MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE THIRD QUARTER ENDING SEPTEMBER 30, 2021

THIRD QUARTER REPORT

September 30, 2021

MESSAGE TO SHAREHOLDERS

The Company experienced a challenging third quarter in the face of production declines in the industry caused mainly by semi-conductor chip shortages, as reflected in the attached materials. Our financial position remains strong and our future is bright, as the industry and the economy rebound from the effects of the pandemic and related lockdowns, and as supply chain issues get resolved.

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 4, 2021

MARTINREA INTERNATIONAL INC. REPORTS THIRD-QUARTER RESULTS, DECLARES DIVIDEND, AND EXPRESSES CONFIDENCE IN 2023 OUTLOOK

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the third quarter ended September 30, 2021 and declared a quarterly cash dividend of $0.05 per share.

HIGHLIGHTS

- Total sales of $848.5 million, down 12.6% year-over-year; production sales of $797.2 million
- Third quarter diluted net loss per share and Adjusted Net Loss per Share(1) of $0.21
- Third quarter Adjusted EBITDA(1) of $44.9 million
- Third quarter results impacted by the global semiconductor shortage and other supply chain issues, sales mix, cost inflation in materials, labour and energy, and costs related to a heavy new business launch cycle
- We remain confident in our longer-term outlook, including our expectation of over $200 million in Free Cash Flow(1) in 2023
- Net-debt-to-Adjusted EBITDA(1) ratio increased to 2.5x, up from approximately 1.8x last quarter
- New business awards of approximately $40 million in annualized sales at mature volumes during the quarter; year-to-date awards now total approximately $210 million
- Quarterly cash dividend of $0.05 declared

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "The third quarter was challenging for us, as supply chain issues and cost inflation of labour, materials and energy, are currently wreaking havoc on the automotive supply base. At the same time, our sales mix, a heavy new business launch cycle, and an inability to fully flex costs in this environment are compounding these challenges and weighing on our near-term financial performance. Visibility remains low, as quite often we receive only short notice from our customers who "call off" production at the last minute based on their own diminished line of sight on supply chain issues. This makes it difficult to adjust labour costs given the low lead times on production stoppages, particularly in the context of the current hot labour markets, where if you lay people off, even short term, there is a good chance they will not return. These challenges are amplified in plants that are undergoing new program launches. On a positive note, vehicle demand remains strong, and vehicle inventories

[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, included anywhere in this press release, include "Adjusted Net Income (Loss)", "Adjusted Net Earnings (Loss) per Share (on a basic and diluted basis)", "Adjusted Operating Income (Loss)", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt". 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 three and nine months ended September 30, 2021 and in this press release.

are at record lows, so the longer-term outlook is very good. As we move into 2022 and into 2023, our plant launch activity, and the costs that go along with it, are expected to normalize. These launches are expected to generate future sales growth outpacing industry production growth over a multi-year period, as well as strong margins once supply bottlenecks are removed, and production normalizes. Our future is bright, and our team continues to manage well under challenging circumstances. I would like to thank our global team for their continued dedication and commitment to our organization."

He added: "I am also pleased to announce new business wins since we reported last quarter totaling $40 million in annualized sales at mature volumes, including approximately $30 million with the ZF Group and $10 million with General Motors, both in our Propulsion Systems commercial group. Year to date, new business wins now total approximately $210 million."

Fred Di Tosto, Chief Financial Officer, stated: "Sales for the third quarter, excluding tooling sales of $51.3 million, were $797.2 million. Our Adjusted Operating Loss(1) was $16 million, while Adjusted Net Loss per Share(1) was $0.21. While we did not provide guidance for the third quarter, given the uncertainty in our industry, results ended up being lower than what we contemplated at the time of our last quarterly conference call given the challenges we faced. To provide more colour, in addition to the typical decremental margin from lower sales, a negative sales mix combined with weaker labour cost absorption given a diminished ability to fully flex costs in this current volatile environment, resulted in a $25 million unfavourable impact to Adjusted Operating Income (Loss)(1) over second-quarter 2021 levels. Meanwhile, new program launch activity remains high and the inflationary pressures Pat mentioned are currently costing us approximately $40 million on an annualized basis. We are engaging with essentially all our customers commercially on how to address these excess costs."

Rob Wildeboer, Executive Chairman, stated: "Despite the current volatility and short-term challenges, we remain very positive about the longer term outlook for our business and the industry. As supply challenges subside, we anticipate production volumes to improve in 2022 leading to a robust 2023 and beyond. We remain confident in meeting our 2023 objectives, which call for total sales, including tooling sales, of $4.6 to $4.8 billion, an Adjusted Operating Income Margin(1) north of 8%, and more than $200 million in Free Cash Flow(1), consistent with our just-completed, board-approved budgets. As Pat mentioned, demand is as good as it has been in years, and vehicle inventories are at an all-time low. We believe it will take the industry several years running at or near full capacity to meet pent-up demand and rebuild depleted inventory levels once semiconductor and other supply shortages abate. As such we believe we are at the beginning of a multi-year cycle of rising production volumes, sales, Adjusted Operating Income Margins(1), and Free Cash Flow(1). Our track record of delivering on our financial targets speaks for itself, and we are confident this will continue to be the case as we deliver on our 2023 outlook."

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 three and nine months ended September 30, 2021 ("MD&A"), the Company's interim condensed consolidated financial statements for the third quarter ended September 30, 2021 (the "interim financial statements") and the Company's Annual Information Form for the year ended December 31, 2020 can be found at www.sedar.com.

OVERALL RESULTS

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to International Financial Reporting Standards ("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, 2021 and 2020. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Sales	$	848,497	$	971,060	(122,563)	(12.6%)
Gross Margin		50,007		151,478	(101,471)	(67.0%)
Operating Income (Loss)		(16,234)		75,562	(91,796)	(121.5%)
Net Income (Loss) for the period		(17,120)		45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share - Basic and Diluted	$	(0.21)	$	0.57	(0.78)	(136.8%)
Non-IFRS Measures*						
Adjusted Operating Income (Loss)	$	(16,234)	$	75,562	(91,796)	(121.5%)
% of Sales		*(1.9%)*		*7.8%*		
Adjusted EBITDA		44,898		134,232	(89,334)	(66.6%)
% of Sales		*5.3%*		*13.8%*		
Adjusted Net Income (Loss)		(17,120)		45,636	(62,756)	(137.5%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$	(0.21)	$	0.57	(0.78)	(136.8%)

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Sales	$	2,730,513	$	2,304,330	426,183	18.5%
Gross Margin		282,592		259,256	23,336	9.0%
Operating Income (Loss)		65,817		(38,598)	104,415	270.5%
Net Income (Loss) for the period		45,533		(72,287)	117,820	163.0%
Net Earnings (Loss) per Share - Basic and Diluted	$	0.57	$	(0.90)	1.47	163.3%
Non-IFRS Measures*						
Adjusted Operating Income	$	71,290	$	57,844	13,446	23.2%
% of Sales		*2.6%*		*2.5%*		
Adjusted EBITDA		254,331		233,779	20,552	8.8%
% of Sales		*9.3%*		*10.1%*		
Adjusted Net Income		42,537		2,644	39,893	1,508.8%
Adjusted Net Earnings per Share - Basic and Diluted	$	0.53	$	0.03	0.50	1,666.7%

