MARTINREA INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Martinrea International Inc.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2019 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, multiple times a year to review, among other matters, accounting policies, any observations relating to internal controls over the financial reporting process that may be identified during the audit, as influenced by the nature, timing and extent of audit procedures performed, annual financial statements, the results of the external audit and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2019. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) *"Pat D'Eramo"*	(Signed) *"Fred Di Tosto"*
Pat D'Eramo	Fred Di Tosto
President & Chief Executive Officer	Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Martinrea International Inc.

Opinion

We have audited the consolidated financial statements of Martinrea International Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2019 and December 31, 2018
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Change in Accounting Policy

We draw attention to Note 2(t)(i) to the financial statements, which indicates that the Entity has changed its accounting policy for the impact of the adoption of IFRS 16 *Leases* and has applied that change using a modified retrospective approach.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in the Report to Shareholders filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Report to Shareholders filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is W. G. Andrew Smith.
Vaughan, Canada
March 5, 2020

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Cash and cash equivalents		$ 118,973	$ 70,162
Trade and other receivables	3	560,976	597,796
Inventories	4	383,682	492,759
Prepaid expenses and deposits		25,846	23,275
Income taxes recoverable		16,783	21,301
TOTAL CURRENT ASSETS		1,106,260	1,205,293
Property, plant and equipment	5	1,541,895	1,481,452
Right-of-use assets	6	188,378	-
Deferred tax assets	15	165,890	145,354
Intangible assets	7	54,787	70,931
Investments	8	37,085	10,781
TOTAL NON-CURRENT ASSETS		1,988,035	1,708,518
TOTAL ASSETS		$ 3,094,295	$ 2,913,811
LIABILITIES			
Trade and other payables	10	$ 728,787	$ 862,699
Provisions	11	8,584	5,393
Income taxes payable		7,477	7,816
Current portion of long-term debt	12	15,651	16,804
Current portion of lease liabilities	13	28,247	-
TOTAL CURRENT LIABILITIES		788,746	892,712
Long-term debt	12	765,922	723,913
Lease liabilities	13	174,105	-
Pension and other post-retirement benefits	14	63,789	61,267
Deferred tax liabilities	15	83,310	84,370
TOTAL NON-CURRENT LIABILITIES		1,087,126	869,550
TOTAL LIABILITIES		1,875,872	1,762,262
EQUITY			
Capital stock	16	661,422	680,157
Contributed surplus		42,449	42,016
Accumulated other comprehensive income		89,107	158,395
Retained earnings		425,445	270,981
TOTAL EQUITY		1,218,423	1,151,549
TOTAL LIABILITIES AND EQUITY		$ 3,094,295	$ 2,913,811

Commitments and Contingencies (note 23)

Subsequent Event (note 27)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Terry Lyons” Director

Martinrea International Inc.

Consolidated Statements of Operations

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

	Note	Year ended December 31, 2019	Year ended December 31, 2018
SALES		$ 3,863,659	$ 3,662,900
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(3,090,966)	(2,954,142)
Depreciation of property, plant and equipment and right-of-use assets (production)		(186,592)	(152,597)
Total cost of sales		(3,277,558)	(3,106,739)
GROSS MARGIN		586,101	556,161
Research and development costs	18	(38,035)	(26,564)
Selling, general and administrative		(239,683)	(232,313)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(14,729)	(10,701)
Amortization of customer contracts and relationships		(2,082)	(2,140)
Gain (loss) on disposal of property, plant and equipment		932	(462)
Impairment of assets	9	(18,502)	(5,436)
Restructuring costs	11	(8,165)	(2,073)
OPERATING INCOME		265,837	276,472
Share of loss of an associate	8	(2,009)	-
Finance expense	20	(37,997)	(27,358)
Other finance expense	20	(786)	(2,288)
INCOME BEFORE INCOME TAXES		225,045	246,826
Income tax expense	15	(43,824)	(60,943)
NET INCOME FOR THE PERIOD		$ 181,221	$ 185,883

Basic earnings per share	17	$ 2.20	$ 2.15
Diluted earnings per share	17	$ 2.19	$ 2.14

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

		Year ended December 31, 2019		Year ended December 31, 2018
NET INCOME FOR THE PERIOD	$	181,221	$	185,883
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations		(69,195)		72,610
Cash flow hedging derivative and non-derivative financial instruments:				
Unrealized gain (loss) in fair value of financial instruments		3,735		(6,036)
Reclassification of loss to net income		1,288		420
Items that will not be reclassified to net income				
Change in fair value of investments		(776)		(2,867)
Transfer of unrealized gain on investments to retained earnings on change in accounting method (note 8)		(4,314)		-
Share of other comprehensive loss of an associate		(26)		-
Remeasurement of defined benefit plans		(3,781)		4,079
Other comprehensive income (loss), net of tax		(73,069)		68,206
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$	108,152	$	254,089

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2017	$ 713,425	$ 41,981	$ 94,268	$ 108,825	$ 958,499
Net income for the period	-	-	-	185,883	185,883
Compensation expense related to stock options	-	651	-	-	651
Dividends ($0.165 per share)	-	-	-	(14,213)	(14,213)
Exercise of employee stock options	2,523	(616)	-	-	1,907
Repurchase of common shares	(17,699)	-	-	(7,814)	(25,513)
Estimated repurchase of common shares subsequent to year-end under an automatic share repurchase program with a broker	(18,092)	-	-	(5,779)	(23,871)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	4,079	4,079
Foreign currency translation differences	-	-	72,610	-	72,610
Change in fair value of investments	-	-	(2,867)	-	(2,867)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized loss in fair value of financial instruments	-	-	(6,036)	-	(6,036)
Reclassification of loss to net income	-	-	420	-	420
BALANCE AT DECEMBER 31, 2018	680,157	42,016	158,395	270,981	1,151,549
Net income for the period	-	-	-	181,221	181,221
Compensation expense related to stock options	-	1,195	-	-	1,195
Dividends ($0.18 per share)	-	-	-	(14,738)	(14,738)
Exercise of employee stock options	2,681	(762)	-	-	1,919
Repurchase of common shares	(21,416)	-	-	(12,552)	(33,968)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(3,781)	(3,781)
Foreign currency translation differences	-	-	(69,195)	-	(69,195)
Change in fair value of investments	-	-	(776)	-	(776)
Transfer of unrealized gain on investments to retained earnings on change in accounting method (note 8)	-	-	(4,314)	4,314	-
Share of other comprehensive loss of an associate	-	-	(26)	-	(26)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	3,735	-	3,735
Reclassification of loss to net income	-	-	1,288	-	1,288
BALANCE AT DECEMBER 31, 2019	$ 661,422	$ 42,449	$ 89,107	$ 425,445	$ 1,218,423

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 181,221	$ 185,883
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	201,321	163,298
Amortization of customer contracts and relationships	2,082	2,140
Amortization of development costs	13,779	11,342
Impairment of assets (note 9)	18,502	5,436
Unrealized gain on foreign exchange forward contracts	(418)	(66)
Loss on warrants (note 8)	251	1,887
Finance expense (including interest on lease liabilities)	37,997	27,358
Income tax expense	43,824	60,943
Loss (gain) on disposal of property, plant and equipment	(932)	462
Deferred and restricted share units expense	8,224	2,454
Stock options expense	1,195	651
Share of loss of an associate	2,009	-
Pension and other post-retirement benefits expense	4,140	4,066
Contributions made to pension and other post-retirement benefits	(4,751)	(4,842)
	508,444	461,012
Changes in non-cash working capital items:		
Trade and other receivables	12,824	(7,550)
Inventories	70,085	(91,590)
Prepaid expenses and deposits	(3,700)	(6,964)
Trade, other payables and provisions	(80,492)	69,352
	507,161	424,260
Interest paid	(41,916)	(30,855)
Income taxes paid	(63,698)	(96,703)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 401,547	$ 296,702
FINANCING ACTIVITIES:		
Increase in long-term debt (net of addition to deferred financing fees)	91,449	114,496
Repayment of long-term debt	(30,575)	(57,710)
Principal payments of lease liabilities	(27,898)	-
Dividends paid	(14,943)	(12,999)
Exercise of employee stock options	1,919	1,907
Repurchase of common shares	(57,841)	(25,513)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ (37,889)	$ 20,181
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (excluding capitalized interest)*	(284,011)	(309,049)
Capitalized development costs	(10,747)	(14,171)
Investment in NanoXplore Inc. (note 8)	(29,477)	(680)
Proceeds on disposal of property, plant and equipment	6,166	1,577
Upfront recovery of development costs incurred	5,563	2,566
NET CASH USED IN INVESTING ACTIVITIES	$ (312,506)	$ (319,757)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,341)	1,843
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,811	(1,031)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	70,162	71,193
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 118,973	$ 70,162

*As at December 31, 2019, $49,120 (December 31, 2018 - $45,341) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables and provisions.

