MARTINREA INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Martinrea International Inc.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2022 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, multiple times a year to review, among other matters, accounting policies, any observations relating to internal controls over the financial reporting process that may be identified during the audit, as influenced by the nature, timing and extent of audit procedures performed, annual consolidated financial statements, the results of the external audit and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2022. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) *"Pat D'Eramo"*

Pat D'Eramo

President & Chief Executive Officer

(Signed) *"Fred Di Tosto"*

Fred Di Tosto

Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Martinrea International Inc.

Opinion

We have audited the consolidated financial statements of Martinrea International Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2022 and December 31, 2021
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of December 31, 2022 and end of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Existence and accuracy of tooling work in progress inventory

Description of the matter

We draw attention to Notes 1(c), 2(f), and 4 of the financial statements. The Entity enters into tooling contracts, where tooling work in progress inventory that is internally developed includes directly attributable labour as well as overhead. The tooling work in progress and other inventory balance was $257,804 thousand. The Entity uses judgment in determining the appropriateness of costs included in tooling work in progress inventory.

Why the matter is a key audit matter

We identified the existence and accuracy of tooling work in progress inventory as a key audit matter. This matter was a significant risk. Evaluating the existence and accuracy of tooling work in progress inventory required significant judgment related to the nature and amounts of costs capitalized. As a result, significant auditor judgment was required to evaluate the results of our procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a sample of tooling contracts with work in progress inventory, we:

- Compared the costs capitalized to supplier invoices or internal records, as applicable
- Evaluated the accuracy of the amounts capitalized for labour and overhead cost allocations by comparing the underlying inputs to vendor invoices or payroll records
- Enquired with certain of the Entity's operational personnel who have direct oversight over these contracts

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Securities Commissions.
- The information, other than the financial statements and auditor's report thereon, included in the Report to Shareholders filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Report to Shareholders filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Charted Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is David Brendan Power.

Vaughan, Canada.
March 2, 2023

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents		$ 161,655	$ 153,291
Trade and other receivables	3	789,931	634,184
Inventories	4	665,316	590,784
Prepaid expenses and deposits		36,237	23,892
Income taxes recoverable		6,454	18,609
TOTAL CURRENT ASSETS		1,659,593	1,420,760
Property, plant and equipment	5	1,948,773	1,727,914
Right-of-use assets	6	254,065	222,934
Deferred tax assets	15	166,680	138,612
Intangible assets	7	45,916	47,809
Investments	8	55,858	55,215
Pension assets	14	12,234	8,107
TOTAL NON-CURRENT ASSETS		2,483,526	2,200,591
TOTAL ASSETS		4,143,119	3,621,351
LIABILITIES			
Trade and other payables	10	$ 1,315,380	$ 1,110,350
Provisions	11	7,906	6,272
Income taxes payable		39,216	11,955
Current portion of long-term debt	12	16,198	20,173
Current portion of lease liabilities	13	43,665	39,322
TOTAL CURRENT LIABILITIES		1,422,365	1,188,072
Long-term debt	12	1,054,170	990,817
Lease liabilities	13	229,455	200,455
Pension and other post-retirement benefits	14	41,912	57,637
Deferred tax liabilities	15	18,312	14,595
TOTAL NON-CURRENT LIABILITIES		1,343,849	1,263,504
TOTAL LIABILITIES		2,766,214	2,451,576
EQUITY			
Capital stock	16	663,646	663,415
Contributed surplus		45,558	44,845
Accumulated other comprehensive income		124,065	51,207
Retained earnings		543,636	410,308
TOTAL EQUITY		1,376,905	1,169,775
TOTAL LIABILITIES AND EQUITY		$ 4,143,119	$ 3,621,351

Commitments and contingencies (note 24)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer"	Director
"Terry Lyons"	Director

Martinrea International Inc.

Consolidated Statements of Operations

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021
SALES		$ 4,757,588	$ 3,783,953
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(3,939,565)	(3,218,203)
Depreciation of property, plant and equipment and right-of-use assets (production)		(258,760)	(220,126)
Total cost of sales		(4,198,325)	(3,438,329)
GROSS MARGIN		559,263	345,624
Research and development costs	18	(36,918)	(32,622)
Selling, general and administrative		(276,146)	(228,346)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(15,947)	(15,308)
Loss on disposal of property, plant and equipment		(133)	(958)
Restructuring costs	11	(7,846)	(5,473)
Impairment of assets	9	(4,494)	-
OPERATING INCOME		217,779	62,917
Share of loss of equity investments	8	(5,074)	(3,924)
Gain on dilution of equity investments	8	4,050	7,800
Finance expense	20	(51,837)	(32,918)
Other finance income	20	9,127	13,386
INCOME BEFORE INCOME TAXES		174,045	47,261
Income tax expense	15	(41,207)	(11,381)
NET INCOME FOR THE PERIOD		$ 132,838	$ 35,880
Basic earnings per share	17	$ 1.65	$ 0.45
Diluted earnings per share	17	$ 1.65	$ 0.45

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
NET INCOME FOR THE PERIOD	$ 132,838	$ 35,880
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	72,818	(42,520)
Cash flow hedging derivative and non-derivative financial instruments:		
Unrealized gain in fair value of financial instruments	-	892
Reclassification of gain to net income	-	(4,014)
Items that will not be reclassified to net income		
Share of other comprehensive income of equity investments (note 8)	40	204
Remeasurement of defined benefit plans	16,566	17,706
Other comprehensive income (loss), net of tax	89,424	(27,732)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 222,262	$ 8,148

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2020	$ 662,427	$ 43,860	$ 96,645	$ 372,792	$ 1,175,724
Net income for the period	-	-	-	35,880	35,880
Compensation expense related to stock options	-	1,224	-	-	1,224
Dividends ($0.20 per share)	-	-	-	(16,070)	(16,070)
Exercise of employee stock options	988	(239)	-	-	749
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	17,706	17,706
Foreign currency translation differences	-	-	(42,520)	-	(42,520)
Share of other comprehensive income of equity investments	-	-	204	-	204
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	-	-	892	-	892
Reclassification of gain to net income	-	-	(4,014)	-	(4,014)
BALANCE AT DECEMBER 31, 2021	663,415	44,845	51,207	410,308	1,169,775
Net income for the period	-	-	-	132,838	132,838
Compensation expense related to stock options	-	773	-	-	773
Dividends ($0.20 per share)	-	-	-	(16,076)	(16,076)
Exercise of employee stock options	231	(60)	-	-	171
Other comprehensive income net of tax					
Remeasurement of defined benefit plans	-	-	-	16,566	16,566
Foreign currency translation differences	-	-	72,818	-	72,818
Share of other comprehensive income of equity investments	-	-	40	-	40
BALANCE AT DECEMBER 31, 2022	663,646	45,558	124,065	543,636	1,376,905

