

MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2019

The following management discussion and analysis (“MD&A”) was prepared as of May 2, 2019 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three months ended March 31, 2019 (“financial statements”), as well as the Company’s audited financial statements and MD&A for the year ended December 31, 2018 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company’s Annual Information Form for the year ended December 31, 2018, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) (“Martinrea” or the “Company”) is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs approximately 15,000 skilled and motivated people in 47 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

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

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

OVERALL RESULTS

The following table sets out certain key financial metrics underlying the Company’s performance for the three months ended March 31, 2019 and 2018. Refer to the Company’s financial statements for the three months ended March 31, 2019 for a detailed account of the Company’s performance for the periods presented in the table below.

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
Sales	\$ 1,023,161	\$ 963,900	59,261	6.1%
Gross Margin	157,501	144,429	13,072	9.1%
Operating Income	83,463	78,441	5,022	6.4%
Net Income for the period	\$ 55,268	55,959	(691)	(1.2%)
Net Earnings per Share - Basic	\$ 0.66	\$ 0.65	0.01	1.5%
Net Earnings per Share - Diluted	\$ 0.66	\$ 0.64	0.02	3.1%
<u>Non-IFRS Measures*</u>				
Adjusted Operating Income	\$ 83,463	\$ 78,441	5,022	6.4%
<i>% of Sales</i>	8.2%	8.1%		
Adjusted EBITDA	133,911	119,962	13,949	11.6%
<i>% of Sales</i>	13.1%	12.4%		
Adjusted Net Income	55,776	56,630	(854)	(1.5%)
Adjusted Net Earnings per Share - Basic and Diluted	\$ 0.67	\$ 0.65	0.02	3.1%

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and

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

Impact of the Adoption of IFRS 16, Leases

Effective January 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases ("IFRS 16"). In adopting the new standard, the Company used the modified retrospective approach which involves recognizing transitional adjustments in opening retained earnings, if any, on the date of initial application without restating comparative prior periods. As such, 2018 prior year comparatives have not been restated.

The adoption of the new standard resulted in the recognition of lease liabilities of \$228.6 million and right-of-use assets of \$223.8 million, net of accrued liabilities related to the leases of \$4.8 million, recognized as at January 1, 2019 in the interim condensed consolidated balance sheet. From an earnings perspective, while timing differences may exist, the new standard results in a decrease in operating rent expense essentially replaced by increases in finance and depreciation expenses as recognized in the interim condensed consolidated statement of operations. As such, the adoption of IFRS 16 did not have a significant impact on the Company's operating results and the financial metrics for the quarter ended March 31, 2019 outlined above other than "Adjusted EBITDA". The adoption of IFRS 16 contributed approximately 7% of the year-over-year growth in Adjusted EBITDA due to the recognition of depreciation expense on right-of-use assets, in lieu of operating rent expense, as required by the new standard. The adoption of the new standard is further explained in "Recently adopted and applicable accounting standards and policies" in this MD&A and note 1(d)(i) of the financial statements for the three months ended March 31, 2019.

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net Income	\$ 55,268	\$ 55,959
Unusual and Other Items (after-tax)*	508	671
Adjusted Net Income	\$ 55,776	\$ 56,630

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Net Income	\$ 55,268	\$ 55,959
Income tax expense	18,385	17,953
Other finance income - excluding Unusual and Other Items*	(567)	(2,739)
Finance expense	9,796	6,501
Unusual and Other Items (before-tax)*	581	767
Adjusted Operating Income	\$ 83,463	\$ 78,441
Depreciation of property, plant and equipment and right-of-use assets	46,894	38,058
Amortization of intangible assets	3,665	3,477
Gain on disposal of property, plant and equipment	(111)	(14)
Adjusted EBITDA	\$ 133,911	\$ 119,962

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

SALES

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
North America	\$ 811,137	\$ 741,155	69,982	9.4%
Europe	190,395	185,723	4,672	2.5%
Rest of the World	23,332	40,381	(17,049)	(42.2%)
Eliminations	(1,703)	(3,359)	1,656	49.3%
Total Sales	\$ 1,023,161	\$ 963,900	59,261	6.1%

The Company's consolidated sales for the first quarter of 2019 increased by \$59.3 million or 6.1% to \$1,023.2 million as compared to \$963.9 million for the first quarter of 2018. The total increase in sales was driven by year-over-year increases in the North America and Europe operating segments, partially offset by a decrease in the Rest of the World.

