MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

Martinrea International Inc.

Table of Contents

Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	March 31, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents		$ 173,694	$ 186,804
Trade and other receivables	2	826,880	695,819
Inventories	3	558,119	568,274
Prepaid expenses and deposits		32,310	33,904
Income taxes recoverable		20,080	11,089
TOTAL CURRENT ASSETS		1,611,083	1,495,890
Property, plant and equipment	4	1,947,889	1,943,771
Right-of-use assets	5	231,103	238,552
Deferred tax assets		199,925	192,301
Intangible assets		42,119	42,743
Investments	6	67,654	60,170
Pension assets		15,943	16,303
TOTAL NON-CURRENT ASSETS		2,504,633	2,493,840
TOTAL ASSETS		$ 4,115,716	$ 3,989,730
LIABILITIES			
Trade and other payables		$ 1,211,451	$ 1,176,579
Provisions	7	13,749	29,892
Income taxes payable		22,096	25,017
Current portion of long-term debt	8	11,178	12,778
Current portion of lease liabilities	9	49,385	48,507
TOTAL CURRENT LIABILITIES		1,307,859	1,292,773
Long-term debt	8	1,019,016	956,458
Lease liabilities	9	203,100	210,469
Pension and other post-retirement benefits		38,774	37,261
Deferred tax liabilities		27,492	27,588
TOTAL NON-CURRENT LIABILITIES		1,288,382	1,231,776
TOTAL LIABILITIES		2,596,241	2,524,549
EQUITY			
Capital stock	11	634,079	645,256
Contributed surplus		45,945	45,903
Accumulated other comprehensive income		127,132	95,753
Retained earnings		712,319	678,269
TOTAL EQUITY		1,519,475	1,465,181
TOTAL LIABILITIES AND EQUITY		$ 4,115,716	$ 3,989,730

Contingencies (note 16)
Subsequent event (note 11)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer"	Director
"Terry Lyons"	Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended March 31, 2024	Three months ended March 31, 2023
SALES		$ 1,323,913	$ 1,303,889
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(1,074,409)	(1,066,197)
Depreciation of property, plant and equipment and right-of-use assets (production)		(76,967)	(70,306)
Total cost of sales		(1,151,376)	(1,136,503)
GROSS MARGIN		172,537	167,386
Research and development costs		(10,977)	(9,278)
Selling, general and administrative		(78,191)	(78,523)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(4,070)	(4,366)
Loss on disposal of property, plant and equipment		(112)	(42)
Restructuring costs	7	(6,255)	-
OPERATING INCOME		72,932	75,177
Share of loss of equity investments	6	(634)	(1,378)
Net gain on disposal of equity investments		-	5,273
Finance expense	13	(20,173)	(19,046)
Other finance income	13	5,443	224
INCOME BEFORE INCOME TAXES		57,568	60,250
Income tax expense	10	(13,918)	(12,079)
NET INCOME FOR THE PERIOD		$ 43,650	$ 48,171
Basic earnings per share	12	$ 0.56	$ 0.60
Diluted earnings per share	12	$ 0.56	$ 0.60

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

		Three months ended March 31, 2024		Three months ended March 31, 2023
NET INCOME FOR THE PERIOD	$	43,650	$	48,171
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations		31,391		2,621
Items that will not be reclassified to net income				
Share of other comprehensive loss of equity investments (note 6)		(12)		(11)
Remeasurement of defined benefit plans		(1,028)		375
Other comprehensive income, net of tax		30,351		2,985
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$	74,001	$	51,156

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2022	$ 663,646	$ 45,558	$ 124,065	$ 543,636	$ 1,376,905
Net income for the period	-	-	-	48,171	48,171
Compensation expense related to stock options	-	110	-	-	110
Dividends ($0.05 per share)	-	-	-	(4,019)	(4,019)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	375	375
Foreign currency translation differences	-	-	2,621	-	2,621
Share of other comprehensive loss of equity investments	-	-	(11)	-	(11)
BALANCE AT MARCH 31, 2023	663,646	45,668	126,675	588,163	1,424,152
Net income for the period	-	-	-	105,494	105,494
Compensation expense related to stock options	-	332	-	-	332
Dividends ($0.15 per share)	-	-	-	(11,827)	(11,827)
Exercise of employee stock options	358	(97)	-	-	261
Repurchase of common shares (note 11)	(18,748)	-	-	(10,321)	(29,069)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	6,760	6,760
Foreign currency translation differences	-	-	(30,915)	-	(30,915)
Share of other comprehensive loss of equity investments	-	-	(7)	-	(7)
BALANCE AT DECEMBER 31, 2023	645,256	45,903	95,753	678,269	1,465,181
Net income for the period	-	-	-	43,650	43,650
Compensation expense related to stock options	-	42	-	-	42
Dividends ($0.05 per share)	-	-	-	(3,839)	(3,839)
Repurchase of common shares (note 11)	(11,177)	-	-	(4,733)	(15,910)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(1,028)	(1,028)
Foreign currency translation differences	-	-	31,391	-	31,391
Share of other comprehensive loss of equity investments	-	-	(12)	-	(12)
BALANCE AT MARCH 31, 2024	$ 634,079	$ 45,945	$ 127,132	$ 712,319	$ 1,519,475

