



**MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Martinrea International Inc.

Table of Contents

	Page
Interim Condensed Consolidated Balance Sheets	1
Interim Condensed Consolidated Statements of Operations	2
Interim Condensed Consolidated Statements of Comprehensive Income	3
Interim Condensed Consolidated Statements of Changes in Equity	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	
1. Basis of preparation	6
2. Acquisition	7
3. Trade and other receivables	7
4. Inventories	8
5. Property, plant and equipment	8
6. Right-of-use assets	9
7. Intangible assets	9
8. Investments	10
9. Trade and other payables	10
10. Provisions	11
11. Impairment of assets	11
12. Long-term debt	11
13. Lease liabilities	13
14. Income taxes	14
15. Capital stock	14
16. Earnings (loss) per share	16
17. Finance expense and other finance income (expense)	17
18. Government subsidies	17
19. Operating segments	17
20. Financial instruments	19
21. Contingencies	23
22. Guarantees	24

Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		\$ 157,324	\$ 152,786
Trade and other receivables	3	680,332	589,315
Inventories	4	673,841	492,659
Prepaid expenses and deposits		29,972	23,550
Income taxes recoverable		21,004	13,527
TOTAL CURRENT ASSETS		1,562,473	1,271,837
Property, plant and equipment	5	1,669,208	1,615,197
Right-of-use assets	6	170,334	192,630
Deferred tax assets		190,667	195,538
Intangible assets	7	48,628	52,644
Investments	8	53,796	40,557
TOTAL NON-CURRENT ASSETS		2,132,633	2,096,566
TOTAL ASSETS		\$ 3,695,106	\$ 3,368,403
LIABILITIES			
Trade and other payables	9	\$ 1,155,897	\$ 967,952
Provisions	10	6,820	4,258
Income taxes payable		10,084	13,230
Current portion of long-term debt	12	21,176	19,492
Current portion of lease liabilities	13	31,785	34,064
TOTAL CURRENT LIABILITIES		1,225,762	1,038,996
Long-term debt	12	995,714	815,730
Lease liabilities	13	155,799	177,749
Pension and other post-retirement benefits		56,461	74,030
Deferred tax liabilities		78,073	86,174
TOTAL NON-CURRENT LIABILITIES		1,286,047	1,153,683
TOTAL LIABILITIES		2,511,809	2,192,679
EQUITY			
Capital stock	15	663,415	662,427
Contributed surplus		44,555	43,860
Accumulated other comprehensive income		56,237	96,645
Retained earnings		419,090	372,792
TOTAL EQUITY		1,183,297	1,175,724
TOTAL LIABILITIES AND EQUITY		\$ 3,695,106	\$ 3,368,403

Contingencies (note 21)

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, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
SALES		\$ 848,497	\$ 971,060	\$ 2,730,513	\$ 2,304,330
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(744,245)	(768,280)	(2,286,154)	(1,890,680)
Depreciation of property, plant and equipment and right-of-use assets (production)		(54,245)	(51,302)	(161,767)	(154,394)
Total cost of sales		(798,490)	(819,582)	(2,447,921)	(2,045,074)
GROSS MARGIN		50,007	151,478	282,592	259,256
Research and development costs		(8,376)	(6,884)	(24,372)	(21,571)
Selling, general and administrative		(53,989)	(64,537)	(175,233)	(169,479)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,778)	(3,935)	(11,533)	(11,650)
Loss on disposal of property, plant and equipment		(98)	(237)	(164)	(237)
Amortization of customer contracts and relationships		-	(323)	-	(964)
Restructuring costs	10	-	-	(5,473)	(8,170)
Impairment of assets	11	-	-	-	(85,783)
OPERATING INCOME (LOSS)		(16,234)	75,562	65,817	(38,598)
Share of loss of equity investments	8	(871)	(300)	(2,780)	(1,881)
Gain on dilution of equity investments	8	-	-	7,800	-
Finance expense	17	(7,897)	(9,138)	(24,204)	(26,886)
Other finance income (expense)	17	2,341	(1,852)	13,691	(5,008)
INCOME (LOSS) BEFORE INCOME TAXES		(22,661)	64,272	60,324	(72,373)
Income tax benefit (expense)	14	5,541	(18,636)	(14,791)	86
NET INCOME (LOSS) FOR THE PERIOD		\$ (17,120)	\$ 45,636	\$ 45,533	\$ (72,287)
Basic earnings (loss) per share	16	\$ (0.21)	\$ 0.57	\$ 0.57	\$ (0.90)
Diluted earnings (loss) per share	16	\$ (0.21)	\$ 0.57	\$ 0.57	\$ (0.90)

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, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
NET INCOME (LOSS) FOR THE PERIOD	\$ (17,120)	\$ 45,636	\$ 45,533	\$ (72,287)
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	24,897	(14,770)	(37,469)	59,153
Cash flow hedging derivative and non-derivative financial instruments:				
Unrealized gain (loss) in fair value of financial instruments	-	1,977	892	(1,267)
Reclassification of loss (gain) to net income	(960)	324	(4,014)	831
Items that will not be reclassified to net income				
Share of other comprehensive income (loss) of equity investments (note 8)	108	(82)	183	(11)
Remeasurement of defined benefit plans	674	2,051	12,816	(8,245)
Other comprehensive income (loss), net of tax	24,719	(10,500)	(27,592)	50,461
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 7,599	\$ 35,136	\$ 17,941	\$ (21,826)

