MARTINREA INTERNATIONAL INC.

THIRD QUARTER REPORT

SEPTEMBER 30, 2017

THIRD QUARTER REPORT

September 30, 2017

MESSAGE TO SHAREHOLDERS

The Company experienced a record third quarter, with improving earnings and margins, as reflected in the attached materials. Our Company continues to perform well. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

MARTINREA INTERNATIONAL INC.

Reports Record Third Quarter Earnings, Strong Margin Improvement and Announces Dividend

November 14, 2017 – For Immediate Release

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a leader in the development and production of quality metal parts, assemblies and modules and fluid management systems and complex aluminum products focused primarily on the automotive sector, announced today the release of its financial results for the third quarter ended September 30, 2017 and a quarterly dividend.

HIGHLIGHTS

- Twelfth consecutive quarter with record year-over-year adjusted earnings; best third quarterly earnings to date
- Production sales of $800 million
- Record third quarter adjusted net income of $36.3 million, or $0.42 per share
- Record third quarter adjusted EBITDA of $92.4 million
- Quarterly adjusted operating income (6.2%) and adjusted EBITDA (11.0%) margins increase substantially year-over-year
- Continued strong margin growth anticipated over next three years
- Net debt decreases; balance sheet continues to strengthen
- Dividend of $0.03 per share announced

OVERVIEW

Pat D'Eramo, Martinrea President and Chief Executive Officer, stated: "Martinrea continued to perform well in the third quarter. Our Martinrea 2.0 strategy is achieving results and our focus on operational excellence, cost reduction, good launches, and improving our product offerings to customers is taking hold. Our margin improvement plan continues to be on track and our leverage ratio continues to improve. Our objectives for the year are clearly being achieved, regardless of market conditions. This is now our twelfth quarter in a row with record year-over-year adjusted earnings and we expect that progress to continue in the fourth quarter. We expect fourth quarter sales, excluding tooling sales, of $790 million to $830 million, and adjusted net earnings per share in the range of $0.45 to $0.49 per share, which would be our best fourth quarter ever from a financial perspective. I am also pleased to announce $70 million of annualized new business wins in the quarter, since our last call, including $20 million of aluminum structural components with Jaguar Land Rover, including a new battery housing, starting in 2020; $20 million of aluminum structural work for BMW starting in 2020; $20 million of steel metal forming work on GM's large SUV platform starting in 2020; and $10 million of fluids management systems work for FCA on the Dodge Ram platform starting in 2018. These new business wins are a testimony to our competitiveness and our ability to lower our cost. In addition, our quoting today is robust, particularly in our aluminum business, and we are excited about opportunities we see in the pipeline. We expect to announce significant incremental work in the coming quarters."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Sales for the third quarter, excluding tooling sales of approximately $39 million, were $800 million, slightly lower than previously announced sales guidance as a result of losing two weeks of sales on the GM Equinox program due to the strike at CAMI, which ended in mid-October. In the quarter, our adjusted net earnings per share, on a basic and diluted basis, was $0.42 per share, at the midpoint of our quarterly guidance and a record third quarter. Earnings were negatively affected by the CAMI strike, which shut down production in two of our plants. Third quarter adjusted operating income and adjusted EBITDA margins improved significantly year-over-year. We continue to expect operating margins to be over 6% for 2017; based on our Q4 guidance we are essentially there. Our net debt to adjusted EBITDA ratio ended the quarter at 1.59x, a nice improvement from the end of the previous quarter and this time last year, as we continue to move towards our target ratio of 1.5x by the end of 2017. Overall, we had a very solid quarter from a financial perspective, once again. Our financial position is strong, our balance sheet is solid, and both are improving."

Rob Wildeboer, Executive Chairman, stated: “We continue to drive our One Company culture and Martinrea 2.0 strategy as we continuously improve our business. Our Vision, Mission and Ten Guiding Principles are living things and are at the core of our improving financials. The future looks great, and we are now anticipating that our margin improvement over the next three years will accelerate from the past three years. We have been saying publicly that our operating margins will continue to increase subsequent to 2017, reaching 8% by fiscal 2020. Based on our updated budgets just reviewed and approved by our board of directors, which take into consideration current FX rates and industry production estimates, and our anticipated book of business, we now believe we can reach that threshold a year early, by fiscal 2019, and that operating margins can be 9% or more by fiscal 2020, a greater than 50% improvement from where we are today. Next year we expect to see double digit growth in adjusted net earnings, and another record year. All this in a relatively flat automotive sales environment, and a real testament to the performance of our team, which is driving our success. As for sales, we anticipate they will be flattish next year, given anticipated timing of new launches and a full year impact of the module assembly sales in our Ingersoll plant moving to a Value Added model, but believe sales will start to increase in 2019 and grow to over $4 billion in 2020, based on our budgets.”

RESULTS OF OPERATIONS

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

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

Additional information about the Company, including the Company’s Management Discussion and Analysis of Operating Results and Financial Position for the third quarter ended September 30, 2017 (“MD&A”), the Company’s interim condensed consolidated financial statements for the third quarter ended September 30, 2017 (the “interim consolidated financial statements) and the Company’s Annual Information Form for the year ended December 31, 2016, can be found at www.sedar.com.

OVERALL RESULTS

The following tables set out certain highlights of the Company’s performance for the three and nine months ended September 30, 2017 and 2016. Refer to the Company’s interim consolidated financial statements for the three and nine months ended September 30, 2017 for a detailed account of the Company’s performance for the periods presented in the tables below.

		Three months ended September 30, 2017		Three months ended September 30, 2016	$ Change	% Change
Sales	$	838,535	$	914,725	(76,190)	(8.3%)
Gross Margin		113,418		99,698	13,720	13.8%
Operating Income		50,106		43,394	6,712	15.5%
Net Income for the period		36,022		28,827	7,195	25.0%
Net Income Attributable to Equity Holders of the Company	$	36,229	$	29,098	7,131	24.5%
Net Earnings per Share – Basic and Diluted	$	0.42	$	0.34	0.08	23.5%
Non-IFRS Measures*						
Adjusted Operating Income	$	51,873	$	43,394	8,479	19.5%
% of sales		*6.2%*		*4.7%*		
Adjusted EBITDA		92,409		80,614	11,795	14.6%
% of sales		*11.0%*		*8.8%*		
Adjusted Net Income Attributable to Equity Holders of the Company		36,263		29,098	7,165	24.6%
Adjusted Net Earnings per Share - Basic and Diluted	$	0.42	$	0.34	0.08	23.5%

		Nine months ended September 30, 2017		Nine months ended September 30, 2016	$ Change	% Change
Sales	$	2,811,857	$	2,978,000	(166,143)	(5.6%)
Gross Margin		360,559		327,738	32,821	10.0%
Operating Income		179,097		113,468	65,629	57.8%
Net Income for the period		126,900		61,331	65,569	106.9%
Net Income Attributable to Equity Holders of the Company	$	127,177	$	61,627	65,550	106.4%
Net Earnings per Share – Basic and Diluted	$	1.47	$	0.71	0.76	107.1%
Non-IFRS Measures*						
Adjusted Operating Income	$	175,166	$	151,731	23,435	15.4%
% of sales		*6.2%*		*5.1%*		
Adjusted EBITDA		295,663		264,285	31,378	11.9%
% of sales		*10.5%*		*8.9%*		
Adjusted Net Income Attributable to Equity Holders of the Company		122,340		99,332	23,008	23.2%
Adjusted Net Earnings per Share – Basic and Diluted	$	1.41	$	1.15	0.26	22.6%

***Non-IFRS Measures**

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

The following tables provide a reconciliation of IFRS “Net Income Attributable to Equity Holders of the Company” to Non-IFRS “Adjusted Net Income Attributable to Equity Holders of the Company”, “Adjusted Operating Income” and “Adjusted EBITDA”:

		Three months ended September 30, 2017		Three months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	36,229	$	29,098
Unusual and Other Items (after-tax)*		34		-
Adjusted Net Income Attributable to Equity Holders of the Company	$	36,263	$	29,098

		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	127,177	$	61,627
Unusual and Other Items (after-tax)*		(4,837)		37,705
Adjusted Net Income Attributable to Equity Holders of the Company	$	122,340	$	99,332

**Unusual and other items for the three and nine months ended September 30, 2017 and 2016 are explained in the "Adjustments to Net Income" section of this press release*

		Three months ended September 30, 2017		Three months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	36,229	$	29,098
Non-controlling interest		(207)		(271)
Income tax expense		10,348		9,319
Other finance income – excluding Unusual and Other Items*		(340)		(770)
Finance expense		5,451		6,018
Unusual and Other Items (before-tax)*		392		-
Adjusted Operating Income	$	51,873	$	43,394
Depreciation of property, plant and equipment		36,873		33,500
Amortization of intangible assets		3,897		3,673
Loss/(gain) on disposal of property, plant and equipment		(234)		47
Adjusted EBITDA	$	92,409	$	80,614

		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	127,177	$	61,627
Non-controlling interest		(277)		(296)
Income tax expense		37,863		31,455
Other finance expense (income) – excluding Unusual and Other Items*		(1,083)		2,570
Finance expense		16,792		18,112
Unusual and Other Items (before-tax)*		(5,306)		38,263
Adjusted Operating Income	$	175,166	$	151,731
Depreciation of property, plant and equipment		109,401		100,723
Amortization of intangible assets		11,623		11,755
Loss/(gain) on disposal of property, plant and equipment		(527)		76
Adjusted EBITDA	$	295,663	$	264,285

**Unusual and other items for the three and nine months ended September 30, 2017 and 2016 are explained in the "Adjustments to Net Income" section of this press release*

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below. Certain comparative information has been reclassified where relevant to conform to the current financial statement presentation adopted in 2017.

SALES

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

		Three months ended September 30, 2017		Three months ended September 30, 2016	$ Change	% Change
North America	$	646,895	$	737,127	(90,232)	(12.2%)
Europe		165,140		152,080	13,060	8.6%
Rest of the World		30,319		27,721	2,598	9.4%
Eliminations		(3,819)		(2,203)	(1,616)	(73.4%)
Total Sales	$	838,535	$	914,725	(76,190)	(8.3%)

The Company's consolidated sales for the third quarter of 2017 decreased by $76.2 million or 8.3% to $838.5 million as compared to $914.7 million for the third quarter of 2016. The total decrease in sales was driven by a decrease in the North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the third quarter of 2017 in the Company's North America operating segment decreased by $90.2 million or 12.2% to $646.9 million from $737.1 million for the third quarter of 2016. The decrease was due to 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 2017

of approximately $4.9 million as compared to the third quarter of 2016; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Ford Fusion, Chevrolet Malibu, and other platforms late in their life cycle, and programs that ended production during or subsequent to the third quarter of 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by a $2.2 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; higher year-over-year production volumes on certain light vehicle platforms such as the Ford Escape; and the launch of new programs during or subsequent to the third quarter of 2016 including the GM Bolt and next generation GM Equinox/Terrain, third quarter production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario.

Sales for the third quarter of 2017 in the Company's Europe operating segment increased by $13.0 million or 8.6% to $165.1 million from $152.1 million for the third quarter of 2016. The increase can be attributed to a $3.4 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2016, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler. These positive factors were partially offset by a $1.6 million decrease in tooling sales.

Sales for the third quarter of 2017 in the Company's Rest of the World operating segment increased by $2.6 million or 9.4% to $30.3 million from $27.7 million in the third quarter of 2016. The increase was due to higher year-over-year production sales in the Company's operating facility in Brazil; partially offset by a $0.3 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2016 and a $0.2 million decrease in tooling sales.