Sales for the first quarter of 2019 in the Company's North America operating segment increased by \$70.0 million or 9.4% to \$811.1 million from \$741.2 million for the first quarter of 2018. The increase was due to the launch of new programs during or subsequent to the first quarter of 2018 including the next generation GM Silverado/Sierra, RAM pick-up trucks, and the new Chevrolet Blazer; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the first quarter of 2019 of approximately \$35.0 million as compared to the first quarter of 2018; and an increase in tooling sales of \$20.7 million, which are typically dependant on the timing of tooling construction and final acceptance by the customer. These positive factors were partially offset by lower year-over-year production volumes on certain light-vehicle platforms including the Ford Escape and Jeep Wrangler, and programs that ended production during or subsequent to the first quarter of 2018.

Sales for the first quarter of 2019 in the Company's Europe operating segment increased by \$4.7 million or 2.5% to \$190.4 million from \$185.7 million for the first quarter of 2018. The increase can be attributed to the launch of new programs during or subsequent to the first quarter of 2018, including a 2.0L aluminum engine block for Ford, and a \$9.4 million increase in tooling sales. These positive factors were partially offset by lower year-over-year production volumes on certain Jaguar Land Rover platforms, and a \$1.3 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2018.

Sales for the first quarter of 2019 in the Company's Rest of the World operating segment decreased by \$17.0 million or 42.2% to \$23.3 million from \$40.4 million in the first quarter of 2018. The decrease was due to a lower year-over-year production volumes on the Ford Mondeo and Cadillac CT6 vehicle platforms in China; lower year-over-year production sales in the Company's facility in Brazil; a \$5.4 million decrease in tooling sales; and a \$1.0 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2018. These negative factors were partially offset by the ramp up of new aluminum structural components work for Jaguar Land Rover in China, which began to ramp up in the first quarter of 2018 but at significantly lower-than-expected volumes.

Overall tooling sales increased by \$24.7 million or 34.7% to \$95.9 million for the first quarter of 2019 from \$71.2 million for the first quarter of 2018.

GROSS MARGIN

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
Gross margin	\$ 157,501	\$ 144,429	13,072	9.1%
% of Sales	15.4%	15.0%		

The gross margin percentage for the first quarter of 2019 of 15.4% increased as a percentage of sales by 0.4% as compared to the gross margin percentage for the first quarter of 2018 of 15.0%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2018.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched, and an increase in tooling sales which typically earn low margins for the Company.

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

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
Selling, general & administrative	\$ 60,858	\$ 56,342	4,516	8.0%
% of Sales	5.9%	5.8%		

SG&A expense for the first quarter of 2019 increased by \$4.5 million to \$60.9 million as compared to \$56.3 million for the first quarter of 2018. The increase can be attributed to increased costs incurred at new and/or expanded facilities launching and ramping up new work, a general increase in employment and corresponding costs to support the evolution of the business and operating margin expansion initiatives, and higher year-over-year incentive compensation based on the performance of the business, including an increase in deferred and restricted share units expense; partially offset by lower year-over-year operating rent expense as a result of the adoption of IFRS 16, which was essentially replaced with depreciation of right-of-use assets.

SG&A expense as a percentage of sales remained relatively consistent year-over-year at 5.9% for the first quarter of 2019 compared to 5.8% for the first quarter of 2018.

