLIGHTS

- Total sales of $971 million; production sales of $933 million
- Record third quarter fully diluted net earnings per share of $0.57
- Quarterly adjusted operating income(1) margin of 7.8%, above year-ago levels
- Balance sheet ended the quarter strong, with a reduction in net debt during the quarter of over $100 million
- Production volumes recovering more quickly than expected following the industry-wide COVID-19 shutdowns earlier this year
- Strong fourth quarter anticipated
- Dividend of $0.05 per share declared

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "Our third quarter performance was a record for the Company, and much improved over the previous quarter, as industry production volumes recovered more quickly than previously expected following the COVID-19 shutdowns. Demand in our key North American market remains strong and vehicle inventories remain low, particularly on truck, SUV and CUV platforms, where we are more heavily weighted. Looking at other markets, demand in China remains strong, while Europe is recovering, albeit at a more gradual pace. Operationally, we continue to perform well, as evidenced by our strong operating income margin during the quarter, which came in at 7.8%, or over 9% excluding our recently-acquired Martinrea Metalsa Group. Our focus on lean and operational excellence paid off during the quarter and we thank the team for their efforts and dedication during these challenging times. We are looking forward to a strong fourth quarter, based on anticipated volumes as we see them today, as OEMs continue to replenish currently low vehicle inventory levels. We expect fourth quarter production sales in the range of $900 million to $1.0 billion, and adjusted net earnings per share (1) in the range of $0.46 to $0.54, including the recently-acquired assets from Metalsa, which has been a drag on earnings as we drive efficiencies, in particular in our new German facility. The integration of the newly-acquired business is going well and we expect its

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

performance to improve as we execute on the roadmap in front of us. We are also happy to announce new business wins totalling $70 million in annualized sales, including $45 million in propulsion systems for FCA and General Motors, $10 million in Lightweight Structures for electric vehicle platforms with General Motors, and $15 million for a battery box for Volvo's heavy-duty truck in our Industrial group. We are seeing the highest level of quoting activity in our Industrial Group since my time at Martinrea, and we see opportunities to grow this business. We also expect to see our first product with graphene in production in 2021, a graphene-enhanced brake line for one of our OEM customers. Our customer has tested and approved the product and is working with us to convert current production from standard brake lines to the more durable graphene-enhanced brake lines. We are big proponents of graphene and its potential applications, and we intend to capitalize on this potential through our investment in NanoXplore."

Fred Di Tosto, Chief Financial Officer, stated: "We experienced a sharp rebound in our financial results during the third quarter, as the Company and our industry recovered following the COVID-19 shutdowns. Volumes were strong during the quarter and operating margins were above year-ago levels, driven by strength in our North American operations, reflective of volume and a positive sales mix, operating cost reductions, lower tooling sales and some benefit from government wage subsidies. Third quarter production sales, excluding the newly-acquired Martinrea Metalsa operations, were approximately flat year-over-year, with adjusted operating income(1) coming in at $75.6 million, up 9.4% year-over-year. We generated strong free cash flow (1) during the quarter, which resulted in a reduction in net debt of over $100.0 million. Our net debt to adjusted EBITDA(1) ratio ended the quarter at 2.21x, and approximately 1.70x for bank covenant purposes, given the agreement we reached with our banking syndicate to eliminate Q2 adjusted EBITDA(1) from the covenant calculation. We believe we entered the COVID-19 driven downturn with a strong balance sheet which has ultimately allowed us to navigate our way through the COVID crisis with confidence. Our net debt at the end of the third quarter was essentially back to pre-COVID levels and we funded an acquisition during that time. A very good result from all accounts and reflective of the strength of the business. Overall, we are very pleased with our third quarter results. To be able to post year-over-year growth in adjusted operating income (1), adjusted net earnings per share (1), and free cash flow (1) in the middle of a pandemic is an achievement of which we are all proud."

Rob Wildeboer, Executive Chairman, stated: "From a macro perspective, our industry is recovering from the longest shutdown in its history at a pace few of us would have expected only a few short months ago. North American auto sales have now recovered close to pre-COVID volumes and are now at a sustainable level based on previous cycles. Strong demand, coupled with low inventories, sets the stage for a continued recovery in production in the months and years ahead. We believe some interesting trends are emerging that could support vehicle demand well into the future, including the perception of the vehicle as a safe, self-contained method of transportation, and an increase in demand for living space outside of large metropolitan areas. Overall, we think our future is bright, and not just from an industry recovery perspective. More importantly, we are an innovative company that invests in and develops leading-edge technology, as evidenced by our relationship with NanoXplore and development of new products, including graphene-enhanced brake lines. Our focus on innovation and our operational strength has enabled us to emerge from the COVID-19 crisis as a stronger and more competitive company. It's in times like these that our focus on culture and our vision of making people's lives better by being the best we can be in the products we make and the services we provide comes through for us. We want to thank our dedicated employees for their great service, as well as our shareholders, lenders, suppliers, customers and governments for their hard work and support."

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, 2020 ("MD&A"), the Company's interim condensed consolidated financial statements for the third quarter ended September 30, 2020 (the "interim financial statements") and the Company's Annual Information Form for the year ended December 31, 2019, can be found at www.sedar.com.

OVERALL RESULTS

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

The following tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2020 and 2019. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2020 for a detailed account of the Company's performance for the periods presented in the tables below.

		Three months ended September 30, 2020		Three months ended September 30, 2019	$ Change	% Change
Sales	$	971,060	$	974,384	(3,324)	(0.3%)
Gross Margin		151,478		143,901	7,577	5.3%
Operating Income		75,562		73,243	2,319	3.2%
Net Income for the period		45,636		46,678	(1,042)	(2.2%)
Net Earnings per Share - Basic	$	0.57	$	0.57	-	-
Net Earnings per Share - Diluted	$	0.57	$	0.56	0.01	1.8%
Non-IFRS Measures*						
Adjusted Operating Income	$	75,562	$	69,044	6,518	9.4%
% of Sales		*7.8%*		*7.1%*		
Adjusted EBITDA		134,232		122,401	11,831	9.7%
% of Sales		*13.8%*		*12.6%*		
Adjusted Net Income		45,636		43,507	2,129	4.9%
Adjusted Net Earnings per Share - Basic and Diluted	$	0.57	$	0.53	0.04	7.5%

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Sales	$	2,304,330	$	2,946,078	(641,748)	(21.8%)
Gross Margin		259,256		456,180	(196,924)	(43.2%)
Operating Income (Loss)		(38,598)		214,008	(252,606)	(118.0%)
Net Income (Loss) for the period		(72,287)		130,068	(202,355)	(155.6%)
Net Earnings (Loss) per Share - Basic	$	(0.90)	$	1.57	(2.47)	(157.3%)
Net Earnings (Loss) per Share - Diluted	$	(0.90)	$	1.56	(2.46)	(157.7%)
Non-IFRS Measures*						
Adjusted Operating Income	$	57,844	$	236,476	(178,632)	(75.5%)
% of Sales		*2.5%*		*8.0%*		
Adjusted EBITDA		233,779		394,021	(160,242)	(40.7%)
% of Sales		*10.1%*		*13.4%*		
Adjusted Net Income		2,644		153,853	(151,209)	(98.3%)
Adjusted Net Earnings per Share - Basic	$	0.03	$	1.86	(1.83)	(98.4%)
Adjusted Net Earnings per Share - Diluted	$	0.03	$	1.85	(1.82)	(98.4%)

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal year 2019 for a full reconciliation of IFRS to non-IFRS measures.

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

	Three months ended September 30, 2020	Three months ended September 30, 2019
Net Income	$ 45,636	$ 46,678
Unusual and Other Items (after-tax)*	-	(3,171)
Adjusted Net Income	$ 45,636	$ 43,507

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net Income (Loss)	$ (72,287)	$ 130,068
Unusual and Other Items (after-tax)*	74,931	23,785
Adjusted Net Income	$ 2,644	$ 153,853

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

	Three months ended September 30, 2020	Three months ended September 30, 2019
Net Income	$ 45,636	$ 46,678
Income tax expense	18,636	16,129
Other finance expense - excluding Unusual and Other Items*	1,852	844
Share of loss of an associate	300	818
Finance expense	9,138	9,345
Unusual and Other Items (before-tax)*	-	(4,770)
Adjusted Operating Income	$ 75,562	$ 69,044
Depreciation of property, plant and equipment and right-of-use assets	55,237	50,200
Amortization of intangible assets	3,196	4,104
Loss (gain) on disposal of property, plant and equipment	237	(947)
Adjusted EBITDA	$ 134,232	$ 122,401

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net Income (Loss)	$ (72,287)	$ 130,068
Income tax expense (benefit)	(86)	52,156
Other finance expense - excluding Unusual and Other Items*	5,008	1,130
Share of loss of an associate	1,881	1,330
Finance expense	26,886	29,085
Unusual and Other Items (before-tax)*	96,442	22,707
Adjusted Operating Income	$ 57,844	$ 236,476
Depreciation of property, plant and equipment and right-of-use assets	166,044	146,931
Amortization of intangible assets	9,654	11,820
Loss (gain) on disposal of property, plant and equipment	237	(1,206)
Adjusted EBITDA	$ 233,779	$ 394,021

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

SALES

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
North America	$ 739,489	$ 780,989	(41,500)	(5.3%)
Europe	189,366	157,736	31,630	20.1%
Rest of the World	46,999	37,727	9,272	24.6%
Eliminations	(4,794)	(2,068)	(2,726)	131.8%
Total Sales	$ 971,060	$ 974,384	(3,324)	(0.3%)

The Company's consolidated sales for the third quarter of 2020 decreased by $3.3 million or 0.3% to $971.1 million as compared to $974.4 million for the third quarter of 2019. The total decrease in sales was driven by a year-over-year decrease in North America, partially offset by increases in the Europe and Rest of the World operating segments.