Overall tooling sales increased by $0.4 million to $38.6 million for the third quarter of 2017 from $38.2 million for the third quarter of 2016.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
North America	$ 2,238,933	$ 2,417,956	(179,023)	(7.4%)
Europe	493,080	484,313	8,767	1.8%
Rest of the World	90,163	84,826	5,337	6.3%
Eliminations	(10,319)	(9,095)	(1,224)	(13.5)
Total Sales	$ 2,811,857	$ 2,978,000	(166,143)	(5.6%)

The Company's consolidated sales for the nine months ended September 30, 2017 decreased by $166.1 million or 5.6% to $2,811.9 million as compared to $2,978.0 million for the nine months ended September 30, 2016. The total decrease in sales was driven by a decrease in the Company's North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the nine months ended September 30, 2017 in the Company's North America operating segment decreased by $179.0 million or 7.4% to $2,238.9 million from $2,418.0 million for the nine months ended September 30, 2016. The decrease was due to 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, 2017 of approximately $14.7 million as compared to the comparative period of 2016; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, customer production of which ended at the end of 2016, Ford Fusion, Chevrolet Malibu, and other platforms late in their product life cycle, and programs that ended production during or subsequent to the nine months ended September 30, 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by a year-over-year increase in tooling sales of $3.9 million; an increase in production volumes on the Chrysler V6 Pentastar engine block program which was down during the first quarter of 2016 for re-tooling; higher year-over-year volumes on certain light vehicle platforms such as the Ford Escape, GM Pick-up truck/SUV platform and other GM programs previously impacted by unplanned OEM shutdowns during the second quarter of 2016 because of an earthquake in Japan which disrupted the supply chain; and the launch of new programs during or subsequent to the nine months ended September 30, 2016 including the GM Bolt and next generation GM Equinox/Terrain, third quarter production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario.

Sales for the nine months ended September 30, 2017 in the Company's Europe operating segment increased by $8.8 million or 1.8% to $493.1 million from $484.3 million for the nine months ended September 30, 2016. The increase can be attributed to higher production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler, and a $1.6 million increase in tooling sales; partially offset by 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, 2017 of approximately $9.0 million as compared to the comparative period of 2016.

Sales for the nine months ended September 30, 2017 in the Company's Rest of the World operating segment increased by $5.4 million or 6.3% to $90.2 million from $84.8 million for the nine months ended September 30, 2016. The increase was mainly due to a year-over-year increase in production sales in the Company's operations in China due in large part to a year-over-year increase in production volumes on one of its key platforms which was down for seven weeks during the second quarter of 2016 as a result of an unplanned OEM shutdown; higher year-over-year production sales in the Company's operating facility in Brazil; and a $0.6 million positive foreign exchange impact from the translation of foreign denominated production sales as compared to the nine months ended September 30, 2016. These positive factors were partially offset by a $9.1 million decrease in tooling sales.

Overall tooling sales decreased by $3.6 million to $142.1 million for the nine months ended September 30, 2017 from $145.7 million for the nine months ended September 30, 2016.

GROSS MARGIN

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Gross margin	$ 113,418	$ 99,698	13,720	13.8%
% of sales	13.5%	10.9%		

The gross margin percentage for the third quarter of 2017 of 13.5% increased as a percentage of sales by 2.6% as compared to the gross margin percentage for the third quarter of 2016 of 10.9%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2016.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Gross margin	$ 360,559	$ 327,738	32,821	10.0%
% of sales	12.8%	11.0%		

The gross margin percentage for the nine months ended September 30, 2017 of 12.8% increased as a percentage of sales by 1.8% as compared to the gross margin percentage for the nine months ended September 30, 2016 of 11.0%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;

- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2016; and
- a slight decrease in tooling sales which typically earn low or no margins for the Company.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

ADJUSTMENTS TO NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

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

TABLE A

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	For the three months ended September 30, 2017 (a)	For the three months ended September 30, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$36,229**	**$29,098**	**$7,131**
Add Back - Unusual and Other Items:			
Executive separation agreement (1)	1,767	-	1,767
Unrealized gain on derivative instruments (2)	(1,375)	-	(1,375)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	392	**-**	**$392**
Tax impact of above items	(358)	-	(358)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	34	**-**	**$34**
ADJUSTED NET INCOME (A + B)	**$36,263**	**$29,098**	**$7,165**
Number of Shares Outstanding – Basic ('000)	86,512	86,385	
Adjusted Basic Net Earnings Per Share	$0.42	$0.34	
Number of Shares Outstanding – Diluted ('000)	86,794	86,507	
Adjusted Diluted Net Earnings Per Share	$0.42	$0.34	

TABLE B

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	For the nine months ended September 30, 2017 (a)	For the nine months ended September 30, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$127,177**	**$61,627**	**$65,550**
Add Back - Unusual and Other Items:			
Executive separation agreement (1)	1,767	-	1,767
Unrealized gain on derivative instruments (2)	(1,375)	-	(1,375)
Gain on sale of land and building (3)	(5,698)	-	(5,698)
Impairment of assets (4)	-	34,579	(34,579)
Restructuring costs (5)	-	3,684	(3,684)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($5,306)**	**$38,263**	**($43,569)**
Tax impact of above items (6)	469	(558)	1,027
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($4,837)**	**$37,705**	**($42,542)**
ADJUSTED NET INCOME (A + B)	**$122,340**	**$99,332**	**$23,008**
Number of Shares Outstanding – Basic (‘000)	86,505	86,385	
Adjusted Basic Net Earnings Per Share	$1.41	$1.15	
Number of Shares Outstanding – Diluted (‘000)	86,739	86,570	
Adjusted Diluted Net Earnings Per Share	$1.41	$1.15	

(1) Executive separation agreement

During the third quarter of 2017, David Rashid ceased to be an Executive Vice President of Operations of the Company. The costs added back for Adjusted Net Income purposes represents Mr. Rashid’s termination benefits (included in SG&A expense) as set out in his employment contract payable over a twelve-month period.

(2) Unrealized gain on derivative instruments

In the third quarter, the Company acquired 5.5 million common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering (the investment is further described in note 7 of the interim consolidated financial statements for the three and nine months ended September 30, 2017 and later on in the MD&A under the section “Investments”). As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance. The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period with the change in fair value recorded through profit or loss. As at September 30, 2017, the warrants had a fair value of $1.7 million which resulted in an unrealized gain of $1.4 million for the third quarter recorded in Other finance income. This unrealized gain has been added back for Adjusted Net Income purposes.

(3) Gain on sale of land and building

During the first quarter of 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an "as-is, where-is" basis. The building was sold for proceeds of $9.9 million (net of closing costs of $0.4 million) resulting in a pre-tax gain of $5.7 million.

(4) Impairment of assets

During the second quarter of 2016, the Company recorded impairment charges on PP&E, intangible assets and inventories totaling $34.6 million (US $26.6 million) related to an operating facility in Detroit, Michigan included in the North America operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

(5) Restructuring costs

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated, in particular, at the Company's German operating facility in Meschede, Germany. In connection with these restructuring activities, $1.8 million (€1.2 million) of employee related severance was recognized during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during the second quarter of 2016 totaled $1.9 million (US$1.4 million) and represent employee related payouts resulting from the closure of the operating facility in Detroit, Michigan as described above.

(6) Tax impact of above items (For the nine months ended September 30, 2016)

The tax impact of the adjustments recorded to income during the nine months ended September 30, 2016 of $0.6 million represents solely the corresponding tax effect on the $1.8 million in restructuring costs incurred in Meschede, Germany. The $34.6 million in impairment charges and $1.9 million in restructuring costs related to the closure of the operating facility in Detroit, Michigan, as described above, resulted in tax losses that were not benefitted and, as a result, not recognized as a deferred tax asset. In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences; however, forming a conclusion on the realization of deferred tax assets requires judgment when there are recent tax losses.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Net Income	$ 36,229	$ 29,098	7,131	24.5%
Adjusted Net Income	$ 36,263	$ 29,098	7,165	24.6%
Net Earnings per Share				
Basic and Diluted	$ 0.42	$ 0.34		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.42	$ 0.34		

Net Income, before adjustments, for the third quarter of 2017 increased by $7.1 million to $36.2 million from $29.1 million for the third quarter of 2016 largely as a result of the increase in the Company's gross margin as previously discussed. Excluding

the unusual and other items recognized during the third quarter of 2017 as explained in Table A under "Adjustments to Net Income", Net Income for the third quarter of 2017 remained essentially the same at $36.2 million or $0.42 per share, on a basic and diluted basis, compared to $29.1 million or $0.34 per share, on a basic and diluted basis, for the third quarter of 2016.

Adjusted Net Income for the third quarter of 2017, as compared to the third quarter of 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2016;
- a slight year-over-year decrease in finance expense on the Company's bank debt and equipment loans; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (22.9% for the third quarter of 2017 compared to 24.4% for the third quarter of 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- an increase in research and development costs due to increased new product and process research and development activity.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

		Nine months ended September 30, 2017		Nine months ended September 30, 2016	$ Change	% Change
Net Income	$	127,177	$	61,627	65,550	106.4%
Adjusted Net Income	$	122,340	$	99,332	23,008	23.2%
Net Earnings per Share						
Basic and Diluted	$	1.47	$	0.71		
Adjusted Net Earnings per Share						
Basic and Diluted	$	1.41	$	1.15		

Net Income, before adjustments, for the nine months ended September 30, 2017 increased by $65.6 million to $127.2 million from $61.6 million for the nine months ended September 30, 2016 largely as a result of the increase in the Company's gross margin, as previously discussed, and the impact of the unusual and other items incurred during the nine months ended September 30, 2017 and 2016 as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the nine months ended September 30, 2017 increased by $23.0 million to $122.3 million or $1.41 per share, on a basic and diluted basis, from $99.3 million or $1.15 per share, on a basic and diluted basis, for the nine months ended September 30, 2016.

Adjusted Net Income for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2016;
- a net foreign exchange gain of $0.8 million for the nine months ended September 30, 2017 compared to a net foreign exchange loss of $2.7 million for the nine months ended September 30, 2016;
- a year-over-year decrease in finance expense on the Company's bank debt and equipment loans; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (23.5% for the nine months ended September 30, 2017 compared to 24.4% for the nine months ended September 30, 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- an increase in research and development costs due to increased new product and process research and development activity.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Additions to PP&E	$ 56,373	$ 43,739	12,634	28.9%

Additions to PP&E increased by $12.6 million to $56.4 million in the third quarter of 2017 from $43.7 million for the third quarter of 2016. Additions as a percentage of sales increased year-over-year to 6.7% for the third quarter of 2017 compared to 4.8% for the comparative period of 2016. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Additions to PP&E	$ 168,105	$ 136,733	31,372	22.9%

Additions to PP&E increased by $31.4 million year-over-year to $168.1 million for the nine months ended September 30, 2017 compared to $136.7 million for the nine months ended September 30, 2016. Additions as a percentage of sales increased year-over-year to 6.0% for the nine months ended September 30, 2017 compared to 4.6% for the nine months ended September 30, 2016. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first nine months of 2017 continued to be for manufacturing equipment for new and replacement programs that recently launched or will be launching over the next 24 months.

DIVIDEND

A cash dividend of $0.03 per share has been declared by the Board of Directors payable to shareholders of record on December 31, 2017, on or about January 15, 2018.

ABOUT MARTINREA

Martinrea currently employs approximately 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's vision for the future is to be the best, preferred and most valued supplier in the world in the products and services we provide our customers. The Company's mission is to deliver: outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth; superior long term investment returns to our stakeholders; and positive contributions to our communities as good corporate citizens.

CONFERENCE CALL DETAILS

A conference call to discuss those results will be held on November 15, 2017 at 8:00 a.m. (Toronto time) which can be accessed by dialing (416) 405-9200 or toll free (866) 696-5896. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing (905) 694-9451 or toll free (800) 408-3053 (conference id 9347812#). The rebroadcast will be available until November 29, 2017.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, gross margin, earnings, and earnings per share (including as adjusted), operating income margins and net debt:EBITDA ratios for the 2017 year and beyond, the financial strength of the Company and its balance sheet, the expected acceleration of the Company's margin improvement to 8% or more by 2019 and 9% or more by 2020, the expected double digit growth in earnings by 2019 and growth in sales to over $4 billion by 2020, the ramping up and launching of new programs and the financial impact of launches, the opportunity to increase sales and ability to capitalize on opportunities in the automotive industry, the future amount and type of restructuring expenses to be expensed (including the expectation as to no further restructuring costs from the Honsel acquisition), the growth and strengthening of and the competitiveness of the Company, the opening of facilities and pursuit of its strategies, the progress, and expectations, of operational and productivity improvements and efficiencies and the lean manufacturing culture, the reduction of costs and expense, investments in its business, customer working relationships, the payment of dividends, improvements in product offerings, program wins, the expectation of announcing significant incremental work and as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- Competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;

- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as under-funding of pensions plans;
- the cost of post-employment benefits;
- impairment charges; and
- cybersecurity threats.

