



MARTINREA INTERNATIONAL INC.

FIRST QUARTER REPORT

MARCH 31, 2017

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MESSAGE TO SHAREHOLDERS

The Company experienced a record first quarter, as reflected in the attached materials. Our Company continues to improve. Our financial position remains very strong and our future is bright.

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

(Signed) "*Rob Wildeboer*"

Rob Wildeboer
Executive Chairman



MARTINREA INTERNATIONAL INC.

Reports Record Quarterly Earnings and Announces Dividend

May 1, 2017 – For Immediate Release

Toronto, Ontario – Martinrea International Inc. (TSX:MRE), a leader in the development and production of quality metal parts, assemblies and modules and fluid management systems and complex aluminum products focused primarily on the automotive sector, announced today the release of its financial results for the first quarter ended March 31, 2017 and a quarterly dividend.

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

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

HIGHLIGHTS

- Tenth consecutive quarter with record year-over-year adjusted earnings; best quarterly earnings to date
- Production sales of \$936 million
- Record quarterly adjusted net income of \$38.7 million, or \$0.45 per share
- Quarterly adjusted operating income and EBITDA margins increase year over year
- Record quarterly adjusted EBITDA of \$94.5 million
- Net debt decreases to \$634.5 million; balance sheet continues to strengthen
- Dividend of \$0.03 per share announced

OVERVIEW

Pat D'Eramo, Martinrea's President and Chief Executive Officer, stated: "Martinrea had a great start to 2017, and I am really pleased with our team's continued progress and performance in the first quarter. This is now our tenth quarter in a row with record year-over-year adjusted earnings. Our margin improvement plan continues to be on track and our leverage ratio continues to improve. We are focusing on operational excellence, cost reduction not simply cost cutting, good launches, and improving our product offerings to customers. Our Martinrea 2.0 strategy is achieving results and we will continue to deliver improving performance. I am also pleased to announce \$90 million of new business wins in the quarter since our last call including the Ford 3.5L V6 engine block program estimated at \$50 million of annualized revenue per year when fully launched starting in 2020. This is our first engine block with Ford in North America and is an important milestone for our continued growth of our aluminum operations in North America. We see more opportunities here. Additionally, we won \$30 million of incremental steel metal forming on the GM Pick-Up Truck platform in North America starting in 2018 and \$10 million of takeover aluminum powertrain work for Ford starting in 2018."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Sales for the first quarter, excluding tooling sales of \$64 million, were \$936 million, within our previously announced sales guidance. In the first quarter, our adjusted net earnings per share, on a basic and diluted basis, was \$0.45 per share, with an adjustment backing out a pre-tax gain of \$5.7 million on the sale of our Lakeshore facility as we relocate the business there to a better location, at the high end of our quarterly guidance and a record quarter. First quarter adjusted operating income and adjusted EBITDA margins improved significantly year-over-year. We continue to expect operating margins to improve to over 6% by the end of 2017. Our net debt to adjusted EBITDA ratio ended the quarter at 1.78x, a nice improvement from the end of the previous quarter and this time last year, as we continue

to look to a ratio of 1.5x by the end of 2017. We had a very solid quarter from a financial perspective, once again. Our financial position is strong, our balance sheet is solid, and both are improving.”

Rob Wildeboer, Executive Chairman, stated: “We continue to drive our One Company culture and Martinrea 2.0 strategy as we continuously improve our business. Our Vision, Mission and Ten Guiding Principles are living things and are at the core of our improving financials. In 2017, a year of promise and opportunity for our company and our business, we continue to foresee a continued advancement in all our key metrics. The year continues to trend nicely, and we expect second quarter sales, excluding tooling sales, of \$920 million to \$960 million, and adjusted net earnings per share in the range of \$0.49 to \$0.53 per share, which would be our best quarter ever from a financial perspective. We expect to continue to improve over time to be the best supplier we can be. Record quarters show the team is improving performance.”

RESULTS OF OPERATIONS

OVERALL RESULTS

The following table sets out certain highlights of the Company’s performance for the three months ended March 31, 2017 and 2016. Refer to the Company’s interim consolidated financial statements for the three months ended March 31, 2017 for a detailed account of the Company’s performance for the periods presented in the table below.

	Three months ended March 31, 2017		Three months ended March 31, 2016		\$ Change	% Change
Sales	\$	1,000,550	\$	1,039,450	(38,900)	(3.7%)
Gross Margin		118,215		111,818	6,397	5.7%
Operating Income		62,033		51,345	10,688	20.8%
Net Income for the period		43,467		32,531	10,936	33.6%
Net Income Attributable to Equity Holders of the Company	\$	43,602	\$	32,571	11,031	33.9%
Net Earnings per Share – Basic and Diluted	\$	0.50	\$	0.38	0.12	31.6%
<u>Non-IFRS Measures*</u>						
Adjusted Operating Income	\$	56,335	\$	51,345	4,990	9.7%
<i>% of sales</i>		5.6%		4.9%		
Adjusted EBITDA		94,547		89,022	5,525	6.2%
<i>% of sales</i>		9.4%		8.6%		
Adjusted Net Income Attributable to Equity Holders of the Company		38,731		32,571	6,160	18.9%
Adjusted Net Earnings per Share - Basic and Diluted	\$	0.45	\$	0.38	0.07	18.4%

***Non-IFRS Measures**

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

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net Income Attributable to Equity Holders of the Company	\$ 43,602	\$ 32,571
Unusual and Other Items (after-tax)*	(4,871)	-
Adjusted Net Income Attributable to Equity Holders of the Company	\$ 38,731	\$ 32,571

*Unusual and Other Items are explained in the "Adjustments to Net Income" section of this press release.

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net Income Attributable to Equity Holders of the Company	\$ 43,602	\$ 32,571
Non-controlling interest	(135)	(40)
Income tax expense	13,353	10,499
Other finance expense (income)	(631)	2,121
Finance costs	5,844	6,194
Unusual and Other Items (before-tax)*	(5,698)	-
Adjusted Operating Income	\$ 56,335	\$ 51,345
Depreciation of property, plant and equipment	34,809	33,622
Amortization of intangible assets	3,736	4,004
Loss/(Gain) on disposal of property, plant and equipment	(333)	51
Adjusted EBITDA	\$ 94,547	\$ 89,022

*Unusual and Other Items are explained in the "Adjustments to Net Income" section of this press release

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

SALES

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
North America	\$ 802,984	\$ 843,310	(40,326)	(4.8%)
Europe	172,320	164,729	7,591	4.6%
Rest of the World	27,077	34,793	(7,716)	(22.2%)
Eliminations	(1,831)	(3,382)	1,551	(45.9%)
Total Sales	\$ 1,000,550	\$ 1,039,450	(38,900)	(3.7%)

The Company's consolidated sales for the first quarter of 2017 decreased by \$38.9 million or 3.7% to \$1,000.6 million as compared to \$1,039.5 million for the first quarter of 2016. The total decrease in sales was driven predominantly by decreases in the North America and Rest of the World operating segments partially offset by an increase in sales in Europe.