Sales for the third quarter of 2020 in the Company's North America operating segment decreased by $41.5 million or 5.3% to $739.5 million from $781.0 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $29.7 million of year-over-year sales (including $0.4 million in tooling sales) to the North America operating segment. Excluding the acquired operations, third quarter sales in North America decreased year-over-year by $71.2 million or 9.1%. This decrease was due to a decrease in tooling sales of $100.3 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer; partially offset by higher production volumes on General Motors pick-up truck and large SUV platform, which was negatively impacted by the United Auto Workers strike at General Motors during the third quarter of 2019, the continued production of ventilator stands for General Motors, and the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the third quarter of 2020 of approximately $11.8 million as compared to the third quarter of 2019. Overall third quarter OEM light vehicle production in North America was essentially flat year-over-year, despite the COVID-19 global pandemic.

Sales for the third quarter of 2020 in the Company's Europe operating segment increased by $31.6 million or 20.1% to $189.4 million from $157.7 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $53.5 million of year-over-year sales (including $5.8 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, third quarter sales in Europe decreased year-over-year by $21.9 million or 13.9%. This decrease was due to overall lower industry volumes, primarily as a result of the COVID-19 pandemic; partially offset by an $8.4 million increase in tooling sales, and a $4.9 million positive foreign exchange impact from the translation of Euro-denominated production sales as compared to the third quarter of 2019.

Sales for the third quarter of 2020 in the Company's Rest of the World operating segment increased by $9.3 million or 24.6% to $47.0 million from $37.7 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $21.7 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, third quarter sales in the Rest of the World decreased year-over-year by $12.4 million or 32.9%. This decrease was largely driven by lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China, a $4.3 million decrease in tooling sales, and a $1.8 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the third quarter of 2019.

Overall tooling sales, inclusive of the operations acquired from Metalsa, decreased by $90.0 million to $37.8 million for the third quarter of 2020 from $127.8 million for the third quarter of 2019.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change	% Change
North America	$ 1,745,151	$ 2,346,167	(601,016)	(25.6%)
Europe	449,251	513,742	(64,491)	(12.6%)
Rest of the World	120,665	91,526	29,139	31.8%
Eliminations	(10,737)	(5,357)	(5,380)	100.4%
Total Sales	$ 2,304,330	$ 2,946,078	(641,748)	(21.8%)

The Company's consolidated sales for the nine months ended September 30, 2020 decreased by $641.7 million or 21.8% to $2,304.3 million as compared to $2,946.1 million for the nine months ended September 30, 2019. The total decrease in sales was driven by decreases in the North America and Europe operating segments, partially offset by an increase in sales in the Rest of the World.

Sales for the nine months ended September 30, 2020 in the Company's North America operating segment decreased by $601.1 million or 25.6% to $1,745.2 million from $2,346.2 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $47.7 million of year-over-year sales (including $1.7 million in tooling sales) to the North America operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in North America decreased year-over-year by $648.8 million or 27.7%. This decrease was due to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic, and a decrease in tooling sales of $152.6 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2020 of approximately $23.0 million as compared to the corresponding period of 2019, and the launch of new programs during or subsequent to the nine months ended September 30, 2019, including the General Motors heavy duty truck, and the production of ventilator stands for General Motors.

Sales for the nine months ended September 30, 2020 in the Company's Europe operating segment decreased by $64.5 million or 12.6% to $449.3 million from $513.7 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $98.8 million of year-over-year sales (including $9.7 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in Europe decreased year-over-year by $163.3 million or 31.8%. This decrease can be attributed to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic; lower pre-COVID year-over-year production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover; and a $2.8 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, 2019, namely an aluminum transmission for Volkswagen; and a $1.3 million positive foreign exchange impact from the translation of Euro-denominated production sales as compared to the corresponding period of 2019.

Sales for the nine months ended September 30, 2020 in the Company's Rest of the World operating segment increased by $29.1 million or 31.8% to $120.7 million from $91.5 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $48.8 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in the Rest of the World decreased year-over-year by $19.7 million or 21.5%. This decrease was largely driven by COVID-19 related disruption, lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China, a $3.9 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the corresponding period of 2019, and a $0.4 million decrease in tooling sales.

Overall tooling sales, inclusive of the operations acquired from Metalsa, decreased by $144.4 million to $129.8 million for the nine months ended September 30, 2020 from $274.2 million for the nine months ended September 30, 2019.

GROSS MARGIN

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Gross margin	$ 151,478	$ 143,901	7,577	5.3%
% of Sales	15.6%	14.8%		

The gross margin percentage for the third quarter of 2020 of 15.6% increased as a percentage of sales by 0.8% as compared to the gross margin percentage for the third quarter of 2019 of 14.8%. The increase in gross margin as a percentage of sales was generally due to a decrease in tooling sales which typically earn low margins for the Company; a positive sales mix; productivity and efficiency improvements at certain operating facilities; and the receipt of certain COVID-related government wage subsidies. These positive factors were partially offset by a negative impact on overall margin percentage from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, and operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change	% Change
Gross margin	$ 259,256	$ 456,180	(196,924)	(43.2%)
% of Sales	11.3%	15.5%		

The gross margin percentage for the nine months ended September 30, 2020 of 11.3% decreased as a percentage of sales by 4.2% as compared to the gross margin percentage for the nine months ended September 30, 2019 of 15.5%. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven primarily by the impact of the COVID19 pandemic; a negative impact on overall margin percentage from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020; and operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; the receipt of certain COVID-related government wage subsidies; and a decrease in tooling sales, which typically earn low margins for the Company. The sharp sales decline in April and May, as a result of the COVID-19 related shutdowns, coupled with a volatile restart and ramp-up of production in May and June with limited predictability had a significant impact on gross margin during the second quarter of 2020, despite major reductions in costs.

ADJUSTMENTS TO NET INCOME (LOSS)

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

TABLE A

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

	Three months ended September 30, 2020 (a)	Three months ended September 30, 2019 (b)	(a)-(b) Change
NET INCOME (A)	**$45,636**	**$46,678**	**($1,042)**
Add Back - Unusual and Other Items:			
Gain on derivative instruments (4)	-	(571)	571
Net gain in the Company's operating facility in Brazil (5)	-	(4,199)	4,199
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**-**	**($4,770)**	**$4,770**
Tax impact of above items	-	1,599	(1,599)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**-**	**($3,171)**	**$3,171**
ADJUSTED NET INCOME (A + B)	**$45,636**	**$43,507**	**$2,129**
Number of Shares Outstanding – Basic ('000)	80,189	82,593	
Adjusted Basic Net Earnings Per Share	$0.57	$0.53	
Number of Shares Outstanding – Diluted ('000)	80,200	82,713	
Adjusted Diluted Net Earnings Per Share	$0.57	$0.53	

TABLE B

Nine months ended September 30, 2020 to nine months ended September 30, 2019

	Nine months ended September 30, 2020 (a)	Nine months ended September 30, 2019 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**($72,287)**	**$130,068**	**($202,355)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the business acquired from Metalsa (recorded as SG&A) (1)	2,489	-	2,489
Impairment of assets (2)	85,783	18,502	67,281
Restructuring costs (3)	8,170	8,165	5
Loss on derivative instruments (4)	-	239	(239)
Net gain in the Company's operating facility in Brazil (5)	-	(4,199)	4,199
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$96,442**	**$22,707**	**$73,735**
Tax impact of above items	(21,511)	1,078	(22,589)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$74,931**	**$23,785**	**$51,146**
ADJUSTED NET INCOME (A + B)	**$2,644**	**$153,853**	**($151,209)**
Number of Shares Outstanding – Basic ('000)	80,090	82,897	
Adjusted Basic Net Earnings Per Share	$0.03	$1.86	
Number of Shares Outstanding – Diluted ('000)	80,090	83,054	
Adjusted Diluted Net Earnings Per Share	$0.03	$1.85	

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

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

(2) Impairment of assets

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 cash-generating units (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 $85.8 million, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company's segments, including the United States, Slovakia, China and Brazil. Of the total impairment charge, $72.2 million was recognized in North America, $1.3 million in Europe, and $12.3 million in the Rest of the World. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

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

(3) Restructuring costs

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

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

(4) Loss (gain) on derivative instruments

Martinrea held warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represented derivative instruments and were fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. Based on the fair value of the outstanding warrants as at September 30, 2019, a gain of $0.6 million was recognized for the three months ended September 30, 2019 and a loss of $0.2 million was recognized for the nine months ended September 30, 2019. All outstanding remaining warrants in NanoXplore expired in March 2020 unexercised.

