MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE FIRST QUARTER ENDING MARCH 31, 2024

FIRST QUARTER REPORT

March 31, 2024

MESSAGE TO SHAREHOLDERS

The Company's first quarter sales of $1,323.9 million, up 1.5% year-over-year, is a new quarterly record, as reflected in the attached materials, and we had a good quarter overall. Our Company continues to improve, driving our One Martinrea culture. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

PRESS RELEASE

FOR IMMEDIATE RELEASE
MAY 2, 2024

MARTINREA INTERNATIONAL INC. REPORTS STRONG FIRST QUARTER RESULTS AND DECLARES DIVIDEND

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the first quarter ended March 31, 2024, and declared a quarterly cash dividend of $0.05 per share.

FIRST-QUARTER HIGHLIGHTS

- Total sales of $1,323.9 million, up 1.5% year-over-year.
- Diluted net earnings per share of $0.56 and Adjusted Net Earnings per Share(1) of $0.62.
- Adjusted Operating Income Margin(1) of 6.0%.
- Adjusted EBITDA(1) of $162.8 million.
- First-quarter results improved significantly quarter over quarter.
- Free Cash Flow(1) (excluding principal payments of IFRS-16 lease liabilities) was ($1.4) million, inclusive of a normal seasonal build in non-cash working capital, a significant improvement over ($31.5) million generated in the first quarter of 2023.
- Net debt-to-Adjusted EBITDA(1) ratio, excluding the impact of IFRS 16, ended the quarter at 1.51x.
- New business awards of approximately $30 million in annualized sales at mature volumes; the Company was also awarded replacement business worth $150 million in annualized sales at mature volumes with various customers.
- Quarterly cash dividend of $0.05 per share declared.

OVERVIEW

Pat D'Eramo, Chief Executive Officer, stated: "Our first quarter financial results were solid, and a notable improvement over the prior quarter as we bounced back from the disruptions caused by the UAW strike and Tier 2 supplier issue we faced in the fourth quarter. We continue to perform at a high level operationally. Industry headwinds from supply shortages, inflationary cost pressures, and tight labour market conditions continue to improve, vehicle production volumes had a good start to the year despite the slower-than-expected ramp-up in electric vehicle platforms across the industry, and a number of our core platforms experienced growth in production volumes quarter over quarter. Commercial negotiations aimed at offsetting

[1] The Company prepares its financial statements in accordance with IFRS Accounting Standards. 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, included anywhere in this press release, include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow", "Free Cash-Flow (after IFRS 16 lease payments)" and "Net Debt". The relevant IFRS financial measure, as applicable, and a reconciliation of certain non-IFRS financial measures to measures determined in accordance with IFRS are contained in the Company's Management Discussion and Analysis for the three months ended March 31, 2024 and in this press release.

inflationary cost pressures and volume shortfalls on certain programs continue, and I am happy with the progress our team is making on this front."

He added: "I am pleased to announce that we have been awarded new business representing $30 million in annualized sales at mature volumes, consisting of $20 million in Lightweight Structures and $10 million in Propulsion Systems. In addition, we were awarded replacement business in both Lightweight Structures and Propulsion Systems worth approximately $150 million in annualized sales at mature volumes with a variety of customers."

Fred Di Tosto, President and Chief Financial Officer, stated: "We are pleased with our operational and financial performance in the first quarter. Adjusted EBITDA(1) of $162.8 million was near record levels, and Adjusted Operating Income Margin(1) of 6.0% returned to a level consistent with where we were prior to the disruptions from the UAW strike and Tier 2 supplier issue that impacted the fourth quarter. Sales for the first quarter, excluding tooling sales of $66.4 million, were $1,257.5 million, and diluted net earnings per share and Adjusted Net Earnings per Share(1) were $0.56 and $0.62 respectively. Free Cash Flow(1) (excluding principal payments of IFRS-16 lease liabilities) of ($1.4) million improved significantly year over year. We expect another solid year of Free Cash Flow(1) in 2024, with the bulk of it being generated in the back half of the year, similar to 2023."

He continued: "Net Debt(1) (excluding IFRS-16 lease liabilities) increased by approximately $74 million quarter over quarter, to $856.5 million, reflecting our Free Cash Flow(1) profile for the quarter, as well as funding an investment in Equispheres Inc., cash restructuring costs, our regular dividend payment, and significant share buyback activity during the quarter. Our Net Debt to Adjusted EBITDA(1) ratio (excluding the impact of IFRS 16) ended the quarter at 1.51x, inline with our long-term target range of 1.5x or better."

Rob Wildeboer, Executive Chairman, stated: "As Pat and Fred outlined, we continue to perform well operationally, our balance sheet is in great shape, and we are executing on our capital allocation priorities. We repurchased 1,353,500 shares for cancellation under our normal course issuer bid (NCIB) during the quarter at a cost of $15.9 million. We have renewed our NCIB for another year, and our intention is to continue to buy back stock at these price levels. We also funded an investment in Equispheres Inc. for $8.0 million. Equispheres is a leading-edge company developing innovative technologies for the production of advanced materials, including high-performance aluminum powder for additive manufacturing applications. Our relationship with Equispheres is expected to enable us to introduce increasingly complex and sophisticated products to our customers, thereby advancing our Project BreakThrough strategy. On behalf of the executive management team, we would like to thank our people for their hard work in delivering a solid quarterly performance, as well as our shareholders and other stakeholders for their continued support."

RESULTS OF OPERATIONS

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 three months ended March 31, 2024 ("MD&A"), the Company's interim condensed consolidated financial statements for the three months ended March 31, 2024 (the "interim financial statements") and the Company's Annual Information Form for the year ended December 31, 2023 can be found at www.sedarplus.ca.

OVERALL RESULTS

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

The following table sets out certain highlights of the Company's performance for the three months ended March 31, 2024 and 2023. Refer to the Company's interim financial statements for the three months ended March 31, 2024 for a detailed account of the Company's performance for the periods presented in the table below.