Sales for the first quarter of 2017 in the Company's North America operating segment decreased by \$40.3 million or 4.8% to \$803.0 million from \$843.3 million for the first quarter of 2016. The decrease was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the first quarter of 2017 of approximately \$33.7 million as compared to the first quarter of 2016, and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chevrolet Malibu, Ford Fusion and other platforms late in their product life cycle such as the old GM Equinox/Terrain platform, and programs that ended production during or subsequent to the first quarter of 2016. These negative factors were partially offset by a \$26.5 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; an increase in production volumes on the Chrysler V6 Pentastar engine block program which was down during the first quarter of 2016 for re-tooling;

higher year-over-year production volumes on certain light vehicle platforms such as the GM Pick-up truck/SUV line-up; and the launch of new programs during or subsequent to the first quarter of 2016 including the Cadillac CT6 and next generation GM Equinox/Terrain which is set to ramp up over the course of 2017.

Sales for the first quarter of 2017 in the Company's Europe operating segment increased by \$7.6 million or 4.6% to \$172.3 million from \$164.7 million for the first quarter of 2016. The increase can be attributed to a \$10.5 million increase in tooling sales, increased production sales in the Company's new operating facility in Spain, which continues to ramp up and execute its backlog of new business, and slightly higher production volumes in the Company's Martinrea Honsel German operations. These positive factors were partially offset by a \$13.6 million negative foreign exchange impact from the translation of Euro-denominated production sales as compared to the first quarter of 2016.

Sales for the first quarter of 2017 in the Company's Rest of the World operating segment decreased by \$7.7 million or 22.2% to \$27.1 million from \$34.8 million for the first quarter of 2016. The decrease was mainly due to an \$8.1 million decrease in tooling sales; a year-over-year decrease in production sales in the Company's China operations due to lower production volumes on certain light vehicle platforms such as the Ford Mondeo; and a \$0.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2016. These negative factors were partially offset by slightly higher year-over-year production sales in the Company's operating facility in Brazil. Despite the slight year-over-year increase in Brazil, overall OEM light vehicle production volumes in Brazil continue to trend at low levels.

Overall tooling sales increased by \$28.9 million to \$64.2 million for the first quarter of 2017 from \$35.3 million for the first quarter of 2016.

GROSS MARGIN

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Gross margin	\$ 118,215	\$ 111,818	6,397	5.7%
% of sales	11.8%	10.8%		

The gross margin percentage for the first quarter of 2017 of 11.8% increased as a percentage of sales by 1.0% as compared to the gross margin percentage for the first quarter of 2016 of 10.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;
- general sales mix including programs that ended production during or subsequent to the first quarter of 2016 and higher year-over-year production volumes on certain programs; and
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business.

These factors were partially offset by the following:

- an increase in tooling sales which typically earn low or no margins for the Company; and
- operational inefficiencies and other costs at certain other facilities.

SELLING, GENERAL & ADMINISTRATIVE ("SG&A")**Three months ended March 31, 2017 to three months ended March 31, 2016 comparison**

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Selling, general & administrative	\$ 52,599	\$ 51,454	1,145	2.2%
% of sales	5.3%	5.0%		

SG&A expense for the first quarter of 2017 increased by \$1.1 million to \$52.6 million as compared to \$51.5 million for the first quarter of 2016. SG&A expense as a percentage of sales increased year-over-year to 5.3% for the first quarter of 2017 compared to 5.0% for the first quarter of 2016. The increase can be attributed to approximately \$2.0 million in litigation costs related to certain employee related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

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

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

TABLE A**Three months ended March 31, 2017 to three months ended March 31, 2016 comparison**

	For the three months ended March 31, 2017 (a)	For the three months ended March 31, 2016 (b)	(a)-(b) Change
NET INCOME (A)	\$43,602	\$32,571	\$11,031
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	(5,698)	-	(5,698)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	(5,698)	-	(\$5,698)
Tax impact of above items	827	-	827
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	(4,871)	-	(\$4,871)
ADJUSTED NET INCOME (A + B)	\$38,731	\$32,571	\$6,160
Number of Shares Outstanding – Basic ('000)	86,492	86,384	
Adjusted Basic Net Earnings Per Share	\$0.45	\$0.38	
Number of Shares Outstanding – Diluted ('000)	86,635	86,628	
Adjusted Diluted Net Earnings Per Share	\$0.45	\$0.38	

(1) Gain on sale of land and building

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

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017		Three months ended March 31, 2016		\$ Change	% Change
Net Income	\$	43,602	\$	32,571	11,031	33.9%
Adjusted Net Income	\$	38,731	\$	32,571	6,160	18.9%
Net Earnings per Share						
Basic	\$	0.50	\$	0.38		
Diluted	\$	0.50	\$	0.38		
Adjusted Net Earnings per Share						
Basic	\$	0.45	\$	0.38		
Diluted	\$	0.45	\$	0.38		

Net Income, before adjustments, for the first quarter of 2017 increased by \$11.0 million to \$43.6 million from \$32.6 million for the first quarter of 2016. Excluding the unusual and other items recognized during the first quarter of 2017 as explained in Table A under "Adjustments to Net Income", net income for the first quarter of 2017 increased to \$38.7 million or \$0.45 per share, on a basic and diluted basis, from \$32.6 million or \$0.38 per share, on a basic and diluted basis, for the first quarter of 2016.

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

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including programs that ended production during or subsequent to the first quarter of 2016 and higher year-over-year production volumes on certain programs;
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business; and
- a net foreign exchange gain of \$0.6 million for the first quarter of 2017 compared to a net foreign exchange loss of \$2.1 million for the first quarter of 2016.

These positive factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities; and
- a slight increase in research and development costs due to increased product and process research and development activity.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017		Three months ended March 31, 2016		\$ Change	% Change
Additions to PP&E	\$	66,641	\$	42,833	23,808	55.6%

Additions to PP&E increased by \$23.8 million to \$66.6 million for the first quarter of 2017 from \$42.8 million for the first quarter of 2016 due generally to the timing of expenditures. Additions as a percentage of sales increased year-over-year to 6.7% for the first quarter of 2017 from 4.1% for the first quarter of 2016. The Company continues to make investments in the business based on new business wins, in particular at new greenfield facilities as these new plants execute on their backlogs of new business.

DIVIDEND

A cash dividend of \$0.03 per share has been declared by the Board of Directors payable to shareholders of record on June 30, 2017 on or about July 15, 2017.