See accompanying notes to the consolidated financial statements.

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. The Company is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems.

1. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2019 were approved by the Board of Directors on March 5, 2020.

(b) Presentation currency

These 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.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (assumptions made are disclosed in individual notes throughout the financial statements where relevant):

- Estimates of the economic life of property, plant and equipment and intangible assets;
- Estimates involved in the measurement of lease liabilities and associated right-of-use-assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and the Company's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and service costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately priced tooling contracts: Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the

contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes;

- Estimates used in determining the fair value of stock option and performance share unit grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options/units granted, where relevant; and
- Estimates used in determining the fair value of derivative instruments associated with investments in equity securities. These estimates include assumptions about the volatility of the investee's stock and expected life of the instrument.

Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (judgments made are disclosed in individual notes throughout the financial statements where relevant):

- Accounting for provisions including assessments of possible legal and tax contingencies, and restructuring. Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgment is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Judgments in determining the timing of revenue recognition for tooling sales;
- Judgments in determining whether sales contracts contain material rights; and
- The determination of the Company's cash-generating units ("CGU") for impairment testing.

The decisions made by the Company in each instance are set out under the various accounting policies in these notes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(ii) Transactions eliminated on consolidation
Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Each subsidiary of the Company maintains its accounting records in its functional currency. A subsidiary's functional currency is the currency of the principal economic environment in which it operates.

(i) Foreign currency transactions
Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

(ii) Translation of financial statements of foreign operations
The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the Canadian

dollar are translated to Canadian dollars at the exchange rate prevailing on the date of transaction.

Foreign currency differences on translation are recognized in other comprehensive income in the cumulative translation account net of income tax.

(c) Financial instruments

(i) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification as described below:

Fair value through profit or loss (FVTPL):
Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes cash and cash equivalents, and derivative instruments that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statement of operations. Transaction costs incurred are expensed in the consolidated statement of operations. The Company does not currently hold any liabilities designated as FVTPL.

Fair value through other comprehensive income:
This category includes the Company's investments in equity securities. Subsequent to initial recognition, they are measured at fair value on the consolidated balance sheet 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 the consolidated statement of operations.

Amortized cost:
The Company classifies financial assets held to collect contractual cash flows at amortized cost, including trade and other receivables.
The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Other financial liabilities:
This category is for financial liabilities that are not classified as FVTPL and includes trade and other payables and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated balance sheet.

(ii) Impairment of financial assets

A forward-looking "expected credit loss" (ECL) model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company's allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

(iii) Derivative financial instruments not accounted for as hedges

The Company periodically uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments, as well as derivative instruments associated with investments in equity securities, are classified as FVTPL, initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in the consolidated statement of operations.

(iv) Hedge accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

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 or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

Cash flow hedges
During the year ended December 31, 2018, the Company started hedging variability in cash flows of forecasted foreign currency sales due to fluctuations in foreign exchange rates.

The Company has designated these foreign currency sales in a cash flow hedge. In such hedges, to the extent that the changes in fair value of the hedging instrument offset the changes in the fair value of the hedged item, they are recorded in other comprehensive income (loss) until the hedged item affects net income (i.e. when settled or otherwise derecognized). Any excess of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item is recorded in net income.

When a cash flow hedge relationship is discontinued, any subsequent change in fair value of the hedging instrument is recognized in net income.

If the hedge is discontinued before the end of the original hedge term, then any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net income, at the earlier of when the hedged item affects net income, or when the forecasted item is no longer expected to occur.

Net investment hedges
The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

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 income as and when the corresponding accumulated other comprehensive income (loss) from the hedged foreign operations is recognized in net income. The Company has not identified any ineffectiveness in these hedge relationships as at December 31, 2019.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of material and labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either a) not sold to the customer, or b) paid for by the customer on delivery of each part, without the customer guaranteeing full financing of the costs incurred. In accordance with IAS 16, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within profit or loss.

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment as part of the cost of that asset, if applicable. Capitalized borrowing costs are amortized over the useful life of the related asset.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

(iii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful life of each item of property, plant and equipment, since this period most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is recorded on the following bases and at the following rates:

	Basis	**Rate**
Buildings	Declining balance	4%
Leasehold improvements	Straight-line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight-line	7% to 20%
Tooling and fixtures	Straight-line	Lesser of estimated useful life and life of program
Other	Declining balance and straight-line	20% to 30%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(e) Intangible assets

The Company's intangible assets are composed of customer contracts acquired in previous acquisitions and development costs.

(i) Customer contracts and relationships

Customer contracts and relationships have a finite useful life and are amortized over their estimated economic life of up to 10 years on a straight-line basis, which is consistent with the contract value initially established upon acquisition.

(ii) Research and development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if:

- the development costs can be measured reliably,
- the product or process is technically and commercially feasible,
- the future economic benefits are probable, and
- the Company intends and has sufficient resources to complete the development and to use or sell the asset.

Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in research and development costs in the consolidated statement of operations.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, including depreciation, based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Impairment losses are recognized on the basis of net realizable value.

(g) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units).

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Pensions and other post-retirement benefits

The Company's liability for pensions and other post-retirement benefits is based on valuations performed by independent actuaries using the projected unit credit method. These valuations incorporate both financial assumptions (discount rate, and changes in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

The liability for pensions and other post-retirement benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in retained earnings through other comprehensive income.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.

When the effect of the time value of money is material, the amount of the provision is discounted using a rate that reflects the market's current assessment of this value and the risks specific to the liability concerned. The increase in the provision related to the passage of time is recognized through profit and loss in other finance income (expense).

(j) Revenue recognition

The Company recognizes sales from two categories of goods: production (including finished production parts, assemblies and modules), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

Control of finished production parts, assemblies and modules transfers when the goods are shipped from the Company's manufacturing facilities to the customer. Control of tooling transfers when the tool has been accepted by the customer. For certain tooling contracts for which the customer makes progress payments in advance of obtaining control of the tool, the Company recognizes a liability for the progress payments until the performance obligation is complete. Such payments from the customer generally do not contain a financing component.

(k) Finance expense

Finance expense is comprised of interest expense on long-term debt and lease liabilities and amortization of deferred financing costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(l) Other finance income (expense)

Other finance income (expense) comprises interest income on funds invested, unwinding of the discount on provisions, changes in the fair value of derivative financial instruments not accounted for as hedges and unrealized foreign exchange gains and losses reported on a net basis. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(n) Guarantees

A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are remeasured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* ("IAS 37") and (ii) the amount initially recognized less cumulative amortization.

(o) Stock-based payments

The Company accounts for all stock-based payments to employees and non-employees using the fair value based method of accounting. The Company measures the compensation cost of stock-based option awards to employees at the grant date using the Black-Scholes-Merton option valuation model to determine the fair value of the options. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options.

(p) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(q) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. DSU Plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date.

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in income.

(s) Performance and Restricted Share Unit Plan

On November 3, 2016, as subsequently amended, 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) for 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 profit or loss.

(t) Recently adopted accounting standards and policies

(i) IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases ("IAS 17") and IFRS Interpretations Committee interpretation 4, Determining whether an arrangement contains a lease ("IFRIC 4"). IFRS 16 introduced a single accounting model for lessees unless the underlying asset is of low value or short term in nature. A lessee is required to recognize, on its balance sheet, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on its consolidated balance sheet, as well as a decrease in operating rent expense, and increases in finance and depreciation expenses, as recognized in the consolidated statement of operations. The standard did not have a significant impact on the Company's overall consolidated operating results.

The Company adopted IFRS 16, effective January 1, 2019, under the modified retrospective approach. Comparatives for 2018 were not restated. At adoption, the Company elected to use the practical expedient available under the standard that allows lease assessments made under IAS 17 and IFRIC 4 to be used for existing contracts. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or modified after January 1, 2019.