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:

Fred Di Tosto
Chief Financial Officer
Martinrea International Inc.
3210 Langstaff Road
Vaughan, Ontario L4K 5B2

Tel: (416) 749-0314
Fax: (289) 982-3001

MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2017

The following management discussion and analysis ("MD&A") was prepared as of November 14, 2017 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, 2017 ("interim consolidated financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2016 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, 2016, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs approximately 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's vision for the future is to be the best, preferred and most valued automotive parts supplier in the world in the products and services we provide our customers. The Company's mission is to deliver: outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth; superior long term investment returns to our stakeholders; and positive contributions to our communities as good corporate citizens.

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

OVERALL RESULTS

The following tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2017 and 2016. Refer to the Company's interim consolidated financial statements for the three and nine months ended September 30, 2017 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Sales	$ 838,535	$ 914,725	(76,190)	(8.3%)
Gross Margin	113,418	99,698	13,720	13.8%
Operating Income	50,106	43,394	6,712	15.5%
Net Income for the period	36,022	28,827	7,195	25.0%
Net Income Attributable to Equity Holders of the Company	$ 36,229	$ 29,098	7,131	24.5%
Net Earnings per Share – Basic and Diluted	$ 0.42	$ 0.34	0.08	23.5%
Non-IFRS Measures*				
Adjusted Operating Income	$ 51,873	$ 43,394	8,479	19.5%
% of sales	*6.2%*	*4.7%*		
Adjusted EBITDA	92,409	80,614	11,795	14.6%
% of sales	*11.0%*	*8.8%*		
Adjusted Net Income Attributable to Equity Holders of the Company	36,263	29,098	7,165	24.6%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.42	$ 0.34	0.08	23.5%

		Nine months ended September 30, 2017		Nine months ended September 30, 2016	$ Change	% Change
Sales	$	2,811,857	$	2,978,000	(166,143)	(5.6%)
Gross Margin		360,559		327,738	32,821	10.0%
Operating Income		179,097		113,468	65,629	57.8%
Net Income for the period		126,900		61,331	65,569	106.9%
Net Income Attributable to Equity Holders of the Company	$	127,177	$	61,627	65,550	106.4%
Net Earnings per Share – Basic and Diluted	$	1.47	$	0.71	0.76	107.1%
Non-IFRS Measures*						
Adjusted Operating Income	$	175,166	$	151,731	23,435	15.4%
% of sales		*6.2%*		*5.1%*		
Adjusted EBITDA		295,663		264,285	31,378	11.9%
% of sales		*10.5%*		*8.9%*		
Adjusted Net Income Attributable to Equity Holders of the Company		122,340		99,332	23,008	23.2%
Adjusted Net Earnings per Share – Basic and Diluted	$	1.41	$	1.15	0.26	22.6%

Non-IFRS Measures

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

The following tables provide a reconciliation of IFRS "Net Income Attributable to Equity Holders of the Company" to Non-IFRS "Adjusted Net Income Attributable to Equity Holders of the Company", "Adjusted Operating Income" and "Adjusted EBITDA":

		Three months ended September 30, 2017		Three months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	36,229	$	29,098
Unusual and Other Items (after-tax)*		34		-
Adjusted Net Income Attributable to Equity Holders of the Company	$	36,263	$	29,098

		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$	127,177	$	61,627
Unusual and Other Items (after-tax)*		(4,837)		37,705
Adjusted Net Income Attributable to Equity Holders of the Company	$	122,340	$	99,332

**Unusual and other items for the three and nine months ended September 30, 2017 and 2016 are explained in the "Adjustments to Net Income" section of this MD&A*

	Three months ended September 30, 2017	Three months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$ 36,229	$ 29,098
Non-controlling interest	(207)	(271)
Income tax expense	10,348	9,319
Other finance income – excluding Unusual and Other Items*	(340)	(770)
Finance expense	5,451	6,018
Unusual and Other Items (before-tax)*	392	-
Adjusted Operating Income	$ 51,873	$ 43,394
Depreciation of property, plant and equipment	36,873	33,500
Amortization of intangible assets	3,897	3,673
Loss/(gain) on disposal of property, plant and equipment	(234)	47
Adjusted EBITDA	$ 92,409	$ 80,614

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net Income Attributable to Equity Holders of the Company	$ 127,177	$ 61,627
Non-controlling interest	(277)	(296)
Income tax expense	37,863	31,455
Other finance expense (income) – excluding Unusual and Other Items*	(1,083)	2,570
Finance expense	16,792	18,112
Unusual and Other Items (before-tax)*	(5,306)	38,263
Adjusted Operating Income	$ 175,166	$ 151,731
Depreciation of property, plant and equipment	109,401	100,723
Amortization of intangible assets	11,623	11,755
Loss/(gain) on disposal of property, plant and equipment	(527)	76
Adjusted EBITDA	$ 295,663	$ 264,285

**Unusual and other items for the three and nine months ended September 30, 2017 and 2016 are explained in the "Adjustments to Net Income" section of this MD&A*

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below. Certain comparative information has been reclassified where relevant to conform to the current financial statement presentation adopted in 2017.

SALES

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
North America	$ 646,895	$ 737,127	(90,232)	(12.2%)
Europe	165,140	152,080	13,060	8.6%
Rest of the World	30,319	27,721	2,598	9.4%
Eliminations	(3,819)	(2,203)	(1,616)	(73.4%)
Total Sales	$ 838,535	$ 914,725	(76,190)	(8.3%)

The Company's consolidated sales for the third quarter of 2017 decreased by $76.2 million or 8.3% to $838.5 million as compared to $914.7 million for the third quarter of 2016. The total decrease in sales was driven by a decrease in the North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the third quarter of 2017 in the Company's North America operating segment decreased by $90.2 million or 12.2% to $646.9 million from $737.1 million for the third quarter of 2016. The decrease was due to 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 2017 of approximately $4.9 million as compared to the third quarter of 2016; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Ford Fusion, Chevrolet Malibu, and other platforms late in their life cycle, and programs that ended production during or subsequent to the third quarter of 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by a $2.2 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final

acceptance by the customer; higher year-over-year production volumes on certain light vehicle platforms such as the Ford Escape; and the launch of new programs during or subsequent to the third quarter of 2016 including the GM Bolt and next generation GM Equinox/Terrain, third quarter production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario.

Sales for the third quarter of 2017 in the Company's Europe operating segment increased by $13.0 million or 8.6% to $165.1 million from $152.1 million for the third quarter of 2016. The increase can be attributed to a $3.4 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2016, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler. These positive factors were partially offset by a $1.6 million decrease in tooling sales.

Sales for the third quarter of 2017 in the Company's Rest of the World operating segment increased by $2.6 million or 9.4% to $30.3 million from $27.7 million in the third quarter of 2016. The increase was due to higher year-over-year production sales in the Company's operating facility in Brazil; partially offset by a $0.3 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the third quarter of 2016 and a $0.2 million decrease in tooling sales.

Overall tooling sales increased by $0.4 million to $38.6 million for the third quarter of 2017 from $38.2 million for the third quarter of 2016.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
North America	$ 2,238,933	$ 2,417,956	(179,023)	(7.4%)
Europe	493,080	484,313	8,767	1.8%
Rest of the World	90,163	84,826	5,337	6.3%
Eliminations	(10,319)	(9,095)	(1,224)	(13.5)
Total Sales	$ 2,811,857	$ 2,978,000	(166,143)	(5.6%)

The Company's consolidated sales for the nine months ended September 30, 2017 decreased by $166.1 million or 5.6% to $2,811.9 million as compared to $2,978.0 million for the nine months ended September 30, 2016. The total decrease in sales was driven by a decrease in the Company's North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the nine months ended September 30, 2017 in the Company's North America operating segment decreased by $179.0 million or 7.4% to $2,238.9 million from $2,418.0 million for the nine months ended September 30, 2016. The decrease was due to 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, 2017 of approximately $14.7 million as compared to the comparative period of 2016; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, customer production of which ended at the end of 2016, Ford Fusion, Chevrolet Malibu, and other platforms late in their product life cycle, and programs that ended production during or subsequent to the nine months ended September 30, 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by a year-over-year increase in tooling sales of $3.9 million; an increase in production volumes on the Chrysler V6 Pentastar engine block program which was down during the first quarter of 2016 for re-tooling; higher year-over-year volumes on certain light vehicle platforms such as the Ford Escape, GM Pick-up truck/SUV platform and other GM programs previously impacted by unplanned OEM shutdowns during the second quarter of 2016 because of an earthquake in Japan which disrupted the supply chain; and the launch of new programs during or subsequent to the nine months ended September 30, 2016 including the GM Bolt and next generation GM Equinox/Terrain, third quarter production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario.

Sales for the nine months ended September 30, 2017 in the Company's Europe operating segment increased by $8.8 million or 1.8% to $493.1 million from $484.3 million for the nine months ended September 30, 2016. The increase can be attributed to higher production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler, and a $1.6 million increase in tooling sales; partially offset by 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, 2017 of approximately $9.0 million as compared to the comparative period of 2016.

Sales for the nine months ended September 30, 2017 in the Company's Rest of the World operating segment increased by $5.4 million or 6.3% to $90.2 million from $84.8 million for the nine months ended September 30, 2016. The increase was mainly due to a year-over-year increase in production sales in the Company's operations in China due in large part to a year-over-year increase in production volumes on one of its key platforms which was down for seven weeks during the second quarter of 2016 as a result of an unplanned OEM shutdown; higher year-over-year production sales in the Company's operating facility in Brazil; and a $0.6 million positive foreign exchange impact from the translation of foreign denominated production sales as compared to the nine months ended September 30, 2016. These positive factors were partially offset by a $9.1 million decrease in tooling sales.

Overall tooling sales decreased by $3.6 million to $142.1 million for the nine months ended September 30, 2017 from $145.7 million for the nine months ended September 30, 2016.

GROSS MARGIN

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Gross margin	$ 113,418	$ 99,698	13,720	13.8%
% of sales	13.5%	10.9%		

The gross margin percentage for the third quarter of 2017 of 13.5% increased as a percentage of sales by 2.6% as compared to the gross margin percentage for the third quarter of 2016 of 10.9%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2016.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Gross margin	$ 360,559	$ 327,738	32,821	10.0%
% of sales	12.8%	11.0%		

The gross margin percentage for the nine months ended September 30, 2017 of 12.8% increased as a percentage of sales by 1.8% as compared to the gross margin percentage for the nine months ended September 30, 2016 of 11.0%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2016; and
- a slight decrease in tooling sales which typically earn low or no margins for the Company.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

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

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Selling, general & administrative	$ 53,864	$ 48,023	5,841	12.2%
% of sales	6.4%	5.2%		

SG&A expense, before adjustments, for the third quarter of 2017 increased by $5.8 million to $53.9 million as compared to $48.0 million for the third quarter of 2016. Excluding the unusual and other items recorded in SG&A expense incurred during the third quarter of 2017 as explained in Table A under “Adjustments to Net Income”, SG&A expense for the third quarter of 2017 increased by $4.1 million year-over-year to $52.1 million from $48.0 million for the comparative period of 2016. The increase can be attributed to approximately $0.5 million in litigation costs related to certain employee related matters in the Company’s operating facility in Brazil, increased costs incurred at new and/or expanded facilities launching and ramping up new work and a general increase in employment costs to support the evolution of the business and operating margin expansion initiatives. SG&A expenses are being monitored and managed on a continuous basis in order to optimize costs.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Selling, general & administrative	$ 159,002	$ 150,138	8,864	5.9%
% of sales	5.7%	5.0%		

SG&A expense, before adjustments, for the nine months ended September 30, 2017 increased by $8.9 million to $159.0 million as compared to $150.1 million for the nine months ended September 30, 2016. Excluding the unusual and other items recorded in SG&A expense incurred during the nine months ended September 30, 2017 as explained in Table B under “Adjustments to Net Income”, SG&A expense for the nine months ended September 30, 2017 increased by $7.1 million to $157.2 million from $150.1 million for the comparative period of 2016. Similar to the third quarter year-over-year variance, the increase can be attributed to approximately $4.7 million in litigation costs related to certain employee related matters in the Company’s operating facility in Brazil, increased costs incurred at new and/or expanded facilities launching and ramping up new work and a general increase in employment costs to support the evolution of the business and operating margin expansion initiatives.