ABOUT MARTINREA

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

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

CONFERENCE CALL DETAILS

A conference call to discuss those results will be held on Monday, May 1, 2017 at 8:00 a.m. (Toronto time) which can be accessed by dialing 416-405-9200 or toll free 866-696-5896. Please call 10 minutes prior to the start of the conference call.

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

There will also be a rebroadcast of the call available by dialing 905-694-9451 or toll free 800-408-3053 (conference id – 3313052#). The rebroadcast will be available until May 15, 2017.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, gross margin, margins, operating income margins, earnings, and earnings per share (including as adjusted), and net debt:EBITDA ratios for the 2017 year and beyond, the ramping up and launching of new programs and the financial impact of launches, the opportunity to increase sales and ability to capitalize on opportunities in the automotive industry, the future amount and type of restructuring expenses to be expensed (including the expectation as to no further restructuring costs from the Honsel acquisition), the growth and strengthening of and the competitiveness of the Company, the opening of facilities and pursuit of its strategies, the progress, and expectations, of operational and productivity improvements and efficiencies and the lean manufacturing culture, the reduction of costs and expense, investments in its business, customer working relationships, the payment of dividends and 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 and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;

- Competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as under-funding of pensions plans;
- the cost of post-employment benefits;
- impairment charges; and
- cybersecurity threats.

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

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

For further information, please contact:

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 Fax: (289) 982-3001

MANAGEMENT DISCUSSION AND ANALYSIS
OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2017

The following management discussion and analysis (“MD&A”) was prepared as of May 1, 2017 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three months ended March 31, 2017 (“interim consolidated financial statements”), as well as the Company’s audited consolidated financial statements and MD&A for the year ended December 31, 2016 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company’s Annual Information Form for the year ended December 31, 2016, can be found at www.sedar.com.

OVERVIEW

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

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

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

OVERALL RESULTS

The following table sets out certain highlights of the Company’s performance for the three months ended March 31, 2017 and 2016. Refer to the Company’s interim consolidated financial statements for the three months ended March 31, 2017 for a detailed account of the Company’s performance for the periods presented in the table below.

	Three months ended		Three months ended			
	March 31, 2017		March 31, 2016		\$ Change	% Change
Sales	\$	1,000,550	\$	1,039,450	(38,900)	(3.7%)
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Unusual and Other Items (after-tax)*		(4,871)		-
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Adjusted EBITDA	\$	94,547	\$	89,022

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Europe		172,320		164,729	7,591	4.6%
Rest of the World		27,077		34,793	(7,716)	(22.2%)
Eliminations		(1,831)		(3,382)	1,551	(45.9%)
Total Sales	\$	1,000,550	\$	1,039,450	(38,900)	(3.7%)

The Company's consolidated sales for the first quarter of 2017 decreased by \$38.9 million or 3.7% to \$1,000.6 million as compared to \$1,039.5 million for the first quarter of 2016. The total decrease in sales was driven predominantly by decreases in the North America and Rest of the World operating segments partially offset by an increase in sales in Europe.

Sales for the first quarter of 2017 in the Company's North America operating segment decreased by \$40.3 million or 4.8% to \$803.0 million from \$843.3 million for the first quarter of 2016. The decrease was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the first quarter of 2017 of approximately \$33.7 million as compared to the first quarter of 2016, and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chevrolet Malibu, Ford Fusion and other platforms late in their product life cycle such as the old GM Equinox/Terrain platform, and programs that ended production during or subsequent to the first quarter of 2016. These negative factors were partially offset by a \$26.5 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; an increase in production volumes on the Chrysler V6 Pentastar engine block program which was down during the first quarter of 2016 for re-tooling; higher year-over-year production volumes on certain light vehicle platforms such as the GM Pick-up truck/SUV line-up; and the launch of new programs during or subsequent to the first quarter of 2016 including the Cadillac CT6 and next generation GM Equinox/Terrain which is set to ramp up over the course of 2017.

Sales for the first quarter of 2017 in the Company's Europe operating segment increased by \$7.6 million or 4.6% to \$172.3 million from \$164.7 million for the first quarter of 2016. The increase can be attributed to a \$10.5 million increase in tooling sales, increased production sales in the Company's new operating facility in Spain, which continues to ramp up and execute its backlog of new business, and slightly higher production volumes in the Company's Martinrea Honsel German operations. These positive factors were partially offset by a \$13.6 million negative foreign exchange impact from the translation of Euro-denominated production sales as compared to the first quarter of 2016.

Sales for the first quarter of 2017 in the Company's Rest of the World operating segment decreased by \$7.7 million or 22.2% to \$27.1 million from \$34.8 million for the first quarter of 2016. The decrease was mainly due to an \$8.1 million decrease in tooling sales; a year-over-year decrease in production sales in the Company's China operations due to lower production volumes on certain light vehicle platforms such as the Ford Mondeo; and a \$0.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2016. These negative factors were partially offset by slightly higher year-over-year production sales in the Company's operating facility in Brazil. Despite the slight year-over-year increase in Brazil, overall OEM light vehicle production volumes in Brazil continue to trend at low levels.

Overall tooling sales increased by \$28.9 million to \$64.2 million for the first quarter of 2017 from \$35.3 million for the first quarter of 2016.

GROSS MARGIN

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Gross margin	\$ 118,215	\$ 111,818	6,397	5.7%
% of sales	11.8%	10.8%		

The gross margin percentage for the first quarter of 2017 of 11.8% increased as a percentage of sales by 1.0% as compared to the gross margin percentage for the first quarter of 2016 of 10.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;
- general sales mix including programs that ended production during or subsequent to the first quarter of 2016 and higher year-over-year production volumes on certain programs; and
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business.

These factors were partially offset by the following:

- an increase in tooling sales which typically earn low or no margins for the Company; and
- operational inefficiencies and other costs at certain other facilities.

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

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Selling, general & administrative	\$ 52,599	\$ 51,454	1,145	2.2%
% of sales	5.3%	5.0%		

SG&A expense for the first quarter of 2017 increased by \$1.1 million to \$52.6 million as compared to \$51.5 million for the first quarter of 2016. SG&A expense as a percentage of sales increased year-over-year to 5.3% for the first quarter of 2017 compared to 5.0% for the first quarter of 2016. The increase can be attributed to approximately \$2.0 million in litigation costs related to certain employee related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

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

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Depreciation of PP&E (production)	\$ 32,550	\$ 31,418	1,132	3.6%
Depreciation of PP&E (non-production)	2,259	2,204	55	2.5%
Amortization of customer contracts and relationships	540	535	5	0.9%
Amortization of development costs	3,196	3,469	(273)	(7.9%)
Total depreciation and amortization	\$ 38,545	\$ 37,626	919	2.4%

Total depreciation and amortization expense for the first quarter of 2017 increased by \$0.9 million to \$38.5 million as compared to \$37.6 million for the first quarter of 2016. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from equipment purchases to support new and replacement business. The year-over-year increase in total depreciation and amortization expense was partially offset by lower depreciation and amortization expense recognized at an operating facility in Detroit, Michigan due to certain assets having been impaired during the second quarter of 2016.