Non-IFRS Measures

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

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

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Unusual and Other Items (after-tax)*	-	-
Adjusted Net Income (Loss)	$ (17,120)	$ 45,636

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net Income (Loss)	$ 45,533	$ (72,287)
Unusual and Other Items (after-tax)*	(2,996)	74,931
Adjusted Net Income	$ 42,537	$ 2,644

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this press release.*

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Income tax expense (benefit)	(5,541)	18,636
Other finance (income) expense	(2,341)	1,852
Share of loss of equity investments	871	300
Finance expense	7,897	9,138
Unusual and Other Items (before-tax)*	-	-
Adjusted Operating Income (Loss)	$ (16,234)	$ 75,562
Depreciation of property, plant and equipment and right-of-use assets	58,023	55,237
Amortization of intangible assets	3,011	3,196
Loss on disposal of property, plant and equipment	98	237
Adjusted EBITDA	$ 44,898	$ 134,232

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net Income (Loss)	$ 45,533	$ (72,287)
Income tax expense (benefit)	14,791	(86)
Other finance (income) expense	(13,691)	5,008
Share of loss of equity investments	2,780	1,881
Finance expense	24,204	26,886
Unusual and Other Items (before-tax)*	(2,327)	96,442
Adjusted Operating Income	$ 71,290	$ 57,844
Depreciation of property, plant and equipment and right-of-use assets	173,300	166,044
Amortization of intangible assets	9,577	9,654
Loss on disposal of property, plant and equipment	164	237
Adjusted EBITDA	$ 254,331	$ 233,779

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this press release.*

SALES

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
North America	$	625,339	$	739,489	(114,150)	(15.4%)
Europe		195,786		189,366	6,420	3.4%
Rest of the World		34,697		46,999	(12,302)	(26.2%)
Eliminations		(7,325)		(4,794)	(2,531)	(52.8%)
Total Sales	$	848,497	$	971,060	(122,563)	(12.6%)

The Company's consolidated sales for the third quarter of 2021 decreased by $122.6 million or 12.6% to $848.5 million as compared to $971.1 million for the third quarter of 2020. The total decrease in sales was driven by year-over-year decrease in the North America and Rest of the World operating segments, partially offset by a year-over-year increase in the Europe operating segment.

Sales for the third quarter of 2021 in the Company's North America operating segment decreased by $114.2 million or 15.4% to $625.3 million from $739.5 million for the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic has had on OEM production of certain light vehicle platforms; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $42.6 million as compared to the third quarter of 2020. These negative factors were partially offset by the launch of new programs during or subsequent to the third quarter of 2020 including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $17.1 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the third quarter of 2021 in the Company's Europe operating segment increased by $6.4 million or 3.4% to $195.8 million from $189.4 million for the third quarter of 2020. The increase can be attributed to the launch of new programs during or subsequent to the third quarter of 2020, mainly with Daimler, Ford, and Volvo; partially offset by overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain light vehicle platforms; the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $7.9 million as compared to the third quarter of 2020; and a $3.4 million decrease in tooling sales.

Sales for the third quarter of 2021 in the Company's Rest of the World operating segment decreased by $12.3 million or 26.2% to $34.7 million from $47.0 million in the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; a $0.5 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2020; and $0.2 million decrease in tooling sales.

Overall tooling sales increased by $13.5 million to $51.3 million for the third quarter of 2021 from $37.8 million for the third quarter of 2020.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
North America	$	1,965,292	$	1,745,151	220,141	12.6%
Europe		660,831		449,251	211,580	47.1%
Rest of the World		125,766		120,665	5,101	4.2%
Eliminations		(21,376)		(10,737)	(10,639)	(99.1%)
Total Sales	$	2,730,513	$	2,304,330	426,183	18.5%

The Company's consolidated sales for the nine months ended September 30, 2021 increased by $426.2 million or 18.5% to $2,730.5 million as compared to $2,304.3 million for the nine months ended September 30, 2020. Sales for the nine months ended September 30, 2021 increased across all operating segments.

Sales for the nine months ended September 30, 2021 in the Company's North America operating segment increased by $220.1 million or 12.6% to $1,965.3 million from $1,745.2 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $31.4 million of the year-over-year increase in sales (including a $2.4 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in North America increased year-over-year by $188.7 million or 11.1%. The increase was due generally to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; the launch of new programs during or subsequent to the nine months ended September 30, 2020, including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and a $46.5 million increase in tooling sales. These positive factors were partially offset by the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of approximately $129.3 million as compared to the corresponding period of 2020; and lower production volumes on specific light vehicle platforms including the GM Equinox / Terrain.

Sales for the nine months ended September 30, 2021 in the Company's Europe operating segment increased by $211.6 million or 47.1% to $660.8 million from $449.3 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $65.4 million of the year-over-year increase in sales (including a $4.9 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in Europe increased year-over-year by $146.2 million or 41.7%. The increase can be attributed to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and the launch of new programs during or subsequent to the nine months ended September 30, 2020, mainly with Daimler, Ford, and Volvo. These positive factors were partially offset by a $7.5 million decrease in tooling sales; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of $1.1 million as compared to the corresponding period of 2020.

Sales for the nine months ended September 30, 2021 in the Company's Rest of the World operating segment increased by $5.1 million or 4.2% to $125.8 million from $120.7 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $3.0 million of the year-over-year increase in sales. Excluding the acquired operations, sales for the nine months ended September 30, 2021 in the Rest of the World increased year-over-year by $2.1 million or 2.9%. The increase can be attributed to the post-COVID recovery of production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; partly offset by a $5.8 million decrease in tooling sales; a $4.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2020; and lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China.

Overall tooling sales increased by $40.5 million to $170.3 million for the nine months ended September 30, 2021 from $129.8 million for the nine months ended September 30, 2020.

GROSS MARGIN

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Gross margin	$ 50,007	$ 151,478	(101,471)	(67.0%)
% of Sales	5.9%	15.6%		

The gross margin percentage for the third quarter of 2021 of 5.9% decreased as a percentage of sales by 9.7% as compared to the gross margin percentage for the third quarter of 2020 of 15.6%. 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 industry-wide shortage of semiconductor chips;
- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped / restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by productivity and efficiency improvements at certain operating facilities.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Gross margin	$ 282,592	$ 259,256	23,336	9.0%
% of Sales	10.3%	11.3%		

The gross margin percentage for the nine months ended September 30, 2021 of 10.3% decreased as a percentage of sales by 1.0% as compared to the gross margin percentage for the nine months ended September 30, 2020 of 11.3%. The decrease in gross margin as a percentage of sales was generally due to:

- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped / restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by:

- higher sales volume and corresponding higher utilization of assets, driven primarily by the post COVID recovery of overall production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and
- productivity and efficiency improvements at certain operating facilities.

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, 2021 to three months ended September 30, 2020 comparison

No unusual or other items were noted during the three months ended September 30, 2021 and 2020.