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

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	Three months ended September 30, 2017	Three months ended September 30, 2016	$ Change	% Change
Depreciation of PP&E (production)	$ 34,488	$ 31,335	3,153	10.1%
Depreciation of PP&E (non-production)	2,385	2,165	220	10.2%
Amortization of customer contracts and relationships	552	587	(35)	(6.0%)
Amortization of development costs	3,345	3,086	259	8.4%
Total depreciation and amortization	$ 40,770	$ 37,173	3,597	9.7%

Total depreciation and amortization expense for the third quarter of 2017 increased by $3.6 million to $40.8 million as compared to $37.2 million for the third quarter of 2016. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from equipment purchases to support new and replacement business.

A significant portion of the Company’s recent investments relates to various new programs that commenced during or subsequent to the third quarter of 2016. The Company continues to make significant investments in the business in light of its backlog of business and growing global footprint.

Depreciation of PP&E (production) expense as a percentage of sales increased year-over-over to 4.1% for the third quarter of 2017 from 3.4% for the third quarter of 2016 due to lower year-over-year sales, as previously discussed, and recent investments put into production.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Depreciation of PP&E (production)	$ 102,345	$ 94,254	8,091	8.6%
Depreciation of PP&E (non-production)	7,056	6,469	587	9.1%
Amortization of customer contracts and relationships	1,632	1,710	(78)	(4.6%)
Amortization of development costs	9,991	10,045	(54)	(0.5%)
Total depreciation and amortization	$ 121,024	$ 112,478	8,546	7.6%

Total depreciation and amortization expense for the nine months ended September 30, 2017 increased by $8.5 million to $121.0 million as compared to $112.5 million for the nine months ended September 30, 2016. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from equipment purchases to support new and replacement business. The year-over-year increase in total depreciation and amortization expense was partially offset by lower depreciation and amortization expense recognized at an operating facility in Detroit, Michigan due to certain assets having been impaired during the second quarter of 2016.

Depreciation of PP&E (production) expense as a percentage of sales increased year-over-year to 3.6% for the nine months ended September 30, 2017 compared to 3.2% for the nine months ended September 30, 2016 due to lower year-over-year sales, as previously discussed, and recent investments put into production.

ADJUSTMENTS TO NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

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

TABLE A

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	For the three months ended September 30, 2017 (a)	For the three months ended September 30, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$36,229**	**$29,098**	**$7,131**
Add Back - Unusual and Other Items:			
Executive separation agreement (1)	1,767	-	1,767
Unrealized gain on derivative instruments (2)	(1,375)	-	(1,375)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	392	**-**	**$392**
Tax impact of above items	(358)	-	(358)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	34	**-**	**$34**
ADJUSTED NET INCOME (A + B)	**$36,263**	**$29,098**	**$7,165**
Number of Shares Outstanding – Basic ('000)	86,512	86,385	
Adjusted Basic Net Earnings Per Share	$0.42	$0.34	
Number of Shares Outstanding – Diluted ('000)	86,794	86,507	
Adjusted Diluted Net Earnings Per Share	$0.42	$0.34	

TABLE B

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	For the nine months ended September 30, 2017 (a)	For the nine months ended September 30, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$127,177**	**$61,627**	**$65,550**
Add Back - Unusual and Other Items:			
Executive separation agreement (1)	1,767	-	1,767
Unrealized gain on derivative instruments (2)	(1,375)	-	(1,375)
Gain on sale of land and building (3)	(5,698)	-	(5,698)
Impairment of assets (4)	-	34,579	(34,579)
Restructuring costs (5)	-	3,684	(3,684)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($5,306)**	**$38,263**	**($43,569)**
Tax impact of above items (6)	469	(558)	1,027
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**($4,837)**	**$37,705**	**($42,542)**
ADJUSTED NET INCOME (A + B)	**$122,340**	**$99,332**	**$23,008**
Number of Shares Outstanding – Basic ('000)	86,505	86,385	
Adjusted Basic Net Earnings Per Share	$1.41	$1.15	
Number of Shares Outstanding – Diluted ('000)	86,739	86,570	
Adjusted Diluted Net Earnings Per Share	$1.41	$1.15	

(1) Executive separation agreement

During the third quarter of 2017, David Rashid ceased to be an Executive Vice President of Operations of the Company. The costs added back for Adjusted Net Income purposes represents Mr. Rashid's termination benefits (included in SG&A expense) as set out in his employment contract payable over a twelve-month period.

(2) Unrealized gain on derivative instruments

In the third quarter, the Company acquired 5.5 million common shares in NanoXplore Inc. ("NanoXplore"), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering (the investment is further described in note 7 of the interim consolidated financial statements for the three and nine months ended September 30, 2017 and later on in this MD&A under the section "Investments"). As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance. The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period with the change in fair value recorded through profit or loss. As at September 30, 2017, the warrants had a fair value of $1.7 million which resulted in an unrealized gain of $1.4 million for the third quarter recorded in Other finance income. This unrealized gain has been added back for Adjusted Net Income purposes.

(3) Gain on sale of land and building

During the first quarter of 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an "as-is, where-is" basis. The building was sold for proceeds of $9.9 million (net of closing costs of $0.4 million) resulting in a pre-tax gain of $5.7 million.

(4) Impairment of assets

During the second quarter of 2016, the Company recorded impairment charges on PP&E, intangible assets and inventories totaling $34.6 million (US $26.6 million) related to an operating facility in Detroit, Michigan included in the North America operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

(5) Restructuring costs

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated, in particular, at the Company's German operating facility in Meschede, Germany. In connection with these restructuring activities, $1.8 million (€1.2 million) of employee related severance was recognized during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during the second quarter of 2016 totaled $1.9 million (US$1.4 million) and represent employee related payouts resulting from the closure of the operating facility in Detroit, Michigan as described above.

(6) Tax impact of above items (For the nine months ended September 30, 2016)

The tax impact of the adjustments recorded to income during the nine months ended September 30, 2016 of $0.6 million represents solely the corresponding tax effect on the $1.8 million in restructuring costs incurred in Meschede, Germany. The $34.6 million in impairment charges and $1.9 million in restructuring costs related to the closure of the operating facility in Detroit, Michigan, as described above, resulted in tax losses that were not benefitted and, as a result, not recognized as a deferred tax asset. In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences; however, forming a conclusion on the realization of deferred tax assets requires judgment when there are recent tax losses.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

		Three months ended September 30, 2017		Three months ended September 30, 2016	$ Change	% Change
Net Income	$	36,229	$	29,098	7,131	24.5%
Adjusted Net Income	$	36,263	$	29,098	7,165	24.6%
Net Earnings per Share						
Basic and Diluted	$	0.42	$	0.34		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.42	$	0.34		

Net Income, before adjustments, for the third quarter of 2017 increased by $7.1 million to $36.2 million from $29.1 million for the third quarter of 2016 largely as a result of the increase in the Company's gross margin as previously discussed. Excluding the unusual and other items recognized during the third quarter of 2017 as explained in Table A under "Adjustments to Net Income", Net Income for the third quarter of 2017 remained essentially the same at $36.2 million or $0.42 per share, on a basic and diluted basis, compared to $29.1 million or $0.34 per share, on a basic and diluted basis, for the third quarter of 2016.

Adjusted Net Income for the third quarter of 2017, as compared to the third quarter of 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the third quarter of 2016;
- a slight year-over-year decrease in finance expense on the Company's bank debt and equipment loans; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (22.9% for the third quarter of 2017 compared to 24.4% for the third quarter of 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- an increase in research and development costs due to increased new product and process research and development activity.

Three months ended September 30, 2017 actual to guidance comparison:

On August 8, 2017, the Company provided the following guidance for the third quarter of 2017:

		Guidance		Actual
Production sales (in millions)	$	810 - 850	$	800
Adjusted Net Earnings per Share				
Basic & Diluted	$	0.40 - 0.44	$	0.42

For the third quarter of 2017, while Adjusted Net Earnings per Share of $0.42 was within the range of published guidance, production sales of $800 million came in slightly below the published sales guidance range due to the impact of an employee strike at the GM assembly plant in Ingersoll, Ontario had on the Company's production levels during the quarter.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

		Nine months ended September 30, 2017		Nine months ended September 30, 2016	$ Change	% Change
Net Income	$	127,177	$	61,627	65,550	106.4%
Adjusted Net Income	$	122,340	$	99,332	23,008	23.2%
Net Earnings per Share						
Basic and Diluted	$	1.47	$	0.71		
Adjusted Net Earnings per Share						
Basic and Diluted	$	1.41	$	1.15		

Net Income, before adjustments, for the nine months ended September 30, 2017 increased by $65.6 million to $127.2 million from $61.6 million for the nine months ended September 30, 2016 largely as a result of the increase in the Company's gross margin, as previously discussed, and the impact of the unusual and other items incurred during the nine months ended September 30, 2017 and 2016 as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the nine months ended September 30, 2017 increased by $23.0 million to $122.3 million or $1.41 per share, on a basic and diluted basis, from $99.3 million or $1.15 per share, on a basic and diluted basis, for the nine months ended September 30, 2016.

Adjusted Net Income for the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2016;
- a net foreign exchange gain of $0.8 million for the nine months ended September 30, 2017 compared to a net foreign exchange loss of $2.7 million for the nine months ended September 30, 2016;
- a year-over-year decrease in finance expense on the Company's bank debt and equipment loans; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (23.5% for the nine months ended September 30, 2017 compared to 24.4% for the nine months ended September 30, 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- an increase in research and development costs due to increased new product and process research and development activity.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

		Three months ended September 30, 2017		Three months ended September 30, 2016	$ Change	% Change
Additions to PP&E	$	56,373	$	43,739	12,634	28.9%

Additions to PP&E increased by $12.6 million to $56.4 million in the third quarter of 2017 from $43.7 million for the third quarter of 2016. Additions as a percentage of sales increased year-over-year to 6.7% for the third quarter of 2017 compared to 4.8% for the comparative period of 2016. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Additions to PP&E	$ 168,105	$ 136,733	31,372	22.9%

Additions to PP&E increased by $31.4 million year-over-year to $168.1 million for the nine months ended September 30, 2017 compared to $136.7 million for the nine months ended September 30, 2016. Additions as a percentage of sales increased year-over-year to 6.0% for the nine months ended September 30, 2017 compared to 4.6% for the nine months ended September 30, 2016. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the first nine months of 2017 continued to be for manufacturing equipment for new and replacement programs that recently launched or will be launching over the next 24 months.

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 between North America, Europe and the Rest of the World. The Company measures segment operating performance based on operating income.

Three months ended September 30, 2017 to three months ended September 30, 2016 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended September 30, 2017	Three months ended September 30, 2016	Three months ended September 30, 2017	Three months ended September 30, 2016
North America	$ 646,895	$ 737,127	$ 44,226	$ 39,057
Europe	165,140	152,080	9,034	6,842
Rest of the World	30,319	27,721	(1,387)	(2,505)
Eliminations	(3,819)	(2,203)	-	-
Adjusted Operating Income	-	-	$ 51,873	$ 43,394
Unusual and Other Items*	-	-	(1,767)	-
Total	$ 838,535	$ 914,725	$ 50,106	$ 43,394

** Operating income for the operating segments has been adjusted for unusual and other items. The $1.8 million of unusual and other items for the third quarter of 2017 was recognized in North America. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $3.8 million to $42.9 million for the third quarter of 2017 from $39.1 million for the third quarter of 2016 despite lower sales as previously discussed. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the second quarter of 2016; partially offset by operational inefficiencies and other costs at certain other facilities.

Europe

Adjusted Operating Income in Europe increased by $2.2 million to $9.0 million for the third quarter of 2017 from $6.8 million for the third quarter of 2016 due in large part to a $13.0 million year-over-year increase in sales. As noted previously, the year-over-year increase in sales can be attributed to a $3.4 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the third quarter of 2016, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler. These positive factors were partially offset by a $1.6 million decrease in tooling sales.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year on higher year-over-year sales as previously discussed. The improved operating results were partially offset by approximately $0.5 million in litigation costs related to certain employee related matters in the Company's operating facility in Brazil, and upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

Nine months ended September 30, 2017 to nine months ended September 30, 2016 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Nine months ended September 30, 2017	Nine months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
North America	$ 2,238,933	$ 2,417,956	$ 152,039	$ 129,477
Europe	493,080	484,313	30,892	27,172
Rest of the World	90,163	84,826	(7,765)	(4,918)
Eliminations	(10,319)	(9,095)	-	-
Adjusted Operating Income	-	-	$ 175,166	$ 151,731
Unusual and Other Items*	-	-	3,931	(38,263)
Total	$ 2,818,857	$ 2,978,000	$ 179,097	$ 113,468

** Operating income for the operating segments has been adjusted for unusual and other items. The $3.9 million of unusual and other items for the nine months ended September 30, 2017 was recognized in North America. Of the $38.3 million of unusual and other items incurred during the nine months ended September 30, 2016, $36.5 million was incurred in North America and $1.8 million in Europe. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $21.2 million to $150.7 million for the nine months ended September 30, 2017 from $129.5 million for the nine months ended September 30, 2016. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the nine months ended September 30, 2016; partially offset by operational inefficiencies and other costs at certain facilities.