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Sales	$ 1,323,913	$ 1,303,889	20,024	1.5%
Gross Margin	172,537	167,386	5,151	3.1%
Operating Income	72,932	75,177	(2,245)	(3.0%)
Net Income for the period	43,650	48,171	(4,521)	(9.4%)
Net Earnings per Share - Basic and Diluted	$ 0.56	$ 0.60	(0.04)	(6.7%)
Non-IFRS Measures*				
Adjusted Operating Income	$ 79,187	$ 75,177	4,010	5.3%
% of Sales	*6.0 %*	*5.8 %*		
Adjusted EBITDA	162,830	152,504	10,326	6.8%
% of Sales	*12.3 %*	*11.7 %*		
Adjusted Net Income	48,097	43,597	4,500	10.3%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.62	$ 0.54	0.08	14.8%

***Non-IFRS Measures**

The Company prepares its interim financial statements in accordance with IFRS Accounting Standards. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow", "Free Cash Flow (after IFRS 16 lease payments)", and "Net Debt".

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

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Income	$ 43,650	$ 48,171
Adjustments, after tax*	4,447	(4,574)
Adjusted Net Income	$ 48,097	$ 43,597

**Adjustments are explained in the "Adjustments to Net Income" section of this Press Release*

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Income	$ 43,650	$ 48,171
Income tax expense	13,918	12,079
Other finance income	(5,443)	(224)
Share of loss of equity investments	634	1,378
Finance expense	20,173	19,046
Adjustments, before tax*	6,255	(5,273)
Adjusted Operating Income	$ 79,187	$ 75,177
Depreciation of property, plant and equipment and right-of-use assets	81,037	74,672
Amortization of development costs	2,494	2,613
Loss on disposal of property, plant and equipment	112	42
Adjusted EBITDA	$ 162,830	$ 152,504

**Adjustments are explained in the "Adjustments to Net Income" section of this Press Release*

SALES

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
North America	$ 963,943	$ 973,992	(10,049)	(1.0%)
Europe	334,010	303,470	30,540	10.1%
Rest of the World	31,762	33,882	(2,120)	(6.3%)
Eliminations	(5,802)	(7,455)	1,653	22.2%
Total Sales	$ 1,323,913	$ 1,303,889	20,024	1.5%

The Company's consolidated sales for the first quarter of 2024 increased by $20.0 million or 1.5% to $1,323.9 million as compared to $1,303.9 million for the first quarter of 2023. The total increase in sales was driven by a year-over-year increase in the Europe operating segment, partially offset by year-over-year decreases in North America and the Rest of the World.

Sales for the first quarter of 2024 in the Company's North America operating segment decreased by $10.0 million or 1.0% to $963.9 million from $974.0 million for the first quarter of 2023. The decrease was due to lower year-over-year OEM production volumes on certain light vehicle platforms, including the Ford Mustang Mach E, General Motors' Equinox/Terrain, and Mercedes' new electric vehicle platform (EVA2); programs that ended production during or subsequent to the first quarter of 2023, specifically the Dodge Charger/Challenger and Chevrolet Bolt; and a decrease in tooling sales of $33.0 million, which are typically dependent of the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the launch and ramp up of new programs during or subsequent to the first quarter of 2023, including General Motors' new electric vehicle platform (BEV3), a Toyota/Lexus SUV, and a transmission for the ZF Group; and higher year-over-year OEM production volumes on certain other light vehicle platforms, including the Ford Escape and General Motors' large pick-up truck and SUV platform. Overall first quarter industry-wide OEM light vehicle production volumes in North America increased by approximately 1% year-over-year.

Sales for the first quarter of 2024 in the Company's Europe operating segment increased by $30.5 million or 10.1% to $334.0 million from $303.5 million for the first quarter of 2023. The increase was due to an increase in tooling sales of $30.8 million, which are typically dependent of the timing of tooling construction and final acceptance by the customer; higher year-over-year OEM production volumes on certain platforms, including aluminum engine blocks for Jaguar Land Rover, Mercedes and Ford; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the first quarter of 2024 of $5.0 million. These positive factors were partially offset by lower year-over-year production volumes of certain other light vehicle platforms, including the Mercedes' new electric vehicle platform (EVA2) and Lucid Air. Overall industry-wide first quarter OEM light vehicle production volumes in Europe decreased by approximately 3% year-over-year.

Sales for the first quarter of 2024 in the Company's Rest of the World operating segment decreased by $2.1 million or 6.3% to $31.8 million from $33.9 million for the first quarter of 2023. The decrease was largely driven by programs that came with the operations acquired from Metalsa in China that ended production during or subsequent to the first quarter of 2023; partially offset by the launch and ramp up of new programs during or subsequent to the first quarter of 2023, specifically the BMW 5-series in China, and an increase in tooling sales of $4.2 million.

Overall tooling sales increased by $2.1 million (including outside segment sales eliminations) to $66.4 million for the first quarter of 2024 from $64.3 million for the first quarter of 2023.

GROSS MARGIN

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Gross margin	$ 172,537	$ 167,386	5,151	3.1%
% of Sales	13.0%	12.8%		

The gross margin percentage for the first quarter of 2024 of 13.0% increased as a percentage of sales by 0.2% as compared to the gross margin percentage for the first quarter of 2023 of 12.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities and other improvements; and
- contribution from overall higher production sales volume.

These factors were partially offset by:

- a negative sales mix, including additional depreciation expense from recent new program investments;
- an unfavourable impact from a year-over-year change in foreign exchange rates in Mexico; and
- operational inefficiencies at certain operating facilities.

Overall market related inflationary pressures on labour, material and energy costs, along with offsetting commercial settlements, were generally stable for the quarter on a year-over-year basis.

