



MARTINREA INTERNATIONAL INC.

Martinrea International Inc. Reports Record Fourth Quarter and Yearly Earnings and Announces Dividend

March 2, 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 year and fourth quarter ended December 31, 2016 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 year ended December 31, 2016 ("MD&A"), the Company's audited consolidated financial statements for the year ended December 31, 2016 (the "audited 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

Highlights for the Fourth Quarter

- Ninth consecutive quarter with record year-over-year adjusted earnings
- Production sales of \$883 million
- Record fourth quarter net income of \$30.8 million, or \$0.36 per share
- Fourth quarter adjusted operating income and EBITDA margins increase year over year
- Record fourth quarter adjusted EBITDA of \$86.1 million
- Net debt reduced to \$662.2 million; continued strengthening of the balance sheet
- Dividend of \$0.03 per share announced

Highlights for the Year 2016

- Record annual sales of \$3.97 billion
- Net income of \$92.4 million; record adjusted net income of \$130.1 million, or \$1.50 per share (diluted)
- 2016 adjusted operating income and EBITDA margins increase year over year
- Record adjusted EBITDA of \$350 million
- Operating margin improvement plan on track
- Net debt to adjusted EBITDA ratio decreases to 1.89X
- Multiple customer quality awards received
- Improved safety performance

OVERVIEW

Pat D'Eramo, Martinrea's President and Chief Executive Officer, stated: "Martinrea had a great year in 2016, and I am pleased with our team's performance in both the year and the fourth quarter. This is our ninth 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. Our safety metrics company wide, are better than the industry average, an improvement which is notable given the number of plants we opened and the plant expansions we have made in the last year. We also continue to advance our quality, and we received multiple customer quality awards, including top supplier awards from Ford, GM and FCA, and also supplier diversity awards as we work with a diverse supplier base. Our Martinrea 2.0 strategy is achieving results and will continue to deliver improving performance. I am also pleased to announce \$70 million of new business wins in the quarter since our last call including \$60 million of steel metal forming work for General Motors on its SUV and new Blazer platforms starting in 2020 and 2019, respectively, and \$10 million of VAA module assembly business on the Cadillac SRX starting in 2019."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Sales for the fourth quarter, excluding tooling sales of \$107 million, were \$883 million, within our previously announced sales guidance. In the fourth quarter, our net earnings per share, on a basic and diluted basis, was \$0.36, with no adjustments, at the high end of our quarterly guidance and a record fourth quarter. Fourth quarter adjusted operating income and adjusted EBITDA margins improved year-over-year. We saw significant margin improvement in 2016 over 2015, and continue to expect operating income margins to improve to over 6% by the end of 2017. Our net debt to adjusted EBITDA ratio ended the year at 1.89X, a nice improvement from last year-end and an improvement from the end of the previous quarter, 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. We continue to put pucks in the net, so to speak. In 2017, a year of promise and opportunity for our company and our business, we foresee a year of continued advancement in all our key metrics. The year is off to a good start, and we expect first quarter sales, excluding tooling sales, of \$920 million to \$960 million, and adjusted net earnings per share in the range of \$0.42 to \$0.46 per share. As we complete our 2016 financial year, we want to thank all our stakeholders, and especially our people here at Martinrea, for their support in the past year, and we look forward to serving you well in future."

RESULTS OF OPERATIONS

OVERALL RESULTS

The following table sets out certain highlights of the Company's performance for the years ended December 31, 2016 and 2015. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2016 for a detailed account of the Company's performance for the periods presented in the table below.