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

Depreciation of PP&E (production) expense as a percentage of sales increased year-over-over to 3.3% for the first quarter of 2017 from 3.0% for the first quarter of 2016 due to lower year-over-year sales, as previously discussed, and recent investments put into production.

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

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

TABLE A

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	For the three months ended March 31, 2017 (a)	For the three months ended March 31, 2016 (b)	(a)-(b) Change
NET INCOME (A)	\$43,602	\$32,571	\$11,031
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	(5,698)	-	(5,698)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	(5,698)	-	(\$5,698)
Tax impact of above items	827	-	827
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	(4,871)	-	(\$4,871)
ADJUSTED NET INCOME (A + B)	\$38,731	\$32,571	\$6,160
Number of Shares Outstanding – Basic ('000)	86,492	86,384	
Adjusted Basic Net Earnings Per Share	\$0.45	\$0.38	
Number of Shares Outstanding – Diluted ('000)	86,635	86,628	
Adjusted Diluted Net Earnings Per Share	\$0.45	\$0.38	

(1) Gain on sale of land and building

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

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Net Income	\$ 43,602	\$ 32,571	11,031	33.9%
Adjusted Net Income	\$ 38,731	\$ 32,571	6,160	18.9%
Net Earnings per Share				
Basic	\$ 0.50	\$ 0.38		
Diluted	\$ 0.50	\$ 0.38		
Adjusted Net Earnings per Share				
Basic	\$ 0.45	\$ 0.38		
Diluted	\$ 0.45	\$ 0.38		

Net Income, before adjustments, for the first quarter of 2017 increased by \$11.0 million to \$43.6 million from \$32.6 million for the first quarter of 2016. Excluding the unusual and other items recognized during the first quarter of 2017 as explained in Table A under “Adjustments to Net Income”, net income for the first quarter of 2017 increased to \$38.7 million or \$0.45 per share, on a basic and diluted basis, from \$32.6 million or \$0.38 per share, on a basic and diluted basis, for the first quarter of 2016.

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

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including programs that ended production during or subsequent to the first quarter of 2016 and higher year-over-year production volumes on certain programs;
- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business; and
- a net foreign exchange gain of \$0.6 million for the first quarter of 2017 compared to a net foreign exchange loss of \$2.1 million for the first quarter of 2016.

These positive factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities; and
- a slight increase in research and development costs due to increased product and process research and development activity.

Three months ended March 31, 2017 actual to guidance comparison:

On March 2, 2017, the Company provided the following guidance for the first quarter of 2017:

	Guidance		Actual	
Production sales (in millions)	\$	920 - 960	\$	936
Adjusted Net Earnings per share Basic & Diluted	\$	0.42 - 0.46	\$	0.45

For the first quarter of 2017, production sales and Adjusted Net Earnings per share were within the range of published guidance.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	Three months ended		Three months ended		\$ Change	% Change
	March 31, 2017		March 31, 2016			
Additions to PP&E	\$	66,641	\$	42,833	23,808	55.6%

Additions to PP&E increased by \$23.8 million to \$66.6 million for the first quarter of 2017 from \$42.8 million for the first quarter of 2016 due generally to the timing of expenditures. Additions as a percentage of sales increased year-over-year to 6.7% for the first quarter of 2017 from 4.1% for the first quarter of 2016. The Company continues to make investments in the business based on new business wins, in particular at new greenfield facilities as these new plants execute on their backlogs of new business.

SEGMENT ANALYSIS

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

Three months ended March 31, 2017 to three months ended March 31, 2016 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended March 31, 2017	Three months ended March 31, 2016	Three months ended March 31, 2017	Three months ended March 31, 2016
North America	\$ 802,984	\$ 843,310	\$ 47,455	\$ 43,604
Europe	172,320	164,729	12,579	8,875
Rest of the World	27,077	34,793	(3,699)	(1,134)
Eliminations	(1,831)	(3,382)	-	-
Adjusted Operating Income	-	-	\$ 56,335	\$ 51,345
Unusual and Other Items*	-	-	5,698	-
Total	\$ 1,000,550	\$ 1,039,450	\$ 62,033	\$ 51,345

* Operating income for the operating segments has been adjusted for unusual and other items. The \$5.7 million of unusual and other items for the first quarter of 2017 was recognized in North America. The unusual and other items noted are fully explained under "Adjustments to Net Income" in this MD&A.

North America

Adjusted Operating Income in North America increased by \$3.9 million to \$47.5 million for the first quarter of 2017 from \$43.6 million for the first quarter of 2016 despite lower sales. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities and general sales mix including programs that ended production during or subsequent to the first quarter of 2016 and higher year-over-year production volumes on certain programs; partially offset by operational inefficiencies and other costs at certain other facilities.

Europe

Adjusted Operating Income in Europe increased by \$3.7 million to \$12.6 million for the first quarter of 2017 from \$8.9 million for the first quarter of 2016 due mainly to a \$7.6 million year-over-year increase in sales and productivity and efficiency improvements. As noted previously, the year-over-year increase in sales can be attributed to a \$10.5 million increase in tooling sales, increased production sales in the Company's new operating facility in Spain, which continues to ramp up and execute its backlog of new business, and slightly higher production volumes in the Company's Martinrea Honsel German operations; partially offset a \$13.6 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2016.

Rest of the World

The operating results for the Rest of the World operating segment decreased year-over-year. The decrease in operating results was due to lower year-over-year sales, as previously discussed, and \$2.0 million in litigation costs related to certain employee related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

SUMMARY OF QUARTERLY RESULTS**(unaudited)**

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	1,000,550	990,407	914,725	1,023,825	1,039,450	1,035,314	929,880	984,046
Gross Margin	118,215	104,312	99,698	116,222	111,818	103,829	96,385	106,379
Net Income (loss) for the period	43,467	30,630	28,827	(27)	32,531	27,826	15,232	33,607
Net Income (loss) attributable to equity holders of the Company	43,602	30,753	29,098	(42)	32,571	27,731	15,469	33,411
Adjusted Net Income attributable to equity holders of the Company	38,731	30,753	29,098	37,663	32,571	29,059	25,899	33,411
Basic and Diluted Net Earnings per Share	0.50	0.36	0.34	-	0.38	0.32	0.18	0.39
Adjusted Basic and Diluted Net Earnings per Share	0.45	0.36	0.34	0.44	0.38	0.34	0.30	0.39

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income" and "Adjusted EBITDA". Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2016 and 2015 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid and continues to strengthen, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at March 31, 2017, the Company had total equity attributable to equity holders of the Company of \$866.2 million (December 31, 2016 - \$830.2 million). As at March 31, 2017, the Company's ratio of current assets to current liabilities was 1.2:1 (December 31, 2016 - 1.3:1). The Company's current working capital level of \$175.4 million at March 31, 2017, down slightly from \$198.0 million at December 31, 2016 due in large part to the timing of cash inflows and outflows connected with tooling related accounts, and credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset backed financing.