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2022	Year ended December 31, 2021
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net income for the period	$ 132,838	$ 35,880
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	274,707	235,434
Amortization of development costs	10,929	12,788
Impairment of assets (note 9)	4,494	-
Unrealized gain on foreign exchange forward contracts	(2,114)	(4,744)
Finance expense	51,837	32,918
Income tax expense	41,207	11,381
Loss on disposal of property, plant and equipment	133	958
Deferred and restricted share units expense (benefit) (note 16)	7,072	(1,172)
Stock options expense	773	1,224
Share of loss of equity investments (note 8)	5,074	3,924
Gain on dilution of equity investments (note 8)	(4,050)	(7,800)
Pension and other post-retirement benefits expense	3,452	3,993
Contributions made to pension and other post-retirement benefits	(2,633)	(3,353)
	523,719	321,431
Changes in non-cash working capital items:		
Trade and other receivables	(116,069)	(57,153)
Inventories	(45,009)	(109,526)
Prepaid expenses and deposits	(11,167)	(3,282)
Trade, other payables and provisions	172,100	100,232
	523,574	251,702
Interest paid	(63,327)	(35,042)
Income taxes paid	(22,468)	(36,628)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 437,779	$ 180,032
FINANCING ACTIVITIES:		
Increase in long-term debt (net of deferred financing fees)	37,493	197,294
Repayment of long-term debt	(22,137)	(18,296)
Principal payments of lease liabilities	(41,174)	(33,753)
Dividends paid	(16,075)	(16,066)
Exercise of employee stock options	171	749
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ (41,722)	$ 129,928
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment (excluding capitalized interest)*	(376,439)	(290,230)
Capitalized development costs	(7,376)	(8,533)
Equity investments (note 8)	(1,500)	(8,036)
Proceeds on disposal of property, plant and equipment	3,364	944
Upfront recovery of development costs incurred	682	-
NET CASH USED IN INVESTING ACTIVITIES	$ (381,269)	$ (305,855)
Effect of foreign exchange rate changes on cash and cash equivalents	(6,424)	(3,600)
INCREASE IN CASH AND CASH EQUIVALENTS	8,364	505
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	153,291	152,786
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 161,655	$ 153,291

*As at December 31, 2022, $94,754 (December 31, 2021 - $113,233) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements of the Company for the year ended December 31, 2022 were approved by the Board of Directors on March 2, 2023.

(b) Presentation currency

These 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.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, sales and expenses and the related disclosures with respect to contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (assumptions made are disclosed in individual notes throughout the financial statements where relevant):

- Estimates of the economic life of property, plant and equipment and intangible assets;
- Estimates involved in the measurement of lease liabilities and associated right-of-use-assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company’s estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs. These estimates may include discount rates and long-term growth rates;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and the Company’s best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and service costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately-priced tooling contracts. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work

under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecast loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes; and

- Estimates used in determining the fair value of stock option and performance share unit grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options/units granted, where relevant.

Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (judgments made are disclosed in individual notes throughout the financial statements where relevant):

- Accounting for provisions including assessments of possible legal and tax contingencies, and restructuring. Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgment is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Judgments in determining the appropriateness of costs included in tooling work in progress inventory;
- Judgments in determining the timing of revenue recognition for tooling sales;
- Judgments in determining whether sales contracts contain material rights; and
- The determination of the Company's cash generating units ("CGU") for impairment testing.

The decisions made by the Company in each instance are set out under the various accounting policies in these notes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Each subsidiary of the Company maintains its accounting records in its functional currency. A subsidiary's functional currency is the currency of the principal economic environment in which it operates.

(i) Foreign currency transactions

Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

(ii) Translation of financial statements of foreign operations

The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the Canadian dollar are translated to Canadian dollars at the exchange rate prevailing on the date of transaction.

Foreign currency differences on translation are recognized in other comprehensive income (loss) in the cumulative translation account net of income tax.

(c) Financial instruments

(i) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification as described below:

Fair value through profit or loss (FVTPL):

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes cash and cash equivalents, and derivative instruments that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statement of operations. Transaction costs incurred are expensed in the consolidated statement of operations. The Company does not currently hold any liabilities designated as FVTPL.

Fair value through other comprehensive income:

This category includes investments in equity securities. Subsequent to initial recognition, they are measured at fair value on the consolidated balance sheet and changes therein are recognized in other comprehensive income (loss). When an investment is derecognized, the accumulated gain or loss in other comprehensive income (loss) is transferred to the consolidated statement of operations.

Amortized cost:

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including trade and other receivables and investments in convertible debentures. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

Other financial liabilities:

This category is for financial liabilities that are not classified as FVTPL and includes trade and other payables and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated balance sheet.

(ii) Impairment of financial assets

A forward-looking “expected credit loss” (ECL) model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company’s allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer’s credit-worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

(iii) Derivative financial instruments not accounted for as hedges

The Company periodically uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments are classified as FVTPL, initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in the consolidated statement of operations.

(iv) Hedge accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

Cash flow hedges

The Company hedges variability in certain cash flows of forecasted foreign currency sales due to fluctuations in foreign exchange rates.

The Company has designated these foreign currency sales as a cash flow hedge. In such hedges, to the extent that the changes in fair value of the hedging instrument offset the changes in the fair value of the hedged item, they are recorded in other comprehensive income (loss) until the hedged item affects profit or loss (i.e. when settled or otherwise derecognized). Any excess of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item is recorded in profit or loss.

When a cash flow hedge relationship is discontinued, any subsequent change in fair value of the hedging instrument is recognized in profit or loss.

If the hedge is discontinued before the end of the original hedge term, then any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in profit or loss, at the earlier of when the hedged item affects profit or loss, or when the forecast item is no longer expected to occur.

Net investment hedges
The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

The change in fair value of the hedging US debt is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts will be recognized in profit or loss as and when the corresponding accumulated other comprehensive income from the hedged foreign operations is recognized in profit or loss. The Company has not identified any ineffectiveness in these hedge relationships as at December 31, 2022.

(d) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of material and labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either a) not sold to the customer, or b) paid for by the customer on delivery of each part, without the customer guaranteeing full financing of the costs incurred. In accordance with IAS 16, Property, plant and equipment, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within profit or loss.

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment as part of the cost of that asset, if applicable. Capitalized borrowing costs are amortized over the useful life of the related asset.

(ii) Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

(iii) Depreciation
Depreciation is recognized in profit or loss over the estimated useful life of each item of property, plant and equipment, since this period most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is recorded on the following bases and at the following rates:

	Basis	**Rate**
Buildings	Declining balance	4%
Leasehold improvements	Straight-line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight line	7% to 20%
Tooling and fixtures	Straight-line	Lesser of estimated useful life and life of program
Other	Declining balance and straight line	20% to 30%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(e) Intangible assets

The Company's intangible assets are composed of development costs.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if:

- the development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- the future economic benefits are probable; and
- the Company intends and has sufficient resources to complete the development of and to use or sell the asset.

Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in research and development costs in the consolidated statement of operations.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, including depreciation, based on normal operating capacity. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Impairment losses are recognized on the basis of net realizable value.

(g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

Short term and low-value leases
The Company has elected to not recognize right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than US$5,000). The expenses associated with such leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term.

Variable lease payments
Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the consolidated statement of operations in the period in which they are incurred.

(h) Investments in Associates and Joint Ventures

Associates are entities over which the Company has significant influence, but not control, on financial and operating policy decisions. Significant influence is assumed when the Company holds 20% to 50% of the voting power of the investee, unless qualitative factors overcome this presumption. Similarly, significant influence is presumed not to exist when the Company holds less than 20% of the voting power of the investee, unless qualitative factors overcome this presumption.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. The investment is initially recognized at cost. The carrying amount is subsequently increased or decreased to recognize the Company's share of profits or losses of the equity-accounted investees after the date of acquisition or when significant influence or joint control begins. The Company's share of profits or losses is recognized in the consolidated statement of operations, and its share of other comprehensive income or loss is included in other comprehensive income or loss.

Unrealized gains on transactions between the Company and its equity-accounted investees are eliminated to the extent of the Company's interest in the investee. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in the level of the Company's equity interest in an equity-accounted investee are recognized in the consolidated statement of operations. Where an equity-accounted investee increases its equity through share issuances, the Company records its share of such increase in its investments of the investee on the consolidated balance sheet.

The amounts included in the financial statements of the investees are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the investee is written down to its estimated recoverable amount and charged to the consolidated statement of operations.

The Company has an equity interest in one associate and one joint venture as further described in note 8.