TABLE B

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021 (a)	Nine months ended September 30, 2020 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**$45,533**	**($72,287)**	**$117,820**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	5,473	8,170	(2,697)
Gain on dilution of equity investments (2)	(7,800)	-	(7,800)
Impairment of assets (3)	-	85,783	(85,783)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (4)	-	2,489	(2,489)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($2,327)**	**$96,442**	**($98,769)**
Tax impact of above items	(669)	(21,511)	20,842
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($2,996)**	**$74,931**	**($77,927)**
ADJUSTED NET INCOME (A + B)	**$42,537**	**$2,644**	**$39,893**
Number of Shares Outstanding – Basic ('000)	80,327	80,090	
Adjusted Basic Net Earnings Per Share	$0.53	$0.03	
Number of Shares Outstanding – Diluted ('000)	80,434	80,090	
Adjusted Diluted Net Earnings Per Share	$0.53	$0.03	

1) Restructuring costs

Additions to the restructuring provision during the nine months ended September 30, 2021 totaled $5.5 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision for the nine months ended September 30, 2020, 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.

2) Gain on dilution of equity investments

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. 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 $4.0 million. 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 $7.8 million for the first quarter of 2021.

3) Impairment of assets

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 cash-generating units ("CGU"). 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.

4) 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 $2.5 million for the nine months ended September 30, 2020.

NET INCOME (LOSS)

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$	(17,120)	$	45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share						
Basic and Diluted	$	(0.21)	$	0.57		

Net Income (Loss) for the third quarter of 2021 decreased by $62.8 million to a Net Loss of $17.1 million or ($0.21) per share, on a basic and diluted basis, from Net Income of $45.6 million or $0.57 per share, on a basic and diluted basis, for the third quarter of 2020.

The Net Loss for the third quarter of 2021, as compared to Net Income for the third quarter of 2020, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained;
- a year-over-year increase in research and development costs; and
- a lower effective tax rate on the Net Loss for the quarter (24.5% for the third quarter of 2021 compared to 29.0% for the third quarter of 2020).

These factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously explained;
- a net foreign exchange gain of $2.4 million for the third quarter of 2021 compared to a net foreign exchange loss of $1.9 million for the third quarter of 2020; and
- a year-over-year decrease in finance expense.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$	45,533	$	(72,287)	117,820	163.0%
Adjusted Net Income	$	42,537	$	2,644	39,893	1,508.8%
Net Earnings (Loss) per Share						
Basic and Diluted	$	0.57	$	(0.90)		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.53	$	0.03		

Net Income, before adjustments, for the nine months ended September 30, 2021 increased by $117.8 million to $45.5 million from a Net Loss of $72.3 million for the nine months ended September 30, 2020. Excluding the unusual and other items explained in Table B under "Adjustments to Net Income (Loss)," Adjusted Net Income for the nine months ended September 30, 2021 increased to $42.5 million or $0.53 per share, on a basic and diluted basis, from $2.6 million or $0.03 per share, on a basic and diluted basis, for the nine months ended September 30, 2020.

Adjusted Net Income for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was positively impacted by the following:

- higher gross profit on higher year-over-year sales volume, as previously explained;
- a net foreign exchange gain of $12.9 million for the nine months ended September 30, 2021 compared to a net foreign exchange loss of $5.2 million for the nine months ended September 30, 2020;
- a year-over-year decrease in finance expense; and
- a lower effective tax rate on Adjusted Net Income (26.7% for the nine months ended September 30, 2021 compared to 89.0% for the nine months ended September 30, 2020).

These factors were partially offset by the following:
- a year-over-year increase in SG&A expense as previously explained;
- a year-over-year increase in research and development costs; and
- an increase in the Company's share of loss of equity investments.

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, 2021, on or about January 15, 2022.

ABOUT MARTINREA INTERNATIONAL INC.

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 Thursday, November 4, 2021 at 5:30 p.m. Eastern Time. To participate, please dial 416-641-6104 (Toronto area) or 800-952-5114 (toll free Canada and US) and enter participant code 4636275#. Please call 10 minutes prior to the start of the conference call.

The conference call will also be webcast live in listen-only mode and archived for twelve months. The webcast and accompanying presentation can be accessed online at https://www.martinrea.com/investor-relations/events-presentations/.

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 4, 2021.

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 and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws Including statements related to the Company's beliefs or views or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, production sales or volumes, margin, gross margin, earnings, earnings per share, adjusted earnings per share, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, cash flow, free cash flow, including longer term outlook for 2022, 2023 and beyond; the expected impact of or duration of the COVID-19 pandemic, including 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 Company's current and future strategy; the growth of the Company and pursuit of, and belief in, its strategies; the impact of or the expected duration of the semiconductor shortage as well as other supply chain issues and challenges and the ability to address costs; the Company's views of longer term outlook of the business or industry, including pent up demand; the ramping up and launching of new business; expectations of normalizing launch activity, margins and production; continued investments and expected benefit of those investments in its business and technologies; the opportunity to increase sales; the Company's views on its ability to deal with present or future economic conditions; 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2020 and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company's dependence on key customers
- Financial Viability of Suppliers;
- 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 liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;

- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;
- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post-Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

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, 2021

The following management discussion and analysis ("MD&A") was prepared as of November 4, 2021 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, 2021 ("interim financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2020 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, 2020, 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 over 16,000 skilled and motivated people in 57 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

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 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.

The Company's response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and 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.

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, energy, 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.

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 financial statements, including the determination of whether indications of any asset impairment exist. As a result, asset impairment charges were recognized during the second quarter of 2020. No such charges were recognized during the third and fourth quarters of 2020 or in 2021 to date. 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 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 the Company’s results of operations and financial position.

The Company will continue to respond to the COVID-19 pandemic and semiconductor chip shortage 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.

As 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 due to the industry-wide shortage of semiconductor chips or other such material shortages;
- elevate the financial pressure on our customers, which 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.

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 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 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.

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 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. As a result of the acquisition, year-over-year financial results may not be directly comparable.

OVERALL RESULTS

Results of operations may include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to International Financial Reporting Standards ("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, 2021 and 2020. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Sales	$ 848,497	$ 971,060	(122,563)	(12.6%)
Gross Margin	50,007	151,478	(101,471)	(67.0%)
Operating Income (Loss)	(16,234)	75,562	(91,796)	(121.5%)
Net Income (Loss) for the period	(17,120)	45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share - Basic and Diluted	$ (0.21)	$ 0.57	(0.78)	(136.8%)
Non-IFRS Measures*				
Adjusted Operating Income (Loss)	$ (16,234)	$ 75,562	(91,796)	(121.5%)
% of Sales	*(1.9%)*	*7.8%*		
Adjusted EBITDA	44,898	134,232	(89,334)	(66.6%)
% of Sales	*5.3%*	*13.8%*		
Adjusted Net Income (Loss)	(17,120)	45,636	(62,756)	(137.5%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	$ (0.21)	$ 0.57	(0.78)	(136.8%)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Sales	$ 2,730,513	$ 2,304,330	426,183	18.5%
Gross Margin	282,592	259,256	23,336	9.0%
Operating Income (Loss)	65,817	(38,598)	104,415	270.5%
Net Income (Loss) for the period	45,533	(72,287)	117,820	163.0%
Net Earnings (Loss) per Share - Basic and Diluted	$ 0.57	$ (0.90)	1.47	163.3%
Non-IFRS Measures*				
Adjusted Operating Income	$ 71,290	$ 57,844	13,446	23.2%
% of Sales	*2.6%*	*2.5%*		
Adjusted EBITDA	254,331	233,779	20,552	8.8%
% of Sales	*9.3%*	*10.1%*		
Adjusted Net Income	42,537	2,644	39,893	1,508.8%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.53	$ 0.03	0.50	1,666.7%