CASH FLOWS

	Three months ended March 31, 2017	Three months ended March 31, 2016	\$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	\$ 94,254	\$ 87,058	7,196	8.3%
Change in non-cash working capital items	41,356	(65,609)	106,965	(163.0%)
	135,610	21,449	114,161	532.2%
Interest paid	(5,120)	(4,888)	(232)	4.7%
Income taxes paid	(23,452)	(13,046)	(10,406)	79.8%
Cash provided by operating activities	107,038	3,515	103,523	2,945.2%
Cash provided by (used in) financing activities	(29,348)	54,218	(83,566)	(154.1%)
Cash used in investing activities	(80,532)	(62,132)	(18,400)	29.6%
Effect of foreign exchange rate changes on cash and cash equivalents	(274)	(2,117)	1,843	(87.1%)
Decrease in cash and cash equivalents	\$ (3,116)	\$ (6,516)	3,400	(52.2%)

Cash provided by operating activities during the first quarter of 2017 was \$107.0 million, compared to cash provided by operating activities of \$3.5 million in the corresponding period of 2016. The year-over-year variance is mainly due to the timing of cash inflows and outflows connected with tooling and capital related accounts. The components for the first quarter of 2017 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$94.3 million;
- working capital items source of cash of \$41.4 million comprised of an increase in trade, other payables and provisions of \$119.6 million due predominantly to the timing of tooling and capital payable balances and seasonally higher production levels during the first quarter; partially offset by increases in trade and other receivables of \$57.6 million, inventories of \$18.5 million and prepaid expenses and deposits of \$2.0 million due to the seasonally higher production levels;
- interest paid (excluding capitalized interest) of \$5.1 million; and
- income taxes paid of \$23.5 million.

Cash used in financing activities during the first quarter of 2017 was \$29.3 million, compared to cash provided by financing activities of \$54.2 million in the corresponding period in 2016, as a result of repayments on the Company's revolving banking facility and asset backed financing arrangements of \$27.0 million and \$2.6 million in dividends paid; partially offset by \$0.2 million in proceeds from the exercise of employee stock options.

Cash used in investing activities during the first quarter of 2017 was \$80.5 million, compared to \$62.1 million in the corresponding period in 2016. The components for the first quarter of 2017 primarily include the following:

- cash additions to PP&E of \$87.3 million;
- capitalized development costs relating to upcoming new program launches of \$3.5 million; partially offset by
- proceeds from the disposal of land and building of \$9.9 million and proceeds from the disposal of other PP&E of \$0.5 million.

Taking into account the opening cash balance of \$59.2 million at the beginning of the first quarter of 2017, and the activities described above, the cash and cash equivalents balance at March 31, 2017 was \$56.0 million.

Financing

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

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

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

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

Net debt (i.e. long-term debt less cash on hand) decreased by \$27.7 million from \$662.2 million at December 31, 2016 to \$634.5 million at March 31, 2017. The Company's net debt to Adjusted EBITDA (on a trailing twelve months basis) leverage ratio improved to 1.78x at the end of the first quarter of 2017, from 1.89x at the end of the fourth quarter of 2016 and 2.18x at the end of the first quarter of 2016.

The Company was in compliance with its debt covenants as at March 31, 2017.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be \$0.12 per share, to be paid in four quarterly payments of \$0.03 per share. The first quarterly dividend payment of \$0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on April 15, 2017. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2016 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2017 the amount of off-balance sheet program financing was \$50.1 million (December 31, 2016 - \$65.5 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

RISKS AND UNCERTAINTIES

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

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 1, 2017, the Company had 86,512,167 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at May 1, 2017, options to acquire 3,330,617 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2017, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2016.

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2017, the amount of the off balance sheet program financing was \$50.1 million (December 31, 2016 - \$65.5 million) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between six to eighteen months.

Financial Instruments

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

Hedge Accounting

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

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

At March 31, 2017, the Company had committed to trade U.S. dollars in exchange for the following:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	\$ 5,000	1.3435	2
Buy Mexican Peso	\$ 15,473	20.4222	1

The aggregate value of these forward contracts as at March 31, 2017 was a pre-tax gain of \$1,696 and was recorded in trade and other receivables (December 31, 2016 - loss of \$208 recorded in trade and other payables).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

CRITICAL ACCOUNTING ESTIMATES

Included in the Company's 2016 annual consolidated financial statements, as well as in the Company's 2016 annual MD&A, are the accounting policies under IFRS and estimates that are critical to the understanding of the business and to the results of operations. For the three months ended March 31, 2017 there were no changes to the critical accounting policies and estimates of the Company from those found in the 2016 annual MD&A, except for the following new accounting standard recently adopted.

Recently adopted accounting policies and standards

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 8 (Long-term debt) of the interim consolidated financial statements for the three months ended March 31, 2017.

Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

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

IFRS 9, Financial Instruments

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

IFRS 16, Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted.

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

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

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

- cyber security threats.

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



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

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended March 31, 2017	Three months ended March 31, 2016
SALES		\$ 1,000,550	\$ 1,039,450
Cost of sales (excluding depreciation of property, plant and equipment)		(849,785)	(896,214)
Depreciation of property, plant and equipment (production)		(32,550)	(31,418)
Total cost of sales		(882,335)	(927,632)
GROSS MARGIN		118,215	111,818
Research and development costs		(6,815)	(6,229)
Selling, general and administrative		(52,599)	(51,454)
Depreciation of property, plant and equipment (non-production)		(2,259)	(2,204)
Amortization of customer contracts and relationships		(540)	(535)
Gain on sale of land and building	4	5,698	-
Gain (loss) on disposal of property, plant and equipment		333	(51)
OPERATING INCOME		62,033	51,345
Finance costs		(5,844)	(6,194)
Other finance income (expense)	12	631	(2,121)
INCOME BEFORE INCOME TAXES		56,820	43,030
Income tax expense	9	(13,353)	(10,499)
NET INCOME FOR THE PERIOD		\$ 43,467	\$ 32,531
Non-controlling interest		135	40
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		\$ 43,602	\$ 32,571
Basic earnings per share	11	\$ 0.50	\$ 0.38
Diluted earnings per share	11	\$ 0.50	\$ 0.38

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

	Three months ended	
	March 31, 2017	March 31, 2016
NET INCOME FOR THE PERIOD	\$ 43,467	\$ 32,531
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	(4,690)	(41,431)
Items that will not be reclassified to net income		
Actuarial losses from the remeasurement of defined benefit plans	(535)	(4,485)
Other comprehensive income (loss), net of tax	(5,225)	(45,916)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 38,242	\$ (13,385)
Attributable to:		
Equity holders of the Company	38,377	(13,345)
Non-controlling interest	(135)	(40)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 38,242	\$ (13,385)