(i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units).

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Pensions and other post-retirement benefits

The Company's liability for pensions and other post-retirement benefits is based on valuations performed by independent actuaries using the projected unit credit method. These valuations incorporate both financial assumptions (discount rate, and changes in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

The liability for pensions and other post-retirement benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately through other comprehensive income (loss) and transferred directly to retained earnings.

(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.

When the effect of the time value of money is material, the amount of the provision is discounted using a rate that reflects the market's current assessment of this value and the risks specific to the liability concerned. The increase in the provision related to the passage of time is recognized through profit and loss in other finance income.

(l) Revenue recognition

The Company recognizes sales from two categories of goods: production (including finished production parts, assemblies and modules), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

Control of finished production parts, assemblies and modules transfers when the goods are shipped from the Company's manufacturing facilities to the customer. Control of tooling transfers when the tool has been accepted by the customer. For certain tooling contracts for which the customer makes progress payments in advance of obtaining control of the tool, the Company recognizes a liability for the progress payments until the performance obligation is complete. Such payments from the customer generally do not contain a financing component.

Revenue and cost of sales from tooling contracts are presented on a gross basis in the consolidated statements of operations. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. Judgment is required in determining the appropriateness of costs included in tooling work in progress inventory. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost overruns, non-reimbursable costs, change orders and potential price changes.

(m) Finance expense

Finance expense is comprised of interest expense on long-term debt and lease liabilities and amortization of deferred financing costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(n) Other finance income (expense)

Other finance income (expense) comprises interest income on funds invested, changes in the fair value of derivative financial instruments not accounted for as hedges and foreign exchange gains and losses reported on a net basis. Interest income (expense) is recognized as it accrues in profit or loss, using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Guarantees

A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are remeasured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* ("IAS 37") and (ii) the amount initially recognized less cumulative amortization.

(q) Stock-based payments

The Company accounts for all stock-based payments to employees and non-employees using the fair value-based method of accounting. The Company measures the compensation cost of stock-based option awards at the grant date using the Black-Scholes-Merton option valuation model to determine the fair value of the options. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options.

(r) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. DSU Plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date.

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in profit or loss.

(u) Performance and Restricted Share Unit Plan

On November 3, 2016, as subsequently amended, a Performance and Restricted Share Unit Plan (the "PRSU Plan") was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan) for cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in profit or loss.

(v) Recently adopted accounting standards and policies

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
On May 14, 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendment specifies that the 'costs of fulfilling a contract' comprise both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

The Company adopted the amendments to IAS 37 effective January 1, 2022. The adoption of amendments to IAS 37 did not have a material impact on the consolidated financial statements.

(w) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

Amendments to IAS 8, Definition of Accounting Estimates
On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 8 is not expected to have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure Initiative – Accounting Policies
On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments help companies provide useful accounting policy disclosures by requiring companies to disclose their material accounting policies rather than their significant accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 1 and IFRS Practice Statement 2 is not expected to have a material impact on the consolidated financial statements.

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 introduces 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 recognizes no gain or loss relating to the right of use it retains.

The amendments are effective for annual periods beginning on or after January 1, 2024. The adoption of amendments to IFRS 16 is not expected to have a material impact on the 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 amendments are effective for annual periods beginning on or after January 1, 2024. The adoption of amendments to IAS 1 is not expected to have a material impact on the consolidated financial statements.

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

3. TRADE AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	$ 737,199	$ 606,779
Other receivables	50,618	22,661
Foreign exchange forward contracts not accounted for as hedges (note 23(d))	2,114	4,744
	$ 789,931	$ 634,184

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 23.

4. INVENTORIES

	December 31, 2022	December 31, 2021
Raw materials	$ 269,549	$ 226,138
Work in progress	83,119	66,722
Finished goods	54,844	56,404
Tooling work in progress and other inventory	257,804	241,520
	$ 665,316	$ 590,784

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2022			December 31, 2021		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 215,066	$ (41,633)	$ 173,433	$ 179,249	$ (33,135)	$ 146,114
Leasehold improvements	85,745	(55,540)	30,205	74,665	(50,056)	24,609
Manufacturing equipment	2,862,421	(1,552,194)	1,310,227	2,716,949	(1,492,994)	1,223,955
Tooling and fixtures	39,590	(34,445)	5,145	36,197	(32,772)	3,425
Other assets	84,321	(53,646)	30,675	73,995	(45,232)	28,763
Construction in progress	399,088	-	399,088	301,048	-	301,048
	$ 3,686,231	$ (1,737,458)	$ 1,948,773	$ 3,382,103	$ (1,654,189)	$ 1,727,914

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, 2020	$ 144,146	$ 27,123	$ 1,146,778	$ 4,005	$ 29,036	$ 264,109	$ 1,615,197
Additions	50	-	2,047	-	1,068	343,483	346,648
Disposals	-	-	(1,855)	-	(47)	-	(1,902)
Depreciation	(6,216)	(3,721)	(184,241)	(550)	(8,466)	-	(203,194)
Transfers from construction in progress	10,361	1,794	282,746	-	7,735	(302,636)	-
Foreign currency translation adjustment	(2,227)	(587)	(21,520)	(30)	(563)	(3,908)	(28,835)
Net as of December 31, 2021	146,114	24,609	1,223,955	3,425	28,763	301,048	1,727,914
Additions	151	-	2,836	13	2,139	364,147	369,286
Disposals	-	-	(2,700)	(7)	(7)	(783)	(3,497)
Depreciation	(5,943)	(3,703)	(213,563)	(604)	(9,039)	-	(232,852)
Impairment (note 9)	-	-	(2,577)	-	(86)	(45)	(2,708)
Transfers from construction in progress	23,871	8,663	241,852	1,955	8,011	(284,352)	-
Foreign currency translation adjustment	9,240	636	60,424	363	894	19,073	90,630
Net as of December 31, 2022	$ 173,433	$ 30,205	$ 1,310,227	$ 5,145	$ 30,675	$ 399,088	$ 1,948,773

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

6. RIGHT-OF-USE ASSETS

	December 31, 2022			December 31, 2021		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 297,448	$ (112,167)	$ 185,281	$ 247,757	$ (80,125)	$ 167,632
Leased manufacturing equipment	97,140	(29,820)	67,320	70,568	(16,722)	53,846
Leased other assets	4,484	(3,020)	1,464	3,846	(2,390)	1,456
	$ 399,072	$ (145,007)	$ 254,065	$ 322,171	$ (99,237)	$ 222,934

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

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2020	$ 178,284	$ 12,974	$ 1,372	$ 192,630
Additions	11,031	47,409	851	59,291
Lease modifications	6,604	-	114	6,718
Depreciation	(25,444)	(5,957)	(839)	(32,240)
Foreign currency translation adjustment	(2,843)	(580)	(42)	(3,465)
Net as of December 31, 2021	$ 167,632	$ 53,846	$ 1,456	$ 222,934
Additions	18,263	22,964	705	41,932
Lease modifications	20,846	(40)	-	20,806
Depreciation	(27,516)	(13,603)	(736)	(41,855)
Impairment (note 9)	(834)	-	-	(834)
Foreign currency translation adjustment	6,890	4,153	39	11,082
Net as of December 31, 2022	$ 185,281	$ 67,320	$ 1,464	$ 254,065

7. INTANGIBLE ASSETS

	December 31, 2022			December 31, 2021		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Development costs	$ 151,229	$ (105,313)	$ 45,916	$ 138,289	$ (90,480)	$ 47,809

Movement in intangible assets is summarized as follows:

	Development costs
Net as of December 31, 2020	$ 52,644
Additions	8,533
Amortization	(12,788)
Foreign currency translation adjustment	(580)
Net as of December 31, 2021	47,809
Additions	7,376
Upfront recovery of development costs incurred	(682)
Amortization	(10,929)
Foreign currency translation adjustment	2,342
Net as of December 31, 2022	$ 45,916

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

8. INVESTMENTS

	December 31, 2022	December 31, 2021
Investment in common shares of NanoXplore Inc.	$ 48,749	$ 48,748
Investment in common shares of VoltaXplore Inc.	3,940	3,925
Investment in common shares and convertible debentures of AlumaPower Corp.	2,669	2,542
Other	500	-
	$ 55,858	$ 55,215

As at December 31, 2022, the Company held 35,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 21.1% 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.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of $46,000. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of $4,000. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of $7,800 during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore Inc. ("VoltaXplore"), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested $4,036 into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional $6,000 in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers and other factors, could support the business case for the construction of a battery production facility in Canada.