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)

	Three months ended March 31, 2024	Three months ended March 31, 2023
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net income for the period	$ 43,650	$ 48,171
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	81,037	74,672
Amortization of development costs	2,494	2,613
Unrealized gain on foreign exchange forward contracts	(796)	(4,784)
Finance expense	20,173	19,046
Income tax expense	13,918	12,079
Loss on disposal of property, plant and equipment	112	42
Deferred and restricted share units expense (benefit)	(184)	5,436
Stock options expense	42	110
Share of loss of equity investments	634	1,378
Net gain on disposal of equity investments	-	(5,273)
Pension and other post-retirement benefits expense	564	694
Contributions made to pension and other post-retirement benefits	(568)	(623)
	161,076	153,561
Changes in non-cash working capital items:		
Trade and other receivables	(118,212)	(131,868)
Inventories	18,607	(21,975)
Prepaid expenses and deposits	1,983	3,259
Trade, other payables and provisions	21,396	107,426
	84,850	110,403
Interest paid	(20,678)	(23,299)
Income taxes paid	(25,118)	(32,577)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 39,054	$ 54,527
FINANCING ACTIVITIES:		
Increase in long-term debt (net of deferred financing fees)	49,464	47,094
Equipment loan repayments	(2,710)	(4,240)
Principal payments of lease liabilities	(12,324)	(10,954)
Dividends paid	(3,907)	(4,019)
Repurchase of common shares	(15,910)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 14,613	$ 27,881
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (excluding capitalized interest)*	(58,273)	(83,416)
Capitalized development costs	(1,045)	(1,765)
Increase in investments (note 6)	(8,130)	-
Proceeds on disposal of property, plant and equipment	978	131
NET CASH USED IN INVESTING ACTIVITIES	$ (66,470)	$ (85,050)
Effect of foreign exchange rate changes on cash and cash equivalents	(307)	(2,428)
DECREASE IN CASH AND CASH EQUIVALENTS	(13,110)	(5,070)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	186,804	161,655
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 173,694	$ 156,585

*As at March 31, 2024, $53,063 (December 31, 2023 - $75,800) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the interim condensed consolidated financial statements.

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

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2023.

(c) Presentation currency

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

(d) Recently adopted accounting standards and policies

Amendments to IFRS 16, Leases - Lease Liability in a sale and Leaseback

On September 22, 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendments introduce a new accounting model which impacts how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments clarify that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

The Company adopted the amendments to IFRS 16 effective January 1, 2024. The adoption of amendments to IFRS 16 did not have a material impact on the interim condensed consolidated financial statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debts as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The Company adopted the amendments to IAS 1 effective January 1, 2024. The adoption of amendments to IAS 1 did not have a material impact on the interim condensed consolidated financial statements.

(e) Recently issued accounting standard

The IASB issued the following new standard:

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (replacement to IAS 1). The new accounting standard introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies:

- improved comparability in the statement of profit or loss by introducing three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures by requiring companies to disclose explanations of those company-specific measures that are related to the income statement; and

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

- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

The new standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing the impact of the new standard on the consolidated financial statements.

2. TRADE AND OTHER RECEIVABLES

	March 31, 2024	December 31, 2023
Trade receivables	$ 783,885	$ 643,959
Other receivables	42,199	47,923
Foreign exchange forward contracts not accounted for as hedges (note 15(d))	796	3,937
	$ 826,880	$ 695,819

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 15.