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2019	\$ 661,422	42,449 \$	89,107 \$	425,445 \$	1,218,423
Net 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)
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	(8,245)	(8,245)
Foreign currency translation differences	-	-	59,153	-	59,153
Share of other comprehensive loss of equity investments	-	-	(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
Net income for the period	-	-	-	44,970	44,970
Compensation expense related to stock options	-	604	-	-	604
Dividends (\$0.05 per share)	-	-	-	(4,013)	(4,013)
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	(168)	(168)
Foreign currency translation differences	-	-	(55,253)	-	(55,253)
Share of other comprehensive loss of equity investments	-	-	(68)	-	(68)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	3,982	-	3,982
Reclassification of loss to net income	-	-	171	-	171
BALANCE AT DECEMBER 31, 2020	662,427	43,860	96,645	372,792	1,175,724
Net income for the period	-	-	-	45,533	45,533
Compensation expense related to stock options	-	934	-	-	934
Dividends (\$0.15 per share)	-	-	-	(12,051)	(12,051)
Exercise of employee stock options	988	(239)	-	-	749
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	12,816	12,816
Foreign currency translation differences	-	-	(37,469)	-	(37,469)
Share of other comprehensive income of equity investments	-	-	183	-	183
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	892	-	892
Reclassification of gain to net income	-	-	(4,014)	-	(4,014)
BALANCE AT SEPTEMBER 30, 2021	\$ 663,415 \$	44,555 \$	56,237 \$	419,090 \$	1,183,297

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, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income (loss) for the period	\$ (17,120)	\$ 45,636	\$ 45,533	\$ (72,287)
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	58,023	55,237	173,300	166,044
Amortization of customer contracts and relationships	-	323	-	964
Amortization of development costs	3,011	2,873	9,577	8,690
Impairment of assets (note 11)	-	-	-	85,783
Unrealized loss on foreign exchange forward contracts	3,043	2,214	859	2,533
Finance expense	7,897	9,138	24,204	26,886
Income tax expense (benefit)	(5,541)	18,636	14,791	(86)
Loss on disposal of property, plant and equipment	98	237	164	237
Deferred and restricted share units expense (benefit)	(809)	(236)	(1,284)	226
Stock options expense	328	604	934	1,812
Share of loss of equity investments	871	300	2,780	1,881
Gain on dilution of equity investments	-	-	(7,800)	-
Pension and other post-retirement benefits expense	991	1,036	3,006	3,570
Contributions made to pension and other post-retirement benefits	(861)	(1,992)	(2,738)	(5,328)
	49,931	134,006	263,326	220,925
Changes in non-cash working capital items:				
Trade and other receivables	12,110	(143,374)	(103,178)	(1,792)
Inventories	(62,603)	(62,073)	(190,542)	(84,780)
Prepaid expenses and deposits	(2,271)	316	(6,620)	6,730
Trade, other payables and provisions	33,406	268,806	177,807	158,959
	30,573	197,681	140,793	300,042
Interest paid	(7,732)	(8,895)	(25,155)	(27,375)
Income taxes paid	(12,984)	(10,262)	(33,068)	(24,473)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,857	\$ 178,524	\$ 82,570	\$ 248,194
FINANCING ACTIVITIES:				
Increase in long-term debt (net of deferred financing fees)	84,763	265	198,290	103,561
Repayment of long-term debt	(4,207)	(4,481)	(12,918)	(12,696)
Principal payments of lease liabilities	(8,303)	(8,606)	(25,305)	(23,885)
Dividends paid	(4,015)	(4,004)	(12,048)	(11,614)
Exercise of employee stock options	113	1,618	749	2,474
Repurchase of common shares	-	-	-	(3,367)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 68,351	\$ (15,208)	\$ 148,768	\$ 54,473
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (excluding capitalized interest)*	(45,153)	(72,347)	(210,954)	(188,233)
Capitalized development costs	(2,010)	(3,902)	(6,178)	(8,557)
Equity investments (note 8)	-	-	(8,036)	(5,000)
Proceeds on disposal of property, plant and equipment	707	42	846	308
Business acquisition (note 2)	-	-	-	(10,503)
NET CASH USED IN INVESTING ACTIVITIES	\$ (46,456)	\$ (76,207)	\$ (224,322)	\$ (211,985)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,092)	1,106	(2,478)	4,394
INCREASE IN CASH AND CASH EQUIVALENTS	29,660	88,215	4,538	95,076
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	127,664	125,834	152,786	118,973
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 157,324	\$ 214,049	\$ 157,324	\$ 214,049

*As at September 30, 2021, \$76,747 (December 31, 2020 - \$61,207) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

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, 2020.

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2020.