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

Equity attributable to equity holders of the Company							
	Capital stock	Contributed surplus	Cumulative translation account	Retained earnings/ (accumulated deficit)	Total	Non- controlling interest	Total equity
Balance at December 31, 2015	\$ 709,396	\$ 42,648	\$ 147,442	\$ (123,157)	\$ 776,329	\$ (103)	\$ 776,226
Net income for the period	-	-	-	32,571	32,571	(40)	32,531
Compensation expense related to stock options	-	83	-	-	83	-	83
Dividends (\$0.03 per share)	-	-	-	(2,592)	(2,592)	-	(2,592)
Exercise of employee stock options	101	(29)	-	-	72	-	72
<u>Other comprehensive income,</u> <u>net of tax</u>							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(4,485)	(4,485)	-	(4,485)
Foreign currency translation differences	-	-	(41,431)	-	(41,431)	-	(41,431)
Balance at March 31, 2016	709,497	42,702	106,011	(97,663)	760,547	(143)	760,404
Net income for the period	-	-	-	59,809	59,809	(379)	59,430
Compensation expense related to stock options	-	250	-	-	250	-	250
Dividends (\$0.09 per share)	-	-	-	(7,774)	(7,774)	-	(7,774)
Exercise of employee stock options	1,013	(292)	-	-	721	-	721
<u>Other comprehensive income,</u> <u>net of tax</u>							
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	5,608	5,608	-	5,608
Foreign currency translation differences	-	-	11,037	-	11,037	-	11,037
Balance at December 31, 2016	710,510	42,660	117,048	(40,020)	830,198	(522)	829,676
Net income for the period	-	-	-	43,602	43,602	(135)	43,467
Compensation expense related to stock options	-	36	-	-	36	-	36
Dividends (\$0.03 per share)	-	-	-	(2,598)	(2,598)	-	(2,598)
Exercise of employee stock options	284	(82)	-	-	202	-	202
<u>Other comprehensive loss,</u> <u>net of tax</u>							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(535)	(535)	-	(535)
Foreign currency translation differences	-	-	(4,690)	-	(4,690)	-	(4,690)
Balance at March 31, 2017	\$ 710,794	\$ 42,614	\$ 112,358	\$ 449	\$ 866,215	\$ (657)	\$ 865,558

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	\$ 43,467	\$ 32,531
Adjustments for:		
Depreciation of property, plant and equipment	34,809	33,622
Amortization of customer contracts and relationships	540	535
Amortization of development costs	3,196	3,469
Unrealized gain on foreign exchange forward contracts	(1,696)	(703)
Change in fair value of deferred share units	98	-
Finance costs	5,844	6,194
Income tax expense	13,353	10,499
Gain on sale of land and building (note 4)	(5,698)	-
Loss(Gain) on disposal of property, plant and equipment	(333)	51
Stock-based compensation	36	83
Pension and other post-retirement benefits expense	1,138	1,109
Contributions made to pension and other post-retirement benefits	(500)	(332)
	94,254	87,058
Changes in non-cash working capital items:		
Trade and other receivables	(57,646)	(51,114)
Inventories	(18,549)	(19,200)
Prepaid expenses and deposits	(2,044)	535
Trade, other payables and provisions	119,595	4,170
	135,610	21,449
Interest paid (excluding capitalized interest)	(5,120)	(4,888)
Income taxes paid	(23,452)	(13,046)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 107,038	\$ 3,515
FINANCING ACTIVITIES:		
Increase in long-term debt	-	69,724
Repayment of long-term debt	(26,959)	(12,987)
Dividends paid	(2,591)	(2,591)
Exercise of employee stock options	202	72
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ (29,348)	\$ 54,218
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(87,339)	(59,255)
Capitalized development costs	(3,523)	(3,066)
Proceeds on disposal of land and building (note 4)	9,872	-
Proceeds on disposal of property, plant and equipment	458	189
NET CASH USED IN INVESTING ACTIVITIES	\$ (80,532)	\$ (62,132)
Effect of foreign exchange rate changes on cash and cash equivalents	(274)	(2,117)
DECREASE IN CASH AND CASH EQUIVALENTS	(3,116)	(6,516)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	59,165	28,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 56,049	\$ 22,383

*As at March 31, 2017, \$50,859 (December 31, 2016- \$71,557) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. The Company is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector.

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2016, except as outlined in note 1(d).

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2016.

(c) Presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

(d) Recently adopted accounting standards

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 8 (Long-term debt) of the interim condensed consolidated financial statements for the three months ended March 31, 2017.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

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

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will present relevant and

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted.

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

2. TRADE AND OTHER RECEIVABLES

	March 31, 2017	December 31, 2016
Trade receivables	\$ 605,219	\$ 555,074
VAT and other receivables	19,068	13,371
Foreign exchange forward contracts (note 14(d))	1,696	-
	\$ 625,983	\$ 568,445

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 14.

3. INVENTORIES

	March 31, 2017	December 31, 2016
Raw materials	\$ 156,832	\$ 146,802
Work in progress	42,521	38,323
Finished goods	37,177	39,088
Tooling work in progress and other inventory	86,718	81,917
	\$ 323,248	\$ 306,130

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	\$ 155,636	\$ (39,924)	\$ 115,712	\$ 161,438	\$ (41,389)	\$ 120,049
Leasehold improvements	58,944	(34,002)	24,942	58,303	(33,316)	24,987
Manufacturing equipment	1,743,305	(893,996)	849,309	1,684,395	(876,359)	808,036
Tooling and fixtures	43,074	(34,558)	8,516	42,806	(34,387)	8,419
Other assets	49,513	(23,541)	25,972	40,795	(23,038)	17,757
Construction in progress and spare parts	253,393	-	253,393	277,999	-	277,999
	\$ 2,303,865	\$ (1,026,021)	\$ 1,277,844	\$ 2,265,736	\$ (1,008,489)	\$ 1,257,247