On March 27, 2024, Martinrea entered into an accounts receivable program agreement to sell up to $100,000 in trade receivables without recourse and on an uncommitted basis, subject to predetermined limits for certain customers. Under the agreement, the receivables are sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company derecognizes the trade receivables sold under the program when it transfers substantially all the risks and rewards of ownership of the receivables. As at March 31, 2024, no receivables were sold under the program.

3. INVENTORIES

	March 31, 2024	December 31, 2023
Raw materials	$ 268,287	$ 256,038
Work in progress	73,272	69,474
Finished goods	49,982	51,202
Tooling work in progress and other inventory	166,578	191,560
	$ 558,119	$ 568,274

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2024			December 31, 2023		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 247,101	$ (50,494)	$ 196,607	$ 240,789	$ (47,664)	$ 193,125
Leasehold improvements	89,028	(60,731)	28,297	86,038	(58,881)	27,157
Manufacturing equipment	3,223,004	(1,835,036)	1,387,968	3,131,621	(1,751,642)	1,379,979
Tooling and fixtures	40,634	(33,148)	7,486	38,627	(34,302)	4,325
Other assets	92,924	(61,572)	31,352	87,808	(59,052)	28,756
Construction in progress	296,179	-	296,179	310,429	-	310,429
	$ 3,988,870	$ (2,040,981)	$ 1,947,889	$ 3,895,312	$ (1,951,541)	$ 1,943,771

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

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

		Land and buildings		Leasehold improvements		Manufacturing equipment		Tooling and fixtures		Other assets		Construction in progress		Total
Net as of December 31, 2022	$	173,433	$	30,205	$	1,310,227	$	5,145	$	30,675	$	399,088	$	1,948,773
Additions		25		-		5,115		6		886		287,066		293,098
Disposals		-		-		(986)		-		(223)		(135)		(1,344)
Depreciation		(7,003)		(4,362)		(239,027)		(779)		(9,760)		-		(260,931)
Impairment		-		-		(666)		-		-		-		(666)
Transfers from construction in progress		30,797		1,619		328,984		19		7,477		(368,896)		-
Foreign currency translation adjustment		(4,127)		(305)		(23,668)		(66)		(299)		(6,694)		(35,159)
Net as of December 31, 2023	$	193,125	$	27,157	$	1,379,979	$	4,325	$	28,756	$	310,429	$	1,943,771
Additions		15		-		100		-		197		38,860		39,172
Disposals		-		-		(570)		-		(6)		(514)		(1,090)
Depreciation		(1,807)		(1,121)		(62,924)		(220)		(2,029)		-		(68,101)
Transfers from construction in progress		921		1,963		47,890		3,316		4,074		(58,164)		-
Foreign currency translation adjustment		4,353		298		23,493		65		360		5,568		34,137
Net as of March 31, 2024	$	196,607	$	28,297	$	1,387,968	$	7,486	$	31,352	$	296,179	$	1,947,889

5. RIGHT-OF-USE ASSETS

	March 31, 2024						December 31, 2023					
		Cost		Accumulated amortization and impairment losses		Net book value		Cost		Accumulated amortization and impairment losses		Net book value
Leased buildings	$	322,003	$	(152,039)	$	169,964	$	316,314	$	(141,483)	$	174,831
Leased manufacturing equipment		109,158		(49,722)		59,436		107,162		(44,985)		62,177
Leased other assets		5,647		(3,944)		1,703		5,364		(3,820)		1,544
	$	436,808	$	(205,705)	$	231,103	$	428,840	$	(190,288)	$	238,552

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

		Leased buildings		Leased manufacturing equipment		Leased other assets		Total
Net as of December 31, 2022	$	185,281	$	67,320	$	1,464	$	254,065
Additions		10,626		12,022		1,017		23,665
Lease modifications		13,647		19		22		13,688
Depreciation		(31,896)		(16,382)		(935)		(49,213)
Foreign currency translation adjustment		(2,827)		(802)		(24)		(3,653)
Net as of December 31, 2023	$	174,831	$	62,177	$	1,544	$	238,552
Additions		-		566		388		954
Lease modifications		904		-		-		904
Depreciation		(8,504)		(4,188)		(244)		(12,936)
Foreign currency translation adjustment		2,733		881		15		3,629
Net as of March 31, 2024	$	169,964	$	59,436	$	1,703	$	231,103

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

6. INVESTMENTS

		March 31, 2024		December 31, 2023
Investment in common shares of NanoXplore Inc.	$	53,738	$	54,384
Investment in common shares and convertible debentures of AlumaPower Corporation.		4,036		4,036
Investment in common shares and convertible debentures of Equispheres Inc.		9,030		1,000
Other		850		750
	$	67,654	$	60,170