(5) 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 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.

NET INCOME (LOSS)

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

		Three months ended September 30, 2020		Three months ended September 30, 2019	$ Change	% Change
Net Income	$	45,636	$	46,678	(1,042)	(2.2%)
Adjusted Net Income	$	45,636	$	43,507	2,129	4.9%
Net Earnings per Share						
Basic	$	0.57	$	0.57		
Diluted	$	0.57	$	0.56		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.57	$	0.53		

Net income, before adjustments, for the third quarter of 2020 decreased by $1.0 million to $45.6 million from $46.7 million for the third quarter of 2019. The slight decrease was due largely to the unusual and other items recognized during the third quarter of 2019 as explained in Table A under “Adjustments to Net Income (Loss)”. Excluding these unusual and other items, adjusted net income for the third quarter of 2020 increased by $2.1 million to $45.6 million or $0.57 per share, on a basic and diluted basis, from $43.5 million or $0.53 per share, on a basic and diluted basis, for the third quarter of 2019.

Adjusted Net Income for the third quarter of 2020, as compared to the third quarter of 2019, was positively impacted by the following:

- higher gross profit on essentially flat year-over-year sales as previously explained; and
- a year-over-year decrease in research and development costs due primarily to a decrease in new product and process research and development activity in light of the COVID-19 pandemic.

These factors were partially offset by the following:

- negative third quarter results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously explained; and
- a higher effective tax rate on adjusted income due generally to the mix of earnings stemming from the addition of the assets acquired from Metalsa (29.0% for the third quarter of 2020 compared to 25.0% for the third quarter of 2019).

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Net Income (Loss)	$	(72,287)	$	130,068	(202,355)	(155.6%)
Adjusted Net Income	$	2,644	$	153,853	(151,209)	(98.3%)
Net Earnings (Loss) per Share						
Basic	$	(0.90)	$	1.57		
Diluted	$	(0.90)	$	1.56		
Adjusted Net Earnings per Share						
Basic	$	0.03	$	1.86		
Diluted	$	0.03	$	1.85		

Net Income (Loss), before adjustments, for the nine months ended September 30, 2020 decreased by $202.4 million to a net loss of $72.3 million from net income of $130.1 million for the nine months ended September 30, 2019 due to the lower year-over-year sales volume, due primarily to the impact of the COVID-19 pandemic, and certain unusual and other items incurred during the nine months ended September 30, 2020 and 2019 as explained in Table B under “Adjustments to Net Income (Loss)”. Excluding these unusual and other items, adjusted net income for the nine months ended September 30, 2020 decreased to $2.6 million or $0.03 per share, on a basic and diluted basis, from $153.9 or $1.86, on a basic basis, and $1.85 on a diluted basis, for the nine months ended September 30, 2019.

Adjusted Net Income for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due primarily to the impact of the COVID-19 pandemic;
- negative year-to-date results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a net unrealized foreign exchange loss of $5.2 million for the nine months ended September 30, 2020 compared to a loss of $1.5 million for the nine months ended September 30, 2019; and
- a higher effective tax rate on adjusted income due generally to the mix of earnings and tax impacts of the unusual and other items explained in Table B under “Adjustments to Net Income (Loss)” (89.0% for the nine months ended September 30, 2020 compared to 24.9% for the nine months ended September 30, 2019).

These factors were partially offset by the following:

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

DIVIDEND

A cash dividend of $0.05 per share has been declared by the Board of Directors payable to shareholders of record on December 31, 2020, on or about January 15, 2021.

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 operates in 57 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa and Japan. Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on Twitter and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Wednesday, November 11, 2020 at 5:30 p.m. (Toronto time) which can be accessed by dialing 416-641-6104 or toll free 800-952-5114 (participant code 4636275#). Please call 10 minutes prior to the start of the conference call.

A webcast of the Q3 slide presentation will be available in listen-only mode at the following link https://bell.media-server.com/mmc/p/c5aq96dh beginning at 5:30 p.m. (Toronto time). Please note that to participate in the question and answer session, the dial in numbers and participant code must be used.

There will also be a rebroadcast of the call available by dialing 905-694-9451 or toll free 800-408-3053 (conference id –4851137#). The rebroadcast will be available until December 5, 2020. The webcast presentation will be available for replay on the Martinrea website.

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

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, margin, gross margin, earnings, and earnings per share, adjusted earnings per share, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, volumes, the strength of the fourth quarter 2020 and future growth; the recovery of the automotive industry and various markets, emerging trends that could support vehicle demand; the strength of the Company, including post-COVID-19; anticipated program wins, pursuit of its strategies (including investing in and growing the business, including the industrial business; expected production in 2021 of a product with graphene; the intention to capitalize on the NanoXplore investment); the integration and expected performance of the assets acquired from Metalsa; the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's most recent Management Discussion and Analysis and Annual Information Form and other public filings which can found at www.sedar.com:

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

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

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

For further information, please contact:

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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2020

The following management discussion and analysis ("MD&A") was prepared as of November 11, 2020 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2019 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2019, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs approximately 15,000 skilled and motivated people in 57 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China, Japan and South Africa.

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

RECENT DEVELOPMENTS

COVID-19 PANDEMIC AND IMPACT ON OUR BUSINESS

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March, 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 Company's response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and enhancing liquidity. The health and safety of our employees, their families, our customers and our communities is, and will continue to be, our top priority. The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational remote work schedules, where possible; and restricting travel.

The Company also took aggressive actions in March and during the second quarter to conserve cash in response to the COVID-19 related shutdowns and lower volumes. These actions included a significant number of temporary hourly and salaried employee layoffs, temporary reductions of salaried employee base wages of 20% (50% in the case of the Company's Executive Chairman, President and

Chief Executive Officer, and Chief Financial Officer), the curtailment of non-production spending and the delay of capital and tooling spending where and when appropriate. The Company also suspended the repurchase of common stock under its normal course issuer bid, which expired in August 2020.

During the second quarter, the Company also enhanced its liquidity position by exercising the accordion feature incorporated in its banking facility. The exercise was completed on April 17, 2020, and increased the revolving credit lines available to the Company by another US $200 million ($280 million). As at September 30, 2020, the Company had total liquidity of approximately $580 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's banking facility includes a $300 million allowance for asset based financing that the Company can use for additional financing if required, of which approximately $230 million was available as at September 30, 2020.

Further, on June 24, 2020, the Company amended its lending agreements with its banking syndicate to provide enhanced financial 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.

As a result of the uncertain economic and business impacts of the COVID-19 pandemic, management has reviewed the estimates, judgements and assumptions used in the preparation of the interim financial statements, including the determination of whether indications of any asset impairment exist. As a result of this review, asset impairment charges and restructuring costs were recognized during the second quarter of 2020 as further explained in notes 9 and 11 of the interim financial statements and under the "Adjustments to Net Income (Loss)" section of this MD&A. 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.

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

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

- our supply base to deal with their challenges, including maintaining production and safety protocols;
- our customers to assist with meeting production requirements, as well as the development of new programs and products;
- our governmental and regulatory authorities to ensure safety and the economic well-being of our industry;
- our capital providers to ensure liquidity; and
- our employees to minimize the impacts of the pandemic, including a safe and healthy work environment.

The COVID-19 pandemic has had and may continue to have an adverse effect on our business, results of operations, cash flows and financial position. The ultimate extent of the impact 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 lockdowns due to any wave of COVID-19 and the potential for a recession in key markets due to the effect of the pandemic.

Since the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration. A prolonged pandemic would likely:

- deteriorate economic conditions, resulting in lower consumer confidence, which typically translates into lower vehicle sales and production levels;
- reduce our customers' production volume levels, including as a result of intermittent facility shutdowns;
- elevate the financial pressure on our customers, which could lead to an OEM insolvency, and would likely increase pricing pressure on the Company; and
- reduce our production levels, including as a result of intermittent shutdowns of our manufacturing facilities.

Additionally, a prolonged pandemic could:

- cause potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;

- lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or
- result in governmental regulation adversely impacting our business.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations.

Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date are likely to affect household income and wealth beyond 2020, which would likely directly affect vehicle sales and thus production.

ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. ("Metalsa"). The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in four other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housings and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The purchase price for the transaction was US $19.9 million ($26.5 million), inclusive of working capital less cash on hand, and on a debt free basis. The purchase price was subject to certain adjustments post-closing, finalized in a settlement agreement executed subsequent to the quarter-end on October 8, 2020.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020. The acquired operations contributed incremental sales of $104.9 million and $195.3 million, and operating losses of $3.3 million and $17.4 million, for the three and nine months ended September 30, 2020, respectively. As a result of the acquisition, year-over-year financial results may not be directly comparable.

