

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%)
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 MD&A

	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 MD&A

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below. Certain comparative information has been reclassified where relevant to conform 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		Three months ended		\$ Change	% Change
	March 31, 2017		March 31, 2016			
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		Three months ended		\$ Change	% Change
	March 31, 2017		March 31, 2016			
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.