MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Cash and cash equivalents		$ 56,049	$ 59,165
Trade and other receivables	2	625,983	568,445
Inventories	3	323,248	306,130
Prepaid expenses and deposits		16,769	14,758
Income taxes recoverable		10,709	9,786
TOTAL CURRENT ASSETS		1,032,758	958,284
Property, plant and equipment	4	1,277,844	1,257,247
Deferred income tax assets		180,396	179,702
Intangible assets	5	72,594	73,261
TOTAL NON-CURRENT ASSETS		1,530,834	1,510,210
TOTAL ASSETS		$ 2,563,592	$ 2,468,494
LIABILITIES			
Trade and other payables	6	$ 805,926	$ 707,007
Provisions	7	6,302	6,689
Income taxes payable		21,587	18,622
Current portion of long-term debt	8	23,515	27,982
TOTAL CURRENT LIABILITIES		857,330	760,300
Long-term debt	8	667,067	693,421
Pension and other post-retirement benefits		67,976	66,863
Deferred income tax liabilities		105,661	118,234
TOTAL NON-CURRENT LIABILITIES		840,704	878,518
TOTAL LIABILITIES		1,698,034	1,638,818
EQUITY			
Capital stock	10	710,794	710,510
Contributed surplus		42,614	42,660
Accumulated other comprehensive income		112,358	117,048
Retained earnings (accumulated deficit)		449	(40,020)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		866,215	830,198
Non-controlling interest		(657)	(522)
TOTAL EQUITY		865,558	829,676
TOTAL LIABILITIES AND EQUITY		$ 2,563,592	$ 2,468,494

Contingencies (note 15)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Scott Balfour” Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note		Three months ended March 31, 2017		Three months ended March 31, 2016
SALES		$	1,000,550	$	1,039,450
Cost of sales (excluding depreciation of property, plant and equipment)			(849,785)		(896,214)
Depreciation of property, plant and equipment (production)			(32,550)		(31,418)
Total cost of sales			(882,335)		(927,632)
GROSS MARGIN			118,215		111,818
Research and development costs			(6,815)		(6,229)
Selling, general and administrative			(52,599)		(51,454)
Depreciation of property, plant and equipment (non-production)			(2,259)		(2,204)
Amortization of customer contracts and relationships			(540)		(535)
Gain on sale of land and building	4		5,698		-
Gain (loss) on disposal of property, plant and equipment			333		(51)
OPERATING INCOME			62,033		51,345
Finance costs			(5,844)		(6,194)
Other finance income (expense)	12		631		(2,121)
INCOME BEFORE INCOME TAXES			56,820		43,030
Income tax expense	9		(13,353)		(10,499)
NET INCOME FOR THE PERIOD		$	43,467	$	32,531
Non-controlling interest			135		40
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$	43,602	$	32,571
Basic earnings per share	11	$	0.50	$	0.38
Diluted earnings per share	11	$	0.50	$	0.38

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

		Three months ended March 31, 2017		Three months ended March 31, 2016
NET INCOME FOR THE PERIOD	$	43,467	$	32,531
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations		(4,690)		(41,431)
Items that will not be reclassified to net income				
Actuarial losses from the remeasurement of defined benefit plans		(535)		(4,485)
Other comprehensive income (loss), net of tax		(5,225)		(45,916)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$	38,242	$	(13,385)
Attributable to:				
Equity holders of the Company		38,377		(13,345)
Non-controlling interest		(135)		(40)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$	38,242	$	(13,385)

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Equity attributable to equity holders of the Company						
	Capital stock	Contributed surplus	Cumulative translation account	Retained earnings/ (accumulated deficit)	Total	Non-controlling interest	Total equity
Balance at December 31, 2015	$ 709,396	$ 42,648	$ 147,442	$ (123,157)	$ 776,329	$ (103)	$ 776,226
Net income for the period	-	-	-	32,571	32,571	(40)	32,531
Compensation expense related to stock options	-	83	-	-	83	-	83
Dividends ($0.03 per share)	-	-	-	(2,592)	(2,592)	-	(2,592)
Exercise of employee stock options	101	(29)	-	-	72	-	72
Other comprehensive income, net of tax							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(4,485)	(4,485)	-	(4,485)
Foreign currency translation differences	-	-	(41,431)	-	(41,431)	-	(41,431)
Balance at March 31, 2016	709,497	42,702	106,011	(97,663)	760,547	(143)	760,404
Net income for the period	-	-	-	59,809	59,809	(379)	59,430
Compensation expense related to stock options	-	250	-	-	250	-	250
Dividends ($0.09 per share)	-	-	-	(7,774)	(7,774)	-	(7,774)
Exercise of employee stock options	1,013	(292)	-	-	721	-	721
Other comprehensive income, net of tax							
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	5,608	5,608	-	5,608
Foreign currency translation differences	-	-	11,037	-	11,037	-	11,037
Balance at December 31, 2016	710,510	42,660	117,048	(40,020)	830,198	(522)	829,676
Net income for the period	-	-	-	43,602	43,602	(135)	43,467
Compensation expense related to stock options	-	36	-	-	36	-	36
Dividends ($0.03 per share)	-	-	-	(2,598)	(2,598)	-	(2,598)
Exercise of employee stock options	284	(82)	-	-	202	-	202
Other comprehensive loss, net of tax							
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	(535)	(535)	-	(535)
Foreign currency translation differences	-	-	(4,690)	-	(4,690)	-	(4,690)
Balance at March 31, 2017	$ 710,794	$ 42,614	$ 112,358	$ 449	$ 866,215	$ (657)	$ 865,558