<u>OVERALL RESULTS</u>

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

The following tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2020 and 2019. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2020 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Sales	$ 971,060	$ 974,384	(3,324)	(0.3%)
Gross Margin	151,478	143,901	7,577	5.3%
Operating Income	75,562	73,243	2,319	3.2%
Net Income for the period	45,636	46,678	(1,042)	(2.2%)
Net Earnings per Share - Basic	$ 0.57	$ 0.57	-	-
Net Earnings per Share - Diluted	$ 0.57	$ 0.56	0.01	1.8%
<u>Non-IFRS Measures*</u>				
Adjusted Operating Income	$ 75,562	$ 69,044	6,518	9.4%
% of Sales	*7.8%*	*7.1%*		
Adjusted EBITDA	134,232	122,401	11,831	9.7%
% of Sales	*13.8%*	*12.6%*		
Adjusted Net Income	45,636	43,507	2,129	4.9%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.57	$ 0.53	0.04	7.5%

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Sales	$	2,304,330	$	2,946,078	(641,748)	(21.8%)
Gross Margin		259,256		456,180	(196,924)	(43.2%)
Operating Income (Loss)		(38,598)		214,008	(252,606)	(118.0%)
Net Income (Loss) for the period		(72,287)		130,068	(202,355)	(155.6%)
Net Earnings (Loss) per Share - Basic	$	(0.90)	$	1.57	(2.47)	(157.3%)
Net Earnings (Loss) per Share - Diluted	$	(0.90)	$	1.56	(2.46)	(157.7%)
Non-IFRS Measures*						
Adjusted Operating Income	$	57,844	$	236,476	(178,632)	(75.5%)
% of Sales		*2.5%*		*8.0%*		
Adjusted EBITDA		233,779		394,021	(160,242)	(40.7%)
% of Sales		*10.1%*		*13.4%*		
Adjusted Net Income		2,644		153,853	(151,209)	(98.3%)
Adjusted Net Earnings per Share - Basic	$	0.03	$	1.86	(1.83)	(98.4%)
Adjusted Net Earnings per Share - Diluted	$	0.03	$	1.85	(1.82)	(98.4%)

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company’s performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include “Adjusted Net Income”, “Adjusted Net Earnings per Share (on a basic and diluted basis)”, “Adjusted Operating Income”, "Adjusted EBITDA”, “Free Cash Flow” and “Net Debt”. Please refer to the Company’s previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2019 and 2018 for a full reconciliation of IFRS to non-IFRS measures.

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

		Three months ended September 30, 2020		Three months ended September 30, 2019
Net Income	$	45,636	$	46,678
Unusual and Other Items (after-tax)*		-		(3,171)
Adjusted Net Income	$	45,636	$	43,507

		Nine months ended September 30, 2020		Nine months ended September 30, 2019
Net Income (Loss)	$	(72,287)	$	130,068
Unusual and Other Items (after-tax)*		74,931		23,785
Adjusted Net Income	$	2,644	$	153,853

**Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A*

	Three months ended September 30, 2020	Three months ended September 30, 2019
Net Income	$ 45,636	$ 46,678
Income tax expense	18,636	16,129
Other finance expense - excluding Unusual and Other Items*	1,852	844
Share of loss of an associate	300	818
Finance expense	9,138	9,345
Unusual and Other Items (before-tax)*	-	(4,770)
Adjusted Operating Income	$ 75,562	$ 69,044
Depreciation of property, plant and equipment and right-of-use assets	55,237	50,200
Amortization of intangible assets	3,196	4,104
Loss (gain) on disposal of property, plant and equipment	237	(947)
Adjusted EBITDA	$ 134,232	$ 122,401

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Net Income (Loss)	$ (72,287)	$ 130,068
Income tax expense (benefit)	(86)	52,156
Other finance expense - excluding Unusual and Other Items*	5,008	1,130
Share of loss of an associate	1,881	1,330
Finance expense	26,886	29,085
Unusual and Other Items (before-tax)*	96,442	22,707
Adjusted Operating Income	$ 57,844	$ 236,476
Depreciation of property, plant and equipment and right-of-use assets	166,044	146,931
Amortization of intangible assets	9,654	11,820
Loss (gain) on disposal of property, plant and equipment	237	(1,206)
Adjusted EBITDA	$ 233,779	$ 394,021

**Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A*

SALES

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
North America	$ 739,489	$ 780,989	(41,500)	(5.3%)
Europe	189,366	157,736	31,630	20.1%
Rest of the World	46,999	37,727	9,272	24.6%
Eliminations	(4,794)	(2,068)	(2,726)	131.8%
Total Sales	$ 971,060	$ 974,384	(3,324)	(0.3%)

The Company's consolidated sales for the third quarter of 2020 decreased by $3.3 million or 0.3% to $971.1 million as compared to $974.4 million for the third quarter of 2019. The total decrease in sales was driven by a year-over-year decrease in North America, partially offset by increases in the Europe and Rest of the World operating segments.

Sales for the third quarter of 2020 in the Company's North America operating segment decreased by $41.5 million or 5.3% to $739.5 million from $781.0 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $29.7 million of year-over-year sales (including $0.4 million in tooling sales) to the North America operating segment. Excluding the acquired operations, third quarter sales in North America decreased year-over-year by $71.2 million or 9.1%. This decrease was due to a decrease in tooling sales of $100.3 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer; partially offset by higher production volumes on General Motors pick-up truck and large SUV platform, which was negatively impacted by the United Auto Workers strike at General Motors during the third quarter of 2019, the continued production of ventilator stands for General Motors, and the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the third quarter of 2020 of approximately $11.8 million as compared to the third quarter of 2019. Overall third quarter OEM light vehicle production in North America was essentially flat year-over-year, despite the COVID-19 global pandemic.

Sales for the third quarter of 2020 in the Company's Europe operating segment increased by $31.6 million or 20.1% to $189.4 million from $157.7 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $53.5 million of year-over-year sales (including $5.8 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, third quarter sales in Europe decreased year-over-year by $21.9 million or 13.9%. This decrease was due to overall lower industry volumes, primarily as a result of the COVID-19 pandemic; partially offset by an $8.4 million increase in tooling sales, and a $4.9 million positive foreign exchange impact from the translation of Euro-denominated production sales as compared to the third quarter of 2019.

Sales for the third quarter of 2020 in the Company's Rest of the World operating segment increased by $9.3 million or 24.6% to $47.0 million from $37.7 million for the third quarter of 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $21.7 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, third quarter sales in the Rest of the World decreased year-over-year by $12.4 million or 32.9%. This decrease was largely driven by lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China, a $4.3 million decrease in tooling sales, and a $1.8 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the third quarter of 2019.

Overall tooling sales, inclusive of the operations acquired from Metalsa, decreased by $90.0 million to $37.8 million for the third quarter of 2020 from $127.8 million for the third quarter of 2019.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

		Nine months ended September 30, 2020		**Nine months ended September 30, 2019**	**$ Change**	**% Change**
North America	$	1,745,151	$	2,346,167	(601,016)	(25.6%)
Europe		449,251		513,742	(64,491)	(12.6%)
Rest of the World		120,665		91,526	29,139	31.8%
Eliminations		(10,737)		(5,357)	(5,380)	100.4%
Total Sales	$	2,304,330	$	2,946,078	(641,748)	(21.8%)

The Company's consolidated sales for the nine months ended September 30, 2020 decreased by $641.7 million or 21.8% to $2,304.3 million as compared to $2,946.1 million for the nine months ended September 30, 2019. The total decrease in sales was driven by decreases in the North America and Europe operating segments, partially offset by an increase in sales in the Rest of the World.

Sales for the nine months ended September 30, 2020 in the Company's North America operating segment decreased by $601.1 million or 25.6% to $1,745.2 million from $2,346.2 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $47.7 million of year-over-year sales (including $1.7 million in tooling sales) to the North America operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in North America decreased year-over-year by $648.8 million or 27.7%. This decrease was due to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic, and a decrease in tooling sales of $152.6 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2020 of approximately $23.0 million as compared to the corresponding period of 2019, and the launch of new programs during or subsequent to the nine months ended September 30, 2019, including the General Motors heavy duty truck, and the production of ventilator stands for General Motors.

Sales for the nine months ended September 30, 2020 in the Company's Europe operating segment decreased by $64.5 million or 12.6% to $449.3 million from $513.7 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $98.8 million of year-over-year sales (including $9.7 million in tooling sales) to the Europe operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in Europe decreased year-over-year by $163.3 million or 31.8%. This decrease can be attributed to overall lower industry volumes, primarily as a result of the impact of the COVID-19 pandemic; lower pre-COVID year-over-year production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover; and a $2.8 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, 2019, namely an aluminum transmission for Volkswagen; and a $1.3 million positive foreign exchange impact from the translation of Euro-denominated production sales as compared to the corresponding period of 2019.