As at March 31, 2024, the Company held 38,466,360 common shares of NanoXplore Inc. ("NanoXplore") representing a 22.7% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high-volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

As at March 31, 2024, the Company held 14,952 class A shares, 14,952 class C shares, and 17,010 series A preferred shares of AlumaPower Corporation ("AlumaPower"), including 11,120 series A preferred shares resulting from the conversion of $1,365 (US $1,066) convertible debentures on January 12, 2024, representing a 13.1% equity interest in AlumaPower (on a non-diluted basis). AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive.

As at March 31, 2024, the Company held 1,120,591 series B-3 preferred shares and 7,116,594 series B-4 preferred shares of Equispheres Inc. ("Equispheres"), including the acquisition of 7,116,594 series B-4 preferred shares pursuant to a private placement offering on March 1, 2024 for an aggregate purchase price of $8,030, and the conversion of $1,000 convertible debentures into 1,120,591 series B-3 preferred shares on the same date, representing a 6.8% equity interest in Equispheres. Equispheres is a private company developing technologies for the production and use of advanced materials in additive manufacturing.

The Company applies equity accounting to its equity investment in NanoXplore based on NanoXplore's most recently available financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date, which represents a reasonable estimate of the change in the Company's interest. The shares in AlumaPower and Equispheres are classified as fair value through other comprehensive income. Accordingly, the common shares are recorded at their fair value at the end of each reporting period, with the change in fair value recorded in other comprehensive income (loss).

Movement in equity-accounted investments is summarized as follows:

		Investment in common shares of NanoXplore
Net as of December 31, 2022	$	48,749
Additions		8,452
Share of loss for the period		(2,799)
Share of other comprehensive loss for the period		(18)
Net as of December 31, 2023	$	54,384
Share of loss for the period		(634)
Share of other comprehensive loss for the period		(12)
Net as of March 31, 2024	$	53,738

As at March 31, 2024, the stock market value of the shares held in NanoXplore by the Company was $98,089.

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

7. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2022	$ 4,380	$ 3,526	$ 7,906
Net additions	27,266	375	27,641
Amounts used during the period	(3,444)	(1,944)	(5,388)
Foreign currency translation adjustment	(425)	158	(267)
Net as of December 31, 2023	$ 27,777	$ 2,115	$ 29,892
Net additions	6,255	386	6,641
Amounts used during the period	(22,463)	(327)	(22,790)
Foreign currency translation adjustment	29	(23)	6
Net as of March 31, 2024	$ 11,598	$ 2,151	$ 13,749

Additions to the restructuring provision during the first quarter of 2024 totaled $6,255 and represent employee-related severance resulting from the rightsizing of certain operations in Mexico ($2,802), Germany ($1,683), Canada ($1,234), and the United States ($536).

8. LONG-TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 15.

	March 31, 2024	December 31, 2023
Banking facility	$ 1,003,445	$ 938,129
Equipment loans	26,749	31,107
	1,030,194	969,236
Current portion	(11,178)	(12,778)
	$ 1,019,016	$ 956,458

Terms and conditions of outstanding loans, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2024 Carrying amount	December 31, 2023 Carrying amount
Banking facility	USD	SOFR + 1.70%	2027	$ 597,136	$ 529,496
	CAD	CORRA + 1.70%	2027	156,309	408,633
	CAD	CORRA + 1.95%	2027	250,000	-
Equipment loans	CAD	2.54%	2026	12,896	14,142
	EUR	2.46%	2026	5,239	5,818
	EUR	1.40%	2026	5,008	5,677
	CAD	5.22%	2025	2,179	2,598
	EUR	0.00%	2028	870	870
	EUR	1.05%	2024	485	1,930
	EUR	0.26%	2025	72	72
				$ 1,030,194	$ 969,236

On February 23, 2024, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended banking facility, with now a syndicate of ten banks (down from eleven), include the following:

- an unaltered unsecured credit structure, with a $100 million increase in total borrowing capacity;
- unchanged financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- a new non-amortizing term loan of $250 million at variable interest rates;
- available revolving credit lines of $350 million (down from $500 million) and US $520 million (similar to the previous facility);
- available asset based financing capacity of $300 million, similar to the previous facility;
- accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $300 million, similar to the previous facility;

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

- pricing terms at market rates including transitioning the interest rate benchmark of the Canadian revolving credit line from Bankers' Acceptance ("BA") to the Canadian Overnight Repo Rate Average ("CORRA");
- a maturity date extended to February 2027 (from April 2025); and
- no mandatory principal repayment provisions for the revolving credit lines, including the new non-amortizing term loan, similar to the previous facility.