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

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

		Three months ended March 31, 2017		Three months ended March 31, 2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net Income for the period	$	43,467	$	32,531
Adjustments for:				
Depreciation of property, plant and equipment		34,809		33,622
Amortization of customer contracts and relationships		540		535
Amortization of development costs		3,196		3,469
Unrealized gain on foreign exchange forward contracts		(1,696)		(703)
Change in fair value of deferred share units		98		-
Finance costs		5,844		6,194
Income tax expense		13,353		10,499
Gain on sale of land and building (note 4)		(5,698)		-
Loss(Gain) on disposal of property, plant and equipment		(333)		51
Stock-based compensation		36		83
Pension and other post-retirement benefits expense		1,138		1,109
Contributions made to pension and other post-retirement benefits		(500)		(332)
		94,254		87,058
Changes in non-cash working capital items:				
Trade and other receivables		(57,646)		(51,114)
Inventories		(18,549)		(19,200)
Prepaid expenses and deposits		(2,044)		535
Trade, other payables and provisions		119,595		4,170
		135,610		21,449
Interest paid (excluding capitalized interest)		(5,120)		(4,888)
Income taxes paid		(23,452)		(13,046)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	107,038	$	3,515
FINANCING ACTIVITIES:				
Increase in long-term debt		-		69,724
Repayment of long-term debt		(26,959)		(12,987)
Dividends paid		(2,591)		(2,591)
Exercise of employee stock options		202		72
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$	(29,348)	$	54,218
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment*		(87,339)		(59,255)
Capitalized development costs		(3,523)		(3,066)
Proceeds on disposal of land and building (note 4)		9,872		-
Proceeds on disposal of property, plant and equipment		458		189
NET CASH USED IN INVESTING ACTIVITIES	$	(80,532)	$	(62,132)
Effect of foreign exchange rate changes on cash and cash equivalents		(274)		(2,117)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,116)		(6,516)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		59,165		28,899
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	56,049	$	22,383

*As at March 31, 2017, $50,859 (December 31, 2016- $71,557) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc. (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 leader in the development and production of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector.

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2016, except as outlined in note 1(d).

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2016.

(c) Presentation currency

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

(d) Recently adopted accounting standards

Amendments to IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company adopted the amendments to IAS 7 effective January 1, 2017. The adoption of this amended standard resulted in some additional disclosure in note 8 (Long-term debt) of the interim condensed consolidated financial statements for the three months ended March 31, 2017.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer

In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 establishes principles for the reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

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

IFRS 16, Leases

In January 2016, the IASB issued the final publication of IFRS 16, superseding IAS 17, Leases and IFRIC 4, Determining Whether an Arrangement Contains a Lease. The standard applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard removes the distinction between operating and finance leases with assets and liabilities recognized in respect of all leases. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has been adopted.

Amendments to IFRS 2, Share-Based Payments

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

2. TRADE AND OTHER RECEIVABLES

	March 31, 2017	December 31, 2016
Trade receivables	$ 605,219	$ 555,074
VAT and other receivables	19,068	13,371
Foreign exchange forward contracts (note 14(d))	1,696	-
	$ 625,983	$ 568,445

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 14.