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

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress and spare parts	Total
Net as of December 31, 2015	\$ 113,323	\$ 24,604	\$ 780,750	\$ 5,743	\$ 17,936	\$ 259,806	\$ 1,202,162
Additions	-	221	7,083	18	304	241,828	249,454
Disposals	(4)	-	(512)	-	(62)	(207)	(785)
Depreciation	(4,038)	(4,510)	(121,976)	(1,604)	(4,216)	-	(136,344)
Impairment	-	(723)	(21,021)	-	(26)	-	(21,770)
Transfers from construction in progress and spare parts	13,005	6,131	188,457	4,310	4,417	(216,320)	-
Foreign currency translation adjustment	(2,237)	(736)	(24,745)	(48)	(596)	(7,108)	(35,470)
Net as of December 31, 2016	\$ 120,049	\$ 24,987	\$ 808,036	\$ 8,419	\$ 17,757	\$ 277,999	\$ 1,257,247
Additions	-	2	687	-	181	65,771	66,641
Disposals	(3,363)	-	(818)	-	(118)	-	(4,299)
Depreciation	(997)	(1,022)	(31,180)	(373)	(1,237)	-	(34,809)
Transfers from construction in progress and spare parts	697	1,055	77,285	527	9,462	(89,026)	-
Foreign currency translation adjustment	(674)	(80)	(4,701)	(57)	(73)	(1,351)	(6,936)
Net as of March 31, 2017	\$ 115,712	\$ 24,942	\$ 849,309	\$ 8,516	\$ 25,972	\$ 253,393	\$ 1,277,844

The Company has entered into certain asset-backed financing arrangements that were structured as sale-and-leaseback transactions. At March 31, 2017, the carrying value of property, plant and equipment under such arrangements was \$24,392 (December 31, 2016 - \$25,632). The corresponding amounts owing are reflected within long-term debt (note 8).

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

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

5. INTANGIBLE ASSETS

	March 31, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	\$ 61,954	\$ (54,354)	\$ 7,600	\$ 62,044	\$ (53,872)	\$ 8,172
Development costs	140,921	(75,927)	64,994	138,416	(73,327)	65,089
	\$ 202,875	\$ (130,281)	\$ 72,594	\$ 200,460	\$ (127,199)	\$ 73,261

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2015	\$ 10,773	\$ 72,817	\$ 83,590
Additions	-	12,624	12,624
Amortization	(2,307)	(13,652)	(15,959)
Impairment	-	(4,179)	(4,179)
Foreign currency translation adjustment	(294)	(2,521)	(2,815)
Net as of December 31, 2016	\$ 8,172	\$ 65,089	\$ 73,261
Additions	-	3,523	3,523
Amortization	(540)	(3,196)	(3,736)
Foreign currency translation adjustment	(32)	(422)	(454)
Net as of March 31, 2017	\$ 7,600	\$ 64,994	\$ 72,594

6. TRADE AND OTHER PAYABLES

	March 31, 2017	December 31, 2016
Trade accounts payable and accrued liabilities	\$ 805,926	\$ 706,799
Foreign exchange forward contracts (note 14(d))	-	208
	\$ 805,926	\$ 707,007

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 14.

7. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Total
Net as of December 31, 2015	\$ 14,026	\$ 1,572	\$ 15,598
Net additions	3,684	189	3,873
Amounts used during the period	(12,118)	(512)	(12,630)
Foreign currency translation adjustment	(344)	192	(152)
Net as of December 31, 2016	\$ 5,248	\$ 1,441	\$ 6,689
Net additions	-	2,010	2,010
Amounts used during the period	(2,335)	(62)	(2,397)
Foreign currency translation adjustment	(17)	17	-
Net as of March 31, 2017	\$ 2,896	\$ 3,406	\$ 6,302

Based on the estimated timing of cash outflows, all provisions as at March 31, 2017 and December 31, 2016 are presented on the interim condensed consolidated balance sheet as current.

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

(a) Restructuring

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

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

(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.

Net additions to the claims and litigation provision for the three months ended March 31, 2017 related to certain employee related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

8. 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 14.

	March 31, 2017	December 31, 2016
Banking facility	\$ 610,077	\$ 631,879
Equipment loans	80,505	89,524
	690,582	721,403
Current portion	(23,515)	(27,982)
	\$ 667,067	\$ 693,421

Terms and conditions of outstanding loans, as at March 31, 2017, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2017 Carrying amount	December 31, 2016 Carrying amount
Banking facility	USD	LIBOR+2.0%	2020	\$ 340,454	\$ 362,529
	CAD	BA+2.0%	2020	269,623	269,350
Equipment loans	USD	4.25%	2018	19,911	23,532
	EUR	3.06%	2024	15,358	15,337
	EUR	2.54%	2025	14,669	14,648
	EUR	4.93%	2023	14,265	14,370
	USD	7.36%	2017	4,644	6,195
	EUR	3.35%	2019	3,446	3,797
	EUR	4.34%	2025	3,045	3,041
	EUR	1.36%	2021	2,266	2,548
	USD	4.25%	2017	1,664	3,872
	USD	3.80%	2022	500	527
	EUR	0.26%	2025	353	353
	BRL	5.00%	2020	194	200
	EUR	3.37%	2017	190	904
USD	3.99%	2017	-	200	
				\$ 690,582	\$ 721,403

Martinrea International Inc.

Notes to the Interim Condensed Consolidated Financial Statements

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

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

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

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

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

Deferred financing fees of \$3,855 (December 31, 2016 - \$4,194) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments are as follows:

Within one year	\$	23,515
One to two years		9,224
Two to three years		3,157
Three to four years		617,001
Thereafter		37,685
	\$	690,582

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2015	\$ 717,012
Drawn downs and loan proceeds (net of capitalized deferred financing fees of \$2,370)	90,784
Repayments	(69,499)
Amortization of deferred financing fees	1,169
Foreign currency translation adjustment	(18,063)
Net as of December 31, 2016	\$ 721,403
Repayments	(26,959)
Amortization of deferred financing fees	342
Foreign currency translation adjustment	(4,204)
Net as of March 31, 2017	\$ 690,582

9. INCOME TAXES

The components of income tax expense are as follows:

	Three months ended	Three months ended
	March 31, 2017	March 31, 2016
Current income tax expense	\$ (24,923)	\$ (14,263)
Deferred income tax recovery	11,570	3,764
Total income tax expense	\$ (13,353)	\$ (10,499)

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10. CAPITAL STOCK

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

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

Stock options

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	3,010,617	\$ 11.38	4,340,617	\$ 12.38
Exercised during the period	(27,500)	7.33	(10,000)	7.20
Cancelled during the period	(522,500)	13.83	(1,000,000)	16.15
Balance, end of period	2,460,617	\$ 10.91	3,330,617	\$ 11.26
Options exercisable, end of period	2,335,617	\$ 10.86	3,080,617	\$ 11.21

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2017:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
\$6.00 - 8.99	872,368	2008 - 2012	2018 - 2022
\$9.00 - 9.99	50,000	2008	2018
\$10.00 - 15.99	1,155,749	2007 - 2015	2017 - 2025
\$16.00 - 17.75	382,500	2007	2017
Total share purchase options	2,460,617		

For the three months ended March 31, 2017, the Company expensed \$36 (three months ended March 31, 2016 - \$83) to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Deferred share unit plan

The following is a summary of the activity of the outstanding Deferred Share Units (DSU's) as at March 31, 2017:

	Three months ended March 31, 2017	Three months ended March 31, 2016
Units outstanding, beginning of period	67,837	-
Units granted during the period	-	-
Units settled during the period	-	-
Units for dividends earned during the period (issued twice a year)	-	-
Units outstanding, end of period	67,837	-
Weighted average fair value per unit on date of grant	\$ 9.81	\$ -

At March 31, 2017, the intrinsic value of the outstanding DSUs amounted to \$666 (December 31, 2016 - \$568). DSU compensation expensed of \$98 was recognized for the three months ended March 31, 2017.