(c) COVID-19 pandemic and semiconductor chip shortage

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

As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February 2020, but resumed in March 2020. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's business, results of operations, cash flows and financial position during the second half of March 2020 and for the second quarter ended June 30, 2020. A phased restart of the Company's manufacturing facilities and dependent functions commenced in May and June 2020, and continued into the second half of 2020 as OEMs began producing vehicles again.

Despite increasing vaccination levels, the development and spread of highly-transmissible COVID-19 variants creates continued risk of further disruptions to the automotive industry. The ultimate business and economic impacts of COVID-19 will depend on various factors, including the possibility of future shutdowns, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lockdowns (including due to any future wave of COVID-19), the potential for a recession in key markets due to the effect of the pandemic, and the impact on customers and suppliers, including inflationary cost increases for wages, materials, and other costs, as overall economic activity rebounds, and the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic which has had a negative impact on OEM light vehicle production levels globally in 2021 to date, or any other supply chain disruptions.

OEM customers have taken a number of actions in response to the semiconductor chip shortage, such as: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. Such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including: lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; premium freight costs to expedite shipments; and/or other unrecoverable costs. Additionally, Tier 1 suppliers have faced price increases from sub-suppliers that have been negatively impacted by production inefficiencies and/or other costs related to the semiconductor chip shortage. While the Company expects to recover some of the lost production volumes, it remains unclear when supply and demand for automotive semiconductor chips will rebalance and it continues to be difficult to predict the full impact of the chip shortage.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

As a result of the uncertain economic and business impacts of the COVID-19 pandemic and semiconductor chip shortage, management has reviewed the estimates, judgments and assumptions used in the preparation of the interim condensed consolidated financial statements, including the determination of whether indications of any asset impairment exist. As a result of this review, asset impairment charges were recognized during the second quarter of 2020. No such charges were recognized during the third or fourth quarters of 2020 or in 2021. Further revisions may be required in future periods depending on the extent of the negative impacts on the business arising from the COVID-19 pandemic and semiconductor chip shortage, as it continues to evolve. Any such revisions may result in, among other things, further asset impairments, restructuring costs, and/or adjustments to the carrying amounts 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.

2. ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. The acquisition adds six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020.

The purchase price for the transaction was US \$19,864 (\$26,531), inclusive of working capital, and on a debt-free basis.

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

	USD		CAD	
Current assets (includes cash of US \$11,636)	\$	107,167	\$	143,131
Property, plant and equipment		35,071		46,841
Current liabilities (excluding current portion of lease liabilities and provisions)		(79,195)		(105,771)
Deferred tax liabilities (net)		(7,760)		(10,364)
Provisions		(19,659)		(26,258)
Lease liabilities		(4,124)		(5,507)
		31,500		42,072
Less: Cash on hand		(11,636)		(15,541)
Final net consideration	\$	19,864	\$	26,531

Included in selling, general and administrative expense for the three and nine months ended September 30, 2020 are transaction costs related to the acquisition totaling \$nil and \$2,489, respectively.

3. TRADE AND OTHER RECEIVABLES

	September 30, 2021		December 31, 2020	
Trade receivables	\$	652,545	\$	568,839
Other receivables		27,787		18,003
Foreign exchange forward contracts not accounted for as hedges (note 20(d))		-		647
Foreign exchange forward contracts accounted for as hedges (note 20(d))		-		1,826
	\$	680,332	\$	589,315

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 20.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

4. INVENTORIES

	September 30, 2021	December 31, 2020
Raw materials	\$ 232,788	\$ 168,321
Work in progress	67,147	48,608
Finished goods	54,700	39,096
Tooling work in progress and other inventory	319,206	236,634
	\$ 673,841	\$ 492,659

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	\$ 174,477	\$ (31,613)	\$ 142,864	\$ 171,501	\$ (27,355)	\$ 144,146
Leasehold improvements	74,191	(49,161)	25,030	75,148	(48,025)	27,123
Manufacturing equipment	2,545,290	(1,449,192)	1,096,098	2,496,782	(1,350,004)	1,146,778
Tooling and fixtures	36,189	(32,658)	3,531	36,496	(32,491)	4,005
Other assets	69,237	(43,491)	25,746	72,432	(43,396)	29,036
Construction in progress	375,939	-	375,939	264,109	-	264,109
	\$ 3,275,323	\$ (1,606,115)	\$ 1,669,208	\$ 3,116,468	\$ (1,501,271)	\$ 1,615,197

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress	Total
Net as of December 31, 2019	\$ 107,069	\$ 29,391	\$ 1,121,789	\$ 5,132	\$ 29,583	\$ 248,931	\$ 1,541,895
Additions	-	-	2,303	-	1,779	299,311	303,393
Additions from acquisition (note 2)	23,106	-	23,735	-	-	-	46,841
Disposals	-	-	(726)	(10)	(218)	(65)	(1,019)
Depreciation	(4,844)	(4,647)	(177,073)	(861)	(7,943)	-	(195,368)
Impairment (note 11)	-	-	(73,573)	(425)	(295)	(1,804)	(76,097)
Transfers from construction in progress	21,873	1,824	250,424	226	6,018	(280,365)	-
Foreign currency translation adjustment	(3,058)	555	(101)	(57)	112	(1,899)	(4,448)
Net as of December 31, 2020	144,146	27,123	1,146,778	4,005	29,036	264,109	1,615,197
Additions	50	-	784	-	552	228,141	229,527
Disposals	-	-	(979)	-	(31)	-	(1,010)
Depreciation	(4,637)	(2,867)	(134,789)	(440)	(6,324)	-	(149,057)
Transfers from construction in progress	5,296	1,271	103,713	-	2,964	(113,244)	-
Foreign currency translation adjustment	(1,991)	(497)	(19,409)	(34)	(451)	(3,067)	(25,449)
Net as of September 30, 2021	\$ 142,864	\$ 25,030	\$ 1,096,098	\$ 3,531	\$ 25,746	\$ 375,939	\$ 1,669,208