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

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	\$ 43,429	\$ 35,612	7,817	22.0%
Depreciation of PP&E and right-of-use assets (non-production)	3,465	2,446	1,019	41.7%
Amortization of customer contracts and relationships	537	530	7	1.3%
Amortization of development costs	3,128	2,947	181	6.1%
Total depreciation and amortization	\$ 50,559	\$ 41,535	9,024	21.7%

Total depreciation and amortization expense for the first quarter of 2019 increased by \$9.0 million to \$50.6 million as compared to \$41.5 million for the first quarter of 2018. The increase in total depreciation and amortization expense was primarily due to the adoption of IFRS 16, which added a total of \$7.7 million in incremental depreciation expense on right-of-use assets.

A significant portion of the Company's recent investments in PP&E relates to various new programs that commenced during or subsequent to the first quarter of 2018 and new and replacement programs scheduled to launch over the next two to three years in all of the Company's various product offerings. The Company continues to make significant investments in the operations of the Company in light of its growing backlog of business and growing global footprint.

Depreciation of PP&E and right-of-use assets (production) expense as a percentage of sales increased year-over-year to 4.2% for the first quarter of 2019 from 3.7% for the first quarter of 2018 due mainly to the adoption of IFRS 16 which added incremental depreciation expense on right-of-use assets.

ADJUSTMENTS TO NET INCOME

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

TABLE A

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	<u>For the three months ended March 31, 2019</u>	<u>For the three months ended March 31, 2018</u>	<u>(a)-(b) Change</u>
	(a)	(b)	
NET INCOME (A)	\$55,268	\$55,959	(\$691)
Add Back - Unusual and Other Items:			
Unrealized loss on warrants (1)	581	767	(186)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	\$581	\$767	(\$186)
Tax impact of above items	(73)	(96)	23
TOTAL UNUSUAL AND OTHER ITEMS-AFTER TAX (B)	\$508	\$671	(\$163)
ADJUSTED NET INCOME (A + B)	\$55,776	\$56,630	(\$854)
Number of Shares Outstanding – Basic ('000)	83,364	86,746	
Adjusted Basic Net Earnings Per Share	\$0.67	\$0.65	
Number of Shares Outstanding – Diluted ('000)	83,586	87,352	
Adjusted Diluted Net Earnings Per Share	\$0.67	\$0.65	

(1) Unrealized loss on warrants

As further described in note 7 of the financial statements and later on in this MD&A under "Investments", Martinrea holds 2,955,900 warrants in NanoXplore Inc., a publicly listed graphene company on the TSX Venture Exchange under the ticker symbol GRA. The warrants represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. As at March 31, 2019, the warrants had a fair value of \$1.6 million. Based on the fair value of the warrants as at March 31, 2019, an unrealized loss of \$0.6 million was recognized for the three months ended March 31, 2019 (2018 - \$0.8 million), in other finance income (expense) in the interim condensed consolidated statement of operations. This unrealized loss has been added back for Adjusted Net Income purposes.

NET INCOME

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended		Three months ended		\$ Change	% Change
	March 31, 2019		March 31, 2018			
Net Income	\$	55,268	\$	55,959	(691)	(1.2%)
Adjusted Net Income	\$	55,776	\$	56,630	(854)	(1.5%)
Net Earnings per Share						
Basic	\$	0.66	\$	0.65		
Diluted	\$	0.66	\$	0.64		
Adjusted Net Earnings per Share						
Basic and Diluted	\$	0.67	\$	0.65		

Net income, before adjustments, for the first quarter of 2019 decreased by \$0.7 million to \$55.3 million from \$56.0 million for the first quarter of 2018. Excluding the unusual and other items recognized during the first quarters of 2019 and 2018 as explained in Table A under "Adjustments to Net Income", net income for the first quarter of 2019 decreased by \$0.9 million to \$55.8 million or \$0.67 per share, on a basic and diluted basis, from \$56.6 million or \$0.65 per share, on a basic and diluted basis, for the first quarter of 2018. Despite the year-over-year decrease in Adjusted Net Income, Adjusted Net Earnings per share is up year-over-year due to the lower outstanding Martinrea share count as a result of the recent share repurchases the Company completed under a normal course issuer bid, as further explained in note 12 of the financial statements and later on in this MD&A under "Disclosure of Outstanding Share Data".