Europe

Adjusted Operating Income in Europe increased by $3.7 million to $30.9 million for the nine months ended September 30, 2017 from $27.2 million for the nine months ended September 30, 2016 on higher year-over-year sales. The increase in sales can be attributed to higher production volumes in the Company's Martinrea Honsel German operations including the ramp up of the new V8 AMG engine block for Daimler, and a $1.6 million increase in tooling sales; partially offset by 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, 2017 of approximately $9.0 million as compared to the comparative period of 2016.

Rest of the World

The operating results for the Rest of the World operating segment decreased year-over-year despite higher year-over-year sales as previously discussed. The decrease in operating results was due to approximately $4.7 million in litigation costs related to certain employee related matters in the Company's operating facility in Brazil and upfront costs incurred in the Company's China operations in preparation of upcoming new programs.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	838,535	972,772	1,000,550	990,407	914,725	1,023,825	1,039,450	1,035,314
Gross Margin	113,418	128,926	118,215	104,312	99,698	116,222	111,818	103,829
Net Income for the period	36,022	47,411	43,467	30,630	28,827	(27)	32,531	27,826
Net Income attributable to equity holders of the Company	36,229	47,346	43,602	30,753	29,098	(42)	32,571	27,731
Adjusted Net Income attributable to equity holders of the Company	36,263	47,346	38,731	30,753	29,098	37,663	32,571	29,059
Basic and Diluted Net Earnings per	0.42	0.55	0.50	0.36	0.34	-	0.38	0.32
Adjusted Basic and Diluted Net Earnings per Share	0.42	0.55	0.45	0.36	0.34	0.44	0.38	0.34

***Non-IFRS Measures**

The Company prepares its 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", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income" and "Adjusted EBITDA". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2016 and 2015 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid and continues to strengthen, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at September 30, 2017, the Company had total equity attributable to equity holders of the Company of $908.3 million (December 31, 2016 - $830.2 million). As at September 30, 2017, the Company's ratio of current assets to current liabilities was 1.29:1 (December 31, 2016 - 1.26:1). The Company's current working capital level of $223.8 million at September 30, 2017, up from $198.0 million at December 31, 2016 is due in large part to the timing of cash inflows and outflows with tooling related accounts, and credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset backed financing.

CASH FLOWS

		Three months ended September 30, 2017		Three months ended September 30, 2016	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$	92,487	$	81,572	10,915	13.4%
Change in non-cash working capital items		(17,487)		10,901	(28,388)	(260.4%)
		75,000		92,473	(17,473)	(18.9%)
Interest paid		(4,797)		(5,336)	539	(10.1%)
Income taxes paid		(10,597)		(9,527)	(1,070)	11.2%
Cash provided by operating activities		59,606		77,610	(18,004)	(23.2%)
Cash used in financing activities		(7,214)		(31,612)	24,398	(77.2%)
Cash used in investing activities		(54,063)		(65,198)	11,135	(17.1%)
Effect of foreign exchange rate changes on cash and cash equivalents		(3,007)		1,931	(4,938)	(255.7%)
Decrease in cash and cash equivalents	$	(4,678)	$	(17,269)	12,591	(72.9%)

Cash provided by operating activities during the third quarter of 2017 was $59.6 million, compared to $77.6 million in the corresponding period of 2016. The components for the third quarter of 2017 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $92.5 million;
- non-cash working capital items use of cash of $17.5 million comprised of an increase in inventories of $48.9 million and a decrease in trade, other payables and provisions of $42.7 million, partially offset by decreases in trade and other receivables of $73.4 million and prepaid expenses and deposits of $0.6 million;
- interest paid (excluding capitalized interest) of $4.8 million; and
- income taxes paid of $10.6 million.

Cash used in financing activities during the third quarter of 2017 was $7.2 million, compared to $31.6 million in the corresponding period in 2016, as a result of repayments on the Company's asset backed financing arrangements of $4.6 million and $2.6 million in dividends paid.

Cash used in investing activities during the third quarter of 2017 was $54.1 million, compared to $65.2 million in the corresponding period in 2016. The components for the third quarter of 2017 primarily include the following:

- cash additions to PP&E of $49.0 million;
- capitalized development costs relating to upcoming new program launches of $3.3 million;
- an investment in NanoXplore Inc. (as described in note 7 of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2017) of $2.5 million; partially offset by
- proceeds from the disposal of PP&E of $0.7 million.

Taking into account the opening cash balance of $57.1 million at the beginning of the third quarter of 2017, and the activities described above, the cash and cash equivalents balance at September 30, 2017 was $52.5 million.

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 299,113	$ 260,782	38,331	14.7%
Change in non-cash working capital items	(3,701)	(39,348)	35,647	(90.6%)
	295,412	221,434	73,978	33.4%
Interest paid	(14,761)	(15,336)	575	(3.7%)
Income taxes paid	(43,254)	(40,795)	(2,459)	6.0%
Cash provided by operating activities	237,397	165,303	72,094	43.6%
Cash provided by (used in) financing activities	(46,784)	29,567	(76,351)	(258.2%)
Cash used in investing activities	(193,239)	(174,225)	(19,014)	10.9%
Effect of foreign exchange rate changes on cash and cash equivalents	(4,074)	(1,976)	(2,098)	106.2%
Increase (Decrease) in cash and cash equivalents	$ (6,700)	$ 18,669	(25,369)	(135.9%)

Cash provided by operating activities during the nine months ended September 30, 2017 was $237.4 million, compared to $165.3 million in the corresponding period of 2016. The components for the nine months ended September 30, 2017 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $299.1 million;
- working capital items use of cash of $3.7 million comprised of an increase of inventories of $85.6 million and an increase in prepaid expenses and deposits of $3.2 million, partially offset by a decrease in trade and other receivables of $30.3 million and an increase in trade, other payables and provisions of $54.8 million;
- interest paid (excluding capitalized interest) of $14.8 million; and
- income taxes paid of $43.3 million.

Cash used in financing activities during the nine months ended September 30, 2017 was $46.8 million, compared to cash provided by financing activities of $29.6 million in the corresponding period in 2016, as a result of repayments on the Company's revolving banking facility and asset backed financing arrangements of $39.2 million and $7.8 million in dividends paid; partially offset by $0.2 million in proceeds from the exercise of employee stock options.

Cash used in investing activities during the nine months ended September 30, 2017 was $193.2 million, compared to $174.2 million in the corresponding period in 2016. The components for the nine months ended September 30, 2017 primarily include the following:

- cash additions to PP&E of $192.6 million;
- capitalized development costs relating to upcoming new program launches of $10.6 million;
- an investment in NanoXplore Inc. (as described in note 7 of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2017) of $2.5 million; partially offset by
- proceeds from the disposal of PP&E of $1.3 million, proceeds from the disposal of land and building of $9.9 million, and the upfront recovery of development costs incurred of $1.2 million.

Taking into account the opening cash balance of $59.2 million at the beginning of 2017, and the activities described above, the cash and cash equivalents balance at September 30, 2017 was $52.5 million.

Financing

On April 29, 2016, the Company's banking facility was amended to extend its maturity date and increase the total available revolving credit lines under the facility. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $350 million and US $400 million;
- available asset backed financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to $150 million;
- pricing terms at market rates; and
- a maturity date of April 2020.

There were no changes to pricing terms or financial covenants under the facility adverse to the Company.

As at September 30, 2017, the Company had drawn $273.0 million (December 31, 2016 - $273.0 million) on the Canadian revolving credit line and US$256.0 million (December 31, 2016 – US$270.0 million) on the U.S. revolving credit line.

Net debt (i.e. long-term debt less cash on hand) decreased by $56.3 million from $662.2 million at December 31, 2016 to $605.9 million at September 30, 2017. The Company's net debt to Adjusted EBITDA (on a trailing twelve months basis) leverage ratio improved to 1.59x at the end of the third quarter of 2017, from 1.89x at the end of 2016.

The Company was in compliance with its debt covenants as at September 30, 2017.

Subsequent to the quarter ended September 30, 2017, the Company finalized an equipment loan in the amount of $40 million repayable in monthly installments over five years at a fixed interest rate of 3.8%. The loan agreement was executed on October 2, 2017.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on October 16, 2017. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2016 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At September 30, 2017, the amount of off-balance sheet program financing was $72.7 million (December 31, 2016 - $65.5 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated March 2, 2017 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at November 14, 2017, the Company had 86,512,167 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 14, 2017, options to acquire 2,078,117 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three and nine months ended September 30, 2017, 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, 2016.

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, 2017, the amount of the off balance sheet program financing was $72.7 million (December 31, 2016 - $65.5 million) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee not on the balance sheet. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between six to eighteen months.

Hedge Accounting

The Company uses some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments made in certain US operations. At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment that is being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed.

At inception and at every quarter end thereafter, the Company formally assesses the effectiveness of these net investment hedges. The change in fair value of the hedging US debt is recorded, to the extent effective, directly in Other Comprehensive Income (Loss). These amounts will be recognized in earnings as and when the corresponding Accumulated Other Comprehensive Income (Loss) from the hedged foreign operations is recognized in net earnings.

Financial Instruments

The Company periodically utilizes certain financial instruments, principally forward currency exchange contracts to manage the risk associated with fluctuations in currency exchange rates. It is the Company's policy to not utilize financial instruments for trading or speculative purposes. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's foreign denominated sales and the Company's purchases of materials and equipment. Gains and losses on forward foreign exchange contracts are reflected in the consolidated financial statements in the same period as the hedged item. In the event that a hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized in income.

At September 30, 2017, the Company had committed to the following foreign exchange contracts:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Euro	$	4,715	1.1788	1
Buy Mexican Peso	$	25,669	17.8429	2

The aggregate value of these forward contracts as at September 30, 2017 was a pre-tax loss of $0.8 million and was recorded in trade and other payables (December 31, 2016 - loss of $0.2 million and was recorded in trade and other payables).

Assets Held For Sale

Subsequent to the quarter ended September 30, 2017, the Company entered into a sale-leaseback arrangement involving the land and building of two of its operating facilities in the Greater Toronto Area. The agreement was executed on October 2, 2017 and is expected to close in November 2017. Net proceeds of approximately $31 million are expected on closing of the transaction. The assets being sold had a total carrying value of $17.6 million as at September 30, 2017 and have been classified as held for sale. The corresponding leaseback of the assets is for a term of ten years at market lease rates.

INVESTMENTS

During the third quarter, the Company acquired 5.5 million common shares in NanoXplore Inc., a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering. As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

NanoXplore is a graphene company, a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions under the heXo-G brand, including graphene powder, graphene plastic masterbatch pellets, and graphene-enhanced polymers. The company has its headquarters and graphene production facility in Montreal, Quebec.

The initial purchase price of $2.5 million was allocated to the common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $2.2 million being initially allocated to the common shares and $0.3 million to the warrants.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes valuation model, with the change in fair value recorded through profit or loss. As at September 30, 2017, the warrants had a fair value of $1.7 million resulting in an unrealized gain of $1.4 million for the three and nine months ended September 30, 2017, which is recorded in Other finance income (expense) in the interim condensed consolidated statement of operations. The table below summarizes the assumptions used in valuing the warrants using the Black-Scholes valuation model as at acquisition date and September 30, 2017:

	Acquisition	**September 30, 2017**
Expected volatility	76.29%	76.55%
Risk-free interest rate	1.31%	1.52%
Expected life (years)	2	2

The acquired common shares in NanoXplore have been classified as available-for-sale for reporting purposes. As such, the common shares are recorded at their fair value at the end of each reporting period based on publicly quoted prices, with the change in fair value recorded in Other comprehensive income (loss). As at September 30, 2017, the common shares had a fair value of $6.0 million resulting in an unrealized gain of $3.8 million ($3.3 million net of tax) for the three months ended September 30, 2017.