ADJUSTMENTS TO NET INCOME

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

TABLE A

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

		Three months ended March 31, 2024		Three months ended March 31, 2023		$ Change
NET INCOME	**$**	**43,650**	**$**	**48,171**	**$**	**(4,521)**
Adjustments:						
Restructuring costs (1)		6,255		-		6,255
Net gain on disposal of equity investments (2)		-		(5,273)		5,273
ADJUSTMENTS, BEFORE TAX	**$**	**6,255**	**$**	**(5,273)**	**$**	**11,528**
Tax impact of adjustments		(1,808)		699		(2,507)
ADJUSTMENTS, AFTER TAX	**$**	**4,447**	**$**	**(4,574)**	**$**	**9,021**
ADJUSTED NET INCOME	**$**	**48,097**	**$**	**43,597**	**$**	**4,500**
Number of Shares Outstanding – Basic (‘000)		77,900		80,387		
Adjusted Basic Net Earnings Per Share	$	0.62	$	0.54		
Number of Shares Outstanding – Diluted (‘000)		77,960		80,445		
Adjusted Diluted Net Earnings Per Share	$	0.62	$	0.54		

(1) Restructuring costs

Additions to the restructuring provision during the first quarter of 2024 totaled $6.3 million, and represent employee-related severance resulting from the rightsizing of certain operations in Mexico ($2.8 million), Germany ($1.7 million), Canada ($1.2 million), and the United States ($0.6 million).

(2) Net gain on disposal of equity investments

On March 24, 2023, Martinrea sold its equity interest in VoltaXplore Inc. ("VoltaXplore) to NanoXplore Inc. ("NanoXplore") for 3,420,406 common shares of NanoXplore at $2.92 per share representing an aggregate consideration of $10.0 million. The sale transaction resulted in a gain on disposal of equity investments during the first quarter of 2023 as follows:

Gross gain (Total consideration of $10.0 million less book value of investment)	$	6,821
Less: gain attributable to indirect retained interest		(1,548)
Net gain on disposal of equity investments	$	5,273

Subsequent to this transaction, the Company no longer holds a direct equity interest in VoltaXplore while its equity ownership interest in NanoXplore increased from 21.1% to 22.7%.

NET INCOME

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

		Three months ended March 31, 2024		Three months ended March 31, 2023	$ Change	% Change
Net Income	$	43,650	$	48,171	(4,521)	(9.4%)
Adjusted Net Income		48,097		43,597	4,500	10.3%
Net Earnings per Share						
Basic and Diluted	$	0.56	$	0.60		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.62	$	0.54		

Net Income, before adjustments, for the first quarter of 2024 decreased by $4.5 million to $43.7 million or $0.56 per share, on a basic and diluted basis, from Net Income of $48.2 million or $0.60 per share, on a basic and diluted basis, for the first quarter of 2023. Excluding the adjustments explained in Table A under "Adjustments to Net Income", Adjusted Net Income for the first quarter of 2024 increased by $4.5 million to $48.1 million or $0.62 per share on a basic and diluted basis, from $43.6 million or $0.54 per share, on a basic and diluted basis, for the first quarter of 2023.

Adjusted Net Income for the first quarter of 2024, as compared to the first quarter of 2023, was positively impacted by the following:

- higher gross margin as previously explained; and
- a net foreign exchange gain of $4.9 million for the first quarter of 2024 compared to a gain of $0.1 million for the first quarter of 2023.

These factors were partially offset by the following:

- a $1.7 million year-over-year increase in research and development costs driven generally by increased new product and process development activity;
- a $1.1 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt; and
- a higher effective tax rate (24.6% for the first quarter of 2024 compared to 20.7% for the first quarter of 2023).

DIVIDEND

A cash dividend of $0.05 per share has been declared by the Board of Directors payable to shareholders of record on June 30, 2024, on or about July 15, 2024.

ABOUT MARTINREA

Martinrea International Inc. is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems, and complex aluminum products focused primarily on the automotive sector. Martinrea currently operates in 56 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa, and Japan. Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on X and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Thursday, May 2, 2024 at 5:30 p.m. Eastern Time. To participate, please dial 416-641-6104 (Toronto area) or 800-952-5114 (toll free Canada and US) and enter participant code 1012992#. Please call 10 minutes prior to the start of the conference call.

The conference call will also be webcast live in listen-only mode and archived for twelve months. The webcast and accompanying presentation can be accessed at: https://www.martinrea.com/investor-relations/events-presentations/.

There will also be a rebroadcast of the call available by dialing 905-694-9451 or toll free 800-408-3053 (Conference ID – 3168089#). The rebroadcast will be available until June 3, 2024 at 5:00 p.m.

If you have any teleconferencing questions, please call Ganesh Iyer at 416-749-0314.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This Press Release and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views or beliefs in or on, the impact of, or duration of, or factors affecting, or expected response to or growth of, improvements in, expansion of and/or guidance or outlook (including for 2024) as to future results, revenue, sales, margin, gross margin, earnings, and earnings per share, adjusted earnings per share, free cash flow, volumes, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, leverage ratios, net debt to adjusted EBITDA(1), debt repayment, Adjusted EBITDA(1), capex levels, working capital levels, cash tax levels, progress on commercial negotiations, the growth of the Company and pursuit of, and belief in, its strategies, the strength, recovery and growth of the automotive industry and continuing challenges, contemplated purchases under the NCIB, expectation of the benefit of the Equispheres investment, 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. 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 AIF and MD&A for the year ended December 31, 2023, and other public filings which can be found at www.sedarplus.ca:

- North American and Global Economic and Political Conditions (including war) and Consumer Confidence
- Automotive Industry Risks
- Pandemics and Epidemics, Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest or War, and Other Outbreaks
- Russia and Ukraine War and Hamas-Israel War
- Semiconductor Chip Shortages and Price Increases
- Inflationary Pressures
- Regional Energy Shortages
- Dependence Upon Key Customers
- Customer Consolidation and Cooperation
- Emergence of Potentially Disruptive EV OEMs
- Outsourcing and Insourcing Trends
- Financial Viability of Suppliers and Key Suppliers and Supply Disruptions
- Competition
- Customer Pricing Pressures, Contractual Arrangements, Cost and Risk Absorption and Purchase Orders
- Material and Commodity Prices and Volatility
- Scrap Steel/Aluminum Price Volatility
- Quote/Pricing Assumptions