Adjusted Net Income for the first quarter of 2019, as compared to the first quarter of 2018, was negatively impacted by the following:

- operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched;
- a year-over-year increase in research and development costs due to increased new product and process research and development activity;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense, due to the adoption of IFRS 16;
- a year-over-year increase in finance expense on the Company's revolving bank debt and equipment loans as a result of increased debt levels and borrowing rates, and interest on lease liabilities as a result of the adoption of IFRS 16;
- a net unrealized foreign exchange gain of \$0.5 million for the first quarter of 2019 compared to a net unrealized foreign exchange gain of \$2.7 million for the first quarter of 2018; and
- a higher effective tax rate on adjusted income due generally to the mix of earnings (24.9% for the first quarter of 2019 compared to 24.2% for the first quarter of 2018).

These factors were partially offset by the following:

- higher gross profit on increased year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2018; and
- lower operating rent expense due to the adoption of IFRS 16, generally replaced by increases in finance and depreciation expenses.

Three months ended March 31, 2019 actual to guidance comparison:

On February 28, 2019, the Company provided the following guidance for the first quarter of 2019:

	Guidance		Actual	
Production sales (in millions)	\$	910 - 950	\$	927
Adjusted Net Earnings per Share Basic and Diluted	\$	0.65 - 0.69	\$	0.67

For the first quarter of 2019, production sales of \$927.0 million and Adjusted Net Earnings per Share of \$0.67 were within the published sales guidance ranges provided.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	Three months ended March 31, 2019		Three months ended March 31, 2018		\$ Change	% Change
Additions to PP&E	\$	68,313	\$	50,337	17,976	35.7%

Additions to PP&E increased by \$18.0 million to \$68.3 million or 6.7% of sales in the first quarter of 2019 from \$50.3 million or 5.2% of sales in the first quarter of 2018 due in large part to the timing of expenditures and new incremental investment in various sales and margin growth projects. The Company continues to make investments in the business including both new and replacement business, as the Company's global footprint expands and as it executes on its growing backlog of new business in all its various product offerings.

SEGMENT ANALYSIS

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

Three months ended March 31, 2019 to three months ended March 31, 2018 comparison

	SALES		OPERATING INCOME (LOSS)	
	Three months ended March 31, 2019	Three months ended March 31, 2018	Three months ended March 31, 2019	Three months ended March 31, 2018
North America	\$ 811,137	\$ 741,155	\$ 71,125	\$ 61,468
Europe	190,395	185,723	15,287	15,835
Rest of the World	23,332	40,381	(2,949)	1,138
Eliminations	(1,703)	(3,359)	-	-
Adjusted Operating Income	-	-	\$ 83,463	\$ 78,441
Unusual and Other Items	-	-	-	-
Total	\$ 1,023,161	\$ 963,900	\$ 83,463	\$ 78,441

North America

Adjusted Operating Income in North America increased by \$9.7 million to \$71.1 million or 8.8% of sales for the first quarter of 2019 from \$61.5 million or 8.3% of sales for the first quarter of 2018 due generally to a \$70.0 million year-over-year increase in sales as previously explained. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2018; partially offset by operational inefficiencies and other costs at certain other

facilities, including higher research and development and SG&A expenses, as previously explained, and upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

Europe

Adjusted Operating Income in Europe decreased by \$0.5 million to \$15.3 million or 8.0% of sales for the first quarter of 2019 from \$15.8 million or 8.5% of sales for the first quarter of 2018 on slightly higher year-over-year sales. Adjusted Operating Income in Europe was negatively impacted by general sales mix, including lower-year-over-year production volumes on certain platforms, and upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched; partially offset by productivity and efficiency improvements at certain operating facilities.

Rest of the World

The operating results for the Rest of the World operating segment decreased year-over-year to an operating loss of \$2.9 million for the first quarter of 2019 from operating income of \$1.1 million for the first quarter of 2018 due mainly to lower margin contribution from a \$17.0 million year-over-year decrease in sales, driven in large part by lower production volumes on the Ford Mondeo and Cadillac CT6 platforms in China, and lower year-over-year production sales in the Company's facility in Brazil.