On January 14, 2022, each of Martinrea and NanoXplore invested an additional $1,000 in development funding into VoltaXplore by acquiring 1,000,000 common shares in VoltaXplore at $1.00 per share.

On February 24, 2022, NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of $4.60 per common share for aggregate gross proceeds of $30,001. Upon finalization of the transaction, the Company's net ownership interest decreased to 21.2% from 22.2%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of $4,050 during the first quarter of 2022.

As a result of stock option exercises within NanoXplore, the Company's net ownership interest decreased slightly to 21.1% from 21.2% during the fourth quarter of 2022.

As at December 31, 2022, the Company held 14,952 of each class A and class C shares and $1,365 (US $1,066) of convertible debentures of AlumaPower Corporation ("AlumaPower"), representing a 12.5% 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.

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore based on their 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 common shares and convertible debentures in AlumaPower have been classified as fair value through other comprehensive income and amortized cost, respectively. 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, while the convertible debentures are recorded at amortized cost using the effective interest rate method, less any impairment losses.

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

Movement in equity-accounted investments is summarized as follows:

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net as of December 31, 2020	$ 40,557	$ -
Additions	4,000	4,036
Gain on dilution of equity investments	7,800	-
Share of loss for the period	(3,813)	(111)
Share of other comprehensive income for the period	204	-
Net as of December 31, 2021	$ 48,748	$ 3,925
Additions	-	1,000
Gain on dilution of equity investments	4,050	-
Share of loss for the period	(4,089)	(985)
Share of other comprehensive income for the period	40	-
Net as of December 31, 2022	$ 48,749	$ 3,940

As at December 31, 2022, the stock market value of the shares held in NanoXplore by the Company was $91,119.

9. IMPAIRMENT OF ASSETS

During the third quarter of 2022, the Company recorded impairment charges on property, plant, equipment, right of use assets, and inventories totaling $4,494 representing a writedown of the total assets of a CGU in China, comprised of two operating facilities originally acquired from Metalsa S.A in 2020, included in the Rest of the World operating segment. The impairment charges resulted from the cancellation of the OEM light vehicle platforms being serviced by the CGU before the end of their expected life cycles. This has led to a decision to close the facilities. The impairment charges were recorded where the carrying amounts of the assets exceeded their estimated recoverable amounts.

10. TRADE AND OTHER PAYABLES

	December 31, 2022	December 31, 2021
Trade accounts payable and accrued liabilities*	$ 1,315,380	$ 1,110,350

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

* Included in trade accounts payable and accrued liabilities are contract liabilities related to advance consideration received from customers for tooling contracts. During the year ended December 31, 2022, the Company recognized $132,650 (2021 - $130,691) of revenues that were included in contract liabilities at the beginning of the period.

11. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2020	$ 1,360	$ 2,898	$ 4,258
Net additions	5,473	1,290	6,763
Amounts used during the period	(3,471)	(923)	(4,394)
Foreign currency translation adjustment	(177)	(178)	(355)
Net as of December 31, 2021	3,185	3,087	6,272
Net additions	7,846	1,410	9,256
Amounts used during the period	(6,648)	(1,338)	(7,986)
Foreign currency translation adjustment	(3)	367	364
Net as of December 31, 2022	$ 4,380	$ 3,526	$ 7,906

(a) Restructuring

Additions to the restructuring provision in 2022 totaled $7,846 and represent employee-related severance resulting from the rightsizing of operations in Canada and China related to the cancellation of certain OEM light vehicle platforms before the end of their expected life cycles.

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

Additions to the restructuring provision in 2021 totaled $5,473 and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, customers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

12. 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 23.

	December 31, 2022	December 31, 2021
Banking facility	$ 1,022,169	$ 945,703
Equipment loans	48,199	65,287
	1,070,368	1,010,990
Current portion	(16,198)	(20,173)
	$ 1,054,170	$ 990,817

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

	Currency	Nominal interest rate	Year of maturity	December 31, 2022 Carrying amount	December 31, 2021 Carrying amount
Banking facility	USD	LIBOR + 2.25%	2025	$ 644,558	$ 589,651
	CAD	BA + 2.25%	2025	377,611	356,052
Equipment loans	CAD	2.54%	2026	19,044	23,824
	EUR	1.40%	2026	8,284	10,823
	EUR	2.46%	2026	8,043	9,502
	EUR	1.05%	2024	7,624	13,183
	CAD	5.22%	2025	4,220	-
	EUR	0.00%	2028	864	584
	EUR	0.26%	2025	120	167
	CAD	3.80%	2022	-	7,204
				$ 1,070,368	$ 1,010,990

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended bank facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of $500 million and US $520 million (up from $370 million and US $420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- available asset based financing capacity of $300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $300 million (up from US $200 million);
- pricing terms at market rates;
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

In light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, on November 25, 2021, the Company amended its lending agreements with its banking syndicate to provide enhanced financial covenant flexibility on a present and go forward basis. The amendment provided that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA ratio, for the four quarters up to and including the third quarter of 2022, would exclude EBITDA from the third and fourth quarters of 2021 and instead be based on the annualized total of the remaining quarters in the relevant trailing twelve month period. As a result, the impact the industry-wide shortage of semiconductor chips had on the Company, prevalent during the third and fourth quarters of 2021, was largely ignored for the purpose of financial covenant calculations under the Company's lending arrangements. The amendment also increased the maximum net debt to trailing twelve months EBITDA ratio for financial covenant purposes to 4.0x, 4.5x, and 3.75x for the first, second, and third quarters of 2022, respectively, and returned to 3.0x thereafter.

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

As at December 31, 2022, the Company had drawn US $476,000 (December 31, 2021 - US $466,000) on the U.S. revolving credit line and $380,000 (December 31, 2021 - $360,000) on the Canadian revolving credit line. At December 31, 2022, the weighted average effective interest rate of the banking facility credit lines was 6.8% (December 31, 2021 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2022.

Deferred financing fees of $2,389 (December 31, 2021 - $3,948) have been netted against the carrying amount of the long-term debt.

On June 27, 2022, the Company finalized a three-year equipment loan in the amount of $5,000 repayable in monthly installments commencing in 2022 at a fixed annual interest rate of 5.22%.

On August 11, 2021, the Company finalized a five-year equipment loan in the amount of $25,000 repayable in quarterly instalments commencing in 2021 at a fixed annual interest rate of 2.54%.

On April 30, 2020, the Company finalized a three-year equipment loan in the amount of €6,600 ($9,958) repayable in monthly instalments commencing in 2021 at a fixed annual interest rate of 2.0%. On May 19, 2021, the equipment loan was amended to extend its maturity date from 2023 to 2026, postpone the commencement of monthly instalments from 2021 to 2022, and increase the fixed annual interest rate from 2.00% to 2.46%.