Sales for the nine months ended September 30, 2020 in the Company's Rest of the World operating segment increased by $29.1 million or 31.8% to $120.7 million from $91.5 million for the nine months ended September 30, 2019. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, contributed $48.8 million of year-over-year sales to the Rest of the World operating segment. Excluding the acquired operations, sales for the nine months ended September 30, 2020 in the Rest of the World decreased year-over-year by $19.7 million or 21.5%. This decrease was largely driven by COVID-19 related disruption, lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China, a $3.9 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the corresponding period of 2019, and a $0.4 million decrease in tooling sales.

Overall tooling sales, inclusive of the operations acquired from Metalsa, decreased by $144.4 million to $129.8 million for the nine months ended September 30, 2020 from $274.2 million for the nine months ended September 30, 2019.

GROSS MARGIN

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Gross margin	$ 151,478	$ 143,901	7,577	5.3%
% of Sales	15.6%	14.8%		

The gross margin percentage for the third quarter of 2020 of 15.6% increased as a percentage of sales by 0.8% as compared to the gross margin percentage for the third quarter of 2019 of 14.8%. The increase in gross margin as a percentage of sales was generally due to a decrease in tooling sales which typically earn low margins for the Company; a positive sales mix; productivity and efficiency improvements at certain operating facilities; and the receipt of certain COVID-related government wage subsidies. These positive factors were partially offset by a negative impact on overall margin percentage from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, and operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change	% Change
Gross margin	$ 259,256	$ 456,180	(196,924)	(43.2%)
% of Sales	11.3%	15.5%		

The gross margin percentage for the nine months ended September 30, 2020 of 11.3% decreased as a percentage of sales by 4.2% as compared to the gross margin percentage for the nine months ended September 30, 2019 of 15.5%. The decrease in gross margin as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven primarily by the impact of the COVID19 pandemic; a negative impact on overall margin percentage from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020; and operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; the receipt of certain COVID-related government wage subsidies; and a decrease in tooling sales, which typically earn low margins for the Company. The sharp sales decline in April and May, as a result of the COVID-19 related shutdowns, coupled with a volatile restart and ramp-up of production in May and June with limited predictability had a significant impact on gross margin during the second quarter of 2020, despite major reductions in costs.

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

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

		Three months ended September 30, 2020		Three months ended September 30, 2019	$ Change	% Change
Selling, general & administrative	$	64,537	$	57,381	7,156	12.5%
% of Sales		6.6%		5.9%		

SG&A expense, before adjustments, for the third quarter of 2020 increased by $7.2 million to $64.5 million as compared to $57.4 million for the third quarter of 2019. Excluding the unusual and other items recognized during the third quarter of 2019 relating to the Company's operating facility in Brazil, as explained in Table A under "Adjustments to Net Income (Loss)", SG&A expense for the third quarter of 2020 increased by $2.9 million to $64.5 million from $61.6 million for the comparative period in 2019. The increase in SG&A expense can be attributed to the addition of the operations acquired from Metalsa, partially offset by a reduction in travel related expenses and other costs as a result of the COVID-19 pandemic.

Excluding adjustments, SG&A expense as a percentage of sales increased to 6.6% for the third quarter of 2020 compared to 6.3% for the third quarter of 2019.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Selling, general & administrative	$	169,479	$	176,024	(6,545)	(3.7%)
% of Sales		7.4%		6.0%		

SG&A expense, before adjustments, for the nine months ended September 30, 2020 decreased by $6.5 million to $169.5 million as compared to $176.0 million, for the nine months ended September 30, 2019. Excluding the unusual and other items as explained in Table B under "Adjustments to Net Income (Loss)", SG&A expense for the nine months ended September 30, 2020 decreased by $13.2 million to $167.0 million from $180.2 million for the comparative period in 2019. The decrease can be attributed to the actions taken by the Company during the second quarter of 2020 to reduce its costs and curtail discretionary and non-production spending in response to the COVID-19 related shutdowns, and lower year-over-year compensation expense related to deferred/restricted share units; partially offset by the addition of the operations acquired from Metalsa.

Excluding adjustments, SG&A expense as a percentage of sales increased to 7.2% for the nine months ended September 30, 2020 compared to 6.1% for the comparative period of 2019, due mainly to overall lower sales volumes, driven primarily by the impact of the COVID-19 pandemic.

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

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

		Three months ended September 30, 2020		Three months ended September 30, 2019	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	51,302	$	46,598	4,704	10.1%
Depreciation of PP&E and right-of-use assets (non-production)		3,935		3,602	333	9.2%
Amortization of customer contracts and relationships		323		536	(213)	(39.7%)
Amortization of development costs		2,873		3,568	(695)	(19.5%)
Total depreciation and amortization	$	58,433	$	54,304	4,129	7.6%

Total depreciation and amortization expense for the third quarter of 2020 increased by $4.1 million to $58.4 million as compared to $54.3 million for the third quarter of 2019. The increase in total depreciation and amortization expense was due mainly to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the third quarter of 2019, partially offset by a decrease in depreciation and amortization expense resulting from the impairment charges recorded in the second quarter of 2020 as explained in Table B under “Adjustments to Net Income (Loss)”.

A significant portion of the Company’s recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2019 and new and replacement programs scheduled to launch over the next two to three years in all of the Company’s various product offerings. The Company continues to make significant investments in the operations of the Company in light of its growing backlog of business and growing global footprint.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales increased year-over-over to 5.3% for the third quarter of 2020 from 4.8% for the third quarter of 2019 due mainly to the increased asset base.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	154,394	$	135,972	18,422	13.5%
Depreciation of PP&E and right-of-use assets (non-production)		11,650		10,959	691	6.3%
Amortization of customer contracts and relationships		964		1,569	(605)	(38.6%)
Amortization of development costs		8,690		10,251	(1,561)	(15.2%)
Total depreciation and amortization	$	175,698	$	158,751	16,947	10.7%

Total depreciation and amortization expense for the nine months ended September 30, 2020 increased by $16.9 million to $175.7 million as compared to $158.8 million for the nine months ended September 30, 2019. Consistent with the year-over-year increase in the third quarter of 2020 as explained above, the increase in total depreciation and amortization expense for the nine months ended September 30, 2020 was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the nine months ended September 30, 2019.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales increased year-over-year to 6.7% for the nine months ended September 30, 2020 from 4.6% for the nine months ended September 30, 2019 due mainly to overall lower sales volume, driven primarily by the impact of the COVID-19 pandemic.

ADJUSTMENTS TO NET INCOME (LOSS)

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

TABLE A

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

	Three months ended September 30, 2020 (a)	Three months ended September 30, 2019 (b)	(a)-(b) Change
NET INCOME (A)	**$45,636**	**$46,678**	**($1,042)**
Add Back - Unusual and Other Items:			
Gain on derivative instruments (4)	-	(571)	571
Net gain in the Company's operating facility in Brazil (5)	-	(4,199)	4,199
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**-**	**($4,770)**	**$4,770**
Tax impact of above items	-	1,599	(1,599)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**-**	**($3,171)**	**$3,171**
ADJUSTED NET INCOME (A + B)	**$45,636**	**$43,507**	**$2,129**
Number of Shares Outstanding – Basic (‘000)	80,189	82,593	
Adjusted Basic Net Earnings Per Share	$0.57	$0.53	
Number of Shares Outstanding – Diluted (‘000)	80,200	82,713	
Adjusted Diluted Net Earnings Per Share	$0.57	$0.53	

TABLE B

Nine months ended September 30, 2020 to nine months ended September 30, 2019

	Nine months ended September 30, 2020 (a)	Nine months ended September 30, 2019 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**($72,287)**	**$130,068**	**($202,355)**
Add Back - Unusual and Other Items:			
Transaction costs associated with the business acquired from Metalsa (recorded as SG&A) (1)	2,489	-	2,489
Impairment of assets (2)	85,783	18,502	67,281
Restructuring costs (3)	8,170	8,165	5
Loss on derivative instruments (4)	-	239	(239)
Net gain in the Company's operating facility in Brazil (5)	-	(4,199)	4,199
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$96,442**	**$22,707**	**$73,735**
Tax impact of above items	(21,511)	1,078	(22,589)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$74,931**	**$23,785**	**$51,146**
ADJUSTED NET INCOME (A + B)	**$2,644**	**$153,853**	**($151,209)**
Number of Shares Outstanding – Basic ('000)	80,090	82,897	
Adjusted Basic Net Earnings Per Share	$0.03	$1.86	
Number of Shares Outstanding – Diluted ('000)	80,090	83,054	
Adjusted Diluted Net Earnings Per Share	$0.03	$1.85	

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

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

(2) Impairment of assets

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 cash generating units (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 $85.8 million, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company's segments, including the United States, Slovakia, China and Brazil. Of the total impairment charge, $72.2 million was recognized in North America, $1.3 million in Europe, and $12.3 million in the Rest of the World. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

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

(3) Restructuring costs

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

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

(4) Loss (gain) on derivative instruments

Martinrea held warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represented derivative instruments and were fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. Based on the fair value of the outstanding warrants as at September 30, 2019, a gain of $0.6 million was recognized for the three months ended September 30, 2019 and a loss of $0.2 million was recognized for the nine months ended September 30, 2019. All outstanding remaining warrants in NanoXplore expired in March 2020 unexercised.