Upon initial application, lease liabilities were measured at the present value of the remaining lease payments, discounted at the relevant incremental borrowing rates as at January 1, 2019. The weighted average discount rate applied to the total lease liabilities recognized on transition was 4.2%. For leases previously classified as operating leases under IAS 17, the Company measured right-of-use assets equal to the corresponding lease liabilities adjusted for any accrued payments related to that lease. For leases previously classified as finance leases, the Company measured right-of-use assets and lease liabilities at the carrying amounts of the finance lease assets and liabilities immediately before the date of initial application.

As such, on January 1, 2019, the Company recorded lease liabilities of $228,623 and right-of-use assets of $223,786, net of accrued liabilities related to the leases of $4,837, recognized in the consolidated balance sheet immediately before the date of initial application, with no net impact on retained earnings.

The Company elected to use the following practical expedients upon initial application in accordance with the provisions of IFRS 16

(a) Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
(b) Reliance on the Company’s assessment of whether leases are onerous under IAS 37, immediately before the date of initial application;
(c) Accounting for all leases with a lease term that ends within 12 months of initial application in the same way as short-term leases;
(d) Exclusion of initial direct costs from the measurement of the right-of-use asset on the date of initial application; and
(e) Use of hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, the Company elected to use the recognition exemptions on short-term leases or low-value leases, however, in the future, may choose to elect the recognition exemptions on a class-by-class and lease-by-lease basis.

For leases of land and buildings, the Company elected to separate fixed non-lease components from lease components and account for each separately. For leases of manufacturing equipment and other assets, the Company elected to not separate fixed non-lease components from lease components and instead account for both as a single lease component.

The following table reconciles the Company’s operating lease commitments as at December 31, 2018, as previously disclosed in the Company’s annual audited consolidated financial statements for the year-ended December 31, 2018, to the lease liabilities recognized upon initial application of IFRS 16 on January 1, 2019.

Operating lease commitments at December 31, 2018	$	240,052
Operating lease commitments discounted using the related incremental borrowing rates as of January 1, 2019	$	198,282
Finance lease liabilities recognized as of December 31, 2018	$	(463)
Recognition exemption for:		
Short-term leases		(4,150)
Low value leases		(70)
Extension and termination options reasonably certain to be exercised		46,570
Leases starting after January 1, 2019		(11,546)
Lease liabilities recognized as of January 1, 2019	$	228,623

New Lease Accounting Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

This policy is applied to contracts entered into, or modified on or after January 1, 2019.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

Short term and low-value leases
The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than US$5,000). The expenses associated with such leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term.

Variable lease payments
Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the consolidated statement of operations in the period in which they are incurred.

(ii) Investments in Associates and Joint Ventures

Associates are entities over which the Company has significant influence, but not control, on financial and operating policy decisions. Significant influence is assumed when the Company holds 20% to 50% of the voting power of the investee, unless qualitative factors overcome this presumption. Similarly, significant influence is presumed not to exist when the Company holds less than 20% of the voting power of the investee, unless qualitative factors overcome this presumption.

Entities over which the Company has significant influence are accounted for under the equity method. The investment is initially recognized at cost. The carrying amount is subsequently increased or decreased to recognize the Company's share of profits or losses of the associate after the date of acquisition or when significant influence begins. The Company's share of profits or losses is recognized in the consolidated statement of operations, and its share of other comprehensive income or loss of the associate is included in other comprehensive income or loss.

Unrealized gains on transactions between the Company and the associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in the level of the Company's equity interest in an associate are recognized in the consolidated statement of operations.

The amounts included in the financial statements of the associate are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the associate is written down to its estimated recoverable amount and charged to the consolidated statement of operations.

The Company has an equity interest in one associate, NanoXplore Inc., as further described in note 8.

(l) Recently issued accounting standards

The IASB issued the following new standards and amendments to existing standards:

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

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

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

The adoption of amendments to IFRS 9 and IAS 39 is not expected to have a material impact on the consolidated financial statements.

Amendments to IFRS 3, Business Combinations

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

The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of the amendments to IFRS 3 is not expected to have a material impact on the consolidated financial statements.

3. TRADE AND OTHER RECEIVABLES

	December 31, 2019	December 31, 2018
Trade receivables	$ 542,409	$ 585,790
Other receivables	18,149	11,940
Foreign exchange forward contracts not accounted for as hedges (note 22(d))	418	66
	$ 560,976	$ 597,796

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 22.

4. INVENTORIES

	December 31, 2019	December 31, 2018
Raw materials	$ 144,570	$ 173,123
Work in progress	41,976	39,591
Finished goods	38,956	37,761
Tooling work in progress and other inventory	158,180	242,284
	$ 383,682	$ 492,759

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 130,272	$ (23,203)	$ 107,069	$ 130,106	$ (22,546)	$ 107,560
Leasehold improvements	74,634	(45,243)	29,391	70,079	(41,238)	28,841
Manufacturing equipment	2,279,905	(1,158,116)	1,121,789	2,009,183	(1,086,324)	922,859
Tooling and fixtures	37,419	(32,287)	5,132	39,551	(33,091)	6,460
Other assets	66,732	(37,149)	29,583	63,807	(31,294)	32,513
Construction in progress	248,931	-	248,931	383,219	-	383,219
	$ 2,837,893	$ (1,295,998)	$ 1,541,895	$ 2,695,945	$ (1,214,493)	$ 1,481,452

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

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress	Total
Net as of December 31, 2017	$ 100,997	$ 26,203	$ 849,350	$ 7,475	$ 28,404	$ 270,195	$ 1,282,624
Additions	8	140	-	-	66	290,299	290,513
Disposals	-	(5)	(1,326)	-	(25)	(683)	(2,039)
Depreciation	(4,026)	(4,220)	(146,798)	(1,773)	(6,481)	-	(163,298)
Impairment (note 9)	-	-	(5,436)	-	-	-	(5,436)
Transfers from construction in progress	3,868	5,786	176,593	306	9,444	(195,997)	-
Foreign currency translation adjustment	6,713	937	50,476	452	1,105	19,405	79,088
Net as of December 31, 2018	107,560	28,841	922,859	6,460	32,513	383,219	1,481,452
Additions	-	-	-	-	-	312,511	312,511
Disposals	(1,526)	(68)	(3,498)	-	(33)	(109)	(5,234)
Depreciation	(3,929)	(4,363)	(153,905)	(1,071)	(7,260)	-	(170,528)
Impairment (note 9)	-	(1,116)	(4,038)	-	(732)	(1,140)	(7,026)
Reclassification to right-of-use assets	-	-	(445)	-	-	-	(445)
Transfers from construction in progress	10,105	7,184	406,646	11	6,230	(430,176)	-
Foreign currency translation adjustment	(5,141)	(1,087)	(45,830)	(268)	(1,135)	(15,374)	(68,835)
Net as of December 31, 2019	$ 107,069	$ 29,391	$ 1,121,789	$ 5,132	$ 29,583	$ 248,931	$ 1,541,895

Included in additions during the year ended December 31, 2019, are $18,375 of long-term spare parts that were transferred to property, plant and equipment from other inventories based on revised estimates of useful lives.