***Non-IFRS Measures**

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

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

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Unusual and Other Items (after-tax)*	-	-
Adjusted Net Income (Loss)	$ (17,120)	$ 45,636

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net Income (Loss)	$ 45,533	$ (72,287)
Unusual and Other Items (after-tax)*	(2,996)	74,931
Adjusted Net Income	$ 42,537	$ 2,644

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this MD&A.*

	Three months ended September 30, 2021	Three months ended September 30, 2020
Net Income (Loss)	$ (17,120)	$ 45,636
Income tax expense (benefit)	(5,541)	18,636
Other finance (income) expense	(2,341)	1,852
Share of loss of equity investments	871	300
Finance expense	7,897	9,138
Unusual and Other Items (before-tax)*	-	-
Adjusted Operating Income (Loss)	$ (16,234)	$ 75,562
Depreciation of property, plant and equipment and right-of-use assets	58,023	55,237
Amortization of intangible assets	3,011	3,196
Loss on disposal of property, plant and equipment	98	237
Adjusted EBITDA	$ 44,898	$ 134,232

		Nine months ended September 30, 2021		Nine months ended September 30, 2020
Net Income (Loss)	$	45,533	$	(72,287)
Income tax expense (benefit)		14,791		(86)
Other finance (income) expense		(13,691)		5,008
Share of loss of equity investments		2,780		1,881
Finance expense		24,204		26,886
Unusual and Other Items (before-tax)*		(2,327)		96,442
Adjusted Operating Income	$	71,290	$	57,844
Depreciation of property, plant and equipment and right-of-use assets		173,300		166,044
Amortization of intangible assets		9,577		9,654
Loss on disposal of property, plant and equipment		164		237
Adjusted EBITDA	$	254,331	$	233,779

**Unusual and Other Items, if any, are explained in the "Adjustments to Net Income (Loss)" section of this MD&A.*

SALES

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
North America	$	625,339	$	739,489	(114,150)	(15.4%)
Europe		195,786		189,366	6,420	3.4%
Rest of the World		34,697		46,999	(12,302)	(26.2%)
Eliminations		(7,325)		(4,794)	(2,531)	(52.8%)
Total Sales	$	848,497	$	971,060	(122,563)	(12.6%)

The Company's consolidated sales for the third quarter of 2021 decreased by $122.6 million or 12.6% to $848.5 million as compared to $971.1 million for the third quarter of 2020. The total decrease in sales was driven by year-over-year decrease in the North America and Rest of the World operating segments, partially offset by a year-over-year increase in the Europe operating segment.

Sales for the third quarter of 2021 in the Company's North America operating segment decreased by $114.2 million or 15.4% to $625.3 million from $739.5 million for the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic has had on OEM production of certain light vehicle platforms; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $42.6 million as compared to the third quarter of 2020. These negative factors were partially offset by the launch of new programs during or subsequent to the third quarter of 2020 including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and an increase in tooling sales of $17.1 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the third quarter of 2021 in the Company's Europe operating segment increased by $6.4 million or 3.4% to $195.8 million from $189.4 million for the third quarter of 2020. The increase can be attributed to the launch of new programs during or subsequent to the third quarter of 2020, mainly with Daimler, Ford, and Volvo; partially offset by overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain light vehicle platforms; the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the third quarter of 2021 of $7.9 million as compared to the third quarter of 2020; and a $3.4 million decrease in tooling sales.

Sales for the third quarter of 2021 in the Company's Rest of the World operating segment decreased by $12.3 million or 26.2% to $34.7 million from $47.0 million in the third quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result of the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; a $0.5 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2020; and $0.2 million decrease in tooling sales.

Overall tooling sales increased by $13.5 million to $51.3 million for the third quarter of 2021 from $37.8 million for the third quarter of 2020.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
North America	$ 1,965,292	$ 1,745,151	220,141	12.6%
Europe	660,831	449,251	211,580	47.1%
Rest of the World	125,766	120,665	5,101	4.2%
Eliminations	(21,376)	(10,737)	(10,639)	(99.1%)
Total Sales	$ 2,730,513	$ 2,304,330	426,183	18.5%

The Company's consolidated sales for the nine months ended September 30, 2021 increased by $426.2 million or 18.5% to $2,730.5 million as compared to $2,304.3 million for the nine months ended September 30, 2020. Sales for the nine months ended September 30, 2021 increased across all operating segments.

Sales for the nine months ended September 30, 2021 in the Company's North America operating segment increased by $220.1 million or 12.6% to $1,965.3 million from $1,745.2 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $31.4 million of the year-over-year increase in sales (including a $2.4 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in North America increased year-over-year by $188.7 million or 11.1%. The increase was due generally to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; the launch of new programs during or subsequent to the nine months ended September 30, 2020, including the new Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six cylinder aluminum engine block for Ford; and a $46.5 million increase in tooling sales. These positive factors were partially offset by the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of approximately $129.3 million as compared to the corresponding period of 2020; and lower production volumes on specific light vehicle platforms including the GM Equinox / Terrain.

Sales for the nine months ended September 30, 2021 in the Company's Europe operating segment increased by $211.6 million or 47.1% to $660.8 million from $449.3 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $65.4 million of the year-over-year increase in sales (including a $4.9 million increase in tooling sales). Excluding the acquired operations, sales for the nine months ended September 30, 2021 in Europe increased year-over-year by $146.2 million or 41.7%. The increase can be attributed to the post-COVID recovery of overall light vehicle production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and the launch of new programs during or subsequent to the nine months ended September 30, 2020, mainly with Daimler, Ford, and Volvo. These positive factors were partially offset by a $7.5 million decrease in tooling sales; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the nine months ended September 30, 2021 of $1.1 million as compared to the corresponding period of 2020.

Sales for the nine months ended September 30, 2021 in the Company's Rest of the World operating segment increased by $5.1 million or 4.2% to $125.8 million from $120.7 million for the nine months ended September 30, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for $3.0 million of the year-over-year increase in sales. Excluding the acquired operations, sales for the nine months ended September 30, 2021 in the Rest of the World increased year-over-year by $2.1 million or 2.9%. The increase can be attributed to the post-COVID recovery of production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; partly offset by a $5.8 million decrease in tooling sales; a $4.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the corresponding period of 2020; and lower year-over-year production volumes on the Cadillac CT6 vehicle platform in China.

Overall tooling sales increased by $40.5 million to $170.3 million for the nine months ended September 30, 2021 from $129.8 million for the nine months ended September 30, 2020.