	Year ended December 31, 2016	Year ended December 31, 2015	\$ Change	% Change
Sales	\$ 3,968,407	\$ 3,866,771	101,636	2.6%
Gross Margin	432,050	402,232	29,818	7.4%
Operating Income	159,444	161,761	(2,317)	(1.4%)
Net Income for the period	91,961	107,173	(15,212)	(14.2%)
Net Income Attributable to Equity Holders of the Company	\$ 92,380	\$ 107,030	(14,650)	(13.7%)
Net Earnings per Share – Basic	\$ 1.07	\$ 1.25	(0.18)	(14.4%)
Net Earnings per Share – Diluted	\$ 1.07	\$ 1.24	(0.17)	(13.7%)
<u>Non-IFRS Measures*</u>				
Adjusted Operating Income	\$ 197,707	\$ 178,870	18,837	10.5%
<i>% of sales</i>	5.0%	4.6%		
Adjusted EBITDA	350,357	317,750	32,607	10.3%
<i>% of sales</i>	8.8%	8.2%		
Adjusted Net Income Attributable to Equity Holders of the Company	130,085	118,788	11,297	9.5%
Adjusted Net Earnings per Share - Basic	\$ 1.51	\$ 1.38	0.13	9.4%
Adjusted Net Earnings per Share - Diluted	\$ 1.50	\$ 1.38	0.12	8.7%

The following table sets out a detailed account of the Company's performance for the fourth quarters of 2016 and 2015 (unaudited).

	Three months ended December 31, 2016		Three months ended December 31, 2015		\$ Change	% Change
Sales	\$	990,407	\$	1,035,314	(44,907)	(4.3%)
Cost of sales (excluding depreciation)		(852,732)		(899,291)	46,559	(5.2%)
Depreciation of property, plant and equipment (production)		(33,363)		(32,194)	(1,169)	3.6%
Gross Margin		104,312		103,829	483	0.5%
Research and development costs		(7,239)		(4,980)	(2,259)	45.4%
Selling, general and administrative expense		(47,971)		(51,027)	3,056	(6.0%)
Depreciation of property, plant and equipment (non-production)		(2,258)		(2,082)	(176)	8.5%
Amortization of customer contracts and relationships		(597)		(523)	(74)	14.1%
Restructuring costs		-		(1,718)	1,718	(100.0%)
Loss on disposal of property, plant and equipment		(271)		(523)	252	(48.2%)
Operating Income	\$	45,976	\$	42,976	3,000	7.0%
Finance costs		(6,084)		(5,837)	(247)	4.2%
Other finance income		661		866	(205)	(23.7%)
Income before income taxes	\$	40,553	\$	38,005	2,548	6.7%
Income tax expense		(9,923)		(10,179)	256	(2.5%)
Net Income for the period		30,630		27,826	2,804	10.1%
Net Income Attributable to Equity Holders of the Company	\$	30,753	\$	27,731	3,022	10.9%
Net Earnings per Share – Basic and Diluted	\$	0.36	\$	0.32	0.04	12.5%
Non-IFRS Measures*						
Adjusted Operating Income	\$	45,976	\$	44,694	1,282	2.9%
<i>% of sales</i>		4.6%		4.3%		
Adjusted EBITDA		86,072		83,261	2,811	3.4%
<i>% of sales</i>		8.7%		8.0%		
Adjusted Net Income Attributable to Equity Holders of the Company		30,753		29,059	1,694	5.8%
Adjusted Net Earnings per Share – Basic and Diluted	\$	0.36	\$	0.34	0.02	5.9%

***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 December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net Income Attributable to Equity Holders of the Company	\$ 30,753	\$ 27,731	\$ 92,380	\$ 107,030
Unusual and Other Items (after-tax)*	-	1,328	37,705	11,758
Adjusted Net Income Attributable to Equity Holders of the Company	\$ 30,753	\$ 29,059	\$ 130,085	\$ 118,788

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

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net Income Attributable to Equity Holders of the Company	\$ 30,753	\$ 27,731	\$ 92,380	\$ 107,030
Non-controlling interest	(123)	95	(419)	143
Income tax expense	9,923	10,179	41,378	34,247
Other finance expense (income)	(661)	(866)	1,909	(4,925)
Finance costs	6,084	5,837	24,196	25,266
Unusual and Other Items (before-tax)*	-	1,718	38,263	17,109
Adjusted Operating Income	\$ 45,976	\$ 44,694	\$ 197,707	\$ 178,870
Depreciation of property, plant and equipment	35,621	34,276	136,344	124,872
Amortization of intangible assets	4,204	3,768	15,959	14,238
Loss/(gain) on disposal of property, plant and equipment	271	523	347	(230)
Adjusted EBITDA	\$ 86,072	\$ 83,261	\$ 350,357	\$ 317,750

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.