- Launch and Operational Costs and Cost Structure
- Fluctuations in Operating Results
- Product Warranty, Repair/Replacement Costs, Recall, Product Liability and Liability Risk
- Product Development and Technological Change
- A Shift Away from Technologies in Which the Company is Investing
- Dependence Upon Key Personnel
- Limited Financial Resources/Uncertainty of Future Financing/Banking
- Cybersecurity Threats
- Acquisitions
- Joint Ventures
- Private or Public Equity Investments in Technology Companies
- Potential Tax Exposures
- Potential Rationalization Costs, Turnaround Costs and Impairment Charges
- Labour Relations Matters
- Trade Restrictions or Disputes
- Changes in Laws and Governmental Regulations
- Environmental Regulation and Climate Change
- Litigation and Regulatory Compliance and Investigations
- Risks of Conducting Business in Foreign Countries, Including China, Brazil and Other Growing Markets
- Currency Risk
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures
- Loss of Use of Key Manufacturing Facilities
- Intellectual Property
- Availability of Consumer Credit or Cost of Borrowing
- Evolving Business Risk Profile
- Competition with Low Cost Countries
- The Company's Ability to Shift its Manufacturing Footprint to Take Advantage of Opportunities in Growing Markets
- Change in the Company's Mix of Earnings Between Jurisdictions with Lower Tax Rates and Those with Higher Tax Rates
- Pension Plans and Other Post-Employment Benefits
- Potential Volatility of Share Prices
- Dividends
- Lease Obligations

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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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2024

The following management discussion and analysis ("MD&A") was prepared as of May 2, 2024 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 ("interim financial statements") as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2023 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form ("AIF") dated February 29, 2024 for the year ended December 31, 2023, can be found at www.sedarplus.ca.

OVERVIEW

Martinrea International Inc. (TSX: MRE) ("Martinrea" or 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. Martinrea currently employs approximately 19,000 skilled and motivated people in 56 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

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

OVERALL RESULTS

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	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Income	$ 43,650	$ 48,171
Income tax expense	13,918	12,079
Other finance income	(5,443)	(224)
Share of loss of equity investments	634	1,378
Finance expense	20,173	19,046
Adjustments, before tax*	6,255	(5,273)
Adjusted Operating Income	$ 79,187	$ 75,177
Depreciation of property, plant and equipment and right-of-use assets	81,037	74,672
Amortization of development costs	2,494	2,613
Loss on disposal of property, plant and equipment	112	42
Adjusted EBITDA	$ 162,830	$ 152,504

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

SALES

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
North America	$ 963,943	$ 973,992	(10,049)	(1.0%)
Europe	334,010	303,470	30,540	10.1%
Rest of the World	31,762	33,882	(2,120)	(6.3%)
Eliminations	(5,802)	(7,455)	1,653	22.2%
Total Sales	$ 1,323,913	$ 1,303,889	20,024	1.5%

The Company's consolidated sales for the first quarter of 2024 increased by $20.0 million or 1.5% to $1,323.9 million as compared to $1,303.9 million for the first quarter of 2023. The total increase in sales was driven by a year-over-year increase in the Europe operating segment, partially offset by year-over-year decreases in North America and the Rest of the World.

Sales for the first quarter of 2024 in the Company's North America operating segment decreased by $10.0 million or 1.0% to $963.9 million from $974.0 million for the first quarter of 2023. The decrease was due to lower year-over-year OEM production volumes on certain light vehicle platforms, including the Ford Mustang Mach E, General Motors' Equinox/Terrain, and Mercedes' new electric vehicle platform (EVA2); programs that ended production during or subsequent to the first quarter of 2023, specifically the Dodge Charger/Challenger and Chevrolet Bolt; and a decrease in tooling sales of $33.0 million, which are typically dependent of the timing of tooling construction and final acceptance by the customer. These negative factors were partially offset by the launch and ramp up of new programs during or subsequent to the first quarter of 2023, including General Motors' new electric vehicle platform (BEV3), a Toyota/Lexus SUV, and a transmission for the ZF Group; and higher year-over-year OEM production volumes on certain other light vehicle platforms, including the Ford Escape and General Motors' large pick-up truck and SUV platform. Overall first quarter industry-wide OEM light vehicle production volumes in North America increased by approximately 1% year-over-year.

Sales for the first quarter of 2024 in the Company's Europe operating segment increased by $30.5 million or 10.1% to $334.0 million from $303.5 million for the first quarter of 2023. The increase was due to an increase in tooling sales of $30.8 million, which are typically dependent of the timing of tooling construction and final acceptance by the customer; higher year-over-year OEM production volumes on certain platforms, including aluminum engine blocks for Jaguar Land Rover, Mercedes and Ford; and the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the first quarter of 2024 of $5.0 million. These positive factors were partially offset by lower year-over-year production volumes of certain other light vehicle platforms, including the Mercedes' new electric vehicle platform (EVA2) and Lucid Air. Overall industry-wide first quarter OEM light vehicle production volumes in Europe decreased by approximately 3% year-over-year.

Sales for the first quarter of 2024 in the Company's Rest of the World operating segment decreased by $2.1 million or 6.3% to $31.8 million from $33.9 million for the first quarter of 2023. The decrease was largely driven by programs that came with the operations acquired from Metalsa in China that ended production during or subsequent to the first quarter of 2023; partially offset by the launch and ramp up of new programs during or subsequent to the first quarter of 2023, specifically the BMW 5-series in China, and an increase in tooling sales of $4.2 million.

Overall tooling sales increased by $2.1 million (including outside segment sales eliminations) to $66.4 million for the first quarter of 2024 from $64.3 million for the first quarter of 2023.

GROSS MARGIN

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Gross margin	$ 172,537	$ 167,386	5,151	3.1%
% of Sales	13.0%	12.8%		

The gross margin percentage for the first quarter of 2024 of 13.0% increased as a percentage of sales by 0.2% as compared to the gross margin percentage for the first quarter of 2023 of 12.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities and other improvements; and
- contribution from overall higher production sales volume.

These factors were partially offset by:

- a negative sales mix, including additional depreciation expense from recent new program investments;
- an unfavourable impact from a year-over-year change in foreign exchange rates in Mexico; and
- operational inefficiencies at certain operating facilities.

Overall market related inflationary pressures on labour, material and energy costs, along with offsetting commercial settlements, were generally stable for the quarter on a year-over-year basis.