Future annual minimum principal repayments as at December 31, 2022 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 17,220	$ (1,022)	$ 16,198
One to two years	13,976	(1,022)	12,954
Two to three years	1,036,050	(343)	1,035,707
Three to four years	5,223	(2)	5,221
Thereafter	288	-	288
	$ 1,072,757	$ (2,389)	$ 1,070,368

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2020	$ 835,222
Drawdowns	176,214
Equipment loan proceeds	25,000
Equipment loan repayments	(18,296)
Deferred financing fee additions	(3,920)
Amortization of deferred financing fees	1,846
Foreign currency translation adjustment	(5,076)
Net as of December 31, 2021	$ 1,010,990
Net drawdowns	32,126
Equipment loan proceeds	5,367
Equipment loan repayments	(22,137)
Amortization of deferred financing fees	1,559
Foreign currency translation adjustment	42,463
Net as of December 31, 2022	$ 1,070,368

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

13. 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, 2020	$	211,813
Net additions		59,291
Lease modifications		6,718
Principal payments of lease liabilities		(33,753)
Termination of leases		(788)
Foreign currency translation adjustment		(3,504)
Net as of December 31, 2021	$	239,777
Net additions		41,932
Lease modifications		20,806
Principal payments of lease liabilities		(41,174)
Foreign currency translation adjustment		11,779
Net as of December 31, 2022	$	273,120

Effective December 20, 2021, the Company finalized a six-year manufacturing equipment lease agreement with quarterly payments of US $1,660 commencing in 2022, adding US $37,388 ($47,193) to lease liabilities during 2021.

The maturity of contractual undiscounted lease liabilities as at December 31, 2022 is as follows:

		Total
Within one year	$	55,313
One to two years		51,314
Two to three years		47,345
Three to four years		42,867
Thereafter		122,786
Total undiscounted lease liabilities at December 31, 2022	$	319,625
Interest on lease liabilities		(46,505)
Total present value of minimum lease payments	$	273,120
Current portion		(43,665)
	$	229,455

14. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Company has defined benefit and non-pension post-retirement benefit plans in Canada, the United States and Germany. The defined benefit plans provide pensions based on years of service, years of contributions and earnings. The post-retirement benefit plans provide for the reimbursement of certain medical costs.

The plans are governed by the pension laws of the jurisdiction in which they are registered. The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. Local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

The assets of the defined benefit pension plans are held in segregated accounts isolated from the Company's assets. The plans are administered pursuant to applicable regulations, investment policies and procedures and to the mandate of an established pension committee. The pension committee oversees the administration of the pension plans, which include the following principal areas:

- Overseeing the funding, administration, communication and investment management of the plans;

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

- Selecting and monitoring the performance of all third parties performing duties in respect of the plans, including audit, actuarial and investment management services;
- Proposing, considering and approving amendments to the defined benefit pension plans;
- Proposing, considering and approving amendments of the investment policies and procedures;
- Reviewing actuarial reports prepared in respect of the administration of the defined benefit pension plans; and
- Reviewing and approving the audited financial statements of the defined benefit pension plan funds.

The assets of the defined benefit pension plans are invested and managed following all applicable regulations and investment policies and procedures, and reflect the characteristics and asset mix of each defined benefit pension plan. Investment and market return risk is managed by:

- Contracting professional investment managers to execute the investment strategy following the investment policies and procedures and regulatory requirements;
- Specifying the kinds of investments that can be held in plans and monitoring compliance;
- Using asset allocation and diversification strategies; and
- Purchasing annuities from time to time.

The pension plans are exposed to market risks such as changes in interest rates, inflation and fluctuations in investment values. The plans are also exposed to non-financial risks in the nature of membership mortality, demographic changes and regulatory change.

Information about the Company's defined benefit plans as at December 31, 2022 and 2021, in aggregate, is as follows:

Accrued benefit obligation:	December 31, 2022			December 31, 2021		
	Other post-retirement benefits	**Pensions**	**Total**	**Other post-retirement benefits**	**Pensions**	**Total**
Balance, beginning of year	$ (37,690)	$ (86,927)	$ (124,617)	$ (42,608)	$ (92,231)	$ (134,839)
Benefits paid by the plan	1,420	3,089	4,509	1,426	2,888	4,314
Current service costs	(112)	(2,132)	(2,244)	(127)	(2,389)	(2,516)
Interest costs	(1,014)	(2,180)	(3,194)	(945)	(1,915)	(2,860)
Actuarial gains - experience	676	538	1,214	496	326	822
Actuarial gains (losses) - demographic assumptions	598	-	598	(86)	(116)	(202)
Actuarial gains - financial assumptions	7,611	22,502	30,113	4,018	5,130	9,148
Foreign exchange translation	(921)	(1,985)	(2,906)	136	1,380	1,516
Balance, end of year	$ (29,432)	$ (67,095)	$ (96,527)	$ (37,690)	$ (86,927)	$ (124,617)

Plan Assets:	December 31, 2022			December 31, 2021		
	Other post-retirement benefits	**Pensions**	**Total**	**Other post-retirement benefits**	**Pensions**	**Total**
Fair value, beginning of year	$ -	$ 75,087	$ 75,087	$ -	$ 60,809	$ 60,809
Contributions paid into the plans	1,417	1,216	2,633	1,426	1,927	3,353
Benefits paid by the plans	(1,417)	(3,089)	(4,506)	(1,426)	(2,888)	(4,314)
Interest income	-	2,110	2,110	-	1,422	1,422
Administrative costs	-	(124)	(124)	-	(39)	(39)
Remeasurements, return on plan assets recognized in other comprehensive income (loss)	-	(9,982)	(9,982)	-	13,979	13,979
Foreign exchange translation	-	1,631	1,631	-	(123)	(123)
Fair value, end of year	$ -	$ 66,849	$ 66,849	$ -	$ 75,087	$ 75,087
Accrued net benefit obligation, end of year	**$ (29,432)**	**$ (246)**	**$ (29,678)**	**$ (37,690)**	**$ (11,840)**	**$ (49,530)**
Recorded on the consolidated balance sheets as follows:						
Pension assets	$ -	$ 12,234	$ 12,234	$ -	$ 8,107	$ 8,107
Pension & OPEB long-term liability	$ (29,432)	$ (12,480)	$ (41,912)	$ (37,690)	$ (19,947)	$ (57,637)

Certain pension plans ended the year with asset values exceeding the present value of funded obligations. Accordingly, such plans are presented as pension assets totaling $12,234 (December 31, 2021 - $8,107) which were previously recorded net of the liability.

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

Pension expense recognized in profit or loss:

	December 31, 2022			December 31, 2021		
	Other post-retirement benefits	Pensions	Total	Other post-retirement benefits	Pensions	Total
Current service costs	$ 112	$ 2,132	$ 2,244	$ 127	$ 2,389	$ 2,516
Net interest cost	1,014	70	1,084	945	493	1,438
Administrative costs	-	124	124	-	39	39
Pension expense	$ 1,126	$ 2,326	$ 3,452	$ 1,072	$ 2,921	$ 3,993

Amounts recognized in other comprehensive income (loss), before income taxes:

	Year ended December 31, 2022	Year ended December 31, 2021
Actuarial gain	$ 21,943	$ 23,747

Plan assets are primarily composed of pooled funds that invest in fixed income and equities, common stocks and bonds that are actively traded. Plan assets are composed of:

	December 31, 2022	December 31, 2021
Equity	83.1%	83.5%
Debt securities	16.9%	16.5%
	100.0%	100.0%

As at December 31, 2022 and 2021, all investments in the plan are at Level 2 on the fair value hierarchy, as defined in note 23.