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

6. RIGHT-OF-USE ASSETS

	September 30, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	\$ 234,793	\$ (73,729)	\$ 161,064	\$ 233,434	\$ (55,150)	\$ 178,284
Leased manufacturing equipment	23,534	(15,526)	8,008	24,630	(11,656)	12,974
Leased other assets	3,479	(2,217)	1,262	3,351	(1,979)	1,372
	\$ 261,806	\$ (91,472)	\$ 170,334	\$ 261,415	\$ (68,785)	\$ 192,630

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

		Leased			Total
		Leased buildings	manufacturing equipment	Leased other assets	
Net as of December 31, 2019	\$	171,953	\$ 14,900	\$ 1,525	\$ 188,378
Additions		15,242	3,143	643	19,028
Lease modifications		16,445	90	-	16,535
Depreciation		(25,169)	(5,828)	(973)	(31,970)
Impairment (note 11)		(451)	-	-	(451)
Foreign currency translation adjustment		264	669	177	1,110
Net as of December 31, 2020	\$	178,284	\$ 12,974	\$ 1,372	\$ 192,630
Additions		2,335	52	442	2,829
Lease modifications		2,031	-	114	2,145
Depreciation		(19,081)	(4,532)	(630)	(24,243)
Foreign currency translation adjustment		(2,505)	(486)	(36)	(3,027)
Net as of September 30, 2021	\$	161,064	\$ 8,008	\$ 1,262	\$ 170,334

7. INTANGIBLE ASSETS

	September 30, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Development costs	\$ 136,025	\$ (87,397)	\$ 48,628	\$ 151,203	\$ (98,559)	\$ 52,644

Movement in intangible assets is summarized as follows:

		Customer contracts and relationships		Development costs		Total
Net as of December 31, 2019	\$	1,753	\$	53,034	\$	54,787
Additions		-		12,304		12,304
Amortization		(1,835)		(11,807)		(13,642)
Impairment (note 11)		-		(707)		(707)
Foreign currency translation adjustment		82		(180)		(98)
Net as of December 31, 2020		-		52,644		52,644
Additions		-		6,178		6,178
Amortization		-		(9,577)		(9,577)
Foreign currency translation adjustment		-		(617)		(617)
Net as of September 30, 2021	\$	-	\$	48,628	\$	48,628

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

8. INVESTMENTS

	September 30, 2021	December 31, 2020
Investment in common shares of NanoXplore Inc.	\$ 49,813	\$ 40,557
Investment in common shares of VoltaXplore Inc.	3,983	-
	\$ 53,796	\$ 40,557

As at September 30, 2021, the Company held 35,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock 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.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of \$46,000. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of \$4,000. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$7,800 during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore Inc. ("VoltaXplore"), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested \$4,036 into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional \$6,000 in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers, will support the business case for the construction of a battery production facility in Canada.

The Company applies equity accounting to its equity investments based on NanoXplore's and VoltaXplore's most recently available 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.

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net balance as of December 31, 2019	\$ 37,080	\$ -
Additions to equity investments	5,000	-
Gain on dilution of equity investments	866	-
Share of loss for the year	(2,310)	-
Share of other comprehensive loss for the year	(79)	-
Net balance as of December 31, 2020	\$ 40,557	\$ -
Additions to equity investments	4,000	4,036
Gain on dilution of equity investments	7,800	-
Share of loss for the period	(2,727)	(53)
Share of other comprehensive income for the period	183	-
Net balance as of September 30, 2021	\$ 49,813	\$ 3,983

As at September 30, 2021, the stock market value of the shares held in NanoXplore by the Company was \$239,364.

9. TRADE AND OTHER PAYABLES

	September 30, 2021	December 31, 2020
Trade accounts payable and accrued liabilities	\$ 1,155,038	\$ 967,952
Foreign exchange forward contracts not accounted for as hedges (note 20(d))	859	-
	\$ 1,155,897	\$ 967,952

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

10. PROVISIONS

	Restructuring		Claims and Litigation		Total
Net as of December 31, 2019	\$	4,214	\$	4,370	\$ 8,584
Net additions		8,170		662	8,832
Additions from acquisition (note 2)		26,258		-	26,258
Amounts used during the year		(38,320)		(1,295)	(39,615)
Foreign currency translation adjustment		1,038		(839)	199
Net as of December 31, 2020		1,360		2,898	4,258
Net additions		5,473		326	5,799
Amounts used during the year		(2,343)		(666)	(3,009)
Foreign currency translation adjustment		(124)		(104)	(228)
Net as of September 30, 2021	\$	4,366	\$	2,454	\$ 6,820

Additions to the restructuring provision for the nine months ended September 30, 2021 totaled \$5,473 and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

11. IMPAIRMENT OF ASSETS

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
North America	\$	-	\$	-	\$	-	\$	(72,159)
Europe		-		-		-		(1,280)
Rest of the World		-		-		-		(12,344)
Total Impairment	\$	-	\$	-	\$	-	\$	(85,783)

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 negatively impacted the recoverable amount of certain of the Company's production-related assets and 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.