As at March 31, 2024, the Company had drawn US $441,000 (December 31, 2023 - US $401,000) on the U.S. revolving credit line, $160,000 (December 31, 2023 - $410,000) on the Canadian revolving credit line, and $250,000 (December 31, 2023 - $nil) on the Canadian non-amortizing term loan. At March 31, 2024, the weighted average effective interest rate of the banking facility was 7.1% (December 31, 2023 - 7.1%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2024.

Deferred financing fees of $3,691 (December 31, 2023 - $1,367) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments as at March 31, 2024, before the extension of the Company's banking facility noted above, are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 12,443	$ (1,265)	$ 11,178
One to two years	10,760	(1,265)	9,495
Two to three years	1,010,200	(1,161)	1,009,039
Three to four years	193	-	193
Thereafter	289	-	289
	$ 1,033,885	$ (3,691)	$ 1,030,194

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2022	$ 1,070,368
Net repayments	(71,647)
Equipment loan repayments	(17,104)
Amortization of deferred financing fees	1,022
Foreign currency translation adjustment	(13,403)
Net as of December 31, 2023	$ 969,236
Net drawdowns	52,064
Equipment loan repayments	(2,710)
Deferred financing fee additions	(2,600)
Amortization of deferred financing fees	276
Foreign currency translation adjustment	13,928
Net as of March 31, 2024	$ 1,030,194

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

9. LEASE LIABILITIES

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

Movement in lease liabilities is summarized as follows:

		Total
Net as of December 31, 2022	$	273,120
Net additions		23,665
Lease modifications		13,688
Principal payments of lease liabilities		(47,204)
Termination of leases		(174)
Foreign currency translation adjustment		(4,119)
Net as of December 31, 2023	$	258,976
Net additions		954
Lease modifications		904
Principal payments of lease liabilities		(12,324)
Foreign currency translation adjustment		3,975
Net as of March 31, 2024	$	252,485

The maturity of contractual undiscounted lease liabilities as at March 31, 2024 is as follows:

		Total
Within one year	$	59,479
One to two years		55,012
Two to three years		49,844
Three to four years		40,700
Thereafter		85,437
Total undiscounted lease liabilities at March 31, 2024	$	290,472
Interest on lease liabilities		(37,987)
Total present value of minimum lease payments	$	252,485
Current portion		(49,385)
	$	203,100

10. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended March 31, 2024		Three months ended March 31, 2023
Current income tax expense	$	(16,384)	$	(33,399)
Deferred income tax recovery		2,466		21,320
Total income tax expense	$	(13,918)	$	(12,079)

11. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of December 31, 2022 and March 31, 2023	80,387,095	$	663,646
Exercise of stock options	25,000		358
Repurchase of common shares under normal course issuer bid	(2,270,655)		(18,748)
Balance as of December 31, 2023	78,141,440	$	645,256
Repurchase of common shares under normal course issuer bid	(1,353,500)		(11,177)
Balance as of March 31, 2024	76,787,940	$	634,079

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

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

Repurchase of capital stock:

On March 29, 2023, the Toronto Stock Exchange ("TSX") accepted a notice of intention of the Company to make a normal course issuer bid ("NCIB") permitting the Company to purchase for cancellation up to 5 million common shares over a 12-month period ending on or about April 3, 2024.

During 2023, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,270,655 common shares for an aggregate purchase price of $29,069, resulting in a reduction to capital stock of $18,748 and a decrease to retained earnings of $10,321. The shares were purchased and cancelled directly under the NCIB.

During the first quarter of 2024, the Company purchased for cancellation an aggregate of 1,353,500 common shares for an aggregate purchase price of $15,910 resulting in a reduction to capital stock of $11,177 and a decrease to retained earnings of $4,733. The shares were purchased and cancelled directly under the NCIB.

Subsequent to March 31, 2024, on April 29, 2024, the Company renewed the NCIB receiving approval from the TSX to acquire for cancellation up to an additional 6,435,000 common shares of the Company. The renewed bid commences on May 2, 2024 and spans a 12-month period.