GROSS MARGIN

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Gross margin	$	50,007	$	151,478	(101,471)	(67.0%)
% of Sales		5.9%		15.6%		

The gross margin percentage for the third quarter of 2021 of 5.9% decreased as a percentage of sales by 9.7% as compared to the gross margin percentage for the third quarter of 2020 of 15.6%. 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 industry-wide shortage of semiconductor chips;
- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by productivity and efficiency improvements at certain operating facilities.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Gross margin	$	282,592	$	259,256	23,336	9.0%
% of Sales		10.3%		11.3%		

The gross margin percentage for the nine months ended September 30, 2021 of 10.3% decreased as a percentage of sales by 1.0% as compared to the gross margin percentage for the nine months ended September 30, 2020 of 11.3%. The decrease in gross margin as a percentage of sales was generally due to:

- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021;
- an increase in tooling sales which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by:

- higher sales volume and corresponding higher utilization of assets, driven primarily by the post COVID recovery of overall production volumes, tempered by the impact the industry-wide shortage of semiconductor chips has had on OEM production of certain vehicle platforms; and
- productivity and efficiency improvements at certain operating facilities.

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

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Selling, general & administrative	$	53,989	$	64,537	(10,548)	(16.3%)
% of Sales		6.4%		6.6%		

SG&A expense for the third quarter of 2021 decreased by $10.5 million to $54.0 million as compared to SG&A expense for the third quarter of 2020 of $64.5 million. The decrease in SG&A expense can be attributed to overall lower variable compensation expense, including equity-based compensation expense, and actions taken by the Company to manage costs in response to the current volatile OEM production volume environment driven by the industry-wide shortage of semiconductor chips.

SG&A expense as a percentage of sales decreased to 6.4% for the third quarter of 2021 compared to 6.6% for the third quarter of 2020 for the factors noted above.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Selling, general & administrative	$	175,233	$	169,479	5,754	3.4%
% of Sales		6.4%		7.4%		

SG&A expense for the nine months ended September 30, 2021 increased by $5.8 million to $175.2 million as compared to SG&A expense, before adjustments, for the nine months ended September 30, 2020 of $169.5 million.

Excluding transaction costs related to operations acquired from Metalsa expensed as SG&A during the nine months ended September 30, 2020, as explained in Table B under "Adjustments to Net Income (Loss)", SG&A expense for the nine months ended September 30, 2021 increased by $8.2 million year-over-year. The increase can be attributed to higher employee related costs as compared to the nine months ended September 30, 2020 when the Company took actions to reduce its costs and curtail discretionary and non-production spending in response to the COVID-19 related shutdowns and corresponding lower production levels, in particular during the second quarter of 2020. The addition of the operations acquired from Metalsa also contributed to the year-over-year increase in SG&A expense. These factors were partially offset by a decrease in overall variable compensation expense, including equity-based compensation expense.

Excluding adjustments, SG&A expense as a percentage of sales decreased to 6.4% for the nine months ended September 30, 2021 compared to 7.2% for the nine months ended September 30, 2020 for the factors noted above and in light of higher year-over-year sales.

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

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	54,245	$	51,302	2,943	5.7%
Depreciation of PP&E and right-of-use assets (non-production)		3,778		3,935	(157)	(4.0%)
Amortization of development costs		3,011		2,873	138	4.8%
Amortization of customer contracts and relationships		-		323	(323)	(100.0%)
Total depreciation and amortization	$	61,034	$	58,433	2,601	4.5%

Total depreciation and amortization expense for the third quarter of 2021 increased by $2.6 million to $61.0 million as compared to $58.4 million for the third quarter of 2020. The increase in total depreciation and amortization expense was primarily due to a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the third quarter of 2020.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2020 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) as a percentage of sales increased year-over-over to 6.4% for the third quarter of 2021 from 5.3% for the third quarter of 2020 due essentially to lower overall sales volume, driven by the industry-wide semiconductor chip shortage.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

		Nine months ended September 30, 2021		Nine months ended September 30, 2020	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$	161,767	$	154,394	7,373	4.8%
Depreciation of PP&E and right-of-use assets (non-production)		11,533		11,650	(117)	(1.0%)
Amortization of development costs		9,577		8,690	887	10.2%
Amortization of customer contracts and relationships		-		964	(964)	(100.0%)
Total depreciation and amortization	$	182,877	$	175,698	7,179	4.1%

Total depreciation and amortization expense for the nine months ended September 30, 2021 increased by $7.2 million to $182.9 million as compared to $175.7 million for the nine months ended September 30, 2020. The increase in total depreciation and amortization expense for the nine months ended September 30, 2021 was primarily due to a larger PP&E base connected to new and replacement business that commenced during or subsequent to the nine months ended September 30, 2020; partially offset by a decrease in depreciation and amortization expense resulting from the impairment changes recorded in the second quarter of 2020.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales decreased year-over-year to 5.9% for the nine months ended September 30, 2021 from 6.7% for the nine months ended September 30, 2020 due mainly to higher overall sales volume.

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, 2021 to three months ended September 30, 2020 comparison

No unusual or other items were noted during the three months ended September 30, 2021 and 2020.

TABLE B

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021 (a)	Nine months ended September 30, 2020 (b)	(a)-(b) Change
NET INCOME (LOSS) (A)	**$45,533**	**($72,287)**	**$117,820**
Add Back - Unusual and Other Items:			
Restructuring costs (1)	5,473	8,170	(2,697)
Gain on dilution of equity investments (2)	(7,800)	-	(7,800)
Impairment of assets (3)	-	85,783	(85,783)
Transaction costs associated with operations acquired from Metalsa (recorded as SG&A) (4)	-	2,489	(2,489)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($2,327)**	**$96,442**	**($98,769)**
Tax impact of above items	(669)	(21,511)	20,842
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($2,996)**	**$74,931**	**($77,927)**
ADJUSTED NET INCOME (A + B)	**$42,537**	**$2,644**	**$39,893**
Number of Shares Outstanding – Basic ('000)	80,327	80,090	
Adjusted Basic Net Earnings Per Share	$0.53	$0.03	
Number of Shares Outstanding – Diluted ('000)	80,434	80,090	
Adjusted Diluted Net Earnings Per Share	$0.53	$0.03	

(1) Restructuring costs

Additions to the restructuring provision during the nine months ended September 30, 2021 totaled $5.5 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision for the nine months ended September 30, 2020, 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.

(2) Gain on dilution of equity investments

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46.0 million. 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 $4.0 million. 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 $7.8 million for the first quarter of 2021.

(3) Impairment of assets

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 cash-generating units ("CGU"). 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.

(4) 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 $2.5 million for the nine months ended September 30, 2020.

NET INCOME (LOSS)

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$	(17,120)	$	45,636	(62,756)	(137.5%)
Net Earnings (Loss) per Share						
Basic and Diluted	$	(0.21)	$	0.57		

Net Income (Loss) for the third quarter of 2021 decreased by $62.8 million to a Net Loss of $17.1 million or ($0.21) per share, on a basic and diluted basis, from Net Income of $45.6 million or $0.57 per share, on a basic and diluted basis, for the third quarter of 2020.

The Net Loss for the third quarter of 2021, as compared to Net Income for the third quarter of 2020, was negatively impacted by the following:

- lower gross profit on lower year-over-year sales volume, as previously explained;
- a year-over-year increase in research and development costs; and
- a lower effective tax rate on the Net Loss for the quarter (24.5% for the third quarter of 2021 compared to 29.0% for the third quarter of 2020).