SALES

Three months ended December 31, 2016 to three months ended December 31, 2015 comparison

	Three months ended December 31, 2016	Three months ended December 31, 2015	\$ Change	% Change
North America	\$ 803,265	\$ 837,607	(34,342)	(4.1%)
Europe	148,977	166,870	(17,893)	(10.7%)
Rest of the World	38,165	30,837	7,328	23.8%
Total Sales	\$ 990,407	\$ 1,035,314	(44,907)	(4.3%)

The Company's consolidated sales for the fourth quarter of 2016 decreased by \$44.9 million or 4.3% to \$990.4 million as compared to \$1,035.3 million for the fourth quarter of 2015. The total decrease in sales was driven by decreases in the North America and Europe operating segments partially offset by an increase in sales in the Rest of the World.

Sales for the fourth quarter of 2016 in the Company's North America operating segment decreased by \$34.3 million or 4.1% to \$803.3 million from \$837.6 million for the fourth quarter of 2015. The decrease was due to lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, Ford Escape/Focus, Ford Fusion and other platforms late in their product life cycle such as the GM Equinox, and programs that ended production during or subsequent to the fourth quarter of 2015. These negative factors were partially offset by the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the fourth quarter of 2016 of approximately \$2.5 million as compared to the fourth quarter of 2015; a \$52.9 million increase in tooling sales, which are typically dependent

on the timing of tooling construction and final acceptance by the customer; and the launch of new programs during or subsequent to the fourth quarter of 2015, including the Chevrolet Malibu, Cadillac CT6, and Chrysler Pacifica.

Sales for the fourth quarter of 2016 in the Company's Europe operating segment decreased by \$17.9 million or 10.7% to \$149.0 million from \$166.9 million for the fourth quarter of 2015. The decrease can be attributed to lower overall production volumes in the Company's Martinrea Honsel German operations, a \$0.4 million negative foreign exchange impact from the translation of Euro denominated production sales as compared to the fourth quarter of 2015, and a \$7.4 million decrease in tooling sales; partially offset by increased production sales in the Company's new operating facility in Spain, which continues to ramp up and execute its backlog of new business.

Sales for the fourth quarter of 2016 in the Company's Rest of the World operating segment increased by \$7.3 million or 23.8% to \$38.2 million from \$30.8 million for the fourth quarter of 2015. The increase was predominantly due to a year-over-year increase in production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of new business; partially offset by a \$0.3 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the fourth quarter of 2015, and a \$0.9 million decrease in tooling sales. Production volumes and sales for the fourth quarter in the Company's operating facility in Brazil increased slightly year-over-year however still continue to trend at low levels.

Overall tooling sales increased by \$44.6 million to \$107.2 million for the fourth quarter of 2016 from \$62.6 million for the fourth quarter of 2015.

Year ended December 31, 2016 to year ended December 31, 2015 comparison

	Year ended December 31, 2016	Year ended December 31, 2015	\$ Change	% Change
North America	\$ 3,212,128	\$ 3,094,463	117,665	3.8%
Europe	633,290	684,215	(50,925)	(7.4%)
Rest of the World	122,989	88,093	34,896	39.6%
Total Sales	\$ 3,968,407	\$ 3,866,771	101,636	2.6%

The Company's consolidated sales for the year ended December 31, 2016 increased by \$101.6 million or 2.6% to \$3,968.4 million as compared to \$3,866.8 million for the year ended December 31, 2015. The total increase in sales was driven by increases in the Company's North America and Rest of the World operating segments, partially offset by a year-over-year decrease in sales in Europe.

Sales for the year ended December 31, 2016 in the Company's North America operating segment increased by \$117.7 million or 3.8% to \$3,212.1 million from \$3,094.5 million for the year ended December 31, 2015. The increase was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the year ended December 31, 2016 of approximately \$132.6 million as compared to the comparative period of 2015; the launch of new programs during or subsequent to the year ended December 31, 2015, including the Chevrolet Malibu, Ford Edge, Cadillac CT6 and higher overall volumes on the Chrysler mini-van platform; and a year-over-year increase in tooling sales of \$100.2 million. These positive variances were partially offset by lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, Ford Escape/Focus and other platforms late in their product life cycle such as the GM Equinox, and programs that ended production during or subsequent to the year ended December 31, 2015; some previously unplanned shutdowns from GM of four assembly plants for two weeks because of an earthquake in Japan disrupting the supply chain; and the planned shutdown of Chrysler's V6 Pentastar engine block for re-tooling. The planned shutdown of Chrysler's V6 Pentastar engine block program for re-tooling commenced during the fourth quarter of 2015 and was completed near the end of the first quarter of 2016. Volumes on the program ramped up during the second quarter but did not return to historical levels until the end of June 2016.