SUMMARY OF QUARTERLY RESULTS **(unaudited)**

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	1,023,161	926,154	851,136	921,710	963,900	878,642	838,535	972,772
Gross Margin	157,501	134,567	127,130	150,035	144,429	124,042	113,418	128,926
Net Income for the period	55,268	37,816	36,381	55,727	55,959	32,366	36,022	47,411
Net Income attributable to equity holders of the Company	55,268	37,816	36,381	55,727	55,959	32,366	36,229	47,346
Adjusted Net Income attributable to equity holders of the Company *	55,776	43,840	37,169	55,527	56,630	43,179	36,263	47,346
Basic Net Earnings per Share	0.66	0.44	0.42	0.64	0.65	0.37	0.42	0.55
Diluted Net Earnings per Share	0.66	0.44	0.42	0.64	0.64	0.37	0.42	0.55
Adjusted Basic and Diluted Net Earnings per Share *	0.67	0.51	0.43	0.64	0.65	0.50	0.42	0.55

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA" and "Free Cash Flow". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2018 and 2017 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at March 31, 2019, the Company had total equity of \$1,176.5 million (December 31, 2018 - \$1,151.5 million). As at March 31, 2019, the Company's ratio of current assets to current liabilities was 1.40:1 (December 31, 2018 - 1.35:1). The Company's current working capital level of \$370.9 million at March 31, 2019 is up from \$312.6 million at December 31, 2018 due generally to seasonality, as working capital levels tend to increase in the first quarter of any given year as the automotive industry ramps up production coming out of the typical December holiday shutdowns. Credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset-based financing.

Cash Flow

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	\$ 137,272	\$ 122,407	14,865	12.1%
Change in non-cash working capital items	(38,097)	(12,004)	(26,093)	217.4%
	99,175	110,403	(11,228)	(10.2%)
Interest paid	(10,584)	(6,933)	(3,651)	52.7%
Income taxes paid	(28,465)	(31,678)	3,213	(10.1%)
Cash provided by operating activities	60,126	71,792	(11,666)	(16.2%)
Cash provided by financing activities	40,834	11,808	29,026	245.8%
Cash used in investing activities	(94,250)	(74,355)	(19,895)	26.8%
Effect of foreign exchange rate changes on cash and cash equivalents	(425)	957	(1,382)	(144.4%)
Increase in cash and cash equivalents	\$ 6,285	\$ 10,202	(3,917)	(38.4%)

Cash provided by operating activities during the first quarter of 2019 was \$60.1 million, compared to cash provided by operating activities of \$71.8 million in the corresponding period of 2018. The components for the first quarter of 2019 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$137.3 million;
- working capital items use of cash of \$38.1 million comprised of an increase in trade and other receivables of \$113.0 million, an increase in prepaid expenses and deposits of \$3.0 million; partially offset by a decrease in inventories of \$16.1 million, and an increase in trade, other payables and provisions of \$61.8 million;
- interest paid (excluding capitalized interest) of \$10.6 million, including \$1.6 million related to interest on lease liabilities resulting from the adoption of IFRS 16; and
- income taxes paid of \$28.5 million.

Cash provided by financing activities during the first quarter of 2019 was \$40.8 million, compared to cash provided by financing activities of \$11.8 million in the corresponding period in 2018, as a result of a \$77.3 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility of \$81.4 million, partially offset by repayments made on equipment loans of \$4.1 million), and \$0.9 million in proceeds from the exercise of employee stock options; partially offset by the repurchase of common shares by way of normal course issuer bid (as described in note 12 of the financial statements for the three months ended March 31, 2019) of \$26.3 million, repayment of lease liabilities from the adoption of IFRS 16 of \$7.3 million, and \$3.8 million in dividends paid.