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 20.

	September 30, 2021		December 31, 2020	
Banking facility	\$	945,600	\$	773,772
Equipment loans		71,290		61,450
		1,016,890		835,222
Current portion		(21,176)		(19,492)
	\$	995,714	\$	815,730

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Terms and conditions of outstanding loans, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2021 Carrying amount	December 31, 2020 Carrying amount
Banking facility	USD	LIBOR + 2.00%	2025	\$ 589,010	\$ 427,646
	CAD	BA + 2.00%	2025	356,590	346,126
Equipment loans	CAD	2.54%	2026	25,000	-
	EUR	1.05%	2024	14,837	20,239
	EUR	1.40%	2026	11,670	14,454
	EUR	2.46%	2026	9,672	10,265
	CAD	3.80%	2022	9,322	15,555
	EUR	0.00%	2028	594	389
	EUR	0.26%	2025	195	258
	EUR	1.36%	2021	-	290
			\$ 1,016,890	\$ 835,222	

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended bank facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of \$500 million and US \$520 million (up from \$370 million and US \$420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- available asset based financing capacity of \$300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US \$300 million (up from US \$200 million);
- pricing terms at market rates and consistent with pre-COVID levels (beginning with the third quarter of 2021);
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

As at September 30, 2021, the Company had drawn US \$466,000 (December 31, 2020 - US \$336,000) on the U.S. revolving credit line and \$360,000 (December 31, 2020 - \$348,000) on the Canadian revolving credit line. For the nine months ended September 30, 2021, the weighted average effective interest rate of the banking facility credit lines was 2.7% (December 31, 2020 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2021.

Deferred financing fees of \$3,410 (December 31, 2020 - \$1,874) have been netted against the carrying amount of the long-term debt.

On August 11, 2021, the Company finalized a five year equipment loan in the amount of \$25,000 repayable in quarterly installments commencing in 2021 at a fixed annual interest rate of 2.54%.

On May 19, 2021, the Company amended an existing equipment loan in the amount of €6,600 (\$9,649) extending its maturity date from 2023 to 2026, postponing the commencement of monthly installments from 2021 to 2022, and increasing the fixed annual interest rate from 2.00% to 2.46%.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Future annual minimum principal repayments as at September 30, 2021, are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	\$ 22,679	\$ (1,503)	\$ 21,176
One to two years	16,428	(736)	15,692
Two to three years	13,548	(736)	12,812
Three to four years	959,403	(435)	958,968
Thereafter	8,242	-	8,242
	\$ 1,020,300	\$ (3,410)	\$ 1,016,890

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2019	\$ 781,573
Drawdowns	94,424
Loan proceeds	10,339
Repayments	(43,462)
Deferred financing fee additions	(1,254)
Amortization of deferred financing fees	1,758
Foreign currency translation adjustment	(8,156)
Net as of December 31, 2020	\$ 835,222
Drawdowns	176,214
Loan proceeds	25,000
Repayments	(12,918)
Deferred financing fee additions	(2,924)
Amortization of deferred financing fees	1,388
Foreign currency translation adjustment	(5,092)
Net as of September 30, 2021	\$ 1,016,890

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, 2019	\$ 202,352
Net additions	19,028
Lease modifications	16,496
Additions from acquisition (note 2)	5,507
Principal payments of lease liabilities	(32,966)
Foreign currency translation adjustment	1,396
Net as of December 31, 2020	\$ 211,813
Net additions	2,829
Lease modifications	2,145
Principal payments of lease liabilities	(25,305)
Termination of leases	(788)
Foreign currency translation adjustment	(3,110)
Net as of September 30, 2021	\$ 187,584

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

The maturity of contractual undiscounted lease liabilities as at September 30, 2021 is as follows:

		Total
Within one year	\$	38,559
One to two years		35,108
Two to three years		30,607
Three to four years		26,480
Thereafter		86,031
Total undiscounted lease liabilities at September 30, 2021	\$	216,785
Interest on lease liabilities		(29,201)
Total present value of minimum lease payments	\$	187,584
Current portion		(31,785)
	\$	155,799

On July 13, 2021, the Company entered into a five year master lease agreement to lease certain equipment with a value of approximately US \$40,000. The lease is expected to commence in January 2022 at which time a lease liability and right of use asset will be recorded.