6. RIGHT-OF-USE ASSETS

	December 31, 2019		
	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 201,944	$ (29,991)	$ 171,953
Leased manufacturing equipment	20,360	(5,460)	14,900
Leased other assets	2,552	(1,027)	1,525
	$ 224,856	$ (36,478)	$ 188,378

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

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2018	$ -	$ -	$ -	$ -
Initial recognition of right-of-use assets upon transition to IFRS 16 (note 2(t)(i))	207,651	14,226	1,909	223,786
Reclassification from property, plant and equipment upon adoption of IFRS 16	-	445	-	445
Additions	372	6,311	608	7,291
Depreciation	(24,540)	(5,331)	(922)	(30,793)
Lease termination	(252)	(51)	-	(303)
Impairment (note 9)	(6,462)	-	(10)	(6,472)
Foreign currency translation adjustment	(4,816)	(700)	(60)	(5,576)
Net as of December 31, 2019	$ 171,953	$ 14,900	$ 1,525	$ 188,378

7. INTANGIBLE ASSETS

	December 31, 2019			December 31, 2018		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 61,512	$ (59,759)	$ 1,753	$ 62,497	$ (58,498)	$ 3,999
Development costs	148,945	(95,911)	53,034	160,008	(93,076)	66,932
	$ 210,457	$ (155,670)	$ 54,787	$ 222,505	$ (151,574)	$ 70,931

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2017	$ 5,920	$ 62,494	$ 68,414
Additions	-	14,171	14,171
Amortization	(2,140)	(11,342)	(13,482)
Upfront recovery of development costs incurred	-	(2,566)	(2,566)
Foreign currency translation adjustment	219	4,175	4,394
Net as of December 31, 2018	3,999	66,932	70,931
Additions	-	10,747	10,747
Amortization	(2,082)	(13,779)	(15,861)
Impairment (note 9)	-	(2,487)	(2,487)
Upfront recovery of development costs incurred	-	(5,563)	(5,563)
Foreign currency translation adjustment	(164)	(2,816)	(2,980)
Net as of December 31, 2019	$ 1,753	$ 53,034	$ 54,787

8. INVESTMENTS

	December 31, 2019	December 31, 2018
Investment in common shares of NanoXplore Inc.	$ 37,080	$ 8,572
Warrants in NanoXplore Inc.	5	2,209
	$ 37,085	$ 10,781

NanoXplore Inc. ("NanoXplore") is a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions 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.

As at December 31, 2018, the Company held 5,911,800 common shares and 2,955,900 warrants in NanoXplore. On January 11, 2019, the Company acquired an additional 11,538,000 common shares in NanoXplore for a total of $14,999 through a private placement offering, increasing its holdings in NanoXplore to 17,449,800 common shares. Prior to January 11, 2019, the Company's investment in NanoXplore was accounted for at fair value based on publicly-quoted stock prices, with the change in fair value recorded in other comprehensive income. Effective January 11, 2019, the Company's investment in NanoXplore is now being accounted for using the equity method.

Subsequent to January 11, 2019, on July 31, 2019, the Company exercised 2,750,000 of the outstanding warrants. The warrants had an exercise price of $0.70 per share for total consideration paid of $1,925. At the time of the exercise, the warrants, representing derivative instruments fair valued at the end of each reporting period, had a fair value of $1,952, which was transferred to the NanoXplore investment balance in addition to the consideration paid.

On September 9, 2019 the Company acquired an additional 10,000,000 common shares in NanoXplore pursuant to several private agreements. Of the 10,000,000 common shares, 5,474,669 were acquired at a price of $1.20 per share for an aggregate purchase price of $6,570 and 4,525,331 of the common shares were acquired at a purchase price of $1.30 per share for an aggregate purchase price of $5,883. As at December 31, 2019, the Company held 30,199,800 common shares of NanoXplore representing an approximate 25% equity interest in NanoXplore (on a non-diluted basis).

		Investment in common shares of NanoXplore
Opening cost base of investment after January 11, 2019 private placement	$	22,685
Additions to investment including commissions		16,430
Share of loss for the period		(2,009)
Share of other comprehensive loss for the period		(26)
Net balance as of December 31, 2019	$	37,080

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

Upon transition to the equity accounting method of the Company's investment in NanoXplore on January 11, 2019, the Company transferred unrealized fair value gains of $4,314 from other comprehensive income to retained earnings.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes-Merton option valuation model, with the change in fair value recorded through profit or loss. As it relates to the warrants, a loss of $251 was recognized for the year ended December 31, 2019 (2018 - unrealized loss of $1,887), recorded in other finance income (expense) in the consolidated statement of operations. As at December 31, 2019, the remaining outstanding warrants has a fair value of $5 (2018 - $2,209).

9. IMPAIRMENT OF ASSETS

During the second quarter of 2019, the Company recorded impairment charges on property, plant, equipment, right-of-use assets, intangible assets and inventories totaling $18,502 related to an operating facility in China included in the Rest of the World operating segment. The impairment charges resulted from lower OEM production volumes on certain light vehicle platforms being serviced by the facility, representing a significant portion of the business, causing the Company to complete an analysis of strategic alternatives. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts, including consideration where specific assets can be transferred to other facilities.

During the fourth quarter of 2018, in conjunction with General Motors' ("GM") announcement that it would be closing its vehicle assembly facility in Oshawa, Ontario, the Company recorded an impairment charge on property, plant equipment totaling $5,436 related to a facility in Ajax, Ontario (included in the North America operating segment) that the Company was forced to close because the operation was entirely dependent on GM's facility in Oshawa. The impairment charge was recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

		December 31, 2019		December 31, 2018
Property, plant and equipment	$	(7,026)	$	(5,436)
Right-of-use assets		(6,472)		-
Intangible Assets - Development costs		(2,487)		-
Inventories		(2,517)		-
Total Impairment	$	(18,502)	$	(5,436)

10. TRADE AND OTHER PAYABLES

		December 31, 2019		December 31, 2018
Trade accounts payable and accrued liabilities*	$	728,000	$	834,732
Estimated share repurchase liability		-		23,871
Foreign exchange forward contracts accounted for as hedges (note 22(d))		787		4,096
	$	728,787	$	862,699

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

* Included in Trade accounts payable and accrued liabilities are contract liabilities related to advance consideration received from customers for tooling contracts, summarized below, for which revenue is recognized when the tool has been accepted by the customer.

		Contract Liabilities (Advance tooling consideration from Customers)
Net as of December 31, 2017	$	18,500
Amount of opening balance recognized as tooling sales during the period		(17,258)
Advance cash consideration received during the period		105,513
Net as of December 31, 2018	$	106,755
Amount of opening balance recognized as tooling sales during the period		(103,735)
Advance cash consideration received during the period		15,579
Net as of December 31, 2019	$	18,599

11. PROVISIONS

		Restructuring		Claims and Litigation		Total
Net as of December 31, 2017	$	1,116	$	3,932	$	5,048
Net additions		2,073		2,046		4,119
Amounts used during the period		(1,116)		(2,453)		(3,569)
Foreign currency translation adjustment		-		(205)		(205)
Net as of December 31, 2018		2,073		3,320		5,393
Net additions		8,165		3,500		11,665
Amounts used during the period		(5,860)		(2,166)		(8,026)
Foreign currency translation adjustment		(164)		(284)		(448)
Net as of December 31, 2019	$	4,214	$	4,370	$	8,584

Based on estimated cash outflows, all provisions as at December 31, 2019 and December 31, 2018 are presented on the consolidated balance sheets as current liabilities.

(a) Restructuring

Additions to the restructuring provision in 2019 totaled $8,165 and represent employee-related severance resulting from the rightsizing of operating facilities in Brazil ($6,208), Canada ($1,679) and China ($278).

Additions to the restructuring accrual in 2018 totaled $2,073 and represent employee-related severance payouts and lease termination costs resulting from the closure of the operating facility in Ajax, Ontario as described in note 9.

(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.

Additions to the claims and litigation provision in 2019 totaled $3,500, of which $2,310 resulted from a true-up of the provision related to certain employee-related matters in the Company's operating facility in Brazil, recorded in the third quarter.

12. LONG-TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 22.

		December 31, 2019		December 31, 2018
Banking facility	$	716,452	$	657,803
Equipment loans		65,121		82,914
		781,573		740,717
Current portion		(15,651)		(16,804)
	$	765,922	$	723,913

Terms and conditions of outstanding loans, as at December 31, 2019, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2019 Carrying amount	December 31, 2018 Carrying amount
Banking facility	USD	LIBOR + 1.70%	2022	$ 390,830	$ 388,102
	CAD	BA + 1.70%	2022	325,622	269,701
Equipment loans	EUR	1.05%	2024	24,505	32,076
	CAD	3.80%	2022	23,594	31,334
	EUR	1.40%	2026	15,872	-
	EUR	1.36%	2021	858	1,544
	EUR	0.26%	2025	266	362
	BRL	5.00%	2020	26	76
	EUR	2.54%	2025	-	16,093
	EUR	3.35%	2019	-	966
	USD	3.80%	2022	-	463
				$ 781,573	$ 740,717

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

- a move to an unsecured credit structure;
- improved financial covenants;
- available revolving credit lines of $370 million and US $420 million (up from $350 million and US $400 million, respectively);
- available asset based financing capacity of $300 million (up from $205 million);
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $200 million (up from US $150 million);
- pricing terms at market rates and consistent with the previous facility;
- a maturity date of July 2022; and
- no mandatory principal repayment provisions.