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.

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2016 annual consolidated financial statements, as well as in the Company's 2016 annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three and nine months ended September 30, 2017 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2016 annual MD&A, except for the following new accounting standards recently adopted.

Recently adopted and applicable accounting standards and policies

Non-current Assets Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. An asset meets the criteria for held for sale classification when its sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets. A sale is considered highly probable when management is committed to a plan to sell the asset, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and included in Other Assets. The Company's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in Other Comprehensive Income. When an investment is derecognized, the accumulated gain or loss in Other Comprehensive Income is transferred to profit or loss.

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 11 (Long-term debt) of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Performance and Restricted Share Unit Plan

On November 3, 2016, as amended on April 28, 2017, a Performance and Restricted Share Unit Plan (the "PRSU Plan") was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan), at the Company's option, for either common shares or cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in earnings.

Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company is in the process of finalizing its assessment of the potential impact; the adoption of IFRS 15 may have on the consolidated financial statements, including consultation with industry peers and review of relevant contracts. As part of the evaluation, the Company is analyzing the standard's impact on customer contracts, comparing its historical accounting policies and practices to the requirements of the new standard, and identifying potential differences from application of the new standard's requirements. Aside from any potential accounting policy changes, the new standard will require additional disclosure around revenue which the Company will address upon adoption beginning on January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 9 on the consolidated financial statements. The extent of the impact has not yet been determined.

IFRS 16, Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of IFRS 16 on the consolidated financial statements. The extent of the impact has not yet been determined.

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company is currently assessing the impact of the amendments to IFRS 2 on the consolidated financial statements. The extent of the impact has not yet been determined.

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 related to the Company's expectations as to the growth of the Company and pursuit of its strategies, the ramping up and launching of new programs, investments in its business, the opportunity to increase sales, the future amount and type of restructuring expenses to be expensed, the financing of future capital expenditures, the Company's ability to capitalize on opportunities in the automotive industry, the Company's views on its liquidity and ability to deal with present economic conditions, growth of future sales or production volumes and the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2016 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;

- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits
- impairment charges; and
- cyber security threats.

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, 2017

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		$ 52,465	$ 59,165
Trade and other receivables	2	520,105	568,445
Inventories	3	378,939	306,130
Prepaid expenses and deposits		17,149	14,758
Income taxes recoverable		15,459	9,786
Assets held for sale	4	17,622	-
TOTAL CURRENT ASSETS		1,001,739	958,284
Property, plant and equipment	5	1,239,702	1,257,247
Deferred income tax assets		178,708	179,702
Intangible assets	6	67,979	73,261
Other assets	7	7,663	-
TOTAL NON-CURRENT ASSETS		1,494,052	1,510,210
TOTAL ASSETS		$ 2,495,791	$ 2,468,494
LIABILITIES			
Trade and other payables	9	$ 720,104	$ 707,007
Provisions	10	5,349	6,689
Income taxes payable		37,117	18,622
Current portion of long-term debt	11	15,355	27,982
TOTAL CURRENT LIABILITIES		777,925	760,300
Long-term debt	11	643,011	693,421
Pension and other post-retirement benefits		71,184	66,863
Deferred income tax liabilities		95,344	118,234
TOTAL NON-CURRENT LIABILITIES		809,539	878,518
TOTAL LIABILITIES		1,587,464	1,638,818
EQUITY			
Capital stock	13	710,794	710,510
Contributed surplus		42,689	42,660
Accumulated other comprehensive income		80,278	117,048
Retained earnings (accumulated deficit)		74,566	(40,020)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		908,327	830,198
Non-controlling interest		-	(522)
TOTAL EQUITY		908,327	829,676
TOTAL LIABILITIES AND EQUITY		$ 2,495,791	$ 2,468,494

Contingencies (note 18)
Subsequent Events (notes 4, and 11)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer" Director

"Scott Balfour" 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, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
SALES		$ 838,535	$ 914,725	$ 2,811,857	$ 2,978,000
Cost of sales (excluding depreciation of property, plant and equipment)		(690,629)	(783,692)	(2,348,953)	(2,556,008)
Depreciation of property, plant and equipment (production)		(34,488)	(31,335)	(102,345)	(94,254)
Total cost of sales		(725,117)	(815,027)	(2,451,298)	(2,650,262)
GROSS MARGIN		113,418	99,698	360,559	327,738
Research and development costs		(6,745)	(5,482)	(19,997)	(17,614)
Selling, general and administrative		(53,864)	(48,023)	(159,002)	(150,138)
Depreciation of property, plant and equipment (non-production)		(2,385)	(2,165)	(7,056)	(6,469)
Amortization of customer contracts and relationships		(552)	(587)	(1,632)	(1,710)
Gain on sale of land and building	5	-	-	5,698	-
Gain/(loss) on disposal of property, plant and equipment		234	(47)	527	(76)
Impairment of assets	8	-	-	-	(34,579)
Restructuring costs	10	-	-	-	(3,684)
OPERATING INCOME		50,106	43,394	179,097	113,468
Finance expense		(5,451)	(6,018)	(16,792)	(18,112)
Other finance income (expense)	15	1,715	770	2,458	(2,570)
INCOME BEFORE INCOME TAXES		46,370	38,146	164,763	92,786
Income tax expense	12	(10,348)	(9,319)	(37,863)	(31,455)
NET INCOME FOR THE PERIOD		$ 36,022	$ 28,827	$ 126,900	$ 61,331
Non-controlling interest		207	271	277	296
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$ 36,229	$ 29,098	$ 127,177	$ 61,627

	Note				
Basic earnings per share	14	$ 0.42	$ 0.34	$ 1.47	$ 0.71
Diluted earnings per share	14	$ 0.42	$ 0.34	$ 1.47	$ 0.71

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) (unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
NET INCOME FOR THE PERIOD	$ 36,022	$ 28,827	$ 126,900	$ 61,331
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(27,752)	15,690	(40,106)	(35,234)
Change in fair value of available for sale investments	3,336	-	3,336	-
Items that will not be reclassified to net income				
Remeasurement of defined benefit plans	775	(4,028)	(2,954)	(9,448)
Other comprehensive income (loss), net of tax	(23,641)	11,662	(39,724)	(44,682)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 12,381	$ 40,489	$ 87,176	$ 16,649
Attributable to:				
Equity holders of the Company	12,588	40,760	87,453	16,945
Non-controlling interest	(207)	(271)	(277)	(296)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 12,381	$ 40,489	$ 87,176	$ 16,649

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)

	Equity attributable to equity holders of the Company						
	Capital stock	Contributed surplus	Other comprehensive income	Retained earnings/ (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at December 31, 2015	$ 709,396	$ 42,648	$ 147,442	$ (123,157)	$ 776,329	$ (103)	$ 776,226
Net income for the period	-	-	-	61,627	61,627	(296)	61,331
Compensation expense related to stock options	-	250	-	-	250	-	250
Dividends ($0.09 per share)	-	-	-	(7,775)	(7,775)	-	(7,775)
Exercise of employee stock options	101	(29)	-	-	72	-	72
Other comprehensive loss, net of tax							
Remeasurement of defined benefit plans	-	-	-	(9,448)	(9,448)	-	(9,448)
Foreign currency translation differences	-	-	(35,234)	-	(35,234)	-	(35,234)
Balance at September 30, 2016	709,497	42,869	112,208	(78,753)	785,821	(399)	785,422
Net income for the period	-	-	-	30,753	30,753	(123)	30,630
Compensation expense related to stock options	-	83	-	-	83	-	83
Dividends ($0.03 per share)	-	-	-	(2,591)	(2,591)	-	(2,591)
Exercise of employee stock options	1,013	(292)	-	-	721	-	721
Other comprehensive income, net of tax							
Remeasurement of defined benefit plans	-	-	-	10,571	10,571	-	10,571
Foreign currency translation differences	-	-	4,840	-	4,840	-	4,840
Balance at December 31, 2016	710,510	42,660	117,048	(40,020)	830,198	(522)	829,676
Net income for the period	-	-	-	127,177	127,177	(277)	126,900
Change in non-controlling interest	-	-	-	(1,849)	(1,849)	799	(1,050)
Compensation expense related to stock options	-	111	-	-	111	-	111
Dividends ($0.09 per share)	-	-	-	(7,788)	(7,788)	-	(7,788)
Exercise of employee stock options	284	(82)	-	-	202	-	202
Other comprehensive income (loss), net of tax							
Remeasurement of defined benefit plans	-	-	-	(2,954)	(2,954)	-	(2,954)
Foreign currency translation differences	-	-	(40,106)	-	(40,106)	-	(40,106)
Change in fair value of available for sale investments	-	-	3,336	-	3,336	-	3,336
Balance at September 30, 2017	$ 710,794	$ 42,689	$ 80,278	$ 74,566	$ 908,327	$ -	$ 908,327

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, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	$ 36,022	$ 28,827	$ 126,900	$ 61,331
Adjustments for:				
Depreciation of property, plant and equipment	36,873	33,500	109,401	100,723
Amortization of customer contracts and relationships	552	587	1,632	1,710
Amortization of development costs	3,345	3,086	9,991	10,045
Impairment of assets (note 8)	-	-	-	34,579
Unrealized losses (gains) on foreign exchange forward contracts	331	(772)	781	144
Unrealized gain on derivative instruments (note 7)	(1,375)	-	(1,375)	-
Finance expense	5,451	6,018	16,792	18,112
Income tax expense	10,348	9,319	37,863	31,455
Gain on sale of land and building (note 5)	-	-	(5,698)	-
Loss (gain) on disposal of property, plant and equipment	(234)	47	(527)	76
Deferred and restricted share units expense	473	1	1,262	254
Stock options expense	37	84	111	250
Pension and other post-retirement benefits expense	1,137	1,183	3,429	3,450
Contributions made to pension and other post-retirement benefits	(473)	(308)	(1,449)	(1,347)
	92,487	81,572	299,113	260,782
Changes in non-cash working capital items:				
Trade and other receivables	73,413	185	30,311	(65,961)
Inventories	(48,863)	(2,305)	(85,615)	6,023
Prepaid expenses and deposits	622	(693)	(3,243)	(1,513)
Trade, other payables and provisions	(42,659)	13,714	54,846	22,103
	75,000	92,473	295,412	221,434
Interest paid (excluding capitalized interest)	(4,797)	(5,336)	(14,761)	(15,336)
Income taxes paid	(10,597)	(9,527)	(43,254)	(40,795)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 59,606	$ 77,610	$ 237,397	$ 165,303
FINANCING ACTIVITIES:				
Increase in long-term debt	-	66	-	88,876
Repayment of long-term debt	(4,608)	(29,087)	(39,198)	(51,607)
Dividends paid	(2,606)	(2,591)	(7,788)	(7,774)
Exercise of employee stock options	-	-	202	72
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ (7,214)	$ (31,612)	$ (46,784)	$ 29,567
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*	(49,004)	(61,981)	(192,556)	(164,942)
Capitalized development costs	(3,289)	(3,342)	(10,580)	(9,653)
Proceeds on disposal of property, plant and equipment	705	125	1,330	370
Investment in NanoXplore Inc.(note 7)	(2,475)	-	(2,475)	-
Proceeds on disposal of land and building (note 5)	-	-	9,872	-
Upfront recovery of development costs incurred	-	-	1,170	-
NET CASH USED IN INVESTING ACTIVITIES	$ (54,063)	$ (65,198)	$ (193,239)	$ (174,225)
Effect of foreign exchange rate changes on cash and cash	(3,007)	1,931	(4,074)	(1,976)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,678)	(17,269)	(6,700)	18,669
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	57,143	64,837	59,165	28,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,465	$ 47,568	$ 52,465	$ 47,568

*As at September 30, 2017, $47,106 (December 31, 2016- $71,557) of purchases of property, plant and equipment remain unpaid.

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 leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector.

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, 2016, except as outlined in note 1(d).

(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, 2016.

(c) Functional and 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.

(d) Recently adopted and applicable accounting standards and policies

Non-current Assets Held for Sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. An asset meets the criteria for held for sale classification when its sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sales of such assets. A sale is considered highly probable when management is committed to a plan to sell the asset, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale is expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and included in Other Assets. The Company’s investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in Other Comprehensive Income. When an investment is derecognized, the accumulated gain or loss in Other Comprehensive Income is transferred to profit or loss.