Sales for the year ended December 31, 2016 in the Company's Europe operating segment decreased by \$50.9 million or 7.4% to \$633.3 million from \$684.2 million for the year ended December 31, 2015. The decrease can be attributed to a \$13.7 million decrease in tooling sales and lower overall production volumes in the Company's Martinrea Honsel German operations

including the impact from the sale of the Company's operating facility in Soest, Germany on August 31, 2015; partially offset by increased production sales in the Company's operating facilities in Spain and Slovakia, which continue to ramp up and execute their backlogs of new business, and the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the year ended December 31, 2016 of approximately \$24.2 million as compared to the comparable period of 2015.

Sales for the year ended December 31, 2016 in the Company's Rest of the World operating segment increased by \$34.9 million or 39.6% to \$123.0 million from \$88.1 million for the year ended December 31, 2015. The increase can be attributed to an increase in production sales in the Company's two new operating facilities in China, which continue to ramp up and execute on their backlogs of new business, and a \$4.3 million increase in tooling sales; partially offset by the translation of foreign denominated production sales, which had a negative impact on overall sales for the year ended December 31, 2016 of \$1.4 million as compared to the comparative period of 2015, and lower year-over-year production sales in the Company's operating facility in Brazil where OEM light vehicle production volumes continue to trend at low levels. The year-over-year increase in sales in the Company's operations in China was tempered by an unplanned OEM shutdown of one of its key light vehicle platforms during the second quarter. The program was down for seven weeks during the second quarter and came back online in July, 2016.

Overall tooling sales increased by \$90.8 million to \$252.9 million for the year ended December 31, 2016 from \$162.1 million for the year ended December 31, 2015.

GROSS MARGIN

Three months ended December 31, 2016 to three months ended December 31, 2015 comparison

	Three months ended December 31, 2016	Three months ended December 31, 2015	\$ Change	% Change
Gross margin	\$ 104,312	\$ 103,829	483	0.5%
% of sales	10.5%	10.0%		

The gross margin percentage for the fourth quarter of 2016 of 10.5% increased as a percentage of sales by 0.5% as compared to the gross margin percentage for the fourth quarter of 2015 of 10.0%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; 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;
- operational inefficiencies and other costs at certain other facilities; and
- general sales mix including lower production volumes on certain programs.

Year ended December 31, 2016 to year ended December 31, 2015 comparison

	Year ended December 31, 2016	Year ended December 31, 2015	\$ Change	% Change
Gross margin	\$ 432,050	\$ 402,232	29,818	7.4%
% of sales	10.9%	10.4%		

The gross margin percentage for the year ended December 31, 2016 of 10.9% increased as a percentage of sales by 0.5% as compared to the gross margin percentage for the year ended December 31, 2015 of 10.4%. Similar to the year-over-year fourth quarter increase explained above, the annual increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; 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;
- operational inefficiencies and other costs at certain other facilities; and
- general sales mix including lower production volumes on certain programs.

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

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

TABLE A

Three months ended December 31, 2016 to three months ended December 31, 2015 comparison

	For the three months ended December 31, 2016 (a)	For the three months ended December 31, 2015 (b)	(a)-(b) Change
NET INCOME (A)	\$30,753	\$27,731	\$3,022
Add back - Unusual and Other Items:			
Restructuring costs (2)	-	1,718	(1,718)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	-	\$1,718	(\$1,718)
Tax impact of above items	-	(390)	390
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	-	\$1,328	(\$1,328)
ADJUSTED NET INCOME (A + B)	\$30,753	\$29,059	\$1,694
Number of Shares Outstanding – Basic ('000)	86,404	86,345	
Adjusted Basic Net Earnings Per Share	\$0.36	\$0.34	
Number of Shares Outstanding – Diluted ('000)	86,466	86,730	
Adjusted Diluted Net Earnings Per Share	\$0.36	\$0.34	