The defined benefit obligation and plan assets are composed by country as follows:

	Year ended December 31, 2022				Year ended December 31, 2021			
	Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	$ (31,574)	$ (25,544)	-	$ (57,118)	$ (40,158)	$ (31,259)	-	$ (71,417)
Fair value of plan assets	43,808	23,041	-	66,849	48,266	26,821	-	75,087
Funding status of funded obligations	12,234	(2,503)	-	9,731	8,108	(4,438)	-	3,670
Present value of unfunded obligations	(17,951)	(12,775)	(8,683)	(39,409)	(23,670)	(15,614)	(13,916)	(53,200)
Total funded status of obligations	$ (5,717)	$ (15,278)	$ (8,683)	$ (29,678)	$ (15,562)	$ (20,052)	$ (13,916)	$ (49,530)

There are significant assumptions made in the calculations provided by the actuaries and it is the responsibility of the Company to determine which assumptions could result in a significant impact when determining the accrued benefit obligations and pension expense.

Principal actuarial assumptions, expressed as weighted averages, are summarized below:

	December 31, 2022	December 31, 2021
Defined benefit pension plans:		
Discount rate used to calculate year end benefit obligation	4.8%	2.5%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2021
Other post-employment benefit plans:		
Discount rate used to calculate year end benefit obligation	5.0%	2.7%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2021
Health care trend rates:		
Initial health care rate	3.5%	6.5%
Ultimate health care rate	4.2%	4.2%

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

Sensitivity of Key Assumptions

In the sensitivity analysis shown below, the Company determines the defined benefit obligation using the same method used to calculate the defined benefit obligations recognized in the consolidated balance sheet. Sensitivity is calculated by changing one assumption while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption will change at a time, and that some assumptions are correlated.

		Impact on defined benefit obligation December 31, 2022		Impact on defined benefit obligation December 31, 2021	
Pension Plans	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 5.7%	Increase by 6.4%	Decrease by 7.1%	Increase by 8.0%
Life Expectancy	1 Year	Increase by 2.7%	Decrease by 2.8%	Increase by 3.2%	Decrease by 3.3%
Other post-retirement benefits					
Discount rate	0.50%	Decrease by 4.8%	Increase by 5.1%	Decrease by 5.7%	Increase by 6.2%
Medical costs	1.00%	Increase by 9.3%	Decrease by 8.0%	Increase by 9.9%	Decrease by 8.4%

15. INCOME TAXES

The components of income tax expense are as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax expense	$ (66,210)	$ (33,172)
Deferred income tax recovery	25,003	21,791
Total income tax expense	$ (41,207)	$ (11,381)

Taxes on items recognized in other comprehensive income (loss) or directly in equity were as follows:

Deferred tax benefit (charge) on:	Year ended December 31, 2022	Year ended December 31, 2021
Employee benefit plan actuarial gains	$ (5,377)	$ (6,041)
Foreign currency items	1,183	516
	$ (4,194)	$ (5,525)

Reconciliation of effective tax rate

The provision for income taxes differs from the result that would be obtained by applying statutory income tax rates to income before income taxes. The difference results from the following:

	Year ended December 31, 2022	Year ended December 31, 2021
Income before income taxes	$ 174,045	$ 47,261
Tax at Statutory income tax rate of 26.5% (2021 - 26.5%)	46,122	12,523
Increase (decrease) in income taxes resulting from:		
Utilization of losses previously not benefited	(1,799)	(924)
Changes in estimates related to prior years	351	(2,030)
Revaluations due to foreign exchange and inflation	(12,031)	(3,308)
Tax rate differences in foreign jurisdictions	(6,609)	(4,044)
Non-taxable portion of capital losses (gains)	136	(498)
Current year tax losses not benefited and withholding tax expensed	2,108	4,035
Derecognition of previously recognized deferred tax assets	5,910	1,115
Non-deductible expenses	7,019	4,512
	$ 41,207	$ 11,381
Effective income tax rate applicable to income before income taxes	23.7%	24.1%

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

The movement of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2020	$ 106,943	$ 22,311	$ 40,417	$ 15,772	$ 10,095	$ 195,538
Benefit (charge) to income	15,095	(3,085)	(6,543)	3,141	5,412	14,020
Benefit (charge) to other comprehensive income	-	(6,041)	-	-	486	(5,555)
Translation and other items	(609)	(269)	(293)	(310)	(312)	(1,793)
December 31, 2021	$ 121,429	$ 12,916	$ 33,581	$ 18,603	$ 15,681	$ 202,210
Benefit (charge) to income	(3,094)	1,634	9,108	19,690	(832)	26,506
Benefit (charge) to other comprehensive income	-	(5,377)	-	-	1,183	(4,194)
Translation and other items	5,983	412	2,706	1,931	(4,833)	6,199
December 31, 2022 before offset	$ 124,318	$ 9,585	$ 45,395	$ 40,224	$ 11,199	$ 230,721
Tax offset						(64,041)
December 31, 2022 after offset						$ 166,680

The movement of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2020	$ (73,446)	$ (12,728)	$ (86,174)
Benefit to income	4,683	3,089	7,772
Benefit to other comprehensive income	-	30	30
Translation and other items	516	(337)	179
December 31, 2021	$ (68,247)	$ (9,946)	$ (78,193)
Benefit (charge) to income	(3,564)	2,060	(1,504)
Translation and other items	(2,751)	95	(2,656)
December 31, 2022 before offset	$ (74,562)	$ (7,791)	$ (82,353)
Tax offset			64,041
December 31, 2022 after offset			$ (18,312)

Net deferred asset at December 31, 2021	$ 124,017
Net deferred asset at December 31, 2022	$ 148,368

During the year ended December 31, 2022, the Company disclosed deferred tax assets and deferred tax liabilities on a net basis where a right of offset exists.

The Company has accumulated approximately $725,507 (December 31, 2021 - $647,716) in non-capital losses that are available to reduce taxable income in future years. If unused, these losses will expire as follows:

Year	
2023-2027	$ 37,814
2028-2042	477,635
Indefinite	210,058
	$ 725,507

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

Deferred tax assets include tax credits of $8,383 (December 31, 2021 - $6,029).

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

A deferred tax asset of $80,449 in the United States (December 31, 2021 - $73,153) has been recorded in excess of the reversing taxable temporary differences. Income projections support the conclusion that the deferred tax asset is probable of being realized and, consequently, it has been recognized.

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2022		December 31, 2021
Tax losses in foreign jurisdictions	$	63,769	$	43,666
Deductible temporary differences in foreign jurisdictions		8,399		2,756
Other capital items		188		188
	$	72,356	$	46,610

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately $949,660 at December 31, 2022 (December 31, 2021 - $883,759).

Future changes in tax law in any of the jurisdictions in which the Company has a presence could significantly impact the Company's provision for income taxes, taxes payable, and deferred tax asset and liability balances.

16. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance as of December 31, 2020	80,294,095	$	662,427
Exercise of stock options	73,000		988
Balance as of December 31, 2021	80,367,095	$	663,415
Exercise of stock options	20,000		231
Balance as of December 31, 2022	80,387,095	$	663,646

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

Stock options

The Company has one stock option plan for key employees. Under the plan, the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with the stock option plan and the policies of the Company. The options have a maximum term of 10 years and generally vest between zero and five years.