These factors were partially offset by the following:

- a year-over-year decrease in SG&A expense as previously explained;
- a net foreign exchange gain of $2.4 million for the third quarter of 2021 compared to a net foreign exchange loss of $1.9 million for the third quarter of 2020; and
- a year-over-year decrease in finance expense.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Net Income (Loss)	$ 45,533	$ (72,287)	117,820	163.0%
Adjusted Net Income	$ 42,537	$ 2,644	39,893	1,508.8%
Net Earnings (Loss) per Share				
Basic and Diluted	$ 0.57	$ (0.90)		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.53	$ 0.03		

Net Income, before adjustments, for the nine months ended September 30, 2021 increased by $117.8 million to $45.5 million from a Net Loss of $72.3 million for the nine months ended September 30, 2020. Excluding the unusual and other items explained in Table B under "Adjustments to Net Income (Loss)," Adjusted Net Income for the nine months ended September 30, 2021 increased to $42.5 million or $0.53 per share, on a basic and diluted basis, from $2.6 million or $0.03 per share, on a basic and diluted basis, for the nine months ended September 30, 2020.

Adjusted Net Income for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020, was positively impacted by the following:

- higher gross profit on higher year-over-year sales volume, as previously explained;
- a net foreign exchange gain of $12.9 million for the nine months ended September 30, 2021 compared to a net foreign exchange loss of $5.2 million for the nine months ended September 30, 2020;
- a year-over-year decrease in finance expense; and
- a lower effective tax rate on Adjusted Net Income (26.7% for the nine months ended September 30, 2021 compared to 89.0% for the nine months ended September 30, 2020).

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense as previously explained;
- a year-over-year increase in research and development costs; and
- an increase in the Company's share of loss of equity investments.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2021 to three months ended September 30, 2020 comparison

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change	% Change
Additions to PP&E	$ 59,487	$ 73,166	(13,679)	(18.7%)

Additions to PP&E decreased by $13.7 million to $59.5 million or 7.0% of sales in the third quarter of 2021 from $73.2 million or 7.5% of sales in the third quarter of 2020. The decrease reflects the Company's efforts to manage and support cash flow in light of the industry-wide semiconductor chip shortage, which has negatively impacted production volumes and sales. Capital additions include new program capital and incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Additions to PP&E	$ 229,527	$ 181,453	48,074	26.5%

Additions to PP&E increased by $48.1 million year-over-year to $229.5 million or 8.4% of sales for the nine months ended September 30, 2021 compared to $181.5 million or 7.9% of sales for the nine months ended September 30, 2020. Certain new program additions, previously delayed during the COVID-related shutdowns in the second quarter of 2020, moved in to the back half of 2020 and 2021 to date, as preparations for upcoming new program launches resumed and continue. Capital additions also include incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches.

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, 2021 to three months ended September 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended September 30, 2021	Three months ended September 30, 2020	Three months ended September 30, 2021	Three months ended September 30, 2020
North America	$ 625,339	$ 739,489	$ (10,862)	$ 76,290
Europe	195,786	189,366	(5,243)	(6,478)
Rest of the World	34,697	46,999	(129)	5,750
Eliminations	(7,325)	(4,794)	-	-
Total	$ 848,497	$ 971,060	$ (16,234)	$ 75,562

North America

Operating Income (Loss) in North America decreased by $87.2 million to an Operating Loss of $10.9 million or (1.7%) of sales for the third quarter of 2021 from Operating Income of $76.3 million or 10.3% for the third quarter of 2020. The decrease in Operating Income (Loss) as a percentage of sales was generally due to overall lower sales volume and corresponding lower utilization of assets, driven primarily by the industry-wide shortage of semiconductor chips; a negative sales mix; production related inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities; higher labour and material costs; other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in tooling sales which typically earn low margins to the Company; and a decrease in COVID-related government subsidies.

Europe

Operating Loss in Europe decreased by $1.3 million to $5.2 million or (2.7%) of sales for the third quarter of 2021 from $6.5 million or (3.4%) of sales for the third quarter of 2020. The decrease in Operating Loss was generally due to incremental contribution from the higher year-over-year sales; and productivity and efficiency improvement at certain operating facilities; partially offset by higher material and energy costs.

Rest of the World

Operating Income (Loss) in the Rest of the World operating segment decreased by $5.9 million to an Operating Loss of $0.1 million or (0.4%) of sales for the third quarter of 2021 from Operating Income of $5.8 million or 12.2% of sales for the third quarter of 2020, due generally to lower year-over-year sales volume and launch related costs.

Nine months ended September 30, 2021 to nine months ended September 30, 2020 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Nine months ended September 30, 2021	**Nine months ended September 30, 2020**	**Nine months ended September 30, 2021**	**Nine months ended September 30, 2020**
North America	$ 1,965,292	$ 1,745,151	$ 71,573	$ 86,088
Europe	660,831	449,251	(9,978)	(40,420)
Rest of the World	125,766	120,665	9,695	12,176
Eliminations	(21,376)	(10,737)	-	-
Adjusted Operating Income	-	-	$ 71,290	$ 57,844
Unusual and Other Items*	-	-	(5,473)	(96,442)
Total	$ 2,730,513	$ 2,304,330	$ 65,817	$ (38,598)

** Operating Income (Loss) for the operating segments has been adjusted for unusual and other items. The $5.5 million of unusual and other items for the nine months ended September 30, 2021 was recognized in Europe. Of the $96.4 million of unusual 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. The unusual and other items noted are all fully explained under "Adjustments to Net Income (Loss)" in this MD&A.*

North America

Adjusted Operating Income in North America decreased by $14.5 million to $71.6 million or 3.6% of sales for the nine months ended September 30, 2021 from $86.1 million or 4.9% of sales for the nine months ended September 30, 2020. The decrease in Adjusted Operating Income as a percentage of sales was due to a negative sales mix; production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEM's production priorities; higher labour and material costs; other operational inefficiencies at certain facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021; an increase in tooling sales which typically earn low margins for the Company; and a decrease in COVID-related government subsidies. These negative factors were partially offset by higher sales volume and corresponding higher utilization of assets; productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales.

Europe

Adjusted Operating Loss in Europe decreased by $30.4 million to $10.0 million or (1.5%) of sales for the nine months ended September 30, 2021 from $40.4 million or (9.0%) of sales for the nine months ended September 30, 2020. The decrease in Adjusted Operating Loss was generally due to incremental contribution from the higher year-over-year sales; and productivity and efficiency improvements at certain operating facilities; partially offset by an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021, and higher other material and energy costs.

Rest of the World

Adjusted Operating Income in the Rest of the World decreased by $2.5 million to $9.7 million or 7.7% of sales for the nine months ended September 30, 2021 from $12.2 million or 10.1% of sales for the nine months ended September 30, 2020, due generally to launch related costs.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	$848,497	$884,866	$997,150	$1,070,956	$971,060	$460,564	$872,706	$917,581
Gross Margin	50,007	111,728	120,857	155,841	151,478	(12,459)	120,237	129,921
Net Income (Loss) for the period	(17,120)	23,952	38,701	44,970	45,636	(146,886)	28,963	51,153
Adjusted Net Income (Loss)	(17,120)	27,026	32,631	44,212	45,636	(73,115)	30,123	33,834
Basic and Diluted Net Earnings (Loss) per Share	(0.21)	0.30	0.48	0.56	0.57	(1.84)	0.36	0.63
Adjusted Basic and Diluted Net Earnings (Loss) per Share	(0.21)	0.34	0.41	0.55	0.57	(0.91)	0.38	0.42

LIQUIDITY AND CAPITAL RESOURCES

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 banking 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 million (December 31, 2020 – US $336 million) on the U.S. revolving credit line and $360 million (December 31, 2020 - $348 million) on the Canadian revolving credit line. As at September 30, 2021, the Company had total liquidity of $355 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's amended credit facility includes a $300 million allowance for asset based financing that the Company can use for additional financing, of which approximately $229 million was available as at September 30, 2021.