TABLE B

Year ended December 31, 2016 to year ended December 31, 2015 comparison

	For the year ended December 31, 2016	For the year ended December 31, 2015	(a)-(b) Change
	(a)	(b)	
NET INCOME (A)	\$92,380	\$107,030	(\$14,650)
Add back - Unusual and Other Items:			
Impairment of assets (1)	34,579	-	34,579
Restructuring costs (2)	3,684	15,337	(11,653)
Executive separation agreement (3)	-	1,402	(1,402)
Loss on sale of assets and liabilities held for sale (4)	-	370	(370)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	\$38,263	\$17,109	\$21,154
Tax impact of above items (5)	(558)	(5,351)	4,793
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	\$37,705	\$11,758	\$25,947
ADJUSTED NET INCOME (A + B)	\$130,085	\$118,788	\$11,297
Number of Shares Outstanding – Basic ('000)	86,389	85,863	
Adjusted Basic Net Earnings Per Share	\$1.51	\$1.38	
Number of Shares Outstanding – Diluted ('000)	86,527	86,369	
Adjusted Diluted Net Earnings Per Share	\$1.50	\$1.38	

(1) Impairment of assets

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

(2) Restructuring costs

As part of the acquisition of Honsel in 2011, a certain level of restructuring activity was contemplated, in particular, at the Company's German operating facility in Meschede, Germany. In connection with these restructuring activities, \$1.8 million (€1.2 million) of employee related severance was recognized during the second quarter of 2016 and \$15.3 million (€10.9 million) was recognized during 2015 of which \$13.6 million (€9.7 million) was recognized during the third quarter of 2015 and \$1.7 million (€1.2 million) was recognized during the fourth quarter of 2015 (including \$0.3 million relating to the right sizing of the Company's facility in Brazil). No further costs related to this restructuring are expected to be incurred.

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

(3) Executive separation agreement

On July 14, 2015, Danny Infusino stepped down as the Company's Executive Vice President of Business Development and Engineering and Vice President of Operations. The costs added back for Adjusted Net Income purposes represents Mr. Infusino's termination benefits (included in SG&A expense) as set out in his employment contract payable over an eighteen month period.

(4) Loss on sale of assets and liabilities held for sale

During the second quarter of 2015, certain assets and liabilities of the Company's operating facility in Soest, Germany were transferred to assets held for sale. The Soest facility specialized in aluminum extrusions which the Company determined was not core to the strategy of the overall business going forward. The agreement to sell the Soest facility was closed on August 31, 2015. The net assets were sold for proceeds of \$20.6 million (€14.6 million) resulting in a pre-tax loss on sale of \$0.4 million (€0.3 million).

(5) Tax impact of above items (For the year ended December 31, 2016)

The tax impact of the adjustments recorded to income during the second quarter of 2016 (and reflected in the unusual and other items recognized during the year ended December 31, 2016) of \$0.6 million represents solely the corresponding tax effect on the \$1.8 million in restructuring costs incurred in Meschede, Germany. The \$34.6 million in impairment charges and \$1.9 million in restructuring costs related to the closure of the operating facility in Detroit, Michigan, as described above, resulted in tax losses that were not benefitted and, as a result, not recognized as a deferred tax asset. In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences; however, forming a conclusion on the realization of deferred tax assets requires judgment when there are recent tax losses.

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

Three months ended December 31, 2016 to three months ended December 31, 2015 comparison

	Three months ended December 31, 2016	Three months ended December 31, 2015	\$ Change	% Change
Net Income	\$ 30,753	\$ 27,731	3,022	10.9%
Adjusted Net Income	\$ 30,753	\$ 29,059	1,694	5.8%
Net Earnings per Share				
Basic	\$ 0.36	\$ 0.32		
Diluted	\$ 0.36	\$ 0.32		
Adjusted Net Earnings per Share				
Basic	\$ 0.36	\$ 0.34		
Diluted	\$ 0.36	\$ 0.34		

Net Income, before adjustments, for the fourth quarter of 2016 increased by \$3.1 million to \$30.8 million from \$27.7 million for the fourth quarter of 2015. Excluding the unusual and other items incurred during the fourth quarter of 2015 as explained in Table A under "Adjustments to Net Income", net income for the fourth quarter of 2016 increased to \$30.8 million or \$0.36 per share, on a basic and diluted basis, from \$29.1 million or \$0.34 per share, on a basic and diluted basis, for the fourth quarter of 2015.