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 11 (Long-term debt) of the interim condensed consolidated financial statements for the three and nine months ended September 30, 2017.

Performance and Restricted Share Unit Plan

On November 3, 2016, as amended on April 28, 2017, a Performance and Restricted Share Unit Plan (the "PRSU Plan") was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan), at the Company's option, for either common shares or cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in earnings.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018.

The Company is in the process of finalizing its assessment of the potential impact; the adoption of IFRS 15 may have on the consolidated financial statements, including consultation with industry peers and review of relevant contracts. As part of the evaluation, the Company is analyzing the standard's impact on customer contracts, comparing its historical accounting policies and practices to the requirements of the new standard, and identifying potential differences from application of the new standard's requirements. Aside from any potential accounting policy changes, the new standard will require additional disclosure around revenue which the Company will address upon adoption beginning on January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 9 on the consolidated financial statements. The extent of the impact has not yet been determined.

IFRS 16, Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted. The Company is currently assessing the impact of IFRS 16 on the consolidated financial statements. The extent of the impact has not yet been determined.

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The Company is currently assessing the impact of the amendments to IFRS 2 on the consolidated financial statements. The extent of the impact has not yet been determined.

2. TRADE AND OTHER RECEIVABLES

	September 30, 2017	December 31, 2016
Trade receivables	$ 502,804	$ 555,074
VAT and other receivables	17,301	13,371
	$ 520,105	$ 568,445

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 17.

3. INVENTORIES

	September 30, 2017	December 31, 2016
Raw materials	$ 160,744	$ 146,802
Work in progress	43,192	38,323
Finished goods	37,390	39,088
Tooling work in progress and other inventory	137,613	81,917
	$ 378,939	$ 306,130

4. ASSETS HELD FOR SALE

Subsequent to the quarter ended September 30, 2017, the Company entered into a sale-leaseback arrangement involving the land and building of two of its operating facilities in the Greater Toronto Area. The agreement was executed on October 2, 2017 and is expected to close in November, 2017. Net proceeds of approximately $31,000 are expected on closing of the transaction. The assets being sold had a total carrying value of $17,622 as at September 30, 2017 and have been classified as held for sale. The corresponding leaseback of the assets is for a term of ten years at market lease rates.

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 128,193	$ (29,475)	$ 98,718	$ 161,438	$ (41,389)	$ 120,049
Leasehold improvements	58,451	(34,995)	23,456	58,303	(33,316)	24,987
Manufacturing equipment	1,768,528	(906,308)	862,220	1,684,395	(876,359)	808,036
Tooling and fixtures	41,174	(33,407)	7,767	42,806	(34,387)	8,419
Other assets	51,414	(25,503)	25,911	40,795	(23,038)	17,757
Construction in progress and spare parts	221,630	-	221,630	277,999	-	277,999
	$ 2,269,390	$ (1,029,688)	$ 1,239,702	$ 2,265,736	$ (1,008,489)	$ 1,257,247

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 and spare parts	Total
Net as of December 31, 2015	$ 113,323	$ 24,604	$ 780,750	$ 5,743	$ 17,936	$ 259,806	$ 1,202,162
Additions	-	221	7,083	18	304	241,828	249,454
Disposals	(4)	-	(512)	-	(62)	(207)	(785)
Depreciation	(4,038)	(4,510)	(121,976)	(1,604)	(4,216)	-	(136,344)
Impairment (note 8)	-	(723)	(21,021)	-	(26)	-	(21,770)
Transfers from construction in progress and spare parts	13,005	6,131	188,457	4,310	4,417	(216,320)	-
Foreign currency translation adjustment	(2,237)	(736)	(24,745)	(48)	(596)	(7,108)	(35,470)
Net as of December 31, 2016	$ 120,049	$ 24,987	$ 808,036	$ 8,419	$ 17,757	$ 277,999	$ 1,257,247
Additions	-	617	1,358	-	235	165,895	168,105
Disposals	(3,363)	-	(1,297)	-	(212)	(105)	(4,977)
Assets held for sale (note 4)	(17,622)	-	-	-	-	-	(17,622)
Depreciation	(3,079)	(3,100)	(98,170)	(1,096)	(3,956)	-	(109,401)
Transfers from construction in progress and spare parts	8,271	1,555	186,709	987	12,678	(210,200)	-
Foreign currency translation adjustment	(5,538)	(603)	(34,416)	(543)	(591)	(11,959)	(53,650)
Net as of September 30, 2017	$ 98,718	$ 23,456	$ 862,220	$ 7,767	$ 25,911	$ 221,630	$ 1,239,702

The Company has entered into certain asset-backed financing arrangements that were structured as sales- leaseback arrangements. At September 30, 2017, the carrying value of property, plant and equipment under such arrangements was $21,780 (December 31, 2016 - $25,632). The corresponding amounts owing are recorded within long-term debt (note 11).

During the quarter ended March 31, 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an “as-is, where-is” basis. The building was sold for proceeds of $9,872 (net of closing costs of $378) resulting in a pre-tax gain of $5,698.

6. INTANGIBLE ASSETS

	September 30, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,042	$ (55,650)	$ 6,392	$ 62,044	$ (53,872)	$ 8,172
Development costs	140,162	(78,575)	61,587	138,416	(73,327)	65,089
	$ 202,204	$ (134,225)	$ 67,979	$ 200,460	$ (127,199)	$ 73,261

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2015	$ 10,773	$ 72,817	$ 83,590
Additions	-	12,624	12,624
Amortization	(2,307)	(13,652)	(15,959)
Impairment (note 8)	-	(4,179)	(4,179)
Foreign currency translation adjustment	(294)	(2,521)	(2,815)
Net as of December 31, 2016	$ 8,172	$ 65,089	$ 73,261
Additions	-	10,580	10,580
Amortization	(1,632)	(9,991)	(11,623)
Upfront recovery of development costs incurred	-	(1,170)	(1,170)
Foreign currency translation adjustment	(148)	(2,921)	(3,069)
Net as of September 30, 2017	$ 6,392	$ 61,587	$ 67,979

7. OTHER ASSETS

	September 30, 2017	December 31, 2016
Investment in common shares of NanoXplore Inc. (1)	$ 5,995	$ -
Warrants in NanoXplore Inc. (1)	1,668	-
	$ 7,663	$ -

(1) Investment in NanoXplore Inc.

In the third quarter, the Company acquired 5.5 million common shares in NanoXplore Inc. ("NanoXplore"), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2,475 through a private placement offering. As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

NanoXplore is a graphene company, a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions under the heXo-G brand, including graphene powder, graphene plastic masterbatch pellets, and graphene-enhanced polymers. The company has its headquarters and graphene production facility in Montreal, Quebec.

The initial purchase price of $2,475 was allocated to the common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $2,182 being initially allocated to the common shares and $293 to the warrants.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes valuation model, with the change in fair value recorded through profit or loss. As at September 30, 2017, the warrants had a fair value of $1,668 resulting in an unrealized gain of $1,375 for the three and nine months ended September 30, 2017, which is recorded in Other finance income (expense) in the interim condensed consolidated statement of operations. The table below summarizes the assumptions used in valuing the warrants using the Black-Scholes valuation model as at acquisition date and September 30, 2017:

	Acquisition	September 30, 2017
Expected volatility	76.29%	76.55%
Risk-free interest rate	1.31%	1.52%
Expected life (years)	2	2

The acquired common shares in NanoXplore have been classified as available-for-sale for reporting purposes. As such, the common shares are recorded at their fair value at the end of each reporting period based on publicly quoted prices, with the change in fair value recorded in Other comprehensive income (loss). As at September 30, 2017, the common shares had a fair value of $5,995 resulting in an unrealized gain of $3,813 ($3,336 net of tax) for the three months ended September 30, 2017.

8. IMPAIRMENT OF ASSETS

During the second quarter of 2016, the Company recorded impairment charges on property, plant, equipment, intangible assets and inventories totaling $34,579 (US $26,599) related to an operating facility in Detroit, Michigan included in the North American operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Property, plant and equipment	$ -	$ -	$ -	$ 21,770
Intangible Assets - Development costs	-	-	-	4,179
Inventories	-	-	-	8,630
Total Impairment	$ -	$ -	$ -	$ 34,579

9. TRADE AND OTHER PAYABLES

	September 30, 2017	December 31, 2016
Trade accounts payable and accrued liabilities	$ 719,323	$ 706,799
Foreign exchange forward contracts (note 17(d))	781	208
	$ 720,104	$ 707,007

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 17.

10. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Total
Net as of December 31, 2015	$ 14,026	$ 1,572	$ 15,598
Net additions	3,684	189	3,873
Amounts used during the period	(12,118)	(512)	(12,630)
Foreign currency translation adjustment	(344)	192	(152)
Net as of December 31, 2016	$ 5,248	$ 1,441	$ 6,689
Net additions	-	4,850	4,850
Amounts used during the period	(3,808)	(2,214)	(6,022)
Foreign currency translation adjustment	66	(234)	(168)
Net as of September 30, 2017	$ 1,506	$ 3,843	$ 5,349

Based on estimated cash outflows, all provisions as at September 30, 2017 and December 31, 2016 are presented on the interim condensed consolidated balance sheets as current liabilities.

(a) Restructuring

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated. The restructuring accrual as at December 31, 2015 relates to restructuring activities undertaken in Martinrea Honsel for employee related severance. Additional restructuring costs for Martinrea Honsel in Meschede, Germany of $1,810 (€1,238) were incurred during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during 2016 totaled $1,874 (US$1,441) and represent employee related payouts resulting from the closure of an operating facility in Detroit, Michigan as described in note 8.

(b) Claims and litigation

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

The increase in claims and litigation provision for the nine months ended September 30, 2017 predominately related to certain employee-related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

11. 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 17.

	September 30, 2017	December 31, 2016
Banking facility	$ 589,692	$ 631,879
Equipment loans	68,674	89,524
	658,366	721,403
Current portion	(15,355)	(27,982)
	$ 643,011	$ 693,421

Terms and conditions of outstanding loans, as at September 30, 2017, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	September 30, 2017 Carrying amount	December 31, 2016 Carrying amount
Banking facility	USD	LIBOR+1.75%	2020	$ 319,488	$ 362,529
	CAD	BA+1.75%	2020	270,204	269,350
Equipment loans	EUR	3.06%	2024	15,957	15,337
	EUR	2.54%	2025	15,240	14,648
	EUR	4.93%	2023	14,820	14,370
	USD	4.25%	2018	12,176	23,532
	EUR	4.34%	2025	3,164	3,041
	EUR	3.35%	2019	2,829	3,797
	EUR	1.36%	2021	2,056	2,548
	USD	7.36%	2017	1,479	6,195
	USD	3.80%	2022	432	527
	EUR	0.26%	2025	367	353
	BRL	5.00%	2020	154	200
	USD	4.25%	2017	-	3,872
	EUR	3.37%	2017	-	904
	USD	3.99%	2017	-	200
				$ 658,366	$ 721,403

On April 29, 2016, the Company's banking facility was amended to extend its maturity date and increase the total available revolving credit lines under the facility. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $350 million and US $400 million;
- available asset backed financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $150 million;
- pricing terms at market rates; and
- a maturity date of April 2020.

There were no changes to pricing terms or financial covenants under the facility adverse to the Company.

As at September 30, 2017, the Company has drawn US$256,000 (December 31, 2016 - US$270,000) on the U.S. revolving credit line and $273,000 (December 31, 2016 - $273,000) on the Canadian revolving credit line. At September 30, 2017, the weighted average effective rate of the banking facility credit lines was 2.9% (December 31, 2016 - 2.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2017.

Deferred financing fees of $3,167 (December 31, 2016 - $4,194) have been netted against the carrying amount of the long-term debt.

Subsequent to the quarter ended September 30, 2017, the Company finalized an equipment loan in the amount of $40,000 repayable in monthly installments over five years at a fixed interest rate of 3.8%. The loan agreement was executed on October 2, 2017.