At 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.

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, despite the challenges presented by the COVID-19 pandemic and industry-wide shortage of semiconductor chips. The Company's ability to fund its anticipated cash requirements, and to comply with financial covenants under the Company's banking facility, depend on the Company's future operating performance and cash flows and many factors outside of its control, including the cost of material and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of COVID-19 and the semiconductor chip shortage, and other factors.

Debt leverage ratios:

Excluding the impact of IFRS 16:	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Long-term debt	$ 1,016,890	$ 921,077	$ 873,322	$ 835,222	$ 888,365
Less: Cash and cash equivalents	(157,324)	(127,664)	(145,348)	(152,786)	(214,049)
Net Debt	$ 859,566	$ 793,413	$ 727,974	$ 682,436	$ 674,316
Trailing 12-month Adjusted EBITDA	$ 343,690	$ 432,369	$ 324,752	$ 323,797	$ 304,716
Net Debt to Adjusted EBITDA ratio	2.50x	1.84x	2.24x	2.11x	2.21x

Including the impact of IFRS 16:	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Long-term debt	$ 1,016,890	$ 921,077	$ 873,322	$ 835,222	$ 888,365
Lease liabilities	187,584	195,450	201,526	211,813	224,405
	1,204,474	1,116,527	1,074,848	1,047,035	1,112,770
Less: Cash and cash equivalents	(157,324)	(127,664)	(145,348)	(152,786)	(214,049)
Net Debt	$ 1,047,150	$ 988,863	$ 929,500	$ 894,249	$ 898,721
Trailing 12-month Adjusted EBITDA	$ 386,055	$ 475,389	$ 367,594	$ 365,503	$ 344,313
Net Debt to Adjusted EBITDA ratio	2.71x	2.08x	2.53x	2.45x	2.61x

The Company's Net Debt (excluding the impact of adopting IFRS 16 and as outlined above) increased by $66.2 million during the third quarter of 2021 to $859.6 million from $793.4 million at the end of the second quarter of 2021, due largely to financing necessary capital expenditures and working capital during the third quarter of 2021, and foreign exchange translation. As a result, the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) increased during the quarter to 2.50x from 1.84x at the end of the second quarter of 2021.

The Company was in compliance with its debt covenants as at September 30, 2021. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors (the "Board") approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were $0.12 per share, 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 the 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 such increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the pandemic period. 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 anticipated needs at that time.

Cash flow

		Three months ended September 30, 2021		Three months ended September 30, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$	49,931	$	134,006	(84,075)	(62.7%)
Change in non-cash working capital items		(19,358)		63,675	(83,033)	(130.4%)
		30,573		197,681	(167,108)	(84.5%)
Interest paid		(7,732)		(8,895)	1,163	13.1%
Income taxes paid		(12,984)		(10,262)	(2,722)	(26.5%)
Cash provided by operating activities		9,857		178,524	(168,667)	(94.5%)
Cash provided by (used in) financing activities		68,351		(15,208)	83,559	549.4%
Cash used in investing activities		(46,456)		(76,207)	29,751	39.0%
Effect of foreign exchange rate changes on cash and cash equivalents		(2,092)		1,106	(3,198)	(289.2%)
Increase in cash and cash equivalents	$	29,660	$	88,215	(58,555)	(66.4%)

Cash provided by operating activities during the third quarter of 2021 was $9.9 million, compared to $178.5 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $49.9 million;
- working capital use of cash of $19.4 million comprised of an increase in inventories of $62.6 million, an increase in prepaid expenses and deposits of $2.3 million; partly offset by a decrease in trade and other receivables of $12.1 million, an increase in trade and other payables and provisions of $33.4 million;
- interest paid of $7.7 million; and
- income taxes paid of $13.0 million.

Cash provided by financing activities during the third quarter of 2021 was $68.4 million, compared to cash used in financing activities of $15.2 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- an $80.6 million net increase in long-term debt (including drawdowns on the Company's revolving banking facility and additions to equipment loans of $25.0 million; partially offset by repayments of existing equipment loans);
- repayments of lease liabilities of $8.3 million; and
- $4.0 million in dividends paid.

Cash used in investing activities during the third quarter of 2021 was $46.5 million, compared to $76.2 million in the corresponding period of 2020. The components for the third quarter of 2021 primarily include the following:

- cash additions to PP&E of $45.2 million; and
- capitalized development costs relating to upcoming new program launches of $2.0 million.

Taking into account the opening cash balance of $127.7 million at the beginning of the third quarter of 2021, and the activities described above, the cash and cash equivalents balance at September 30, 2021 was $157.3 million.

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 263,326	$ 220,925	42,401	19.2%
Change in non-cash working capital items	(122,533)	79,117	(201,650)	(254.9%)
	140,793	300,042	(159,249)	(53.1%)
Interest paid	(25,155)	(27,375)	2,220	8.1%
Income taxes paid	(33,068)	(24,473)	(8,595)	(35.1%)
Cash provided by operating activities	82,570	248,194	(165,624)	(66.7%)
Cash provided by financing activities	148,768	54,473	94,295	173.1%
Cash used in investing activities	(224,322)	(211,985)	(12,337)	(5.8%)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,478)	4,394	(6,872)	(156.4%)
Increase in cash and cash equivalents	$ 4,538	$ 95,076	(90,538)	(95.2%)

Cash provided by operating activities during the nine months ended September 30, 2021 was $82.6 million, compared to $248.2 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $263.3 million;
- working capital use of cash of $122.5 million comprised of an increase in inventories of $190.5 million, an increase in trade and other receivables of $103.2 million, an increase in prepaid expenses and deposits of $6.6 million; partially offset by an increase in trade and other payables and provisions of $177.8 million;
- interest paid of $25.2 million; and
- income taxes paid of $33.1 million.

Cash provided by financing activities during the nine months ended September 30, 2021 was $148.8 million, compared to $54.5 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- a $185.4 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility and additions to equipment loans of $25.0 million; partially offset by repayments of existing equipment loans);
- repayments of lease liabilities of $25.3 million; and
- $12.1 million in dividends paid.

Cash used in investing activities during the nine months ended September 30, 2021 was $224.3 million, compared to $212.0 million in the corresponding period of 2020. The components for the nine months ended September 30, 2021 primarily include the following:

- cash additions to PP&E of $211.0 million;
- capitalized development costs relating to upcoming new program launches of $6.2 million; and
- investments in VoltaXplore Inc. ("VoltaXplore") and NanoXplore of $8.0 million.