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

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Selling, general & administrative	$ 78,191	$ 78,523	(332)	(0.4%)
% of Sales	5.9%	6.0%		

SG&A expense for the first quarter of 2024 decreased slightly by $0.3 million to $78.2 million as compared to SG&A expense for the first quarter of 2023 of $78.5 million. The decrease in SG&A expense can largely be attributed to a decrease in the fair value of equity-based compensation expense related to deferred, restricted, and performance share units; offset by overall higher employee levels and related costs as compared to the first quarter of 2023 driven by growth in the business.

SG&A expense as a percentage of sales decreased to 5.9% for the first quarter of 2024 compared to 6.0% for the first quarter of 2023.

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

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 76,967	$ 70,306	6,661	9.5%
Depreciation of PP&E and right-of-use assets (non-production)	4,070	4,366	(296)	(6.8%)
Amortization of development costs	2,494	2,613	(119)	(4.6%)
Total depreciation and amortization	$ 83,531	$ 77,285	6,246	8.1%

Total depreciation and amortization expense for the first quarter of 2024 increased by $6.2 million to $83.5 million as compared to $77.3 million for the first quarter of 2023. The increase in depreciation and amortization expense was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the first quarter of 2023.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the first quarter of 2023 and new and replacement programs scheduled to launch over the next two to three years in all of the Company's various product offerings. The Company continues to make significant investments in its operations in light of its backlog of business and global footprint.

Total depreciation and amortization expense as a percentage of sales increased year-over-year to 6.3% for the first quarter of 2024 from 5.9% for the first quarter of 2023 due mainly to the increased asset base, as noted above.

ADJUSTMENTS TO NET INCOME

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

TABLE A

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

		Three months ended March 31, 2024		Three months ended March 31, 2023		$ Change
NET INCOME	**$**	**43,650**	**$**	**48,171**	**$**	**(4,521)**
Adjustments:						
Restructuring costs (1)		6,255		-		6,255
Net gain on disposal of equity investments (2)		-		(5,273)		5,273
ADJUSTMENTS, BEFORE TAX	**$**	**6,255**	**$**	**(5,273)**	**$**	**11,528**
Tax impact of adjustments		(1,808)		699		(2,507)
ADJUSTMENTS, AFTER TAX	**$**	**4,447**	**$**	**(4,574)**	**$**	**9,021**
ADJUSTED NET INCOME	**$**	**48,097**	**$**	**43,597**	**$**	**4,500**
Number of Shares Outstanding – Basic (‘000)		77,900		80,387		
Adjusted Basic Net Earnings Per Share	$	0.62	$	0.54		
Number of Shares Outstanding – Diluted (‘000)		77,960		80,445		
Adjusted Diluted Net Earnings Per Share	$	0.62	$	0.54		

(1) Restructuring costs

Additions to the restructuring provision during the first quarter of 2024 totaled $6.3 million, and represent employee-related severance resulting from the rightsizing of certain operations in Mexico ($2.8 million), Germany ($1.7 million), Canada ($1.2 million), and the United States ($0.6 million).

(2) Net gain on disposal of equity investments

On March 24, 2023, Martinrea sold its equity interest in VoltaXplore Inc. ("VoltaXplore) to NanoXplore Inc. ("NanoXplore") for 3,420,406 common shares of NanoXplore at $2.92 per share representing an aggregate consideration of $10.0 million. The sale transaction resulted in a gain on disposal of equity investments during the first quarter of 2023 as follows:

Gross gain (Total consideration of $10.0 million less book value of investment)	$	6,821
Less: gain attributable to indirect retained interest		(1,548)
Net gain on disposal of equity investments	$	5,273

Subsequent to this transaction, the Company no longer holds a direct equity interest in VoltaXplore while its equity ownership interest in NanoXplore increased from 21.1% to 22.7%.

NET INCOME

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

		Three months ended March 31, 2024		Three months ended March 31, 2023	$ Change	% Change
Net Income	$	43,650	$	48,171	(4,521)	(9.4%)
Adjusted Net Income		48,097		43,597	4,500	10.3%
Net Earnings per Share						
Basic and Diluted	$	0.56	$	0.60		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.62	$	0.54		

Net Income, before adjustments, for the first quarter of 2024 decreased by $4.5 million to $43.7 million or $0.56 per share, on a basic and diluted basis, from Net Income of $48.2 million or $0.60 per share, on a basic and diluted basis, for the first quarter of 2023. Excluding the adjustments explained in Table A under "Adjustments to Net Income", Adjusted Net Income for the first quarter of 2024 increased by $4.5 million to $48.1 million or $0.62 per share on a basic and diluted basis, from $43.6 million or $0.54 per share, on a basic and diluted basis, for the first quarter of 2023.

Adjusted Net Income for the first quarter of 2024, as compared to the first quarter of 2023, was positively impacted by the following:

- higher gross margin as previously explained; and
- a net foreign exchange gain of $4.9 million for the first quarter of 2024 compared to a gain of $0.1 million for the first quarter of 2023.

These factors were partially offset by the following:

- a $1.7 million year-over-year increase in research and development costs driven generally by increased new product and process development activity;
- a $1.1 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt; and
- a higher effective tax rate (24.6% for the first quarter of 2024 compared to 20.7% for the first quarter of 2023).

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Additions to PP&E	$ 39,172	$ 63,290	(24,118)	(38.1%)

Additions to PP&E decreased by $24.1 million to $39.2 million or 3.0% of sales for the first quarter of 2024 compared to $63.3 million or 4.9% of sales for the first quarter of 2023. General timing of expenditures makes quarterly additions to PP&E quite volatile by nature. Capital additions for the three months ended March 31, 2024 and 2023 include new program capital and incremental investments required in equipment related to customer-driven engineering changes on new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

SEGMENT ANALYSIS

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

Three months ended March 31, 2024 to three months ended March 31, 2023 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended March 31, 2024	**Three months ended March 31, 2023**	**Three months ended March 31, 2024**	**Three months ended March 31, 2023**
North America	$ 963,943	$ 973,992	$ 67,151	$ 74,246
Europe	334,010	303,470	14,678	(989)
Rest of the World	31,762	33,882	(2,642)	1,920
Eliminations	(5,802)	(7,455)	-	-
Adjusted Operating Income			$ 79,187	$ 75,177
Adjustments*			(6,255)	-
Total	$ 1,323,913	$ 1,303,889	$ 72,932	$ 75,177

* *Operating Income (Loss) for the operating segments has been adjusted for certain items as explained in Table A under "Adjustments to Net Income". Of the $6.3 million adjustment for the first quarter of 2024, $4.6 million was recognized in North America and $1.7 million in Europe.*

North America

Adjusted Operating Income in North America decreased by $7.1 million to $67.2 million or 7.0% of sales for the first quarter of 2024 from $74.2 million or 7.6% of sales for the first quarter of 2023. The decrease in Adjusted Operating Income as a percentage of sales was generally due to a negative sales mix, including additional depreciation expense from recent new program investments; an unfavourable impact from a year-over-year change in foreign exchange rates in Mexico; operational inefficiencies at certain operating facilities; and lower year-over-year favourable commercial settlements. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities and contribution from higher production sales volume.