14. INCOME TAXES

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

		Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Current income tax expense	\$	(1,143)	\$	(16,470)	\$	(22,519)	\$	(25,990)
Deferred income tax benefit (expense)		6,684		(2,166)		7,728		26,076
Total income tax benefit (expense)	\$	5,541	\$	(18,636)	\$	(14,791)	\$	86

15. CAPITAL STOCK

Common shares outstanding:		Number		Amount
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 and December 31, 2020		80,294,095	\$	662,427
Exercise of stock options		73,000		988
Balance as of September 30, 2021		80,367,095	\$	663,415

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 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.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Stock options

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

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,777,500	\$ 13.25	3,010,700	\$ 12.57
Granted during the period	-	-	100,000	14.35
Exercised during the period	(73,000)	10.23	(333,200)	7.43
Cancelled during the period	(62,000)	14.04	-	-
Balance, end of period	2,642,500	\$ 13.32	2,777,500	\$ 13.25
Options exercisable, end of period	1,638,500	\$ 12.76	1,394,500	\$ 12.30

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2021:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
\$8.00 - 9.99	20,000	2012	2022
\$10.00 - 12.99	812,500	2012 - 2014	2022 - 2024
\$13.00 - 16.99	1,810,000	2015 - 2020	2025 - 2030
Total share purchase options	2,642,500		

The Black-Scholes-Merton option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting and exercise restrictions under the Company's black-out policy, which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

For the three and nine months ended September 30, 2021, the Company expensed \$328 (2020 - \$604) and \$934 (2020 - \$1,812), 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, 2021 and 2020:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Outstanding, beginning of period	331,291	246,114
Granted and reinvested dividends	46,234	96,702
Redeemed	-	-
Outstanding, end of period	377,525	342,816

The DSUs granted during the nine months ended September 30, 2021 and 2020 had a weighted average fair value per unit of \$12.97 and \$7.80, respectively, on the date of grant. At September 30, 2021, the fair value of all outstanding DSUs amounted to \$3,808 (September 30, 2020 - \$3,058 and December 31, 2020 - \$4,069). For the three and nine months ended September 30, 2021, DSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to a benefit of \$304 (2020 - benefit of \$348) and a benefit of \$261 (2020 - expense of \$316), respectively, recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at September 30, 2021 was \$673 (September 30, 2020 - \$293 and December 31, 2020 - \$983) and will be recognized in profit and loss over three years as the DSUs vest.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Performance Restricted Share Unit (“PSU” and “RSU”) Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2021 and 2020:

	RSUs	PSUs	Total
Outstanding, December 31, 2019	451,815	450,813	902,628
Granted and reinvested dividends	65,646	65,646	131,292
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, September 30, 2020	517,461	516,459	1,033,920
Granted and reinvested dividends	37,985	37,985	75,970
Redeemed	(203,834)	(202,745)	(406,579)
Cancelled	(9,437)	(9,181)	(18,618)
Outstanding, December 31, 2020	342,175	342,518	684,693
Granted and reinvested dividends	153,931	153,926	307,857
Redeemed	-	-	-
Cancelled	(679)	(1,022)	(1,701)
Outstanding, September 30, 2021	495,427	495,422	990,849

The RSUs and PSUs granted during the nine months ended September 30, 2021 and 2020 had a weighted average fair value per unit of \$13.19 and \$12.02, respectively, on the date of grant. For the three and nine months ended September 30, 2021, 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 a benefit of \$505 (2020 - expense of \$112) and a benefit of \$1,023 (2020 - benefit of \$90), respectively, recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at September 30, 2021 was \$2,771 (September 30, 2020 - \$2,658 and December 31, 2020 - \$3,481) and will be recognized in profit and loss over 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, 2021 and 2020 are shown in the table below:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Expected life (years)	2.48	2.47
Risk free interest rate	0.45%	0.45%

16. EARNINGS (LOSS) PER SHARE

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

	Three months ended September 30, 2021		Three months ended September 30, 2020	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,354,469	\$ (0.21)	80,189,397	\$ 0.57
Effect of dilutive securities:				
Stock options	-	-	11,046	-
Diluted	80,354,469	\$ (0.21)	80,200,443	\$ 0.57

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

	Nine months ended September 30, 2021		Nine months ended September 30, 2020	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,327,347	\$ 0.57	80,090,371	\$ (0.90)
Effect of dilutive securities:				
Stock options	106,342	-	-	-
Diluted	80,433,689	\$ 0.57	80,090,371	\$ (0.90)

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, 2021, 2,642,500 options (2020 - 2,732,000) and for the nine months ended September 30, 2021, 1,150,000 options (2020 - 2,732,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

17. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Debt interest, gross	\$ (7,231)	\$ (7,393)	\$ (21,371)	\$ (21,868)
Interest on lease liabilities	(1,901)	(2,253)	(5,866)	(6,627)
Capitalized interest - at an average rate of 2.4%, 2.7% (2020 - 2.9%, 3.3%)	1,235	508	3,033	1,609
Finance expense	\$ (7,897)	\$ (9,138)	\$ (24,204)	\$ (26,886)

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net foreign exchange gain (loss)	\$ 2,386	\$ (1,865)	\$ 12,870	\$ (5,160)
Unrealized loss on warrants	-	-	-	(5)
Other income (loss), net	(45)	13	821	157
Other finance income (expense)	\$ 2,341	\$ (1,852)	\$ 13,691	\$ (5,008)