Taking into account the opening cash balance of $152.8 million at the beginning of 2021, and the activities described above, the cash and cash equivalents balance at September 30, 2021 was $157.3 million.

Free Cash Flow

	Three months ended September 30, 2021	Three months ended September 30, 2020	$ Change
Adjusted EBITDA	$ 44,898	$ 134,232	(89,334)
Add (deduct):			
Change in non-cash working capital items	(19,358)	63,675	(83,033)
Cash purchase of property, plant and equipment	(45,153)	(72,347)	27,194
Cash proceeds on disposal of property, plant and equipment	707	42	665
Capitalized development costs	(2,010)	(3,902)	1,892
Interest paid	(7,732)	(8,895)	1,163
Income taxes paid	(12,984)	(10,262)	(2,722)
Free Cash Flow	(41,632)	102,543	(144,175)

Free Cash Flow for the third quarter of 2021 decreased year-over-year due primarily to an increase in non-cash working capital and lower Adjusted EBITDA; partially offset by a decrease in cash purchases of property, plant and equipment.

Tooling-related working capital accounts, including inventory, trade receivables and trade payables on a net basis, increased to $54.3 million as at September 30, 2021, from $50.7 million as at June 30, 2021 and $36.8 million as at September 30, 2020.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended September 30, 2021 and 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020
Cash provided by operating activities	$ 9,857	$ 178,524
Add (deduct):		
Cash purchases of property, plant and equipment	(45,153)	(72,347)
Cash proceeds on disposal of property, plant and equipment	707	42
Capitalized development costs	(2,010)	(3,902)
Unrealized loss on foreign exchange contracts	(3,043)	(2,214)
Deferred and restricted share units benefit	809	236
Stock options expense	(328)	(604)
Pension and other post-employment benefits expense	(991)	(1,036)
Contributions made to pension and other post-retirement benefits	861	1,992
Net foreign exchange (gain) loss and other expense (income)	(2,341)	1,852
Free Cash Flow	$ (41,632)	$ 102,543

	Nine months ended September 30, 2021	Nine months ended September 30, 2020	$ Change
Adjusted EBITDA	$ 254,331	$ 233,779	20,552
Add (deduct):			
Change in non-cash working capital items	(122,533)	79,117	(201,650)
Cash purchase of property, plant and equipment	(210,954)	(188,233)	(22,721)
Cash proceeds on disposal of property, plant and equipment	846	308	538
Capitalized development costs	(6,178)	(8,557)	2,379
Interest paid	(25,155)	(27,375)	2,220
Income taxes paid	(33,068)	(24,473)	(8,595)
Free Cash Flow	(142,711)	64,566	(207,277)

Free Cash Flow for the nine months ended September 30, 2021 decreased year-over-year primarily due to increases in non-cash working capital and cash purchases of property, plant and equipment; partially offset by higher year-over-year Adjusted EBITDA.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the nine month period ended September 30, 2021 and 2020:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by operating activities	$ 82,570	$ 248,194
Add (deduct):		
Cash purchases of property, plant and equipment	(210,954)	(188,233)
Transaction costs associated with the acquisition of Metalsa	-	2,489
Cash proceeds on disposal of property, plant and equipment	846	308
Capitalized development costs	(6,178)	(8,557)
Restructuring costs	5,473	8,170
Unrealized loss on foreign exchange contracts	(859)	(2,533)
Deferred and restricted share units benefit (expense)	1,284	(226)
Stock options expense	(934)	(1,812)
Pension and other post-employment benefits expense	(3,006)	(3,570)
Contributions made to pension and other post-retirement benefits	2,738	5,328
Net foreign exchange (gain) loss and other expense (income)	(13,691)	5,008
Free Cash Flow	$ (142,711)	$ 64,566

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Automotive Industry Highlights and Trends and Risk Factors as outlined in the Company’s Annual Information Form (“AIF”) dated March 4, 2021 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 Semiconductor Chip Shortage”, supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 4, 2021, the Company had 80,367,095 common shares outstanding. The Company’s common shares constitute its only class of voting securities. As at November 4, 2021, options to acquire 2,642,500 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.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the nine months ended September 30, 2021, 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, 2020.

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, 2021, the amount of the off balance sheet program financing was $30.5 million (December 31, 2020 - $42.8 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 range up to twenty-four 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 not to utilize financial instruments for trading or speculative purposes.

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 $0.9 million recorded in trade and other payables (December 31, 2020 – pre-tax gain of $0.6 million 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. dollar sales due to fluctuations in foreign exchange rates. As at June 30, 2021, 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 $1.8 million recorded in trade and other receivables).

INVESTMENTS

As at September 30, 2021, the Company held 35,045,954 common shares of 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 $46.0 million. 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 $4.0 million. 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 $7.8 million during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore, to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested approximately $4.0 million into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional $6.0 million 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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated by reference therein contain 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 (including the related semiconductor chip shortage and other supply chain and inflationary issues), or as a result of any current or future government actions or regulations or supply chain disruption, 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 Company's current and future strategy, priorities and response related to COVID-19 (including the semiconductor chip crisis and other supply chain and inflationary issues), and the status of implementation; the expected economic impact resulting from COVID-19 (including the semiconductor chip crisis and other supply chain and inflationary issues), 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, the potential for future asset impairment charges, 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, the opportunity to increase sales, 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement 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 AIF for the year ended December 31, 2020 and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political Unrest, and Other Outbreaks
- The Company's dependence on key customers
- Financial Viability of Suppliers;
- 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 liability and recalls together with the associated liability;
- Product Development and Technological Change;
- Dependence on Key Personnel;
- Availability of Consumer Credit or Cost of Borrowing;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Risks associated with the integration of acquisitions;
- Potential Tax Exposures;
- Cybersecurity Threats;
- Costs associated with rationalization of production facilities;
- Launch and Operational Cost Structure;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Governmental Regulations;
- Litigation and Regulatory Compliance and Investigations;
- Quote/Pricing Assumptions;
- Currency Risk - Hedging;
- Currency Risk – Competitiveness in Certain Jurisdictions;
- Fluctuations in Operating Results;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Environmental Regulation and Climate Change;
- Loss of Use of Key Manufacturing Facilities;
- A Shift Away from Technologies in Which the Company is Investing;
- Intellectual Property;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Risks of conducting business in foreign countries, including China, Brazil and other markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- The risks associated with Pension Plan and Other Post Employment Benefits
- Impairment Charges;
- Potential Volatility of Share Prices;
- Dividends;
- Risks associated with private or public investment in technology companies;
- Risks associated with joint ventures;
- Lease Obligations.

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, 2021

Martinrea International Inc.
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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)
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 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)
Other comprehensive income (loss) net of tax					
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
Other comprehensive income (loss) net of tax					
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. (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.

(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.

(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

(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 buildings	Leased manufacturing equipment	Leased other assets	Total
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

(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.

(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

(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%.

(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

(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.

(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.

(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

(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.

(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

(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	$ 71,573
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	(15,451)
Rest of the World	122,912	2,854	125,766	9,695
Eliminations	(18,600)	(2,776)	(21,376)	
	$ 2,560,197	$ 170,316	$ 2,730,513	$ 65,817

	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)

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.

(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.

(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

(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)

(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	1.2728
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

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.

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