Europe

Adjusted Operating Income in Europe increased by $15.7 million to income of $14.7 million or 4.4% of sales for the first quarter of 2024 from a loss of $1.0 million or (0.3%) of sales for the first quarter of 2023. The increase in Adjusted Operating Income was generally due to incremental contribution from the higher year-over-year sales, including from certain tooling sales; higher year-over-year favourable commercial settlements; and productivity and efficiency improvements at certain operating facilities.

Rest of the World

Adjusted Operating Income (Loss) in the Rest of the World decreased by $4.6 million to loss of $2.6 million or (8.3)% of sales for the first quarter of 2024 from an income of $1.9 million or 5.7% of sales for the first quarter of 2023, due to the negative impact on margins from lower year-over-year production sales; costs related to the ramp-up of new business with BMW; and favourable settlements on indirect tax matters which positively impacted prior year operating income.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	$1,323,913	$1,296,121	$1,378,938	$1,361,055	$1,303,889	$1,294,592	$1,194,083	$1,113,875
Gross Margin	172,537	153,228	181,194	173,589	167,386	158,504	152,534	125,789
Operating Income	72,932	28,486	83,015	82,436	75,177	70,560	61,627	45,543
Adjusted Operating Income	79,187	56,647	83,015	82,436	75,177	70,560	69,730	45,543
Net Income for the period	43,650	1,850	53,744	49,900	48,171	46,227	35,932	25,471
Adjusted Net Income	48,097	29,251	53,744	49,900	43,597	46,227	45,072	25,471
Basic and Diluted Net Earnings per Share	0.56	0.02	0.68	0.62	0.60	0.58	0.45	0.32
Adjusted Basic and Diluted Net Earnings per Share	0.62	0.37	0.68	0.62	0.54	0.58	0.56	0.32

LIQUIDITY AND CAPITAL RESOURCES

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;
- 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.

On March 27, 2024, Martinrea entered into an accounts receivable program agreement to sell up to $100 million 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. As at March 31, 2024, no receivables were sold under the program.

As at March 31, 2024, the Company had drawn US $441 million (December 31, 2023 - US $401 million) on the U.S. revolving credit line and $160 million (December 31, 2023 - $410 million) on the Canadian revolving credit line, and $250 million (December 31, 2023 - $nil) on the Canadian non-amortizing term loan. As at March 31, 2024, the Company had total liquidity of $465 million, including cash and cash equivalents and availability under the Company's banking facility. In addition, the Company's credit facility includes a $300 million allowance for asset based financing that the Company can use for additional financing, of which approximately $273 million was available as at March 31, 2024. 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.

The principal sources of liquidity available for the Company's future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments. The Company's ability to fund its anticipated cash requirements, and to comply with financial covenants under the Company's banking facility, depend on the Company's future operating performance and cash flows and many factors outside of its control, including the cost of material, energy and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of supply chain disruptions, and other factors.

Debt leverage ratios:

Excluding the impact of IFRS 16:		**March 31, 2024**		**December 31, 2023**		**September 30, 2023**		**June 30, 2023**		**March 31, 2023**
Long-term debt	$	1,030,194	$	969,236	$	1,067,973	$	1,083,161	$	1,112,455
Less: Cash and cash equivalents		(173,694)		(186,804)		(178,725)		(145,755)		(156,585)
Net Debt	$	856,500	$	782,432	$	889,248	$	937,406	$	955,870
Trailing 12-month Adjusted EBITDA	$	567,250	$	558,224	$	569,709	$	548,420	$	502,724
Net Debt to Adjusted EBITDA ratio		1.51x		1.40x		1.56x		1.71x		1.90x

Including the impact of IFRS 16:		**March 31, 2024**		**December 31, 2023**		**September 30, 2023**		**June 30, 2023**		**March 31, 2023**
Long-term debt	$	1,030,194	$	969,236	$	1,067,973	$	1,083,161	$	1,112,455
Lease liabilities		252,485		258,976		267,530		262,049		266,969
		1,282,679		1,228,212		1,335,503		1,345,210		1,379,424
Less: Cash and cash equivalents		(173,694)		(186,804)		(178,725)		(145,755)		(156,585)
Net Debt	$	1,108,985	$	1,041,408	$	1,156,778	$	1,199,455	$	1,222,839
Trailing 12-month Adjusted EBITDA	$	627,004	$	616,678	$	625,588	$	602,333	$	556,013
Net Debt to Adjusted EBITDA ratio		1.77x		1.69x		1.85x		1.99x		2.20x

The following table provides a reconciliation of Trailing 12-month Adjusted EBITDA including the impact of IFRS 16 to Trailing 12-month Adjusted EBITDA excluding the impact of IFRS 16.

		March 31, 2024		**December 31, 2023**		**September 30, 2023**		**June 30, 2023**		**March 31, 2023**
Trailing 12-month Adjusted EBITDA - including the impact of IFRS 16	$	627,004	$	616,678	$	625,588	$	602,333	$	556,013
Principal payments of lease liabilities		(48,574)		(47,204)		(45,095)		(43,738)		(43,634)
Interest on lease liabilities		(11,180)		(11,250)		(10,784)		(10,175)		(9,655)
Trailing 12-month Adjusted EBITDA - excluding the impact of IFRS 16	$	567,250	$	558,224	$	569,709	$	548,420	$	502,724

The Company's Net Debt (excluding the impact of IFRS 16) increased by $74.1 million during the first quarter of 2024 to $856.5 million from $782.4 million at the end of the fourth quarter of 2023 due largely to negative Free Cash Flow (after IFRS 16 lease payments) during the quarter, foreign exchange translation, cash restructuring costs of $22.5 million, $15.9 million in share repurchases, an $8.0 million investment in Equispheres Inc. ("Equispheres"), and $3.9 million in dividends paid during the quarter. As a result, the Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of IFRS 16) increased to 1.51x from 1.40x at the end of the fourth quarter of 2023.