Stock options

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

	Three months ended March 31, 2024			Three months ended March 31, 2023		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	2,328,500	$	13.56	2,435,000	$	13.50
Cancelled during the period	-		-	(81,500)		12.53
Balance, end of period	2,328,500	$	13.56	2,353,500	$	13.53
Options exercisable, end of period	2,123,500	$	13.50	1,834,500	$	13.37

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2024:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$10.00 - 12.99	608,500	2014 - 2022	2024 - 2032
$13.00 - 16.99	1,720,000	2015 - 2020	2025 - 2030
Total share purchase options	2,328,500		

For the three months ended March 31, 2024, the Company expensed $42 (2023 - $110), to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

Deferred Share Unit ("DSU") Plan

The following is a summary of the issued and outstanding DSUs as at March 31, 2024 and 2023:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Outstanding, beginning of period	836,505	625,148
Granted and reinvested dividends	23,850	29,643
Redeemed	-	-
Outstanding, end of period	860,355	654,791

The DSUs granted during the three months ended March 31, 2024 and 2023 had a weighted average fair value per unit of $14.09 and $13.64, respectively, on the date of grant. For the three months ended March 31, 2024, DSU compensation expense/benefit reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to a benefit of $592 (2023 - an expense of $1,336), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at March 31, 2024 was $1,510 (March 31, 2023 - $1,801 and December 31, 2023 - $1,791) and will be recognized in profit or loss over the remaining vesting period.

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

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

The following is a summary of the issued and outstanding RSUs and PSUs for the three months ended March 31, 2024 and 2023:

	RSUs	PSUs	Total
Outstanding, December 31, 2022	558,474	478,624	1,037,098
Granted and reinvested dividends	58,288	36,126	94,414
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, March 31, 2023	616,762	514,750	1,131,512
Granted and reinvested dividends	391,843	328,714	720,557
Redeemed	(192,725)	(191,966)	(384,691)
Cancelled	(6,690)	(7,303)	(13,993)
Outstanding, December 31, 2023	809,190	644,195	1,453,385
Granted and reinvested dividends	49,975	30,898	80,873
Redeemed	-	-	-
Cancelled	(1,338)	(1,195)	(2,533)
Outstanding, March 31, 2024	857,827	673,898	1,531,725

The RSUs and PSUs granted during the three months ended March 31, 2024 and 2023 had a weighted average fair value per unit of $15.11 and $15.02, respectively, on the date of grant. For the three months ended March 31, 2024, RSU and PSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $408 (2023 - $4,100), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at March 31, 2024 was $6,639 (March 31, 2023 - $7,180 and December 31, 2023 - $9,765) and will be recognized in profit or loss over the remaining vesting period.

The key assumptions, on a weighted average basis, used in the valuation of PSUs granted during the three months ended March 31, 2024 and 2023 are shown in the table below:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Expected life (years)	2.76	2.75
Risk free interest rate	4.30%	3.78%

12. EARNINGS PER SHARE

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

	Three months ended March 31, 2024		Three months ended March 31, 2023	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	77,899,614	$ 0.56	80,387,095	$ 0.60
Effect of dilutive securities:				
Stock options	60,175	-	57,516	-
Diluted	77,959,789	$ 0.56	80,444,611	$ 0.60

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

For the three months ended March 31, 2024, 1,100,000 (2023 - 1,720,000) options were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

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

13. FINANCE EXPENSE AND OTHER FINANCE INCOME

	Three months ended March 31, 2024	Three months ended March 31, 2023
Debt interest, gross	$ (21,052)	$ (20,763)
Interest on lease liabilities	(2,757)	(2,827)
Capitalized interest - at an average rate of 7.6% (2023 - 6.9%)	3,636	4,544
Finance expense	$ (20,173)	$ (19,046)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net foreign exchange gain	$ 4,930	$ 70
Other income, net	513	154
Other finance income	$ 5,443	$ 224

14. OPERATING SEGMENTS

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

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

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2023. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Three months ended March 31, 2024			
	Production Sales	Tooling Sales	Total Sales	Operating Income (Loss)
North America				
Canada	$ 145,792	$ 10,017	$ 155,809	
USA	399,889	2,894	402,783	
Mexico	454,680	15,204	469,884	
Eliminations	(55,183)	(9,350)	(64,533)	
	$ 945,178	$ 18,765	$ 963,943	$ 62,579
Europe				
Germany	216,408	40,667	257,075	
Spain	62,925	2	62,927	
Slovakia	13,328	834	14,162	
Eliminations	(154)	-	(154)	
	$ 292,507	$ 41,503	$ 334,010	$ 12,995
Rest of the World	25,289	6,473	31,762	(2,642)
Eliminations	(5,471)	(331)	(5,802)	-
	$ 1,257,503	$ 66,410	$ 1,323,913	$ 72,932