Adjusted Net Income for the fourth quarter of 2016, as compared to the fourth quarter of 2015, was positively impacted by the following:

- slightly higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;

- recently added new greenfield operating facilities which continue to ramp up and execute their backlogs of business;
- a year-over-year decrease in SG&A expense as previously discussed; and
- a lower effective tax rate on adjusted pre-tax 2016 income due generally to the mix of earnings (24.5% for the fourth quarter of 2016 compared to 26.6% for the fourth quarter of 2015).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- general sales mix including lower production volumes on certain programs; and
- an increase in product and process research and development activity and, to a lesser extent, an increase in the amortization of program specific development costs as previously discussed.

Year ended December 31, 2016 to year ended December 31, 2015 comparison

	Year ended December 31, 2016	Year ended December 31, 2015	\$ Change	% Change
Net Income	\$ 92,380	\$ 107,030	(14,650)	(13.7%)
Adjusted Net Income	\$ 130,085	\$ 118,788	11,297	9.5%
Net Earnings per share				
Basic	\$ 1.07	\$ 1.25		
Diluted	\$ 1.07	\$ 1.24		
Adjusted Net Earnings per share				
Basic	\$ 1.51	\$ 1.38		
Diluted	\$ 1.50	\$ 1.38		

Net Income, before adjustments, for the year ended December 31, 2016 decreased by \$14.6 million to \$92.4 million from \$107.0 million for the year ended December 31, 2015 largely as a result of the impact of the unusual and other items incurred during the years ended December 31, 2016 and 2015 as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the year ended December 31, 2016 increased to \$130.1 million or \$1.51 per share, on a basic basis, and \$1.50 per share, on a diluted basis, from \$118.8 million or \$1.38 per share, on a basic and diluted basis, for the year ended December 31, 2015.

Adjusted Net Income for the year ended December 31, 2016, as compared to the year ended December 31, 2015, was positively impacted by the following:

- higher gross profit on an overall increase in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities; 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:

- operational inefficiencies and other costs at certain other facilities;
- general sales mix including lower production volumes on certain programs;
- a year-over-year increase in SG&A as previously discussed;
- an increase in research and development costs due to increased product and process research and development activity and an increase in the amortization of program specific development costs as previously discussed; and
- a net foreign exchange loss of \$2.2 million for the year ended December 31, 2016 compared to a net foreign exchange gain of \$4.8 million for the comparative period of 2015.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended December 31, 2016 to three months ended December 31, 2015 comparison

	Three months ended December 31, 2016	Three months ended December 31, 2015	\$ Change	% Change
Additions to PP&E	\$ 112,721	\$ 85,683	27,038	31.6%

Additions to PP&E increased by \$27.0 million to \$112.7 million in the fourth quarter of 2016 from \$85.7 million in the fourth quarter of 2015 due generally to the timing of expenditures. Additions as a percentage of sales increased year-over-year to 11.4% for the fourth quarter of 2016 from 8.3% for the fourth quarter of 2015. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the fourth quarter of 2016 continued to be for manufacturing equipment and multiple expansions/new operating facilities for programs that recently launched or will be launching over the next 24 months.