(5) 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 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.

NET INCOME (LOSS)

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Net Income	$ 45,636	$ 46,678	(1,042)	(2.2%)
Adjusted Net Income	$ 45,636	$ 43,507	2,129	4.9%
Net Earnings per Share				
Basic	$ 0.57	$ 0.57		
Diluted	$ 0.57	$ 0.56		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.57	$ 0.53		

Net income, before adjustments, for the third quarter of 2020 decreased by $1.0 million to $45.6 million from $46.7 million for the third quarter of 2019. The slight decrease was due largely to the unusual and other items recognized during the third quarter of 2019 as explained in Table A under "Adjustments to Net Income (Loss)". Excluding these unusual and other items, adjusted net income for the third quarter of 2020 increased by $2.1 million to $45.6 million or $0.57 per share, on a basic and diluted basis, from $43.5 million or $0.53 per share, on a basic and diluted basis, for the third quarter of 2019.

Adjusted Net Income for the third quarter of 2020, as compared to the third quarter of 2019, was positively impacted by the following:

- higher gross profit on essentially flat year-over-year sales as previously explained; and
- a year-over-year decrease in research and development costs due primarily to a decrease in new product and process research and development activity in light of the COVID-19 pandemic.

These factors were partially offset by the following:

- negative third quarter results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a year-over-year increase in SG&A expense, excluding adjustments, as previously explained; and
- a higher effective tax rate on adjusted income due generally to the mix of earnings stemming from the addition of the assets acquired from Metalsa (29.0% for the third quarter of 2020 compared to 25.0% for the third quarter of 2019).

Three months ended September 30, 2020 actual to guidance comparison:

On August 10, 2020, the Company provided the following guidance for the third quarter of 2020:

		Guidance		Actual
Production sales (in millions)	$	850 - 950	$	933
Adjusted Net Earnings per Share				
Basic & Diluted	$	0.40 - 0.50	$	0.57

For the third quarter of 2020, production sales of $933 million were within the published sales guidance range. Adjusted Net Earnings per Share of $0.57 exceeded the published earnings guidance range due to a positive sales mix and better than expected operational performance at certain facilities, driven by reduced operating costs and productivity improvements.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

		Nine months ended September 30, 2020		Nine months ended September 30, 2019	$ Change	% Change
Net Income (Loss)	$	(72,287)	$	130,068	(202,355)	(155.6%)
Adjusted Net Income	$	2,644	$	153,853	(151,209)	(98.3%)
Net Earnings (Loss) per Share						
Basic	$	(0.90)	$	1.57		
Diluted	$	(0.90)	$	1.56		
Adjusted Net Earnings per Share						
Basic	$	0.03	$	1.86		
Diluted	$	0.03	$	1.85		

Net Income (Loss), before adjustments, for the nine months ended September 30, 2020 decreased by $202.4 million to a net loss of $72.3 million from net income of $130.1 million for the nine months ended September 30, 2019 due to the lower year-over-year sales volume, due primarily to the impact of the COVID-19 pandemic, and certain unusual and other items incurred during the nine months ended September 30, 2020 and 2019 as explained in Table B under "Adjustments to Net Income (Loss)". Excluding these unusual and other items, adjusted net income for the nine months ended September 30, 2020 decreased to $2.6 million or $0.03 per share, on a basic and diluted basis, from $153.9 or $1.86, on a basic basis, and $1.85 on a diluted basis, for the nine months ended September 30, 2019.

Adjusted Net Income for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained, due primarily to the impact of the COVID-19 pandemic;
- negative year-to-date results from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020;
- a net unrealized foreign exchange loss of $5.2 million for the nine months ended September 30, 2020 compared to a loss of $1.5 million for the nine months ended September 30, 2019; and

- a higher effective tax rate on adjusted income due generally to the mix of earnings and tax impacts of the unusual and other items explained in Table B under "Adjustments to Net Income (Loss)" (89.0% for the nine months ended September 30, 2020 compared to 24.9% for the nine months ended September 30, 2019).

These factors were partially offset by the following:

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

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Additions to PP&E	$ 73,166	$ 75,748	(2,582)	(3.4%)

Additions to PP&E remained relatively consistent year-over-year decreasing slightly to $73.2 or 7.5% of sales in the third quarter of 2020 from $75.7 million or 7.8% of sales in the third quarter of 2019. General timing of expenditures makes quarterly additions to PP&E quite volatile in nature. Certain new program capital additions, previously delayed during the second quarter COVID-related shutdowns, moved into the third quarter as preparations for upcoming new program launches resumed. The Company continues to make investments in the business including in various sales and margin growth projects and in both new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment during the COVID-19 pandemic.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change	% Change
Additions to PP&E	$ 181,453	$ 209,629	(28,176)	(13.4%)

Additions to PP&E decreased by $28.1 million year-over-year to $181.5 million for the nine months ended September 30, 2020 compared to $209.6 million for the nine months ended September 30, 2019. The decrease reflects the Company's efforts to reduce capital expenditures to support cash flow in light of the COVID-19 pandemic.

SEGMENT ANALYSIS

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by the Company's chief operating decision maker, which is the Chief Executive Officer. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented and aggregated on a geographic basis among North America, Europe and Rest of the World. The Company measures segment operating performance based on operating income (loss).

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

	SALES		OPERATING INCOME (LOSS)	
	Three months ended September 30, 2020	Three months ended September 30, 2019	Three months ended September 30, 2020	Three months ended September 30, 2019
North America	$ 739,489	$ 780,989	$ 76,290	$ 48,405
Europe	189,366	157,736	(6,478)	13,927
Rest of the World	46,999	37,727	5,750	6,712
Eliminations	(4,794)	(2,068)	-	-
Adjusted Operating Income	-	-	$ 75,562	$ 69,044
Unusual and Other Items*	-	-	-	4,199
Total	$ 971,060	$ 974,384	$ 75,562	$ 73,243

** Operating income for the operating segments has been adjusted for unusual and other items. The $4.2 million of unusual and other items for the third quarter of 2019 was recognized in the Rest of the World. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $27.9 million to $76.3 million or 10.3% of sales for the third quarter of 2020 from $48.4 million or 6.2% for the third quarter of 2019. The increase in adjusted operating income as a percentage of sales was generally due to a significant decrease in tooling sales, which typically earn low margins for the Company; a positive sales mix; productivity and efficiency improvements at certain operating facilities; the receipt of certain COVID-related government wage subsidies; and lower research and development expenses as previously explained. These positive factors were partially offset by operational inefficiencies and other costs at certain facilities including upfront costs incurred in preparation of upcoming new programs.

Europe

Adjusted Operating Income (Loss) in Europe decreased by $20.4 million to an operating loss of $6.5 million or (3.4%) of sales for the third quarter of 2020 from operating income of $13.9 million or 8.8% of sales for the third quarter of 2019. The decrease in adjusted operating income (loss) as a percentage of sales was generally due to a negative impact on overall margin from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, and overall lower sales volume and corresponding lower utilization of assets, excluding the acquired business, primarily as a result of the COVID-19 pandemic.

Rest of the World

Adjusted Operating Income in the Rest of the World decreased slightly by $1.0 million to $5.8 million or 12.2% of sales for the third quarter of 2020 from $6.7 million or 17.8% of sales for the third quarter of 2019. The decrease in adjusted operating income as a percentage of sales was generally due to a negative sales mix.

Nine months ended September 30, 2020 to nine months ended September 30, 2019 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Nine months ended September 30, 2020	**Nine months ended September 30, 2019**	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2019**
North America	$ 1,745,151	$ 2,346,167	$ 86,088	$ 191,207
Europe	449,251	513,742	(40,420)	39,926
Rest of the World	120,665	91,526	12,176	5,343
Eliminations	(10,737)	(5,357)	-	-
Adjusted Operating Income	-	-	$ 57,844	$ 236,476
Unusual and Other Items*	-	-	(96,442)	(22,468)
Total	$ 2,304,330	$ 2,946,078	$ (38,598)	$ 214,008

** Operating income (loss) for the operating segments has been adjusted for unusual and other items. Of the $96.4 million of usual and other items for the nine months ended September 30, 2020, $81.2 million was incurred in North America, $2.3 million in Europe and $12.9 million in the Rest of the World. Of the $22.5 million of unusual and other items for the nine months ended September 30, 2019, $1.7 million was incurred in North America and $20.8 million in the Rest of the World. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America decreased by $105.1 million to $86.1 million or 4.9% of sales for the nine months ended September 30, 2020 from $191.2 million or 8.1% of sales for the nine months ended September 30, 2019. The decrease in adjusted operating income as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, as a result of the impact of the COVID-19 pandemic, and operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs; partially offset by a decrease in tooling sales, which typically earn low margins for the Company; lower SG&A and research and development expenses as previously explained; productivity and efficiency improvements at certain operating facilities; and the receipt of certain COVID-related government wage subsidies.