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

	Three months ended March 31, 2023			
	Production Sales	Tooling Sales	Total Sales	Operating Income (Loss)
North America				
Canada	$ 190,139	$ 54,408	$ 244,547	
USA	341,710	13,662	355,372	
Mexico	453,998	17,355	471,353	
Eliminations	(63,642)	(33,638)	(97,280)	
	$ 922,205	$ 51,787	$ 973,992	$ 74,246
Europe				
Germany	235,917	9,843	245,760	
Spain	45,173	829	46,002	
Slovakia	11,685	23	11,708	
	$ 292,775	$ 10,695	$ 303,470	$ (989)
Rest of the World	31,620	2,262	33,882	1,920
Eliminations	(7,058)	(397)	(7,455)	-
	$ 1,239,542	$ 64,347	$ 1,303,889	$ 75,177

15. FINANCIAL INSTRUMENTS

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

Fair Value

IFRS 13, Fair Value Measurement defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	March 31, 2024			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 173,694	$ 173,694	$ -	$ -
Investment in common shares of AlumaPower (note 6)	4,036	-	-	4,036
Investment in common shares of Equispheres (note 6)	9,030	-	-	9,030
Foreign exchange forward contracts not accounted for as hedges (note 2)	796	-	796	-

	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 186,804	$ 186,804	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 6)	4,036	-	-	4,036
Investment in convertible debentures of Equispheres (note 6)	1,000	-	-	1,000
Foreign exchange forward contracts not accounted for as hedges (note 2)	3,937	-	3,937	-

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

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the interim condensed consolidated balance sheets, are as follows:

March 31, 2024	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 826,084	$ -	$ 826,084	$ 826,084
Investment in common shares of AlumaPower	-	4,036	-	-	4,036	4,036
Investment in common shares of Equispheres	-	9,030	-	-	9,030	9,030
Foreign exchange forward contracts not accounted for as hedges	796	-	-	-	796	796
	$ 796	$ 13,066	$ 826,084	$ -	$ 839,946	$ 839,946
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,211,451)	(1,211,451)	(1,211,451)
Long-term debt	-	-	-	(1,030,194)	(1,030,194)	(1,030,194)
	$ -	$ -	$ -	$ (2,241,645)	$ (2,241,645)	$ (2,241,645)
Net financial assets (liabilities)	$ 796	$ 13,066	$ 826,084	$ (2,241,645)	$ (1,401,699)	$ (1,401,699)

December 31, 2023	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 691,882	$ -	$ 691,882	$ 691,882
Investment in common shares and convertible debentures of AlumaPower	-	2,671	-	1,365	4,036	4,036
Investment in convertible debentures of Equispheres	-	-	-	1,000	1,000	1,000
Foreign exchange forward contracts not accounted for as hedges	3,937	-	-	-	3,937	3,937
	$ 3,937	$ 2,671	$ 691,882	$ 2,365	$ 700,855	$ 700,855
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,176,579)	(1,176,579)	(1,176,579)
Long-term debt	-	-	-	(969,236)	(969,236)	(969,236)
	$ -	$ -	$ -	$ (2,145,815)	$ (2,145,815)	$ (2,145,815)
Net financial assets (liabilities)	$ 3,937	$ 2,671	$ 691,882	$ (2,143,450)	$ (1,444,960)	$ (1,444,960)

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

Risk Management

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

(a) Credit risk

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

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

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

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

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 27.0%, 22.5%, and 12.0% of its production sales for the three months ended March 31, 2024 (2023 - 26.4%, 17.4%, and 16.5%). A substantial portion of the Company's trade receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of trade receivables that were past due as at March 31, 2024 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 1.0% of total trade receivables for all periods and movements in the period were minimal.

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

		March 31, 2024		December 31, 2023
0-60 days	$	769,933	$	633,984
61-90 days		5,454		2,158
Greater than 90 days		8,498		7,817
	$	783,885	$	643,959

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12-week period, quarterly through forecasting and annually through the Company's budget process. At March 31, 2024, the Company had cash of $173,694 (December 31, 2023 - $186,804) and banking facilities available as discussed in note 8. All of the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

A summary of contractual maturities of long-term debt is provided in note 8.