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

	Year ended December 31, 2022			Year ended December 31, 2021		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	2,622,500	$	13.32	2,777,500	$	13.25
Granted during the period	25,000		10.74	-		-
Exercised during the period	(20,000)		8.57	(73,000)		10.23
Cancelled during the period	(8,000)		13.19	(57,000)		13.82
Expired during the period	(184,500)		11.14	(25,000)		13.87
Balance, end of period	2,435,000	$	13.50	2,622,500	$	13.32
Options exercisable, end of period	1,893,600	$	13.33	1,791,500	$	12.93

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

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2022:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$10.00 - 12.99	678,000	2013 - 2022	2023 - 2032
$13.00 - 16.99	1,757,000	2015 - 2020	2025 - 2030
Total share purchase options	2,435,000		

The Black-Scholes-Merton option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting and exercise restrictions under the Company's black-out policy, which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

The key assumptions, on a weighted average basis, used in the valuation of options granted during the year ended December 31, 2022 are shown in the table below. No options were granted during the year ended December 31, 2021.

	Year ended December 31, 2022
Expected volatility	42.13%
Risk free interest rate	3.30%
Expected life (years)	5.0
Dividend yield	1.86%
Weighted average fair value of options granted	$ 3.39

For the year ended December 31, 2022, the Company expensed $773 (2021 - $1,224), 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 December 31, 2022 and 2021:

	Year ended December 31, 2022	Year ended December 31, 2021
Outstanding, beginning of period	397,091	331,291
Granted and reinvested dividends	228,057	118,537
Redeemed	-	(52,737)
Outstanding, end of period	625,148	397,091

The DSUs granted during the year ended December 31, 2022 and 2021 had a weighted average fair value per unit of $8.63 and $12.15, respectively, on the date of grant. At December 31, 2022, the fair value of all outstanding DSUs amounted to $5,736 (December 31, 2021 - $3,379). For the year ended December 31, 2022, DSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $2,356 (2021 - a benefit of $126), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at December 31, 2022 was $1,510 (December 31, 2021 - $937) 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 year ended December 31, 2022 and 2021:

	RSUs	PSUs	Total
Outstanding, December 31, 2020	342,175	342,518	684,693
Granted and reinvested dividends	196,986	196,947	393,933
Redeemed	(247,435)	(245,361)	(492,796)
Cancelled	(3,914)	(7,822)	(11,736)
Outstanding, December 31, 2021	287,812	286,282	574,094
Granted and reinvested dividends	370,182	292,029	662,211
Redeemed	(98,181)	(98,181)	(196,362)
Cancelled	(1,339)	(1,506)	(2,845)
Outstanding, December 31, 2022	558,474	478,624	1,037,098

The RSUs and PSUs granted during the year ended December 31, 2022 and 2021 had a weighted average fair value per unit of $9.45 and $12.85, respectively, on the date of grant. For the year ended December 31, 2022, RSU and PSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $4,716 (2021 - a benefit of $1,046), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at December 31, 2022 was $6,137 (December 31, 2021 - $2,827) 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 years ended December 31, 2022 and 2021 are shown in the table below:

	Year ended December 31, 2022	Year ended December 31, 2021
Expected life (years)	2.28	2.40
Risk free interest rate	3.51%	0.57%

17. EARNINGS PER SHARE

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

	Year ended December 31, 2022		Year ended December 31, 2021	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,378,469	$ 1.65	80,337,393	$ 0.45
Effect of dilutive securities:				
Stock options	-	-	70,636	-
Diluted	80,378,469	$ 1.65	80,408,029	$ 0.45

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 year ended December 31, 2022, 2,435,000 options (2021 - 1,790,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

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

18. RESEARCH AND DEVELOPMENT COSTS

	Year ended December 31, 2022	Year ended December 31, 2021
Research and development costs, gross	$ 33,365	$ 28,367
Capitalized development costs	(7,376)	(8,533)
Amortization of capitalized development costs	10,929	12,788
Research and development costs, net	$ 36,918	$ 32,622

19. PERSONNEL EXPENSES

The consolidated statement of operations presents operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note	Year ended December 31, 2022	Year ended December 31, 2021
Wages and salaries and other short-term employee benefits		$ 1,167,975	$ 982,459
Expenses related to pension and post-retirement benefits	14	3,452	3,993
RSU and PSU compensation expense (benefit) (including changes in fair value during the year)	16	4,716	(1,046)
DSU compensation expense (benefit) (including changes in fair value during the year)	16	2,356	(126)
Stock-based compensation expense	16	773	1,224
		$ 1,179,272	$ 986,504

20. FINANCE EXPENSE AND OTHER FINANCE INCOME

	Year ended December 31, 2022	Year ended December 31, 2021
Debt interest, gross	$ (54,238)	$ (29,658)
Interest on lease liabilities	(8,925)	(7,652)
Capitalized interest - at an average rate of 5.4% (2021 - 2.5%)	11,326	4,392
Finance expense	$ (51,837)	$ (32,918)

	Year ended December 31, 2022	Year ended December 31, 2021
Net foreign exchange gain	$ 8,745	$ 12,553
Other income, net	382	833
Other finance income	$ 9,127	$ 13,386

21. GOVERNMENT SUBSIDIES

In response to the COVID-19 pandemic, the governments of various jurisdictions in which the Company has operations approved legislation to assist businesses adversely impacted by COVID-19 with the intent of preventing job losses and better position companies to resume normal operations following the crisis. The Company determined that it qualified for certain government labour assistance and recognized $19,953 for the year ended December 31, 2021 in subsidies. These amounts are not repayable and were recognized as a deduction of the related expenses recorded in cost of sales of $18,400 and as a deduction in selling, general and administrative expenses of $1,553 for the year ended December 31, 2021. In addition, for the year ended December 31, 2021, the Company recognized $1,470 in subsidies related to commercial rent and property expenses for qualifying locations in Canada.

No such government subsidies were recognized during the year ended December 31, 2022.

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

22. 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 significant accounting policies in note 2 of the consolidated financial statements. 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:

	Year ended December 31, 2022				
	Production Sales	**Tooling Sales**	**Total Sales**	**Property, plant and equipment and Right-of-use assets**	**Operating Income**
North America					
Canada	$ 647,780	$ 122,411	$ 770,191	$ 316,389	
USA	1,291,203	109,924	1,401,127	626,433	
Mexico	1,633,059	66,813	1,699,872	790,904	
Eliminations	(221,767)	(91,039)	(312,806)	-	
	$ 3,350,275	$ 208,109	$ 3,558,384	$ 1,733,726	$ 199,101
Europe					
Germany	757,949	82,502	840,451	263,418	
Spain	161,956	9,198	171,154	118,213	
Slovakia	39,794	3,910	43,704	16,714	
	959,699	95,610	1,055,309	398,345	17,732
Rest of the World	169,770	4,280	174,050	70,767	946
Eliminations	(23,987)	(6,168)	(30,155)	-	-
	$ 4,455,757	$ 301,831	$ 4,757,588	$ 2,202,838	$ 217,779

	Year ended December 31, 2021				
	Production Sales	**Tooling Sales**	**Total Sales**	**Property, plant and equipment and Right-of-use assets**	**Operating Income (Loss)**
North America					
Canada	$ 438,308	$ 150,621	$ 588,929	$ 255,450	
USA	939,177	160,275	1,099,452	571,764	
Mexico	1,207,231	109,324	1,316,555	708,784	
Eliminations	(138,303)	(129,145)	(267,448)	-	
	$ 2,446,413	$ 291,075	$ 2,737,488	$ 1,535,998	$ 64,978
Europe					
Germany	663,913	68,578	732,491	221,304	
Spain	122,269	4,124	126,393	118,630	
Slovakia	37,566	3,522	41,088	14,403	
	823,748	76,224	899,972	354,337	(16,596)
Rest of the World	163,043	9,872	172,915	60,513	14,535
Eliminations	(23,127)	(3,295)	(26,422)	-	-
	$ 3,410,077	$ 373,876	$ 3,783,953	$ 1,950,848	$ 62,917

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

23. 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:

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 161,655	$ 161,655	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 8)	2,669	-	-	2,669
Foreign exchange forward contracts not accounted for as hedges (note 3)	2,114	-	2,114	-

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 153,291	$ 153,291	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 8)	2,542	-	-	2,542
Foreign exchange forward contracts not accounted for as hedges (note 3)	4,744	-	4,744	-

Fair values versus carrying amounts

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

December 31, 2022	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	$ -	$ -	$ 787,817	$ -	$ 787,817	$ 787,817
Investment in common shares and convertible debentures of AlumaPower	-	1,304	-	1,365	2,669	2,669
Foreign exchange forward contracts not accounted for as hedges	2,114	-	-	-	2,114	2,114
	2,114	1,304	787,817	1,365	792,600	792,600
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,315,380)	(1,315,380)	(1,315,380)
Long-term debt	-	-	-	(1,070,368)	(1,070,368)	(1,070,368)
	-	-	-	(2,385,748)	(2,385,748)	(2,385,748)
Net financial assets (liabilities)	$ 2,114	$ 1,304	$ 787,817	$ (2,384,383)	$ (1,593,148)	$ (1,593,148)

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

December 31, 2021	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	$ -	$ -	$ 629,440	$ -	$ 629,440	$ 629,440
Investment in common shares and convertible debentures of AlumaPower	-	1,304	-	1,238	2,542	2,542
Foreign exchange forward contracts not accounted for as hedges	4,744	-	-	-	4,744	4,744
	4,744	1,304	629,440	1,238	636,726	636,726
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,110,350)	(1,110,350)	(1,110,350)
Long-term debt	-	-	-	(1,010,990)	(1,010,990)	(1,010,990)
	-	-	-	(2,121,340)	(2,121,340)	(2,121,340)
Net financial assets (liabilities)	$ 4,744	$ 1,304	$ 629,440	$ (2,120,102)	$ (1,484,614)	$ (1,484,614)

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.

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 27.1%, 21.2%, and 14.5% of its production sales for the year ended December 31, 2022 (2021 - 27.5%, 21.8%, and 15.3%). 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 December 31, 2022 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:

	December 31, 2022	December 31, 2021
0-60 days	$ 726,066	$ 589,634
61-90 days	4,250	4,564
Greater than 90 days	6,883	12,581
	$ 737,199	$ 606,779

(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 December 31, 2022, the Company had cash of $161,655 (2021 - $153,291) and banking facilities available as discussed in note 12. All of the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

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

On November 25, 2021, in light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, the Company amended its lending agreement with its syndicate of banks to provide enhanced financial covenant flexibility as further described in note 12.

A summary of contractual maturities of long-term debt is provided in note 12.

(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, LIBOR or the Banker's Acceptance 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	
	December 31, 2022	**December 31, 2021**
Variable rate instruments	$ 1,022,169	$ 945,703
Fixed rate instruments	48,199	65,287
	$ 1,070,368	$ 1,010,990

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $10,059 (2021 - $9,013) on the Company's consolidated financial results for the year ended December 31, 2022.

(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 December 31, 2022, 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	$ 100,629	19.8750	1

The aggregate value of these forward contracts as at December 31, 2022 was a pre-tax gain of $2,114 and was recorded in trade and other receivables (December 31, 2021 - pre-tax gain of $4,744 recorded in trade and other receivables).

Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income

The Company previously entered into foreign exchange forward contracts to buy Canadian dollars in order to hedge the variability in certain cash flows of forecasted U.S. dollars sales due to fluctuations in foreign exchange rates. As at June 30, 2021, it was determined that the U.S. dollar sales transactions could no longer be forecasted with high probability, and accordingly the Company de-designated the hedging relationship and terminated certain forward contracts. The Company had no foreign exchange contracts accounted for as hedges and fair valued through other comprehensive income as at December 31, 2022 and December 31, 2021.

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

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

December 31, 2022		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	398,811	€	92,861	$	118,703	R$	46,171	¥	163,299
Trade and other payables		(549,197)		(216,760)		(763,665)		(65,964)		(166,561)
Long-term debt		(476,000)		(17,204)		-		-		-
	$	(626,386)	€	(141,103)	$	(644,962)	R$	(19,793)	¥	(3,262)

December 31, 2021		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	325,560	€	80,184	$	7,173	R$	50,853	¥	172,288
Trade and other payables		(470,909)		(211,312)		(610,024)		(45,658)		(157,723)
Long-term debt		(466,000)		(23,795)		-		-		-
	$	(611,349)	€	(154,923)	$	(602,851)	R$	5,195	¥	14,565

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

	Average rate		Closing rate	
	Year ended December 31, 2022	Year ended December 31, 2021	December 31, 2022	December 31, 2021
USD	1.2941	1.2548	1.3541	1.2653
EURO	1.3711	1.4932	1.4494	1.4398
PESO	0.0640	0.0620	0.0695	0.0617
BRL	0.2496	0.2343	0.2578	0.2274
CNY	0.1941	0.1940	0.1966	0.1993

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 December 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 years ended December 31, 2022 and 2021 by the amounts shown below, assuming all other variables remain constant:

		Year ended December 31, 2022		Year ended December 31, 2021
USD	$	(8,160)	$	(4,564)
EURO		(2,233)		759
BRL		(181)		(119)
CNY		554		(613)
	$	(10,020)	$	(4,537)

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

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

24. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain manufacturing facilities, manufacturing equipment, office equipment and vehicles under short-term leases and enters into purchase obligations in the normal course of business related to inventory, services, tooling and property, plant and equipment. The aggregate expected payments towards those obligations are as follows:

	December 31, 2022	December 31, 2021
Future minimum lease payments*	$ 247	$ 285
Capital and other purchase commitments	608,906	470,708
Letters of credit	15,255	19,720
	$ 624,408	$ 490,713

*These amounts relate to leases that did not meet the recognition criteria for lease liabilities under IFRS 16.

Future minimum lease payments under short-term leases are due as follows:

	December 31, 2022	December 31, 2021
Less than one year	$ 161	$ 157
Between one and five years	86	128
	$ 247	$ 285

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 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.

Legal contingency

In December 2020, a customer, FCA (now Stellantis), filed a claim against two subsidiaries of the Company alleging a breach of contract connected to one of the Company's operating facilities in Mexico, alleging a shortage of casted aluminum engine blocks. The Company believed that the claim was unwarranted and that the parts shortage, if any, was due to FCA's actions. The Company's subsidiaries sought external legal advice and believed the contract was complied with, in all material respects.

On October 26, 2022, the lawsuit brought by FCA (now Stellantis) was dismissed in its entirety with prejudice and without costs to either party.

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 $39,589 (BRL $153,586) including interest and penalties to December 31, 2022 (December 31, 2021 - $53,607 or BRL $235,723). The

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

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 the assessment 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. Two assessments totaling $19,909 (BRL $77,237) including interest and penalties as at December 31, 2022 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to $26,859 (BRL $104,201) 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, for both 2013 and 2015 taxation years. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $69,785 (MXN $1,090,387) including interest and penalties to December 31, 2022 (December 31, 2021 - $nil or MXN $nil). 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.

25. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At December 31, 2022, the amount of the off-balance sheet program financing was $4,584 (December 31, 2021 - $18,574) 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 2021 or 2022. 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.

26. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include the Directors and the most Senior Corporate Officers of the Company that are primarily responsible for planning, directing, and controlling the Company's business activities.

The compensation expense associated with key management for employee services was included in employee salaries and benefits as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Salaries, pension and other short-term employee benefits	$ 14,293	$ 11,871
RSU, PSU and DSU compensation expense (benefit) (including changes in fair value during the year)	6,066	(812)
Stock-based compensation expense	591	984
Net expense	$ 20,950	$ 12,043