Europe

Adjusted Operating Income (Loss) in Europe decreased by $80.3 million to an adjusted operating loss of $40.4 million or (9.0%) of sales for the nine months ended September 30, 2020 from adjusted operating income of $39.9 million or 7.8% for the nine months ended September 30, 2019. The decrease in adjusted operating income (loss) as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, primarily as a result of the impact of the COVID-19 pandemic and lower pre-COVID production related to certain light vehicle platforms, in particular with Daimler and Jaguar Land Rover; and negative operating results from the business acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020. These negative factors were partially offset by lower SG&A expenses as previously explained.

Rest of the World

Adjusted Operating Income in the Rest of the World increased by $6.8 million to $12.2 million or 10.1% of sales for the nine months ended September 30, 2020 from $5.3 million or 5.8% of sales for the nine months ended September 30, 2020 due generally to higher year-over-year sales.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	$ 971,060	$ 460,564	$ 872,706	$ 917,581	$ 974,384	$ 948,533	$ 1,023,161	$ 926,154
Gross Margin	$ 151,478	$ (12,459)	$ 120,237	$ 129,921	$ 143,901	$ 154,778	$ 157,501	$ 134,567
Net Income (Loss) for the period	$ 45,636	$ (146,886)	$ 28,963	$ 51,153	$ 46,678	$ 28,122	$ 55,268	$ 37,816
Adjusted Net Income (Loss)	$ 45,636	$ (73,115)	$ 30,123	$ 33,834	$ 43,507	$ 54,570	$ 55,776	$ 43,840
Basic Net Earnings (Loss) per Share	$ 0.57	$ (1.84)	$ 0.36	$ 0.63	$ 0.57	$ 0.34	$ 0.66	$ 0.44
Diluted Net Earnings (Loss) per Share	$ 0.57	$ (1.84)	$ 0.36	$ 0.63	$ 0.56	$ 0.34	$ 0.66	$ 0.44
Adjusted Basic and Diluted Net Earnings (Loss) per Share	$ 0.57	$ (0.91)	$ 0.38	$ 0.42	$ 0.53	$ 0.66	$ 0.67	$ 0.51

LIQUIDITY AND CAPITAL RESOURCES

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.

Throughout the COVID-19 pandemic, the Company has taken controlled and measured actions to preserve liquidity, including aggressively flexing and reducing its cost base, eliminating discretionary spending across its global footprint and delaying capital and tooling spending where and when appropriate. The Company also suspended the repurchase of common stock under its normal course issuer bid, which expired in August 2020, to preserve cash. In addition, 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 million ($280 million).

As at September 30, 2020, the Company had total liquidity of approximately $580 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's banking facility includes a $300 million allowance for asset based financing that the Company can use for additional financing if required, of which $234 million was available as at September 30, 2020.

Further, 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.

As at September 30, 2020, the Company had drawn US$356.0 million (December 31, 2019 - US$301.0 million) on the U.S. revolving credit line and $348.0 million (December 31, 2019 - $328.0 million) 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.

On July 2, 2020, the Company finalized an eight year equipment loan in the amount of € 1.0 million ($1.5 million) 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 € 6.6 million ($10.0 million) repayable in monthly installments commencing in 2021 at a fixed annual interest rate of 2.0%.

The principal sources of liquidity available for the Company's future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments.

Debt leverage ratios:

Excluding the impact of IFRS 16:	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**
Long-term debt	$ 888,365	$ 902,205	$ 871,207	$ 781,573	$ 793,246
Less: Cash and cash equivalents	(214,049)	(125,834)	(156,515)	(118,973)	(101,409)
Net Debt	$ 674,316	$ 776,371	$ 714,692	$ 662,600	$ 691,837
Trailing 12-month Adjusted EBITDA	$ 304,716	$ 294,634	$ 441,517	$ 468,355	$ 478,692
Net Debt to Adjusted EBITDA ratio	2.21x	2.64x	1.62x	1.41x	1.45x

Including the impact of IFRS 16:	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**	**September 30, 2019**
Long-term debt	$ 888,365	$ 902,205	$ 871,207	$ 781,573	$ 793,246
Lease liabilities	224,405	219,130	220,525	202,352	210,991
	1,112,770	1,121,335	1,091,732	983,925	1,004,237
Less: Cash and cash equivalents	(214,049)	(125,834)	(156,515)	(118,973)	(101,409)
Net Debt	$ 898,721	$ 995,501	$ 935,217	$ 864,952	$ 902,828
Trailing 12-month Adjusted EBITDA	$ 344,313	$ 332,482	$ 478,368	$ 504,555	$ 513,813
Net Debt to Adjusted EBITDA ratio	2.61x	2.99x	1.96x	1.71x	1.76x

The Company's net debt (excluding the impact of adopting IFRS 16 and as outlined above) decreased by $102.1 million during the third quarter of 2020 to $674.3 million from $776.4 million at the end of the second quarter of 2020, due largely to cash generated from operations, including $63.7 million of cash provided by non-cash working capital items, some of which relates to timing and will likely reverse over subsequent quarters. As a result, coupled with a quarter-over-quarter increase in trailing 12-month adjusted EBITDA, the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) decreased during the quarter to 2.21x from 2.64x at the end of the second quarter of 2020.

The Company was in compliance with its debt covenants as at September 30, 2020. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16 and excludes EBITDA from the second quarter of 2020, as described above.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter.

In 2018, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly installments of $0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to $0.20 per share, to be paid in four quarterly installments of $0.05 per share, commencing at the beginning of 2020. The first three such dividends were paid on April 14, 2020, July 23, 2020, and October 13, 2020. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current COVID-19 situation, the Company's financial performance, and then current anticipated needs at that time.

Cash flow

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 134,006	$ 128,041	5,965	4.7%
Change in non-cash working capital items	63,675	(9,843)	73,518	(746.9%)
	197,681	118,198	79,483	67.2%
Interest paid	(8,895)	(9,243)	348	(3.8%)
Income taxes paid	(10,262)	(11,885)	1,623	(13.7%)
Cash provided by operating activities	178,524	97,070	81,454	83.9%
Cash used in financing activities	(15,208)	(18,023)	2,815	(15.6%)
Cash used in investing activities	(76,207)	(68,992)	(7,215)	10.5%
Effect of foreign exchange rate changes on cash and cash equivalents	1,106	1,214	(108)	(8.9%)
Increase in cash and cash equivalents	$ 88,215	$ 11,269	76,946	682.8%

Cash provided by operating activities during the third quarter of 2020 was $178.5 million, compared to $97.1 million in the corresponding period of 2019. The components for the third quarter of 2020 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $134.0 million;
- working capital items source of cash of $63.7 million comprised of an increase in trade, other payables and provisions of $268.8 million, and a decrease in prepaid expenses and deposits of $0.3 million; partially offset by an increase in trade and other receivables of $143.4 million, and an increase in inventories of $62.1 million;
- income taxes paid of $10.3 million; and
- interest paid of $8.9 million.

Cash used in financing activities during the third quarter of 2020 was $15.2 million, compared to cash used in financing activities of $18.0 million in the corresponding period in 2019, as a result of a $4.2 million net decrease in long-term debt (reflecting repayments on equipment loans of $4.5 million, partially offset by drawdowns on the Company's revolving banking facility of $0.3 million), repayment of lease liabilities of $8.6 million, and $4.0 million in dividends paid; partially offset by proceeds from the exercise of employee stock options of $1.6 million.

Cash used in investing activities during the third quarter of 2020 was $76.2 million, compared to $69.0 million in the corresponding period in 2019. The components for the third quarter of 2020 primarily include the following:

- cash additions to PP&E of $72.3 million; and
- capitalized development costs relating to upcoming new program launches of $3.9 million.

Taking into account the opening cash balance of $125.8 million at the beginning of the third quarter of 2020, and the activities described above, the cash and cash equivalents balance at September 30, 2020 was $214.0 million.

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 220,925	$ 393,083	(172,158)	(43.8%)
Change in non-cash working capital items	79,117	(23,763)	102,880	(432.9%)
	300,042	369,320	(69,278)	(18.8%)
Interest paid	(27,375)	(31,412)	4,037	(12.9%)
Income taxes paid	(24,473)	(52,172)	27,699	(53.1%)
Cash provided by operating activities	248,194	285,736	(37,542)	(13.1%)
Cash provided by (used in) financing activities	54,473	(3,743)	58,216	(1,555.3%)
Cash used in investing activities	(211,985)	(249,154)	37,169	(14.9%)
Effect of foreign exchange rate changes on cash and cash equivalents	4,394	(1,592)	5,986	(376.0%)
Increase in cash and cash equivalents	$ 95,076	$ 31,247	63,829	204.3%

Cash provided by operating activities during the nine months ended September 30, 2020 was $248.2 million, compared to cash provided by operating activities of $285.7 million in the corresponding period of 2019. The components for the nine months ended September 30, 2020 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $220.9 million;
- working capital items source of cash of $79.1 million comprised of an increase in trade, other payables and provisions of $159.0 million, and a decrease in prepaid expenses and deposits of $6.7 million; partially offset by an increase in inventories of $84.8 million, and an increase in trade and other receivables of $1.8 million;
- interest paid of $27.4 million; and
- income taxes paid of $24.5 million.