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, SOFR or the CORRA rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount			
		March 31, 2024		December 31, 2023
Variable rate instruments	$	1,003,445	$	938,129
Fixed rate instruments		26,749		31,107
	$	1,030,194	$	969,236

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $2,486 (2023 - $2,692) on the Company's consolidated financial results for the three months ended March 31, 2024.

(d) Currency risk

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

At March 31, 2024, the Company had committed to the following foreign exchange contracts:

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

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	$ 62,806	$ 16.7979	1

The aggregate value of these forward contracts as at March 31, 2024 was a pre-tax gain of $796 and was recorded in trade and other receivables (December 31, 2023 - pre-tax gain of $3,937 recorded in trade and other receivables).

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

March 31, 2024	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 418,975	€ 119,276	$ 100,474	R$ 37,412	¥ 130,637
Trade and other payables	(504,209)	(212,172)	(709,992)	(66,729)	(115,534)
Long-term debt	(441,000)	(7,991)	-	-	-
	$ (526,234)	€ (100,887)	$ (609,518)	R$ (29,317)	¥ 15,103

December 31, 2023	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 355,463	€ 95,758	$ 94,082	R$ 34,796	¥ 104,647
Trade and other payables	(491,150)	(215,929)	(570,269)	(71,276)	(111,242)
Long-term debt	(401,000)	(9,842)	-	-	-
	$ (536,687)	€ (130,013)	$ (476,187)	R$ (36,480)	¥ (6,595)

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

	Average rate		Closing rate	
	Three months ended March 31, 2024	Three months ended March 31, 2023	March 31, 2024	December 31, 2023
USD	1.3451	1.3476	1.3540	1.3204
EURO	1.4642	1.4388	1.4608	1.4598
PESO	0.0786	0.0708	0.0814	0.0781
BRL	0.2735	0.2587	0.2700	0.2729
CNY	0.1878	0.1956	0.1874	0.1859

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at March 31 would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three months ended March 31, 2024 and 2023 by the amounts shown below, assuming all other variables remain constant:

	Three months ended March 31, 2024	Three months ended March 31, 2023
USD	$ (5,181)	$ (5,910)
EURO	(948)	298
BRL	42	(70)
CNY	270	(78)
	$ (5,817)	$ (5,760)

A weakening of the Canadian dollar against the above currencies at March 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

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

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

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

16. CONTINGENCIES

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks, however, there can be no assurance as to the final resolution of any claims and any resulting proceedings. If any claims and ensuing proceedings are determined adversely to the Company, the amounts the Company may be required to pay could be material and in excess of any amounts accrued. In addition, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of these interim condensed consolidated financial statements or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingencies

The Company is subject to tax audits in various jurisdictions. Reviews by tax authorities generally focus on, but are not limited to, the validity of the Company's intra-company transactions, including financing and transfer pricing policies which may involve subjective areas of taxation and significant judgement, and value added tax ("VAT") credits claimed on certain purchases.

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical VAT credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately $43,855 (BRL $162,406) including interest and penalties to March 31, 2024 (December 31, 2023 - $42,539 or BRL $155,897). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against the assessments. The amounts of certain assessments have decreased due to successful challenges by the Company's subsidiary at preliminary stages of the proceedings. The assessments are at various stages in the process. Three assessments totaling $25,694 (BRL $95,151) including interest and penalties as at March 31, 2024 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to $24,433 (BRL $90,481) shortly through a pledge of assets, bank letter of credit or cash deposit. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

The Company's subsidiary in Queretaro, Mexico, Martinrea Honsel Mexico, S.A. de C.V., is currently being assessed by the Mexican Federal Tax Authorities for tax deductions taken mainly in respect of certain intra-company transactions. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $96,306 (MXN $1,183,062) including interest and penalties to March 31, 2024 (December 31, 2023 - $91,423 or MXN $1,170,668). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against such assessments. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

17. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's interim condensed consolidated balance sheet unless the sale on the corresponding tooling project has been recognized, at which point a tooling trade payable on the project is recorded. At March 31, 2024, the amount of the off-balance sheet program financing was $21,372 (December 31, 2023 - $16,457) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2023 or 2024. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically range up to twenty-four months.