As at December 31, 2019, the Company has drawn US$301,000 (December 31, 2018 - US$286,000) on the U.S. revolving credit line and $328,000 (December 31, 2018 - $273,000) on the Canadian revolving credit line. At December 31, 2019, the weighted average effective interest rate of the banking facility credit lines was 3.9% (December 31, 2018 - 3.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2019.

Deferred financing fees of $2,378 (December 31, 2018 - $3,299) have been netted against the carrying amount of the long-term debt.

On January 30, 2019, the Company finalized an equipment loan in the amount of €10,900 ($16,602) repayable in monthly installments over six years starting in 2020 at a fixed annual interest rate of 1.40%.

On April 20, 2018, the Company finalized an equipment loan in the amount of €23,000 ($36,886) repayable in monthly installments over six years at a fixed annual interest rate of 1.05%. The proceeds from the loan were used to pay-off loans, without penalty, at fixed annual interest rates of 3.06%, 4.34% and 4.93% that originally matured in 2024, 2025 and 2023, respectively.

Future annual minimum principal repayments as at December 31, 2019 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 16,572	$ 921	$ 15,651
One to two years	16,872	921	15,951
Two to three years	734,380	536	733,844
Three to four years	8,442	-	8,442
Thereafter	7,685	-	7,685
	$ 783,951	$ 2,378	$ 781,573

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2017	$ 654,017
Drawdowns	79,360
Equipment loan proceeds	36,886
Repayments	(57,710)
Deferred financing fee additions	(1,750)
Amortization of deferred financing fees	1,278
Foreign currency translation adjustment	28,636
Net as of December 31, 2018	$ 740,717
Drawdowns	74,847
Loan proceeds	16,602
Repayments	(30,575)
Amortization of deferred financing fees	921
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16	(457)
Foreign currency translation adjustment	(20,482)
Net as of December 31, 2019	$ 781,573

13. LEASE LIABILITIES

The Company enters into lease agreements for land and buildings, manufacturing equipment and other assets as a part of regular operations as a means of efficiently utilizing capital and managing the Company's cash flows.

Below is a summary of the activity related to the Company's lease liabilities for the year ended December 31, 2019:

	Total
Net as of December 31, 2018	$ -
Initial recognition of lease liabilities upon transition to IFRS 16 (note 2(t)(i))	228,623
Reclassification of equipment loans to lease liabilities upon adoption of IFRS 16	457
Net additions	7,580
Principal payments of lease liabilities	(27,898)
Termination of leases	(309)
Foreign currency translation adjustment and other	(6,101)
Net as of December 31, 2019	$ 202,352

The maturity of contractual undiscounted lease liabilities as at December 31, 2019 is as follows:

		Total
Within one year	$	36,155
One to two years		33,909
Two to three years		30,935
Three to four years		29,788
Thereafter		109,394
Total undiscounted lease liabilities at December 31, 2019	$	240,181
Interest on lease liabilities		(37,829)
Total present value of minimum lease payments	$	202,352
Current portion		(28,247)
	$	174,105

14. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The Company has defined benefit and non-pension post-retirement benefit plans in Canada, the United States and Germany. The defined benefit plans provide pensions based on years of service, years of contributions and earnings. The post-retirement benefit plans provide for the reimbursement of certain medical costs.

The plans are governed by the pension laws of the jurisdiction in which they are registered. The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. Local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

The assets of the defined benefit pension plans are held in segregated accounts isolated from the Company's assets. The plans are administered pursuant to applicable regulations, investment policies and procedures and to the mandate of an established pension committee. The pension committee oversees the administration of the pension plans, which include the following principal areas:

- Overseeing the funding, administration, communication and investment management of the plans;
- Selecting and monitoring the performance of all third parties performing duties in respect of the plans, including audit, actuarial and investment management services;
- Proposing, considering and approving amendments to the defined benefit pension plans;
- Proposing, considering and approving amendments of the investment policies and procedures;
- Reviewing actuarial reports prepared in respect of the administration of the defined benefit pension plans; and
- Reviewing and approving the audited financial statements of the defined benefit pension plan funds.

The assets of the defined benefit pension plans are invested and managed following all applicable regulations and investment policies and procedures, and reflect the characteristics and asset mix of each defined benefit pension plan. Investment and market return risk is managed by:

- Contracting professional investment managers to execute the investment strategy following the investment policies and procedures and regulatory requirements;
- Specifying the kinds of investments that can be held in plans and monitoring compliance;
- Using asset allocation and diversification strategies; and
- Purchasing annuities from time to time.

The pension plans are exposed to market risks such as changes in interest rates, inflation and fluctuations in investment values. The plans are also exposed to non-financial risks in the nature of membership mortality, demographic changes and regulatory change.

Information about the Company’s defined benefit plans as at December 31, in aggregate, is as follows:

Accrued benefit obligation:

	Other post-retirement benefits	Pensions	December 31, 2019	Other post-retirement benefits	Pensions	December 31, 2018
Balance, beginning of the year	$ (39,241)	$ (69,264)	$ (108,505)	$ (44,621)	$ (69,546)	$ (114,167)
Benefits paid by the plan	1,426	2,871	4,297	1,543	2,090	3,633
Current service costs	(110)	(1,864)	(1,974)	(118)	(1,993)	(2,111)
Interest costs	(1,492)	(2,508)	(4,000)	(1,375)	(2,259)	(3,634)
Actuarial gains (losses) - experience	2,596	(670)	1,926	4,058	(160)	3,898
Actuarial gains (losses) - demographic assumptions	740	(156)	584	309	154	463
Actuarial gains (losses) - financial assumptions	(4,753)	(10,425)	(15,178)	2,344	4,884	7,228
Settlements and other payments	-	163	163	-	93	93
Foreign exchange translation	746	1,948	2,694	(1,381)	(2,527)	(3,908)
Balance, end of year	$ (40,088)	$ (79,905)	$ (119,993)	$ (39,241)	$ (69,264)	$ (108,505)

Plan Assets:

	Other post-retirement benefits	Pensions	December 31, 2019	Other post-retirement benefits	Pensions	December 31, 2018
Fair value, beginning of the year	$ -	$ 47,238	$ 47,238	$ -	$ 48,909	$ 48,909
Contributions paid into the plans	1,426	3,325	4,751	1,543	3,299	4,842
Benefits paid by the plans	(1,426)	(2,871)	(4,297)	(1,543)	(2,090)	(3,633)
Interest income	-	1,874	1,874	-	1,720	1,720
Administrative costs	-	(40)	(40)	-	(41)	(41)
Remeasurements, return on plan assets recognized in other comprehensive income	-	7,642	7,642	-	(6,188)	(6,188)
Foreign exchange translation	-	(964)	(964)	-	1,629	1,629
Fair value, end of year	$ -	$ 56,204	$ 56,204	$ -	$ 47,238	$ 47,238
Accrued benefit liability, end of year	**(40,088)**	**(23,701)**	**(63,789)**	**(39,241)**	**(22,026)**	**(61,267)**

Pension benefit expense recognized in net income:

	Other post-retirement benefits	Pensions	Year ended December 31, 2019	Other post-retirement benefits	Pensions	Year ended December 31, 2018
Current service costs	$ 110	$ 1,864	$ 1,974	$ 118	$ 1,993	$ 2,111
Net interest cost	1,492	634	2,126	1,375	539	1,914
Administrative costs	-	40	40	-	41	41
Net benefit plan expense	$ 1,602	$ 2,538	$ 4,140	$ 1,493	$ 2,573	$ 4,066

Amounts recognized in other comprehensive income (loss) (before income taxes):

	Year ended December 31, 2019	Year ended December 31, 2018
Actuarial gains (losses)	$ (5,026)	$ 5,401

Plan assets are primarily composed of pooled funds that invest in fixed income and equities, common stocks and bonds that are actively traded. Plan assets are composed of:

Description	December 31, 2019	December 31, 2018
Equity	81.9%	83.0%
Debt securities	18.1%	17.0%
	100.0%	100.0%

As at December 31, 2019 all investments in the plan assets are at Level 2 on the fair value hierarchy.