The Company was in compliance with its debt covenants as at March 31, 2024. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

Dividends

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

In 2018, in view of the Company's financial performance, and its future outlook and cash needs at the time, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly payments of $0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to $0.20 per share, to be paid in four quarterly payments of $0.05 per share commencing at the beginning of 2020. The first such increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the COVID-19 pandemic, semiconductor chip shortage, and other supply chain disruptions. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current supply chain situation, the Company's financial performance and anticipated needs at that time.

Cash flow

	Three months ended March 31, 2024	Three months ended March 31, 2023	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 161,076	$ 153,561	7,515	4.9%
Change in non-cash working capital items	(76,226)	(43,158)	(33,068)	(76.6%)
	84,850	110,403	(25,553)	(23.1%)
Interest paid	(20,678)	(23,299)	2,621	11.2%
Income taxes paid	(25,118)	(32,577)	7,459	22.9%
Cash provided by operating activities	39,054	54,527	(15,473)	(28.4%)
Cash provided by financing activities	14,613	27,881	(13,268)	(47.6%)
Cash used in investing activities	(66,470)	(85,050)	18,580	21.8%
Effect of foreign exchange rate changes on cash and cash equivalents	(307)	(2,428)	2,121	87.4%
Decrease in cash and cash equivalents	$ (13,110)	$ (5,070)	(8,040)	(158.6%)

Cash provided by operating activities during the first quarter of 2024 was $39.1 million, compared to $54.5 million in the corresponding period of 2023. The components for the first quarter of 2024 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $161.1 million;
- working capital use of cash of $76.2 million comprised of an increase in trade and other receivables of $118.2 million; partially offset by an increase in trade, other payables and provisions of $21.4 million, a decrease in inventories of $18.6 million, and a decrease in prepaid expenses and deposits of $2.0 million;
- income taxes paid of $25.1 million; and
- interest paid of $20.7 million.

Cash provided by financing activities during the first quarter of 2024 was $14.6 million, compared to $27.9 million in the corresponding period of 2023. The components for the first quarter of 2024 primarily include the following:

- a $46.8 million net increase in long-term debt; partially offset by
- repurchases of common shares under the normal course issuer bid (as described in note 11 of the interim financial statements) of $15.9 million;
- principal payments of lease liabilities of $12.3 million; and
- $3.9 million in dividends paid.

Cash used in investing activities during the first quarter of 2024 was $66.5 million, compared to $85.1 million in the corresponding period of 2023. The components for the first quarter of 2024 primarily include the following:

- cash additions to PP&E of $58.3 million;
- an additional investment in Equispheres of $8.0 million;
- capitalized development costs relating to upcoming new program launches of $1.0 million; partially offset by
- proceeds from the disposal of PP&E of $1.0 million.

Taking into account the opening cash balance of $186.8 million at the beginning of the first quarter of 2024, and the activities described above, the cash and cash equivalents balance at March 31, 2024 was $173.7 million.

Free Cash Flow

		Three months ended March 31, 2024		Three months ended March 31, 2023	$ Change
Adjusted EBITDA	$	162,830	$	152,504	10,326
Add (deduct):					
Change in non-cash working capital items		(76,226)		(43,158)	(33,068)
Remove impact of restructuring provision*		16,179		120	16,059
Purchase of property, plant and equipment (excluding capitalized interest)		(58,273)		(83,416)	25,143
Cash proceeds on disposal of property, plant and equipment		978		131	847
Capitalized development costs		(1,045)		(1,765)	720
Interest paid		(20,678)		(23,299)	2,621
Income taxes paid		(25,118)		(32,577)	7,459
Free Cash Flow*	$	(1,353)	$	(31,460)	30,107
Principal payments of IFRS 16 lease liabilities		(12,324)		(10,954)	(1,370)
Free Cash Flow (after IFRS 16 lease payments)	$	(13,677)	$	(42,414)	28,737

**Note: Prior year comparative figures were revised to exclude the change in the restructuring provision.*

Free Cash Flow for the first quarter of 2024 increased year-over-year due largely to a decrease in cash purchases of property, plant and equipment, higher Adjusted EBITDA, lower income taxes paid, and lower interest paid on long-term debt; partially offset by an increase in cash used in non-cash working capital, net of the change in the restructuring provision which is included in working capital.

Tooling-related working capital accounts, including inventory, trade and other receivables, and trade and other payables on a net basis, amounted to ($20.5) million as at March 31, 2024, an increase from ($47.0) million as at December 31, 2023 and a decrease from $3.7 million as at March 31, 2023.

Reconciliation of IFRS "Cash provided by operating activities" to Non-IFRS "Free Cash Flow", and "Free Cash Flow (after IFRS 16 lease payments)" for the three months ended March 31, 2024 and 2023:

	Three months ended March 31, 2024	Three months ended March 31, 2023
Cash provided by operating activities	$ 39,054	$ 54,527
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(58,273)	(83,416)
Cash proceeds on disposal of property, plant and equipment	978	131
Capitalized development costs	(1,045)	(1,765)
Restructuring costs	6,255	-
Remove impact of restructuring provision*	16,179	120
Unrealized gain on foreign exchange contracts	796	4,784
Deferred and restricted share units benefit (expense)	184	(5,436)
Stock options expense	(42)	(110)
Pension and other post-employment benefit expense	(564)	(694)
Contributions made to pension and other post-retirement benefits	568	623
Net unrealized foreign exchange gain and other income	(5,443)	(224)
Free Cash Flow*	$ (1,353)	$ (31,460)
Principal payments of IFRS 16 lease liabilities	(12,324)	(10,954)
Free Cash Flow (after IFRS 16 lease payments)	$ (13,677)	$ (42,414)

**Note: Prior year comparative figures were revised to exclude the change in the restructuring provision.*

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on "Automotive Industry Highlights and Trends" and "Risk Factors" as outlined in the AIF available through SEDAR+ at www.sedarplus.ca which are incorporated herein by reference. The disclosure in this MD&A and, in particular under "Recent Developments" supplements those risk factors described in the AIF.