18. GOVERNMENT SUBSIDIES

In response to the COVID-19 pandemic, the governments of various jurisdictions in which the Company has operations have approved legislation to assist businesses adversely impacted by COVID-19 with the intent of preventing job losses and better position companies to resume normal operations following the crisis. The Company determined that it qualified for certain government labour assistance and recognized \$6,302 (2020 - \$9,619) and \$19,588 (2020 - \$37,492) for the three and nine months ended September 30, 2021, respectively, in subsidies. These amounts are not repayable and were recognized as a deduction of the related expenses recorded in cost of sales of \$6,019 (2020 - \$8,424) for the three months ended September 30, 2021 and \$18,086 (2020 - \$33,114) for the nine months ended September 30, 2021, and as a deduction in selling, general and administrative expenses of \$283 (2020 - \$1,195) for the three months ended September 30, 2021 and \$1,502 (2020 - \$4,378) for the nine months ended September 30, 2021. In addition, for the three and nine months ended September 30, 2021, the Company recognized \$281 (2020 - nil) and \$1,429 (2020 - nil), respectively, in subsidies related to commercial rent and property expenses for qualifying locations in Canada.

19. OPERATING SEGMENTS

The Company is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

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

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2020. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

The following is a summary of selected data for each of the Company's operating segments:

Three months ended September 30, 2021				
	Production Sales	Tooling Sales	Total Sales	Operating Loss
North America				
Canada	\$ 107,539	\$ 25,161	\$ 132,700	
USA	231,939	8,538	240,477	
Mexico	279,526	29,229	308,755	
Eliminations	(32,321)	(24,272)	(56,593)	
	\$ 586,683	\$ 38,656	\$ 625,339	\$ (10,862)
Europe				
Germany	146,790	10,755	157,545	
Spain	26,403	2,369	28,772	
Slovakia	8,485	984	9,469	
	181,678	14,108	195,786	(5,243)
Rest of the World	34,353	344	34,697	(129)
Eliminations	(5,541)	(1,784)	(7,325)	
	\$ 797,173	\$ 51,324	\$ 848,497	\$ (16,234)

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

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Nine months ended September 30, 2021						
	Production Sales		Tooling Sales		Total Sales	Operating Income (Loss)
North America						
Canada	\$	321,687	\$	120,021	\$	441,708
USA		696,034		60,531		756,565
Mexico		918,960		52,624		971,584
Eliminations		(102,804)		(101,761)		(204,565)
	\$	1,833,877	\$	131,415	\$	1,965,292
Europe						
Germany		502,269		32,588		534,857
Spain		90,364		3,313		93,677
Slovakia		29,375		2,922		32,297
		622,008		38,823		660,831
Rest of the World		122,912		2,854		125,766
Eliminations		(18,600)		(2,776)		(21,376)
	\$	2,560,197	\$	170,316	\$	2,730,513
						\$ 71,573
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
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
Rest of the World		111,984		8,681		120,665
Eliminations		(7,831)		(2,906)		(10,737)
	\$	2,174,569	\$	129,761	\$	2,304,330
						\$ (38,598)

20. 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.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

(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, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 157,324	\$ 157,324	\$ -	\$ -
Foreign exchange forward contracts not accounted for as hedges (note 9)	\$ (859)	\$ -	\$ (859)	\$ -

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 152,786	\$ 152,786	\$ -	\$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	\$ 647	\$ -	\$ 647	\$ -
Foreign exchange forward contracts accounted for as hedges (note 3)	\$ 1,826	\$ -	\$ 1,826	\$ -

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the interim condensed consolidated balance sheets, are as follows:

September 30, 2021	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	\$ -	\$ -	\$ 680,332	\$ -	\$ 680,332	\$ 680,332
	-	-	680,332	-	680,332	680,332
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,155,038)	(1,155,038)	(1,155,038)
Long-term debt	-	-	-	(1,016,890)	(1,016,890)	(1,016,890)
Foreign exchange forward contracts not accounted for as hedges	(859)	-	-	-	(859)	(859)
	(859)	-	-	(2,171,928)	(2,172,787)	(2,172,787)
Net financial assets (liabilities)	\$ (859)	\$ -	\$ 680,332	\$ (2,171,928)	\$ (1,492,455)	\$ (1,492,455)

December 31, 2020	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	\$ -	\$ -	\$ 586,842	\$ -	\$ 586,842	\$ 586,842
Foreign exchange forward contracts not accounted for as hedges	647	-	-	-	647	647
Foreign exchange forward contracts accounted for as hedges	-	1,826	-	-	1,826	1,826
	647	1,826	586,842	-	589,315	589,315
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(967,952)	(967,952)	(967,952)
Long-term debt	-	-	-	(835,222)	(835,222)	(835,222)
	-	-	-	(1,803,174)	(1,803,174)	(1,803,174)
Net financial assets (liabilities)	\$ 647	\$ 1,826	\$ 586,842	\$ (1,803,174)	\$ (1,213,859)	\$ (1,213,859)

The fair values of trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying amount since it is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based.