The defined benefit obligation and plan assets are composed by country as follows:

	Year ended December 31, 2019				Year ended December 31, 2018			
	Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	$ (34,765)	$ (31,510)	$ -	$ (66,275)	$ (29,944)	$ (28,428)	$ -	$ (58,372)
Fair value of plan assets	33,405	22,799	-	56,204	26,611	20,627	-	47,238
Funding status of funded obligations	(1,360)	(8,711)	-	(10,071)	(3,333)	(7,801)	-	(11,134)
Present value of unfunded obligations	(24,136)	(17,640)	(11,942)	(53,718)	(24,609)	(16,313)	(9,211)	(50,133)
Total funded status of obligations	$ (25,496)	$ (26,351)	$ (11,942)	$ (63,789)	$ (27,942)	$ (24,114)	$ (9,211)	$ (61,267)

There are significant assumptions made in the calculations provided by the actuaries and it is the responsibility of the Company to determine which assumptions could result in a significant impact when determining the accrued benefit obligations and pension expense.

Principal actuarial assumptions, expressed as weighted averages, are summarized below:

Weighted average actuarial assumptions

	December 31, 2019	December 31, 2018
Defined benefit pension plans		
Discount rate used to calculate year end benefit obligation	2.8%	3.7%
Mortality table	CPM - RPP 2014 Priv	CPM - RPP 2014 Priv
Other post-employment benefit plans		
Discount rate to calculate year end benefit obligation	3.0%	3.9%
Mortality table	CPM - RPP 2014 Priv & Blue collar w/MP	CPM - RPP 2014 Priv & Blue collar w/MP
Health care trend rates		
Initial healthcare rate	5.5%	5.5%
Ultimate healthcare rate	4.2%	4.2%

Sensitivity of Key Assumptions

In the sensitivity analysis shown below, the Company determines the defined benefit obligation using the same method used to calculate the defined benefit obligations recognized in the consolidated balance sheet. Sensitivity is calculated by changing one assumption while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption will change at a time, and that some assumptions are correlated.

		Impact on defined benefit obligation		Impact on defined benefit obligation	
		December 31, 2019		December 31, 2018	
Pension Plans	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.5%	Increase by 8.5%	Decrease by 7.1%	Increase by 8.0%
Life Expectancy	1 Year	Increase by 3.2%	Decrease by 3.3%	Increase by 3.0%	Decrease by 3.0%
Other post-retirement benefits					
Discount rate	0.50%	Decrease by 6.0%	Increase by 6.6%	Decrease by 5.8%	Increase by 6.3%
Medical costs	1 Year	Increase by 11.8%	Decrease by 9.8%	Increase by 10.1%	Decrease by 8.4%

15. INCOME TAXES

The components of income tax expense are as follows:

		Year ended December 31, 2019		Year ended December 31, 2018
Current income tax expense	$	(67,292)	$	(58,520)
Deferred income tax recovery (expense)		23,468		(2,423)
Total income tax expense	$	(43,824)	$	(60,943)

Taxes on items recognized in other comprehensive income (loss) or directly in equity were as follows:

Deferred tax charge on:		Year ended December 31, 2019		Year ended December 31, 2018
Employee benefit plan actuarial gains (losses)	$	1,245	$	(1,322)
Foreign currency items		124		(1,043)
	$	1,369	$	(2,365)

Reconciliation of effective tax rate

The provision for income taxes differs from the result that would be obtained by applying statutory income tax rates to income before income taxes. The difference results from the following:

		Year ended December 31, 2019		Year ended December 31, 2018
Income before income taxes	$	225,045	$	246,826
Tax at Statutory income tax rate of 26.5% (2018 - 26.5%)		59,637		65,409
Increase (decrease) in income taxes resulting from:				
Utilization of losses previously not benefited		(54)		(982)
Tax audit settlements and changes in estimates		(340)		(124)
Revaluations due to foreign exchange and inflation		(3,498)		3,161
Rate differences and deductions allowed in foreign jurisdictions		(3,405)		(3,184)
Current year tax losses not benefited and withholding tax expensed		6,261		4,468
Recognition of previously unrecognized deferred tax assets		(17,418)		(9,908)
Stock-based compensation and other non-deductible expenses		2,641		2,103
	$	43,824	$	60,943
Effective income tax rate applicable to income before income taxes		19.5%		24.7%

The movement of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2017	$ 88,484	$ 15,997	$ 18,374	$ 12,530	$ 6,788	$ 142,173
Benefit (charge) to income	(8,573)	136	4,161	(2,655)	750	(6,181)
Benefit (charge) to other comprehensive income	-	(1,322)	-	-	1,562	240
Translation and other items	6,227	1,400	1,529	347	(381)	9,122
December 31, 2018	86,138	16,211	24,064	10,222	8,719	145,354
Benefit (charge) to income	22,017	1,463	(4,482)	4,237	2,981	26,216
Benefit to other comprehensive income	-	1,245	-	-	(988)	257
Translation and other items	(3,621)	(411)	(934)	(705)	(266)	(5,937)
December 31, 2019	$ 104,534	$ 18,508	$ 18,648	$ 13,754	$ 10,446	$ 165,890

The movement of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2017	$ (75,682)	$ (6,691)	$ (82,373)
Benefit (charge) to income	4,967	(1,208)	3,759
Charge to other comprehensive income	-	(2,605)	(2,605)
Translation and other items	(3,754)	603	(3,151)
December 31, 2018	(74,469)	(9,901)	(84,370)
Charge to income	(2,461)	(287)	(2,748)
Benefit to other comprehensive income	-	1,112	1,112
Translation and other items	2,353	343	2,696
December 31, 2019	$ (74,577)	$ (8,733)	$ (83,310)

Net deferred asset at December 31, 2018	$ 60,984
Net deferred asset at December 31, 2019	$ 82,580

The Company has accumulated approximately $487,369 (December 31, 2018 - $478,216) in non-capital losses that are available to reduce taxable income in future years. If unused these losses will expire as follows:

Year	
2023-2027	31,002
2028-2039	417,536
Indefinite	38,831
	$ 487,369

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

Deferred tax assets include tax credits of $5,936 (December 31, 2018 - $5,576).

A deferred tax asset of $51,127 in the United States (December 31, 2018 - $49,948) has been recorded in excess of the reversing taxable temporary differences. Income projections support the conclusion that the deferred tax asset is probable of being realized and consequently, it has been recognized.

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Tax losses in foreign jurisdictions	$ 21,800	$ 40,128
Deductible temporary differences in foreign jurisdictions	3,313	2,740
Other capital items	188	188
	$ 25,301	$ 43,056

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately $737,616 at December 31, 2019 (December 31, 2018 - $640,546).

Future changes in tax law in any of the jurisdictions the Company has a presence in could significantly impact the Company's provision for income taxes, taxes payable, and deferred tax asset and liability balances.

16. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of, December 31, 2017	86,745,834	$	713,425
Exercise of stock options	233,750		2,523
Repurchase of common shares under normal course issuer bid	(2,150,400)		(17,699)
Repurchase of common shares subsequent to year-end under an automatic share purchase program with a broker	(2,198,079)		(18,092)
Balance as of, December 31, 2018	82,631,105	$	680,157
Exercise of stock options	230,000		2,681
Repurchase of common shares under normal course issuer bid	(2,600,025)		(21,416)
Balance as of, December 31, 2019	80,261,080	$	661,422

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

Repurchase of capital stock

During 2018, the Company received approval from the Toronto Stock Exchange ("TSX") to acquire for cancellation, by way of normal course issuer bid ("NCIB"), up to 4,348,479 common shares of the Company. The bid commenced on August 31, 2018 and spanned a 12-month period.

During 2018, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,150,400 common shares for an aggregate purchase price of $25,513, resulting in a decrease to stated capital of $17,699 and a decrease to retained earnings of $7,814. The shares were purchased and cancelled directly under the NCIB.

At the end of 2018, the Company entered into an Automatic Share Purchase Program ("ASPP") with a broker that allowed the purchase of common shares for cancellation under the NCIB at any time during the predetermined trading blackout period. As at December 31, 2018, an obligation for the repurchase of 2,198,079 common shares valued at $23,871 under the ASPP was recognized in trade and other payables. During the three months ended March 31, 2019, the Company purchased the 2,198,079 common shares under the ASPP for an aggregate purchase price of $26,335, resulting in a decrease to stated capital of $18,092 and a decrease to retained earnings of $8,243. The shares were purchased and cancelled directly under the NCIB.