Year ended December 31, 2016 to year ended December 31, 2015 comparison

	Year ended December 31, 2016	Year ended December 31, 2015	\$ Change	% Change
Additions to PP&E	\$ 249,454	\$ 215,219	34,235	15.9%

Additions to PP&E increased by \$34.2 million year-over-year to \$249.5 million for the year ended December 31, 2016 compared to \$215.2 million for the year ended December 31, 2015 due generally to the timing of expenditures and the impact of foreign exchange on the translation of foreign denominated purchases. Additions as a percentage of sales increased year-over-year to 6.3% for the year ended December 31, 2016 from 5.6% for the year ended December 31, 2015. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

DIVIDEND

A cash dividend of \$0.03 per share has been declared by the Board of Directors payable to shareholders of record on March 31, 2017, on or about April 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 Friday, March 3, 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 5603637#). The rebroadcast will be available until March 17, 2017.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, gross margin, earnings, and earnings per share (including as adjusted), operating income margins and net debt:EBITDA ratios for the 2017 year and beyond, the 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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Chief Financial Officer
Martinrea International Inc.
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Vaughan, Ontario L4K 5B2

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

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Cash and cash equivalents		\$ 59,165	\$ 28,899
Trade and other receivables	3	568,445	586,024
Inventories	4	306,130	356,969
Prepaid expenses and deposits		14,758	13,651
Income taxes recoverable		9,786	10,401
TOTAL CURRENT ASSETS		958,284	995,944
Property, plant and equipment	6	1,257,247	1,202,162
Deferred income tax assets	13	179,702	182,232
Intangible assets	7	73,261	83,590
TOTAL NON-CURRENT ASSETS		1,510,210	1,467,984
TOTAL ASSETS		\$ 2,468,494	\$ 2,463,928
LIABILITIES			
Trade and other payables	8	\$ 707,007	\$ 743,096
Provisions	10	6,689	15,598
Income taxes payable		18,622	29,873
Current portion of long-term debt	11	27,982	43,399
TOTAL CURRENT LIABILITIES		760,300	831,966
Long-term debt	11	693,421	673,613
Pension and other post-retirement benefits	12	66,863	67,552
Deferred income tax liabilities	13	118,234	114,571
TOTAL NON-CURRENT LIABILITIES		878,518	855,736
TOTAL LIABILITIES		1,638,818	1,687,702
EQUITY			
Capital Stock	14	710,510	709,396
Contributed surplus		42,660	42,648
Accumulated other comprehensive income		117,048	147,442
Accumulated deficit		(40,020)	(123,157)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		830,198	776,329
Non-controlling interest		(522)	(103)
TOTAL EQUITY		829,676	776,226
TOTAL LIABILITIES AND EQUITY		\$ 2,468,494	\$ 2,463,928

Commitment and Contingencies (note 21)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer" Director

"Scott Balfour" Director

Martinrea International Inc.

Consolidated Statements of Operations

□□̄ thousands of Canadian dollars, except per share amounts)

	Note	Year ended December 31, 2016	Year ended December 31, 2015
SALES		\$ 3,968,407	\$ 3,866,771
Cost of sales (excluding depreciation of property, plant and equipment)		(3,408,740)	(3,347,152)
Depreciation of property, plant and equipment (production)		(127,617)	(117,387)
Total cost of sales		(3,536,357)	(3,464,539)
GROSS MARGIN		432,050	402,232
Research and development costs	16	(24,853)	(21,765)
Selling, general and administrative		(198,109)	(193,610)
Depreciation of property, plant and equipment (non-production)		(8,727)	(7,485)
Amortization of customer contracts and relationships		(2,307)	(2,134)
Impairment of assets	9	(34,579)	-
Restructuring costs	10	(3,684)	(15,337)
Loss on sale of assets and liabilities held for sale	5	-	(370)
Gain (loss) on disposal of property, plant and equipment		(347)	230
OPERATING INCOME		159,444	161,761
Finance costs	18	(24,196)	(25,266)
Other finance income (expense)	18	(1,909)	4,925
INCOME BEFORE INCOME TAXES		133,339	141,420
Income tax expense	13	(41,378)	(34,247)
NET INCOME FOR THE PERIOD		\$ 91,961	\$ 107,173
Non-controlling interest		419	(143)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		\$ 92,380	\$ 107,030
Basic earnings per share	15	\$ 1.07	\$ 1.25
Diluted earnings per share	15	\$ 1.07	\$ 1.24