Cash used in investing activities during the first quarter of 2019 was \$94.3 million, compared to \$74.4 million in the corresponding period in 2018. The components for the first quarter of 2019 primarily include the following:

- cash additions to PP&E of \$77.4 million;
- capitalized development costs relating to upcoming new program launches of \$2.3 million;
- an investment in NanoXplore Inc. (as described in note 7 of the financial statements for the three months ended March 31, 2019) of \$15.0 million; partially offset by
- proceeds from the disposal of PP&E of \$0.5 million.

Taking into account the opening cash balance of \$70.2 million at the beginning of the first quarter of 2019, and the activities described above, the cash and cash equivalents balance at March 31, 2019 was \$76.4 million.

Free Cash Flow

	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ Change
Adjusted EBITDA	\$ 133,911	\$ 119,962	13,949
Add (deduct):			
Change in non-cash working capital items	(38,097)	(12,004)	(26,093)
Cash purchases of property, plant and equipment	(77,418)	(71,453)	(5,965)
Cash proceeds on disposal of property, plant and equipment	483	770	(287)
Capitalized development costs	(2,316)	(2,992)	676
Interest on long term debt, net of capitalized interest	(8,216)	(6,501)	(1,715)
Cash income taxes	(28,465)	(31,678)	3,213
Free cash flow	(20,118)	(3,896)	(16,222)

Free cash flow decreased this quarter primarily as a result of:

- an increase in non-cash working capital items as previously noted;
- higher purchases of property, plant and equipment; and
- higher interest on long-term debt as a result of increased debt levels and borrowing rates; partially offset by
- higher Adjusted EBITDA - approximately 7% of the year-over-year growth relates to the adoption of IFRS 16; and
- lower cash income taxes.

All tooling related working capital accounts, including inventory, trade receivables and trade payables on a net basis, increased to \$118.9 million as at March 31, 2019, from \$115.2 million as at December 31, 2018 and \$81.2 million as at March 31, 2018.

Reconciliation of IFRS "Cash provided by operating activities" to Non-IFRS "Free Cash Flow":

	Three months ended March 31, 2019	Three months ended March 31, 2018
Cash provided by operating activities	\$ 60,126	\$ 71,792
Add (deduct):		
Cash purchases of property, plant and equipment	(77,418)	(71,453)
Cash proceeds on disposal of property, plant and equipment	483	770
Capitalized development costs	(2,316)	(2,992)
Interest on long-term debt, net of capitalized interest	(8,216)	(6,501)
Interest paid	10,584	6,933
Unrealized gain (loss) on foreign exchange contracts	(583)	1,304
Deferred and restricted share units expense	(2,132)	(302)
Stock options expense	(314)	(174)
Pension and other post-employment benefits expense	(1,023)	(1,177)
Contributions made to pension and other post-retirement benefits expense	1,258	643
Net unrealized foreign exchange gain and other income	(567)	(2,739)
Free cash flow	\$ (20,118)	\$ (3,896)

Financing

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 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 repayment provisions.

As at March 31, 2019, the Company had drawn US \$297,000 (December 31, 2018 – US \$286,000) on the U.S. revolving credit line and \$323,000 (December 31, 2018 - \$273,000) on the Canadian revolving credit line.

Debt leverage ratios:

	March 31, 2019		January 1, 2019		December 31, 2018	
	Excluding impact of IFRS 16	Including impact of IFRS 16	Excluding impact of IFRS 16	Including impact of IFRS 16	Excluding impact of IFRS 16	Including impact of IFRS 16
Long-term debt	\$ 809,552	\$ 809,552	\$ 740,717	\$ 740,717	\$ 740,717	\$ 740,717
Lease liabilities	-	221,754	228,623	-	-	-
	809,552	1,031,306	969,340	740,717	740,717	740,717
Less: Cash and cash equivalents	(76,447)	(76,447)	(70,162)	(70,162)	(70,162)	(70,162)
Net Debt	\$ 733,105	\$ 954,859	\$ 899,178	\$ 670,555	\$ 670,555	\$ 670,555
Trailing 12-month Adjusted EBITDA*	\$ 466,347	\$ 499,194	\$ 492,630	\$ 461,223	\$ 461,223	\$ 461,223
Net Debt to Adjusted EBITDA ratio*	1.57x	1.91x	1.83x	1.45x	1.45x	1.45x

*As comparative periods prior to 2019 have not been restated, debt leverage ratios have been calculated using proforma Adjusted EBITDA to remove rent expense as if IFRS 16 was adopted retrospectively.