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.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

(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 28.4%, 21.3%, and 14.6% of its production sales for the nine months ended September 30, 2021 (2020 - 34.2%, 24.1%, and 11.2%). 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, 2021 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 1.0% 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, 2021		December 31, 2020	
0-60 days	\$	635,418	\$	547,727
61-90 days		5,473		6,286
Greater than 90 days		11,654		14,826
	\$	652,545	\$	568,839

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12-week period, quarterly through forecasting and annually through the Company's budget process. At September 30, 2021, the Company had cash of \$157,324 (2020 - \$152,786) 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.

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.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount			
	September 30, 2021		December 31, 2020	
Variable rate instruments	\$	945,600	\$	773,772
Fixed rate instruments		71,290		61,450
	\$	1,016,890	\$	835,222

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an unfavorable effect of \$2,345 (2020 - \$2,112) on the Company's interim condensed consolidated financial results for the three months ended September 30, 2021 and \$6,604 (2020 - \$6,065) for the nine months ended September 30, 2021.

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At September 30, 2021, the Company had committed to the following foreign exchange contracts:

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	\$ 42,163	20.1600	1
Buy Euro	\$ 43	0.8636	1

The aggregate value of these forward contracts as at September 30, 2021 was a pre-tax loss of \$859 recorded in trade and other payables (December 31, 2020 - pre-tax gain of \$647 recorded in trade and other receivables).

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

The Company previously entered into foreign exchange forward contracts to buy Canadian Dollars in order to hedge the variability in certain cash flows of forecasted U.S. dollars sales due to fluctuations in foreign exchange rates. As at June 30, 2021, it was determined that the U.S. Dollar sales transactions could no longer be forecasted with high probability, and accordingly the Company de-designated the hedging relationship and terminated certain forward contracts. The company had no foreign exchange contracts accounted for as hedges and fair valued through OCI as at September 30, 2021 (December 31, 2020 - pre-tax gain of \$1,826 recorded in trade and other receivables).

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

September 30, 2021	USD	EURO	PESO	BRL	CNY
Trade and other receivables	\$ 359,782	€ 88,427	\$ 21,983	R\$ 37,524	¥ 102,326
Trade and other payables	(523,975)	(186,809)	(762,747)	(45,478)	(141,015)
Long-term debt	(466,000)	(25,226)	-	-	-
	\$ (630,193)	€ (123,608)	\$ (740,764)	R\$ (7,954)	¥ (38,689)
December 31, 2020	USD	EURO	PESO	BRL	CNY
Trade and other receivables	\$ 299,576	€ 73,574	\$ 29,025	R\$ 33,866	¥ 148,507
Trade and other payables	(402,598)	(165,244)	(543,043)	(32,370)	(166,696)
Long-term debt	(336,000)	(29,509)	-	-	-
	\$ (439,022)	€ (121,179)	\$ (514,018)	R\$ 1,496	¥ (18,189)

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

The following summary illustrates the fluctuations in the exchange rates applied:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020	September 30, 2021	December 31, 2020
	USD	1.2432	1.3493	1.2533	1.3534	1.2640
EURO	1.4786	1.5448	1.5051	1.5078	1.4654	1.5553
PESO	0.0622	0.0603	0.0623	0.0636	0.0618	0.0640
BRL	0.2413	0.2538	0.2357	0.2794	0.2354	0.2453
CNY	0.1925	0.1921	0.1935	0.1928	0.1962	0.1949

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at 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 three and nine months ended September 30, 2021 and 2020 by the amounts shown below, assuming all other variables remain constant:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
USD	\$ 982	\$ (4,666)	\$ (4,063)	\$ 1,830
EURO	(297)	453	941	2,929
BRL	(3)	56	9	1,314
CNY	20	(423)	(767)	(724)
	\$ 702	\$ (4,580)	\$ (3,880)	\$ 5,349

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

21. 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

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Company as a result of facts or circumstances unknown at the date of these interim condensed consolidated financial statements or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Legal contingency

In December 2020, a customer, FCA (Stellantis), filed a claim against two subsidiaries of the Company alleging a breach of contract connected to one of the Company's operating facilities in Mexico, alleging a shortage of casted aluminum engine blocks. The company believes that the claim is unwarranted and that the part shortage, if any, is due to FCA's actions. The Company's subsidiaries have sought external legal advice and believes that the contract has been complied with, in all material respects, and will vigorously defend against the claim. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately \$54,713 (BRL \$232,450) including interest and penalties to September 30, 2021 (December 31, 2020 - \$55,003 or BRL \$224,192). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The assessments are at various stages in the process. Two assessments of \$40,720 (BRL \$173,000) including interest and penalties as at September 30, 2021 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to \$16,712 (BRL \$71,000) shortly through a pledge of assets, bank letter of credit or cash deposit. No provision has been recorded by the Company in connection with this contingency as at this stage the Company has concluded that it is not probable that a liability will result from the matter.

22. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's interim condensed consolidated balance sheet. At September 30, 2021, the amount of the off-balance sheet program financing was \$30,495 (December 31, 2020 - \$42,863) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2020 or 2021. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically range up to twenty-four months.