Future annual minimum principal repayments are as follows:

Within one year	$	15,355
One to two years		4,974
Two to three years		596,243
Three to four years		3,751
Thereafter		38,043
	$	658,366

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2015	$	717,012
Drawdowns and loan proceeds (net of capitalized deferred financing fees of $2,370)		90,784
Repayments		(69,499)
Amortization of deferred financing fees		1,169
Foreign currency translation adjustment		(18,063)
Net as of December 31, 2016	$	721,403
Repayments		(39,198)
Amortization of deferred financing fees		1,027
Foreign currency translation adjustment		(24,866)
Net as of September 30, 2017	$	658,366

12. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Current income tax expense	$	(16,019)	$	(7,011)	$	(58,448)	$	(31,653)
Deferred income tax recovery (expense)		5,671		(2,308)		20,585		198
Total income tax expense	$	(10,348)	$	(9,319)	$	(37,863)	$	(31,455)

13. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance, December 31, 2015	86,374,667	$	709,396
Exercise of stock options	10,000		101
Balance, September 30, 2016	86,384,667	$	709,497
Exercise of stock options	100,000		1,013
Balance, December 31, 2016	86,484,667	$	710,510
Exercise of stock options	27,500		284
Balance, September 30, 2017	86,512,167	$	710,794

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

Stock options:

The following is a summary of the activity of the outstanding share	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	3,010,617	$	11.38	4,340,617	$	12.38
Exercised during the period	(27,500)		7.33	(10,000)		7.20
Cancelled during the period	(905,000)		14.91	(1,000,000)		16.15
Balance, end of period	2,078,117	$	9.90	3,330,617	$	11.26
Options exercisable, end of period	1,953,117	$	9.77	3,080,617	$	11.21

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2017:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$6.00 - 8.99	872,368	2008 - 2012	2018 - 2022
$9.00 - 9.99	50,000	2008	2018
$10.00 - 15.99	1,155,749	2007 - 2015	2017 - 2025
Total share purchase options	2,078,117		

For the three and nine months ended September 30, 2017, the Company expensed $37 (three months ended September 30, 2016 - $84) and $111 (nine months ended September 30, 2016 - $250) respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Deferred Share Unit Plan

The following is a summary of the issued and outstanding DSUs as at September 30, 2017:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Units outstanding, beginning of period	67,837	-
Units granted during the period	30,894	31,011
Units settled during the period	-	-
Units for dividends earned during the period (issued twice a year)	420	106
Units outstanding, end of period	99,151	31,117

The DSUs granted during the nine months ended September 30, 2017 were granted to non-executive directors, are not subject to vesting conditions and had a weighted average fair value per unit of $9.71 on the date of grant. At September 30, 2017, the fair value of all outstanding DSUs amounted to $1,107 (September 30, 2016 - $254 and December 31, 2016 - $568). For the three and nine months ended September 30, 2017, DSU compensation expense amounted to $41 (three months ended September 30, 2016 - $1) and $539 (nine months ended September 30, 2016 - $254), respectively, which was recorded in Selling, general and administrative expense in the interim condensed consolidated statement of operations.

Performance and Restricted Share Unit Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2017:

	RSUs	PSUs	Total
Units outstanding, beginning of period	-	-	-
Units granted during the period	57,760	57,760	115,520
Units exercised during the period	-	-	-
Units forfeited during the period	-	-	-
Units outstanding, end of period	57,760	57,760	115,520

The RSUs and PSUs granted during the nine months ended September 30, 2017 had a weighted average fair value per unit of $11.70 on the date of grant. For the three and nine months ended September 30, 2017, RSU and PSU compensation expense amounted to $432 and $723 respectively, (three and nine months ended September 30, 2016 - $Nil).

Unrecognized RSU and PSU compensation expense as at September 30, 2017 was $638 and will be recognized in profit and loss over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the three and nine months ended September 30, 2017 are shown in the table below:

	Average for the nine months ended September 30, 2017
Expected life (years)	2.21
Risk-free interest rate	1.52%

14. EARNINGS PER SHARE

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

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	86,512,167	$	0.42	86,384,667	$	0.34
Effect of dilutive securities:						
Stock options	281,866		-	122,643		-
Diluted	86,794,033	$	0.42	86,507,310	$	0.34

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	86,505,494	$	1.47	86,384,557	$	0.71
Effect of dilutive securities:						
Stock options	233,199		-	185,198		-
Diluted	86,738,693	$	1.47	86,569,755	$	0.71

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, 2017 – 842,000 options (three months ended September 30, 2016 - 2,332,450) and for the nine months ended September 30, 2017 – 1,155,749 options (nine months ended September 30, 2016 - 2,090,749) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

15. OTHER FINANCE INCOME (EXPENSE)

		Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016
Net foreign exchange gain (loss)	$	246	$	676	$	861	$	(2,722)
Unrealized gain on derivative instruments (note 7)		1,375		-		1,375		-
Other income, net		94		94		222		152
Other finance income (expense)	$	1,715	$	770	$	2,458	$	(2,570)

16. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. 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.

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 between 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 audited consolidated financial statements for the year ended December 31, 2016. The Company uses segment 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 segments:

	Three months ended September 30, 2017				Three months ended September 30, 2016			
		Sales		Operating Income		Sales		Operating Income
North America								
Canada	$	148,841			$	198,089	$	
USA		305,082				377,113		
Mexico		233,007				196,910		
Eliminations		(40,035)				(34,985)		
	$	646,895	$	42,459	$	737,127	$	39,057
Europe								
Germany		107,109				97,781		
Spain		43,513				41,849		
Slovakia		14,683				12,514		
Eliminations		(165)				(64)		
		165,140		9,034		152,080		6,842
Rest of the World		30,319		(1,387)		27,721		(2,505)
World Eliminations		(3,819)				(2,203)		
	$	838,535	$	50,106	$	914,725	$	43,394

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	$ 612,981		$ 659,624	$
USA	1,063,554		1,253,261	
Mexico	698,379		620,065	
Eliminations	(135,981)		(114,994)	
	$ 2,238,933	$ 155,970	$ 2,417,956	$ 93,024
Europe				
Germany	326,664		315,327	
Spain	122,645		128,919	
Slovakia	44,314		41,671	
Eliminations	(543)		(1,604)	
	493,080	30,892	484,313	25,362
Rest of the World	90,163	(7,765)	84,826	(4,918)
World Eliminations	(10,319)		(9,095)	
	$ 2,811,857	$ 179,097	$ 2,978,000	$ 113,468

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, other assets, trade and other payables, long-term debt, and foreign exchange forward contracts.

Fair Value

IFRS 13 "*Fair Value Measurement*" provides guidance about fair value measurements. Fair value is defined 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.

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 52,465	$ 52,465	$ -	$ -
Other assets (note 7)	7,663	5,995	1,668	
Foreign exchange forward contracts (note 9)	$ (781)	$ -	$ (781)	$ -

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 59,165	$ 59,165	$ -	$ -
Foreign exchange forward contracts (note 9)	$ (208)	$ -	$ (208)	$ -

Fair values versus carrying amounts

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

September 30, 2017	Fair value through profit or loss	Fair value through other comprehensive income	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 520,105	$ -	$ 520,105	$ 520,105
Other assets (note 7)	1,668	5,995	-	-	7,663	7,663
	1,668	5,995	520,105	-	527,768	527,768
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(719,323)	(719,323)	(719,323)
Long-term debt	-	-	-	(658,366)	(658,366)	(658,366)
Foreign exchange forward contracts	(781)	-	-	-	(781)	(781)
	(781)	-	-	(1,377,689)	(1,378,470)	(1,378,470)
Net financial assets (liabilities)	$ 887	$ 5,995	$ 520,105	$ (1,377,689)	$ (850,702)	$ (850,702)

December 31, 2016	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 568,445	$ -	$ 568,445	$ 568,445
	-	568,445	-	568,445	568,445
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(706,799)	(706,799)	(706,799)
Long-term debt	-	-	(721,403)	(721,403)	(721,403)
Foreign exchange forward contracts	(208)	-	-	(208)	(208)
	(208)	-	(1,428,202)	(1,428,410)	(1,428,410)
Net financial assets (liabilities)	$ (208)	$ 568,445	$ (1,428,202)	$ (859,965)	$ (859,965)

The fair value of trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt 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, currency risk and market price risk related to publicly-traded investments. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated Company basis.

(a) Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 33.2%, 27.3%, and 14.9% of its production sales for the nine months ending September 30, 2017 (nine months ended September 30, 2016 – 32.5%, 27.5% and 15.0%). 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, 2017 are part of the normal payment pattern within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current year are minimal.

The aging of trade receivables at the reporting date was as follows:

	September 30, 2017	December 31, 2016
0-60 days	$ 464,263	$ 526,483
61-90 days	14,898	16,540
Greater than 90 days	23,643	12,051
	$ 502,804	$ 555,074

(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, 2017, the Company had cash of $52,465 and banking facilities available as discussed in note 11. All of 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 11.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Banker's Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.0%.

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

	Carrying amount	
	September 30, 2017	December 31, 2016
Variable rate instruments	$ 589,692	$ 631,879
Fixed rate instruments	68,674	89,524
	$ 658,366	$ 721,403

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,497 (three months ended September 30, 2016 - $1,585) on the Company's financial results for the three months ended September 30, 2017 and $4,582 for the nine months ended September 30, 2017 (nine months ended September 30, 2016 - $4,668).

(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 sales 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, 2017, the Company had committed to the following foreign exchange contracts:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Euro	$	4,715	1.1788	1
Buy Mexican Peso	$	25,669	17.8429	2

The aggregate value of these forward contracts as at September 30, 2017 was a pre-tax loss of $781 and was recorded in trade and other payables (December 31, 2016 - loss of $208 and was recorded in trade and other payables).

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

September 30, 2017		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	271,402	€	67,987	$	44,999	R$	24,775	¥	105,837
Trade and other payables		(329,316)		(88,341)		(157,819)		(27,538)		(91,782)
Long-term debt		(267,585)		(36,925)		-		(391)		-
	$	(325,499)	€	(57,279)	$	(112,820)	R$	(3,154)	¥	14,055

December 31, 2016		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	289,124	€	59,222	$	27,941	R$	15,359	¥	156,848
Trade and other payables		(353,541)		(73,297)		(116,038)		(17,432)		(79,703)
Long-term debt		(295,971)		(38,813)		-		(495)		-
	$	(360,388)	€	(52,888)	$	(88,097)	R$	(2,568)	¥	77,145

The following summary illustrates the fluctuations in the exchange rates applied during the three and nine months ended September 30, 2017 and 2016:

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016	September 30, 2017	December 31, 2016
USD	1.2849	1.2965	1.3186	1.3290	1.2480	1.3427
EURO	1.4823	1.4491	1.4494	1.4777	1.4742	1.4169
PESO	0.0718	0.0698	0.0691	0.0736	0.0687	0.0651
BRL	0.3997	0.3944	0.4127	0.3687	0.3941	0.4125
CNY	0.1906	0.1953	0.1927	0.2027	0.1876	0.1930

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, 2017 by the amounts shown below, assuming all other variables remain constant:

		Three months ended September 30, 2017		Three months ended September 30, 2016		Nine months ended September 30, 2017		Nine months ended September 30, 2016
USD	$	(2,733)	$	(2,054)	$	(9,803)	$	(3,377)
EURO		(788)		(830)		(2,616)		(2,411)
BRL		86		149		783		521
CNY		90		136		257		186
	$	(3,345)	$	(2,599)	$	(11,379)	$	(5,081)

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) Market price risk related to publicly-traded investments

Market price risk related to publicly-traded investments refers to the risk that changes or fluctuations in the market prices of the Company's investments in publicly-traded companies will affect income, cash flows or the value of financial instruments. The Company manages risks related to such changes by regularly reviewing publicly available information related to these investments to ensure that any risks are within reasonable levels of risk tolerance. The Company does not engage in risk management practices such as hedging, derivatives, or short selling with respect to publicly-traded investments.

(f) 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 accumulated deficit, 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 operating 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.

18. CONTINGENCIES

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of this report or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $84,671 (BRL $214,847) including interest and penalties to September 30, 2017 (December 31, 2016 - $82,453 or BRL 199,886). 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 Company may be required to present guarantees totaling $58,570 at some point through a pledge of assets, bank letter of credits 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.

19. 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 consolidated balance sheet. At September 30, 2017, the amount of the program financing was $72,661 (December 31, 2016 - $65,468) 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 2017 year-to-date or 2016. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.

MARTINREA INTERNATIONAL INC.

Website: www.martinrea.com
Investor Information: investor@martinrea.com