Net debt and the Company's net debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) both increased during the quarter due essentially to the financing of the Company's share repurchases during the quarter, the incremental investment made in NanoXplore as described in note 7 of the financial statements and in the "Investments" section of this MD&A, and the financing of the increase in working capital as previously noted.

The Company was in compliance with its debt covenants as at March 31, 2019. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

On January 30, 2019, the Company finalized an additional 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%.

Dividends

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

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

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated February 28, 2019 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These trends, risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company should they occur.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 2, 2019, the Company had 82,746,605 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at May 2, 2019, options to acquire 2,335,200 common shares were outstanding.

During 2018, the Company received approval from the Toronto Stock Exchange 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 spans 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 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.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2019, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2018.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2016 that provide direct financing for the tooling on specific programs. As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2019, the amount of the off balance sheet program financing was \$35.3 million representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

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 certain 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 from the hedged foreign operations is recognized in net income. The Company has not identified any ineffectiveness in these hedge relationships as at March 31, 2019.

Financial Instruments

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

At March 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	1.3402	1
Sell Euros	\$ 8,000	1.1279	1
Buy Mexican Peso	\$ 19,222	18.9618	1

The aggregate value of these forward contracts as at March 31, 2019 was a pre-tax loss of \$583 and was recorded in trade and other payables (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	\$ 52,300	1.2780	45

The aggregate value of these forward contracts as at March 31, 2019 was a pre-tax loss of \$2,310 and was recorded in trade and other payables (December 31, 2018 - pre-tax loss of \$4,096 recorded in trade and other payables).

INVESTMENTS

The Company holds an investment in NanoXplore Inc. ("NanoXplore"), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA. NanoXplore 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, representing a 16% equity interest in the company. 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.

Below is a summary of financial information of NanoXplore based on the company's most recent publicly available financial statements as at and for the period ended December 31, 2018, including fair value adjustments made at the time of the acquisition of the interest and adjusted for significant transactions that occurred after December 31, 2018 to the date of acquisition.

	As at or for the twelve months ended December 31, 2018	
Current assets	\$	58,434
Non-current assets		47,438
Current liabilities		22,934
Non-current liabilities	\$	26,566
Sales	\$	32,291
Net Loss	\$	(5,889)

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

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.

As of March 31, 2019, the stock market value of the shares held by the Company in NanoXplore was \$21,986.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes-Merton valuation model, with the change in fair value recorded through profit or loss. As at March 31, 2019, the warrants had a fair value of \$1,629. Based on the fair value of the warrants as at March 31, 2019, an unrealized loss of \$581 was recognized for the

three months ended March 31, 2019 (2018 - \$767) in other finance income (expense) in the interim condensed consolidated statement of operations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

RECENTLY ADOPTED NEW ACCOUNTING STANDARDS

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining whether an arrangement contains a lease. 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 statement of financial position, 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 interim condensed consolidated balance sheet, as well as a decrease in operating rent expense, and increases in finance and depreciation expenses, as recognized in the interim condensed 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 transition, 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 liabilities related to the leases of \$4,837, recognized in the interim condensed 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 Provisions, Contingent Liabilities and Contingent Assets, 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

Refer to note 1(d)(i) of the financial statements for the Company's new accounting policies to be used for accounting for leases under IFRS 16.

FORWARD-LOOKING INFORMATION

This MD&A and the documents incorporated by reference therein contains forward looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views, or beliefs in or on, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business, investments in its business and technologies, the financing of future capital expenditures, and ability to fund anticipated working capital needs, the Company's views on its liquidity and ability to deal with present economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs, and the payment of dividends as well as other forward looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2018 and other public filings which can be found at www.sedar.com:

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

- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats;
- the potential volatility of the Company's share price; and
- dividends.

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