Cash provided by financing activities during the nine months ended September 30, 2020 was $54.5 million, compared to cash used in financing activities of $3.7 million in the corresponding period in 2019, as a result of a $90.9 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility and proceeds from additional equipment loans of $103.6 million, partially offset by the repayments made on equipment loans of $12.7 million), repayment of lease liabilities of $23.9 million, $11.6 million in dividends paid, and the repurchase of common shares by way of the normal course issuer bid of $3.4 million; partially offset by proceeds from the exercise of employee stock options of $2.5 million.

Cash used in investing activities during the nine months ended September 30, 2020 was $212.0 million, compared to $249.2 million in the corresponding period in 2019. The components for the nine months ended September 30, 2020 primarily include the following:

- cash additions to PP&E of $188.2 million;
- net preliminary cash consideration paid for the operations acquired from Metalsa of $10.5 million;
- capitalized development costs relating to upcoming new program launches of $8.6 million;
- an investment in NanoXplore Inc. of $5.0 million (as described in note 8 of the interim financial statements for the three and nine months ended September 30, 2020); partially offset by
- proceeds from the disposal of PP&E of $0.3 million.

Taking into account the opening cash balance of $119.0 million at the beginning of 2020, and the activities described above, the cash and cash equivalents balance at September 30, 2020 was $214.0 million.

Free Cash Flow

	Three months ended September 30, 2020	Three months ended September 30, 2019	$ Change
Adjusted EBITDA	$ 134,232	$ 122,401	11,831
Add (deduct):			
Change in non-cash working capital items	63,675	(9,843)	73,518
Cash purchase of property, plant and equipment	(72,347)	(57,431)	(14,916)
Cash proceeds on disposal of property, plant and equipment	42	4,774	(4,732)
Capitalized development costs	(3,902)	(2,624)	(1,278)
Upfront recovery of capitalized development costs	-	767	(767)
Interest paid*	(8,895)	(9,243)	348
Cash income taxes	(10,262)	(11,885)	1,623
Free cash flow*	102,543	36,916	65,627

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

Free cash flow increased this quarter due largely to an increase in cash provided by non-cash working capital, and higher year-over-year Adjusted EBITDA, driven largely by an increase in operating margins. These factors were partially offset by an increase in cash purchases of property, plant and equipment and lower proceeds on disposal of property plant and equipment.

All tooling-related working capital accounts, including inventory, trade and other receivables, and trade and other payables on a net basis, decreased to $36.8 million as at September 30, 2020, from $44.8 million as at June 30, 2020 and $94.9 million as at September 2019. Tooling related working capital related to the operations acquired from Metalsa added $14.6 million to the balance as at September 30, 2020.

Reconciliation of IFRS “Net cash provided by operating activities” to Non-IFRS “Free Cash Flow” for three months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020	Three months ended September 30, 2019
Cash provided by operating activities	$ 178,524	$ 97,070
Add (deduct):		
Cash purchases of property, plant and equipment	(72,347)	(57,431)
Cash proceeds on disposal of property, plant and equipment	42	4,774
Capitalized development costs	(3,902)	(2,624)
Upfront recovery of capitalized development costs	-	767
Unrealized loss on foreign exchange contracts	(2,214)	(627)
Deferred and restricted share units benefit (expense)	236	(1,833)
Stock options expense	(604)	(264)
Unusual and other items - Gain in the Company's operating facility in Brazil (included in SG&A expense)	-	(4,199)
Pension and other post-employment benefits expense	(1,036)	(1,177)
Contributions made to pension and other post-retirement benefits expense	1,992	1,616
Net unrealized foreign exchange loss and other income	1,852	844
Free cash flow	$ 102,543	$ 36,916

	Nine months ended September 30, 2020	Nine months ended September 30, 2019	$ Change
Adjusted EBITDA	$ 233,779	$ 394,021	(160,242)
Add (deduct):			
Change in non-cash working capital items	79,117	(23,763)	102,880
Cash purchase of property, plant and equipment	(188,233)	(217,877)	29,644
Cash proceeds on disposal of property, plant and equipment	308	5,489	(5,181)
Capitalized development costs	(8,557)	(8,056)	(501)
Upfront recovery of capitalized development costs	-	767	(767)
Interest paid*	(27,375)	(31,412)	4,037
Cash income taxes	(24,473)	(52,172)	27,699
Free cash flow*	64,566	66,997	(2,431)

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

Free cash flow for the nine months ended September 30, 2020 remained relatively consistent year-over-year decreasing only slightly by $2.4 million due to lower year-over-year Adjusted EBITDA, driven largely by lower sales volumes from the impact of the COVID-19 pandemic, and lower cash proceeds from the disposal of property, plant and equipment; partially offset by an increase in cash provided by non-cash working capital and decreases in cash purchases of property, plant and equipment, cash taxes, and interest paid.

Reconciliation of IFRS "Net cash provided by operating activities" to Non-IFRS "Free Cash Flow" for nine months ended September 30, 2020 and 2019:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash provided by operating activities	$ 248,194	$ 285,736
Add (deduct):		
Cash purchases of property, plant and equipment	(188,233)	(217,877)
Transaction costs associated with the acquisition of Metalsa	2,489	-
Cash proceeds on disposal of property, plant and equipment	308	5,489
Capitalized development costs	(8,557)	(8,056)
Upfront recovery of capitalized development costs	-	767
Restructuring costs	8,170	8,165
Unrealized loss on foreign exchange contracts	(2,533)	(368)
Deferred and restricted share units expense	(226)	(3,761)
Stock options expense	(1,812)	(892)
Unusual and other items – Gain in the Company's operating facility in Brazil (included in SG&A expense)	-	(4,199)
Pension and other post-employment benefits expense	(3,570)	(3,386)
Contributions made to pension and other post-retirement benefits expense	5,328	4,249
Net unrealized foreign exchange loss and other income	5,008	1,130
Free cash flow	$ 64,566	$ 66,997

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form ("AIF") dated March 5, 2020 and previously filed 2020 interim MD&A available through SEDAR at www.sedar.com which are incorporated herein by reference. The disclosure in this MD&A and, in particular under "Recent Developments: COVID-19 Pandemic and Impact on our Business", supplements those risk factors described in the AIF and previously filed interim MD&A.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 11, 2020, the Company had 80,294,095 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 11, 2020, options to acquire 2,777,500 common shares were outstanding.

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of $3.4 million, resulting in a decrease to stated capital of $2.5 million and a decrease to retained earnings of $0.9 million. The shares were purchased for cancellation directly under the Company's normal course issuer bid ("NCIB").

In light of the COVID-19 pandemic, the Company suspended the repurchase of common stock under the NCIB, which expired at the end of August 2020, to be reassessed at a later date.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended September 30, 2020, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2019.

Guarantees

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2020, the amount of the off balance sheet program financing was $41.1 million representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between six to eighteen months.

Financial Instruments

The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures. It is the Company's policy to not utilize financial instruments for trading or speculative purposes.

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 $2.5 million and was recorded in trade and other payables (December 31, 2019 – gain of $0.4 million and was 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 $1.0 million and was recorded in trade and other payables (December 31, 2019 – loss of $0.8 million and was recorded in trade and other payables).

INVESTMENTS

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 recent 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 $5.0 million.

		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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housings and bumpers; and several other components such as fuel tanks. The operations also have some leading edge technologies in multi-material joining further promoting Martinrea’s lightweighting strategies. The acquisition added 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.

In accordance with National Instrument 52-109 3.3(1)(b), management has limited its design of its disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of the acquired operations from Metalsa, which was acquired within 365 days before the end of the recent financial report. The acquired operations contributed incremental sales of $104.9 million and $195.3 million, and operating losses of $3.3 million and $17.4 million, for the three and nine months ended September 30, 2020, respectively. In addition, the acquired business constitutes $46.4 million, $44.8 million and $2.2 million of the Company’s working capital (including cash), non-current assets and non-current liabilities as at September 30, 2020, respectively.

FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views, or beliefs in or on, the expected impact of or duration of the COVID-19 pandemic, or as a result of any current or future government actions or regulations, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers; the timing of and the expected restart of operations, including OEM and supplier preparations to resume production; the Company's current and future strategy, priorities and response related to COVID-19, and the status of implementation; the expected economic impact resulting from COVID-19, the type of factors affecting the economic impact; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations and global impact, demand for vehicles, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business, continued investments in its business and technologies, its ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments, the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs and using the tools as collateral, and the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2019 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions and epidemics or pandemics;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials and commodities;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources/uncertainty of future financing/banking;
- risks associated with the integration of acquisitions;
- risks associated with private or public investment in technology companies
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour relations matters;
- trade restrictions;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- quote and pricing assumptions;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation and climate change;
- the impact of climate, political, social and economic risks, natural disasters and pandemics in the countries in which we operate or sell to, or from which we source production;

- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats;
- the potential volatility of the Company's share price; and
- dividends.

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

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.

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