RECENT DEVELOPMENTS

Inflation and interest rates

The Company continues to experience higher material, energy, and other input costs, in some areas of the business, which are expected to persist in 2024. Additionally, the Company may continue to experience price increases or surcharges from sub-suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through continuous improvement actions, price increases to customers, modifications to products, or otherwise, could have an adverse effect on earnings.

Increased global inflation rates have spurred a cycle of monetary policy tightening through aggressive interest rate increases by central banks, which has significantly increased the interest paid on the debt of the Company. Further, both the availability and cost of credit are factors affecting consumer confidence, which is a critical driver of vehicle sales and thus automotive production. A material, sustained decrease in consumer demand for vehicles could result in reductions to vehicle production, which could have an adverse effect on earnings.

Supply chain issues

Industry-wide supply chain disruptions continue to have a negative impact on the automotive supply chain and OEM light vehicle production globally. Although improved, OEM customers continue to take action in response to these supply chain disruptions, including, unplanned shutdowns of production lines and/or plants, reductions in their vehicle production plans, and changes to their product mix. In addition to having to address its own Tier 2 and 3 supply chain issues, which can result in the incurrence of premium costs at times, such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including lower sales, production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities, and premium costs to expedite shipments. While the Company has experienced a recovery in overall production volumes and an improvement in the stability of production, it remains unclear when supply and demand for automotive components will fully rebalance.

Russia-Ukraine and Israel-Hamas conflicts

Although the Company does not have any operations in Russia, Ukraine or in the Middle East, these ongoing conflicts create or exacerbate a broad range of risks, including with respect to global economic growth, global vehicle production volumes, inflationary pressures, including in energy, commodities and transportation/logistics, energy security, and supply chain fragility.

Any of the foregoing could have an adverse effect on the Company's business and results of operations.

Significant industry trends, the Company's business strategy and all other major risks the Company faces are discussed further in "Description of the Business and Trends" and "Risk Factors" in the Company's AIF available through SEDAR+ at www.sedarplus.ca.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 2, 2024, the Company had 76,740,240 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at May 2, 2024, options to acquire 2,328,500 common shares were outstanding.

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 $29.1 million resulting in a reduction to stated capital of $18.7 million and a decrease to retained earnings of $10.3 million. 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 $15.9 million resulting in a reduction to stated capital of $11.2 million and a decrease to retained earnings of $4.7 million. The shares were purchased and cancelled directly under the NCIB.

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.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2024, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2023.

Guarantees

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet 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 $21.4 million (December 31, 2023 - $16.5 million) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges up to twenty-four months.

Financial Instruments

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

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

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy 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 $0.8 million and was recorded in trade and other receivables (December 31, 2023 - pre-tax gain of $3.9 million recorded in trade and other receivables).

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 Corp.	4,036	4,036
Investment in common shares of 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 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 $1.4 million (US $1.1 million) 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, 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 $8.0 million and the conversion of $1.0 million 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 investments 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 market value of the shares held in NanoXplore by the Company was $98.1 million.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws, including, but not limited to, statements related to the outlook and growth of the automotive industry, including increasing sales and revenues, production levels, the impact and duration of supply chain issues, inflation, war, the execution of the Company's strategy and the payment of dividends. 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. 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 AIF and MD&A for the year ended December 31, 2023 and other public filings which can be found at www.sedarplus.ca:

- North American and Global Economic and Political Conditions (including war) and Consumer Confidence
- Automotive Industry Risks
- Pandemics and Epidemics, Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest or War, and Other Outbreaks
- Russia and Ukraine War and Hamas-Israel War
- Semiconductor Chip Shortages and Price Increases
- Inflationary Pressures
- Regional Energy Shortages
- Dependence Upon Key Customers
- Customer Consolidation and Cooperation
- Emergence of Potentially Disruptive EV OEMs
- Outsourcing and Insourcing Trends
- Financial Viability of Suppliers and Key Suppliers and Supply Disruptions
- Competition
- Customer Pricing Pressures, Contractual Arrangements, Cost and Risk Absorption and Purchase Orders
- Material and Commodity Prices and Volatility

- Scrap Steel/Aluminum Price Volatility
- Quote/Pricing Assumptions
- Launch and Operational Costs and Cost Structure
- Fluctuations in Operating Results
- Product Warranty, Repair/Replacement Costs, Recall, Product Liability and Liability Risk
- Product Development and Technological Change
- A Shift Away from Technologies in Which the Company is Investing
- Dependence Upon Key Personnel
- Limited Financial Resources/Uncertainty of Future Financing/Banking
- Cybersecurity Threats
- Acquisitions
- Joint Ventures
- Private or Public Equity Investments in Technology Companies
- Potential Tax Exposures
- Potential Rationalization Costs, Turnaround Costs and Impairment Charges
- Labour Relations Matters
- Trade Restrictions or Disputes
- Changes in Laws and Governmental Regulations
- Environmental Regulation and Climate Change
- Litigation and Regulatory Compliance and Investigations
- Risks of Conducting Business in Foreign Countries, Including China, Brazil and Other Growing Markets
- Currency Risk
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures
- Loss of Use of Key Manufacturing Facilities
- Intellectual Property
- Availability of Consumer Credit or Cost of Borrowing
- Evolving Business Risk Profile
- Competition with Low Cost Countries
- The Company’s Ability to Shift its Manufacturing Footprint to Take Advantage of Opportunities in Growing Markets
- Change in the Company’s Mix of Earnings Between Jurisdictions with Lower Tax Rates and Those with Higher Tax Rates
- Pension Plans and Other Post-Employment Benefits
- Potential Volatility of Share Prices
- Dividends
- Lease Obligations

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

MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2024

Martinrea International Inc.

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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.

MARTINREA INTERNATIONAL INC.

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