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.
Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
NET INCOME FOR THE PERIOD	\$ 91,961	\$ 107,173
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	(30,394)	91,515
Items that will not be reclassified to net income		
Actuarial gains (losses) from the remeasurement of defined benefit plans	1,123	(371)
Other comprehensive income (loss), net of tax	(29,271)	91,144
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 62,690	\$ 198,317
Attributable to:		
Equity holders of the Company	63,109	198,174
Non-controlling interest	(419)	143
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 62,690	\$ 198,317

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.
Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

Equity attributable to equity holders of the Company

	Capital stock	Contributed surplus	Cumulative translation account	Accumulated deficit	Total	Non- controlling interest	Total equity
Balance at December 31, 2014	\$ 694,198	\$ 45,347	\$ 55,927	\$ (219,480)	\$ 575,992	\$ (246)	\$ 575,746
Net income for the period	-	-	-	107,030	107,030	143	107,173
Compensation expense related to stock options	-	1,384	-	-	1,384	-	1,384
Dividends (\$0.12 per share)	-	-	-	(10,336)	(10,336)	-	(10,336)
Exercise of employee stock options	15,198	(4,083)	-	-	11,115	-	11,115
<u>Other comprehensive income (loss), net of tax</u>							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(371)	(371)	-	(371)
Foreign currency translation differences	-	-	91,515	-	91,515	-	91,515
Balance at December 31, 2015	709,396	42,648	147,442	(123,157)	776,329	(103)	776,226
Net income for the period	-	-	-	92,380	92,380	(419)	91,961
Compensation expense related to stock options	-	333	-	-	333	-	333
Dividends (\$0.12 per share)	-	-	-	(10,366)	(10,366)	-	(10,366)
Exercise of employee stock options	1,114	(321)	-	-	793	-	793
<u>Other comprehensive income (loss), net of tax</u>							
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	1,123	1,123	-	1,123
Foreign currency translation differences	-	-	(30,394)	-	(30,394)	-	(30,394)
Balance at December 31, 2016	\$ 710,510	\$ 42,660	\$ 117,048	\$ (40,020)	\$ 830,198	\$ (522)	\$ 829,676

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	\$ 91,961	\$ 107,173
Adjustments for:		
Depreciation of property, plant and equipment	136,344	124,872
Amortization of customer contracts and relationships	2,307	2,134
Amortization of development costs	13,652	12,104
Impairment of assets (note 9)	34,579	-
Unrealized (gains) losses on foreign exchange forward contracts	208	134
Change in fair value of deferred share units	568	-
Finance costs	24,196	25,266
Income tax expense	41,378	34,247
Loss on sale of assets and liabilities held for sale (note 5)	-	370
Loss (gain) on disposal of property, plant and equipment	347	(230)
Stock-based compensation	333	1,384
Pension and other post-retirement benefits expense	4,274	4,264
Contributions made to pension and other post-retirement benefits	(2,116)	(4,207)
	348,031	307,511
Changes in non-cash working capital items:		
Trade and other receivables	(4,537)	(9,883)
Inventories	29,923	(15,395)
Prepaid expenses and deposits	(1,038)	(2,488)
Trade, other payables and provisions	(40,334)	(10,869)
	332,045	268,876
Interest paid (excluding capitalized interest)	(22,361)	(24,259)
Income taxes paid	(49,967)	(51,990)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 259,717	\$ 192,627
FINANCING ACTIVITIES:		
Increase in long-term debt	90,784	51,271
Repayment of long-term debt	(69,499)	(98,911)
Dividends paid	(10,365)	(10,293)
Exercise of employee stock options	793	11,115
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	\$ 11,713	\$ (46,818)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(226,910)	(179,578)
Capitalized development costs	(12,624)	(15,193)
Proceeds sale of assets and liabilities held for sale (note 5)	-	20,638
Proceeds on disposal of property, plant and equipment	438	2,677
NET CASH USED IN INVESTING ACTIVITIES	\$ (239,096)	\$ (171,456)
Effect of foreign exchange rate changes on cash and cash equivalents	(2,068)	2,145
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,266	(23,502)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,899	52,401
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 59,165	\$ 28,899

* As at December 31, 2016, \$71,557 (December 31, 2015, \$49,013) of purchases of property, plant and equipment remain unpaid and are recorded in trade, other payables and provisions.

See accompanying notes to the consolidated financial statements.