During the third quarter of 2019, the Company renewed the NCIB receiving approval from the Toronto Stock Exchange ("TSX") to acquire for cancellation up to an additional 8,000,000 common shares of the Company. The renewed bid commenced on August 31, 2019 and spans a 12-month period.

During the third and fourth quarters of 2019, the Company purchased for cancellation an aggregate of 2,600,025 common shares for an aggregate purchase price of $31,506, resulting in a decrease to stated capital of $21,416 and a decrease to retained earnings of $10,088. The shares were purchased for cancellation directly under the NCIB.

Stock options

The Company has one stock option plan for key employees. Under the plan the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with the stock option plan and the policies of the Company. The options have a maximum term of 10 years and generally vest between zero and five years.

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

	Year ended December 31, 2019			Year ended December 31, 2018		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	2,430,700	$	11.46	1,844,450	$	10.12
Granted during the period	870,000		14.60	820,000		13.54
Exercised during the period	(230,000)		8.34	(233,750)		8.16
Cancelled during the period	(60,000)		13.32	-		-
Balance, end of period	3,010,700	$	12.57	2,430,700	$	11.46
Options exercisable, end of period	1,974,700	$	11.55	1,635,700	$	10.49

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2019:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$7.00 - 8.70	378,700	2010 - 2012	2020 - 2022
$10.40 - 12.63	852,000	2012 - 2014	2022 - 2024
$13.19 - 16.06	1,780,000	2015 - 2019	2025 - 2029
Total share purchase options	3,010,700		

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

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

		Year ended December 31, 2019		Year ended December 31, 2018
Expected volatility		33.24%		36.67%
Risk free interest rate		1.66%		2.19%
Expected life (years)		5.0		4.9
Dividend yield		1.23%		1.36%
Weighted average fair value of options granted	$	4.09	$	3.82

For the year ended December 31, 2019, the Company expensed $1,195 (2018 - $651) to reflect stock-based compensation expense as derived using the Black-Scholes-Merton option valuation model.

Deferred Share Unit ("DSU") Plan

The following is a summary of the issued and outstanding DSUs:

	Year ended December 31, 2019	Year ended December 31, 2018
Outstanding, beginning of period	174,574	123,313
Granted and reinvested dividends	104,062	51,261
Redeemed	(32,522)	-
Outstanding, end of period	246,114	174,574

The DSUs granted during the years ended December 31, 2019 and 2018 had a weighted average fair value per unit of $12.22 and $13.27, respectively, on the date of grant. At December 31, 2019, the fair value of all outstanding DSUs amounted to $2,741 (December 31, 2018 - $1,806). For the year ended December 31, 2019, DSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the year, amounted to an expense of $1,269 (2018 - benefit of $131), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at December 31, 2019 was $532 (December 31, 2018 - $nil) and will be recognized in profit or loss over the next three years as the DSUs vest.

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

The following is a summary of the issued and outstanding RSUs and PSUs for the year ended December 31, 2019 and 2018:

	RSUs	PSUs	Total
Outstanding, December 31, 2017	77,304	77,304	154,608
Granted and reinvested dividends	211,906	211,906	423,812
Redeemed	-	-	-
Outstanding, December 31, 2018	289,210	289,210	578,420
Granted and reinvested dividends	253,407	253,407	506,814
Redeemed	(77,304)	(77,304)	(154,608)
Cancelled	(13,498)	(14,500)	(27,998)
Outstanding, December 31, 2019	451,815	450,813	902,628

The RSUs and PSUs granted during the years ended December 31, 2019 and 2018 had a weighted average fair value per unit of $12.25 and $15.49, respectively, on the date of grant. For the year ended December 31, 2019, RSU and PSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the year, amounted to an expense of $6,955 (2018 - expense of $2,585), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at December 31, 2019 was $5,835 (December 31, 2018 - $2,868) and will be recognized in profit or loss over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted are shown in the table below:

	Year ended December 31, 2019	Year ended December 31, 2018
Expected life (years)	2.35	2.49
Risk free interest rate	1.59%	2.05%

17. EARNINGS PER SHARE

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

	Year ended December 31, 2019			Year ended December 31, 2018		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	82,486,531	$	2.20	86,548,599	$	2.15
Effect of dilutive securities:						
Stock options	152,140		(0.01)	439,416		(0.01)
Diluted	82,638,671	$	2.19	86,988,015	$	2.14

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 year ended December 31, 2019, 2,397,000 options (2018 - 100,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

18. RESEARCH AND DEVELOPMENT COSTS

	Year ended December 31, 2019	Year ended December 31, 2018
Research and development costs, gross	$ 35,003	$ 29,393
Capitalized development costs	(10,747)	(14,171)
Amortization of capitalized development costs	13,779	11,342
Net expense	$ 38,035	$ 26,564

19. PERSONNEL EXPENSES

The consolidated statement of operations presents operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note	Year ended December 31, 2019	Year ended December 31, 2018
Wages and salaries and other short-term employee benefits		$ 916,385	$ 889,117
Expenses related to pension and post-retirement benefits	14	4,140	4,066
RSU and PSU compensation expense (including changes in fair value during the year)	16	6,955	2,585
DSU compensation expense (including changes in fair value during the year)	16	1,269	(131)
Stock-based compensation expense	16	1,195	651
		$ 929,944	$ 896,288

20. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

	Year ended December 31, 2019	Year ended December 31, 2018
Debt interest, gross	$ (36,041)	$ (30,861)
Interest on lease liabilities	(8,302)	-
Capitalized interest - at an average rate of 4.0% (2018 - 3.3%)	6,346	3,503
Finance expense (including interest on lease liabilities)	$ (37,997)	$ (27,358)

	Year ended December 31, 2019	Year ended December 31, 2018
Net unrealized foreign exchange loss	$ (1,109)	$ (768)
Loss on warrants (note 8)	(251)	(1,887)
Other income, net	574	367
Other finance income (expense)	$ (786)	$ (2,288)

21. OPERATING SEGMENTS

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

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 significant accounting policies in note 2 of the consolidated financial statements. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Year ended December 31, 2019				
	Production Sales	**Tooling Sales**	**Total Sales**	**Property, plant and equipment and Right-of-use assets**	**Operating Income**
North America					
Canada	$ 602,199	$ 46,878	$ 649,077	$ 224,006	
USA	1,087,505	205,731	1,293,236	534,802	
Mexico	1,208,099	147,891	1,355,990	582,074	
Eliminations	(168,522)	(63,429)	(231,951)	-	
	$ 2,729,281	$ 337,071	$ 3,066,352	$ 1,340,882	$ 227,145
Europe					
Germany	415,542	41,496	457,038	167,075	
Spain	152,698	10,099	162,797	135,197	
Slovakia	49,387	5,664	55,051	16,684	
Eliminations	-	(2,755)	(2,755)	-	
	617,627	54,504	672,131	318,956	44,875
Rest of the World	118,146	14,524	132,670	70,435	(6,183)
Eliminations	(6,167)	(1,327)	(7,494)	-	-
	$ 3,458,887	$ 404,772	$ 3,863,659	$ 1,730,273	$ 265,837

	Year ended December 31, 2018				
	Production Sales	**Tooling Sales**	**Total Sales**	**Property, plant and equipment**	**Operating Income**
North America					
Canada	$ 622,576	$ 96,129	$ 718,705	$ 160,325	
USA	1,186,013	106,568	1,292,581	480,016	
Mexico	982,086	94,331	1,076,417	483,013	
Eliminations	(163,162)	(97,014)	(260,176)	-	
	$ 2,627,513	$ 200,014	$ 2,827,527	$ 1,123,354	$ 229,117
Europe					
Germany	460,115	34,038	494,153	152,738	
Spain	141,440	19,885	161,325	113,048	
Slovakia	53,301	6,269	59,570	14,186	
Eliminations	-	(1,187)	(1,187)	-	
	654,856	59,005	713,861	279,972	46,790
Rest of the World	121,112	14,210	135,322	78,126	565
Eliminations	(9,751)	(4,059)	(13,810)	-	-
	$ 3,393,730	$ 269,170	$ 3,662,900	$ 1,481,452	$ 276,472

22. FINANCIAL INSTRUMENTS

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

Fair Value

IFRS 13 "Fair Value Measurement" 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:

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

	December 31, 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 70,162	$ 70,162	$ -	$ -
Investments (note 8)	$ 10,781	$ 8,572	$ 2,209	$ -
Foreign exchange forward contracts not accounted for as hedges (note 3)	$ 66	$ -	$ 66	$ -
Foreign exchange forward contracts accounted for as hedges (note 10)	$ (4,096)	$ -	$ (4,096)	$ -

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:

December 31, 2019	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Financial assets at amortized cost**	**Amortized cost**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 560,558	$ -	$ 560,558	$ 560,558
Warrants in NanoXplore (note 8)	5	-	-	-	5	5
Foreign exchange forward contracts not accounted for as hedges	418	-	-	-	418	418
	423	-	560,558	-	560,981	560,981
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(728,000)	(728,000)	(728,000)
Long-term debt	-	-	-	(781,573)	(781,573)	(781,573)
Foreign exchange forward contracts accounted for as hedges	-	(787)	-	-	(787)	(787)
	-	(787)	-	(1,509,573)	(1,510,360)	(1,510,360)
Net financial assets (liabilities)	$ 423	$ (787)	$ 560,558	$ (1,509,573)	$ (949,379)	$ (949,379)

December 31, 2018	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Financial assets at amortized cost**	**Amortized cost**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 597,730	$ -	$ 597,730	$ 597,730
Investments (note 8)	2,209	8,572	-	-	10,781	10,781
Foreign exchange forward contracts not accounted for as hedges	66	-	-	-	66	66
	2,275	8,572	597,730	-	608,577	608,577
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(834,732)	(834,732)	(834,732)
Estimated share repurchase liability	-	-	-	(23,871)	(23,871)	(23,871)
Long-term debt	-	-	-	(740,717)	(740,717)	(740,717)
Foreign exchange forward contracts accounted for as hedges	-	(4,096)	-	-	(4,096)	(4,096)
	-	(4,096)	-	(1,599,320)	(1,603,416)	(1,603,416)
Net financial assets (liabilities)	$ 2,275	$ 4,476	$ 597,730	$ (1,599,320)	$ (994,839)	$ (994,839)

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

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

(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 32.9%, 27.5%, and 14.8% of its production sales for the year ended December 31, 2019 (2018 - 29.5%, 28.0%, and 15.7%). 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 December 31, 2019 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 0.5% of total trade receivables for all periods and movements in the year were minimal.

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

		December 31, 2019		December 31, 2018
0-60 days	$	521,354	$	540,728
61-90 days		13,094		18,437
Greater than 90 days		7,961		26,625
	$	542,409	$	585,790

(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 December 31, 2019, the Company had cash of $118,973 (2018 - $70,162) and banking facilities available as discussed in note 12. All the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

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

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Banker's Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, 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	
	December 31, 2019	**December 31, 2018**
Variable rate instruments	$ 716,452	$ 657,803
Fixed rate instruments	65,121	82,914
	$ 781,573	$ 740,717

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $7,226 (December 31, 2018 - $6,010) on the Company's consolidated financial results for the year ended December 31, 2019.

(d) Currency risk

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

At December 31, 2019, the Company had committed to the following foreign exchange contracts:

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$ 20,000	1.3131	1
Buy Mexican Peso	$ 21,030	19.0200	1

The aggregate value of these forward contracts as at December 31, 2019 was a pre-tax gain of $418 and was recorded in trade and other receivables (December 31, 2018 - pre-tax gain of $66 recorded in trade and other receivables).

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$ 36,900	1.2780	36

The aggregate value of these forward contracts as at December 31, 2019 was a pre-tax loss of $787 and was recorded in trade and other payables (December 31, 2018 - pre-tax loss of $4,096 recorded in trade and other payables).

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

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

December 31, 2018	**USD**	**EURO**	**PESO**	**BRL**	**CNY**
Trade and other receivables	$ 297,895	€ 66,826	$ 84,181	R$ 26,348	¥ 89,887
Trade and other payables	(383,618)	(88,627)	(219,130)	(37,578)	(104,990)
Long-term debt	(286,341)	(32,787)	-	(218)	-
	$ (372,064)	€ (54,588)	$ (134,949)	R$ (11,448)	¥ (15,103)

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

	Average rate		Closing rate	
	Year ended December 31, 2019	Year ended December 31, 2018	December 31, 2019	December 31, 2018
USD	1.3292	1.2910	1.2984	1.3570
EURO	1.4913	1.5286	1.4561	1.5567
PESO	0.0687	0.0674	0.0686	0.0686
BRL	0.3392	0.3594	0.3230	0.3498
CNY	0.1928	0.1960	0.1864	0.1985

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 December 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the year ended December 31, 2019 by the amounts shown below, assuming all other variables remain constant:

	Year ended December 31, 2019	Year ended December 31, 2018
USD	$ (14,697)	$ (12,086)
EURO	(5,059)	(5,454)
BRL	600	304
CNY	883	31
	$ (18,273)	$ (17,205)

A weakening of the Canadian dollar against the above currencies at December 31, 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.

(iii) Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with complementary acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income and retained earnings, and debt.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

In addition to debt and equity the Company may use leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

23. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain manufacturing facilities, manufacturing equipment, office equipment and vehicles under short-term leases and enters into purchase obligations in the normal course of business related to inventory, services, tooling and property, plant and equipment. The aggregate expected payments towards those obligations are as follows:

	December 31, 2019	December 31, 2018
Future minimum lease payments*	$ 1,912	$ 240,052
Capital and other purchase commitments (all due in less than one year)	348,768	369,928
	$ 350,680	$ 609,980

*At December 31, 2019, these amounts relate to leases that did not meet the recognition criteria for lease liabilities under IFRS 16.

Future minimum lease payments are due as follows:

	December 31, 2019	December 31, 2018
Less than one year	$ 1,092	$ 39,601
Between one and five years	820	115,724
More than five years	-	84,727
	$ 1,912	$ 240,052

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 their outcomes will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of these consolidated financial statements or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately $66,977 (BRL $207,353) including interest and penalties to December 31, 2019 (December 31, 2018 - $74,319 or BRL $212,462). 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 $27,555 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.

24. 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 December 31, 2019, the amount of the off-balance sheet program financing was $22,212 (December 31, 2018 - $58,871) 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 2018 or 2019. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.

25. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include the Directors and the most Senior Corporate Officers of the Company that are primarily responsible for planning, directing, and controlling the Company's business activities.

The compensation expense associated with key management for employee services was included in employee salaries and benefits as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Salaries, pension and other short-term employee benefits	$ 14,397	$ 13,580
RSU, PSU and DSU compensation expense (including changes in fair value during the year)	6,244	1,665
Stock-based compensation expense	487	381
Net expense	$ 21,128	$ 15,626

26. LIST OF CONSOLIDATED ENTITIES

The following is a summary of significant direct subsidiaries of the Company as at December 31, 2019:

	Country of incorporation	Ownership interest
Martinrea Metallic Canada Inc.	Canada	100%
Martinrea Automotive Systems Canada Ltd.	Canada	100%
Martinrea Automotive Inc.	Canada	100%
Royal Automotive Group Ltd.	Canada	100%
Martinrea Metal Holdings (USA), Inc.	United States of America	100%
Martinrea Pilot Acquisition Inc.	Canada	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%
Martinrea Pilot Acquisition II LLC	United States of America	100%
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100%
Martinrea China Holdings Inc.	Canada	100%
Martinrea Honsel Holdings B.V.	Netherlands	100%
Martinrea Automotive Japan Inc.	Japan	100%
Agility Tooling Inc.	Canada	100%

27. SUBSEQUENT EVENT

On December 19, 2019, the Company announced it reached an agreement to acquire the Structural Components for Passenger Cars operation of Metalsa S.A. de C.V. The transaction closed subsequent to the year-end on March 2, 2020. The purchase price, subject to certain adjustments post-closing, is expected to approximate US$19.5 million in cash ($25.5 million), inclusive of working capital and on a debt free basis.

The Structural Components for Passenger Cars operations specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housings and bumpers; and several other components such as fuel tanks. The operations cover six plants located in Germany, the United States, Mexico, South Africa and two in China, with approximately 2,000 employees, as well as a leading edge technical and engineering centre in Germany.

At the time of issuance of these consolidated financial statements, the initial accounting for this acquisition was still in process.