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11. EARNINGS PER SHARE

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	86,491,774	\$ 0.50	86,384,334	\$ 0.38
Effect of dilutive securities:				
Stock options	143,702	-	243,560	-
Diluted	86,635,476	\$ 0.50	86,627,894	\$ 0.38

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three months ended March 31, 2017, 1,588,249 options (three months ended March 31, 2016 - 2,090,749) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

12. OTHER FINANCE INCOME (EXPENSE)

	Three months ended March 31, 2017		Three months ended March 31, 2016	
Net foreign exchange gain (loss)	\$	566	\$	(2,123)
Other income, net		65		2
Other finance income	\$	631	\$	(2,121)

13. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

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

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2016. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Sales	Operating Income	Sales	Operating Income
North America				
Canada	\$ 228,852		\$ 234,376	\$
USA	386,394		443,267	
Mexico	230,182		205,791	
Eliminations	(42,444)		(40,124)	
	\$ 802,984	\$ 53,153	\$ 843,310	\$ 43,604
Europe				
Germany	112,866		109,392	
Spain	44,726		40,686	
Slovakia	14,797		14,855	
Eliminations	(69)		(204)	
	172,320	12,579	164,729	8,875
Rest of the World	27,077	(3,699)	34,793	(1,134)
Eliminations	(1,831)		(3,382)	
	\$ 1,000,550	\$ 62,033	\$ 1,039,450	\$ 51,345

Certain comparative information has been reclassified to conform with the current financial statement presentation adopted in 2017.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, 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:

	March 31, 2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 56,049	\$ 56,049	\$ -	\$ -
Foreign exchange forward contracts (note 2)	\$ 1,696	\$ -	\$ 1,696	\$ -
	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 59,165	\$ 59,165	\$ -	\$ -
Foreign exchange forward contracts (note 6)	\$ (208)	\$ -	\$ (208)	\$ -

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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:

March 31, 2017	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	\$ -	\$ 624,287	\$ -	\$ 624,287	\$ 624,287
Foreign exchange forward contracts	1,696	-	-	1,696	1,696
	1,696	624,287	-	625,983	625,983
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(805,926)	(805,926)	(805,926)
Long-term debt	-	-	(690,582)	(690,582)	(690,582)
	-	-	(1,496,508)	(1,496,508)	(1,496,508)
Net financial assets (liabilities)	\$ 1,696	\$ 624,287	\$ (1,496,508)	\$ (870,525)	\$ (870,525)
December 31, 2016	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	\$ -	\$ 568,445	\$ -	\$ 568,445	\$ 568,445
	-	568,445	-	568,445	568,445
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(706,799)	(706,799)	(706,799)
Long-term debt	-	-	(721,403)	(721,403)	(721,403)
Foreign exchange forward contracts	(208)	-	-	(208)	(208)
	(208)	-	(1,428,202)	(1,428,410)	(1,428,410)
Net financial assets (liabilities)	\$ (208)	\$ 568,445	\$ (1,428,202)	\$ (859,965)	\$ (859,965)

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

Risk Management

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

(a) Credit risk

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

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

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

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 34.1%, 27.7%, and 14.4% of its production sales for the three months ended March 31, 2017. A substantial portion of the Company's accounts 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 were past due as at March 31, 2017 are part of the normal payment pattern within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current year are minimal.

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

	March 31, 2017	December 31, 2016
0-60 days	\$ 581,882	\$ 526,483
61-90 days	11,722	16,540
Greater than 90 days	11,615	12,051
	\$ 605,219	\$ 555,074

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At March 31, 2017, the Company had cash of \$56,049 and banking facilities available as discussed in note 8. 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 8.

(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	
	March 31, 2017	December 31, 2016
Variable rate instruments	\$ 610,077	\$ 631,879
Fixed rate instruments	80,505	89,524
	\$ 690,582	\$ 721,403

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of \$1,561 (three months ended March 31, 2016 - \$1,501) on the Company's interim consolidated financial results for the three months ended March 31, 2017.

(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 March 31, 2017, the Company had committed to the following foreign exchange contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	\$ 5,000	1.3435	2
Buy Mexican Peso	\$ 15,473	20.4222	2

The aggregate value of these forward contracts as at March 31, 2017 was a pre-tax gain of \$1,696 and was recorded in trade and other receivables (December 31, 2016 - loss of \$208 and was recorded in trade and other payables).

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

March 31, 2017	USD		EURO		PESO		BRL		CNY	
Trade and other receivables	\$	311,709	€	79,505	\$	54,886	R\$	18,493	¥	116,676
Trade and other payables		(378,121)		(89,373)		(170,816)		(18,835)		(81,764)
Long-term debt		(276,452)		(37,768)		-		(460)		-
	\$	(342,864)	€	(47,636)	\$	(115,930)	R\$	(802)	¥	34,912

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

The following summary illustrates the fluctuations in the exchange rates applied during the three months ended March 31, 2017, and 2016 and as at December 31, 2016:

	Average rate		Closing rate	
	Three months ended March 31, 2017	Three months ended March 31, 2016	March 31, 2017	December 31, 2016
USD	1.3226	1.3897	1.3299	1.3427
EURO	1.4016	1.5207	1.4189	1.4169
PESO	0.0641	0.0780	0.0710	0.0651
BRL	0.4120	0.3507	0.4211	0.4125
CNY	0.1917	0.2130	0.1934	0.1930

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10% strengthening of the Canadian dollar against the following currencies at March 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 three months ended March 31, 2017 by the amounts shown below, assuming all other variables remain constant:

	Three months ended March 31, 2017	Three months ended March 31, 2016
USD	\$ (2,888)	\$ (2,478)
EURO	(1,033)	(768)
BRL	366	189
CNY	60	51
	\$ (3,495)	\$ (3,006)

A weakening of the Canadian dollar against the above currencies at March 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.

(e) Capital risk management

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

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

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

15. CONTINGENCIES

Contingencies

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

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately \$86,208 (BRL \$204,723) including interest and penalties to March 31, 2017 (December 31, 2016 - \$82,453 or BRL \$199,886). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling \$70,828 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.

16. 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 March 31, 2017, the amount of the program financing was \$50,104 (December 31, 2016 - \$65,468) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2016 or 2017 year-to-date. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.



MARTINREA INTERNATIONAL INC.

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