3. INVENTORIES

	March 31, 2017	December 31, 2016
Raw materials	$ 156,832	$ 146,802
Work in progress	42,521	38,323
Finished goods	37,177	39,088
Tooling work in progress and other inventory	86,718	81,917
	$ 323,248	$ 306,130

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

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 155,636	$ (39,924)	$ 115,712	$ 161,438	$ (41,389)	$ 120,049
Leasehold improvements	58,944	(34,002)	24,942	58,303	(33,316)	24,987
Manufacturing equipment	1,743,305	(893,996)	849,309	1,684,395	(876,359)	808,036
Tooling and fixtures	43,074	(34,558)	8,516	42,806	(34,387)	8,419
Other assets	49,513	(23,541)	25,972	40,795	(23,038)	17,757
Construction in progress and spare parts	253,393	-	253,393	277,999	-	277,999
	$ 2,303,865	$ (1,026,021)	$ 1,277,844	$ 2,265,736	$ (1,008,489)	$ 1,257,247

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 and spare parts	Total
Net as of December 31, 2015	$ 113,323	$ 24,604	$ 780,750	$ 5,743	$ 17,936	$ 259,806	$ 1,202,162
Additions	-	221	7,083	18	304	241,828	249,454
Disposals	(4)	-	(512)	-	(62)	(207)	(785)
Depreciation	(4,038)	(4,510)	(121,976)	(1,604)	(4,216)	-	(136,344)
Impairment	-	(723)	(21,021)	-	(26)	-	(21,770)
Transfers from construction in progress and spare parts	13,005	6,131	188,457	4,310	4,417	(216,320)	-
Foreign currency translation adjustment	(2,237)	(736)	(24,745)	(48)	(596)	(7,108)	(35,470)
Net as of December 31, 2016	$ 120,049	$ 24,987	$ 808,036	$ 8,419	$ 17,757	$ 277,999	$ 1,257,247
Additions	-	2	687	-	181	65,771	66,641
Disposals	(3,363)	-	(818)	-	(118)	-	(4,299)
Depreciation	(997)	(1,022)	(31,180)	(373)	(1,237)	-	(34,809)
Transfers from construction in progress and spare parts	697	1,055	77,285	527	9,462	(89,026)	-
Foreign currency translation adjustment	(674)	(80)	(4,701)	(57)	(73)	(1,351)	(6,936)
Net as of March 31, 2017	$ 115,712	$ 24,942	$ 849,309	$ 8,516	$ 25,972	$ 253,393	$ 1,277,844

The Company has entered into certain asset-backed financing arrangements that were structured as sale-and-leaseback transactions. At March 31, 2017, the carrying value of property, plant and equipment under such arrangements was $24,392 (December 31, 2016 - $25,632). The corresponding amounts owing are reflected within long-term debt (note 8).

During the quarter ended March 31, 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an “as-is, where-is” basis. The building was sold for proceeds of $9,872 (net of closing costs of $378) resulting in a pre-tax gain of $5,698.

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

5. INTANGIBLE ASSETS

	March 31, 2017			December 31, 2016		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 61,954	$ (54,354)	$ 7,600	$ 62,044	$ (53,872)	$ 8,172
Development costs	140,921	(75,927)	64,994	138,416	(73,327)	65,089
	$ 202,875	$ (130,281)	$ 72,594	$ 200,460	$ (127,199)	$ 73,261

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2015	$ 10,773	$ 72,817	$ 83,590
Additions	-	12,624	12,624
Amortization	(2,307)	(13,652)	(15,959)
Impairment	-	(4,179)	(4,179)
Foreign currency translation adjustment	(294)	(2,521)	(2,815)
Net as of December 31, 2016	$ 8,172	$ 65,089	$ 73,261
Additions	-	3,523	3,523
Amortization	(540)	(3,196)	(3,736)
Foreign currency translation adjustment	(32)	(422)	(454)
Net as of March 31, 2017	$ 7,600	$ 64,994	$ 72,594

6. TRADE AND OTHER PAYABLES

	March 31, 2017	December 31, 2016
Trade accounts payable and accrued liabilities	$ 805,926	$ 706,799
Foreign exchange forward contracts (note 14(d))	-	208
	$ 805,926	$ 707,007

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 14.

7. PROVISIONS

	Restructuring (a)	Claims and Litigations (b)	Total
Net as of December 31, 2015	$ 14,026	$ 1,572	$ 15,598
Net additions	3,684	189	3,873
Amounts used during the period	(12,118)	(512)	(12,630)
Foreign currency translation adjustment	(344)	192	(152)
Net as of December 31, 2016	$ 5,248	$ 1,441	$ 6,689
Net additions	-	2,010	2,010
Amounts used during the period	(2,335)	(62)	(2,397)
Foreign currency translation adjustment	(17)	17	-
Net as of March 31, 2017	$ 2,896	$ 3,406	$ 6,302

Based on the estimated timing of cash outflows, all provisions as at March 31, 2017 and December 31, 2016 are presented on the interim condensed consolidated balance sheet as current.

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

(a) Restructuring

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated. The restructuring accrual as at December 31, 2015 relates to restructuring activities undertaken in Martinrea Honsel for employee related severance. Additional restructuring costs for Martinrea Honsel in Meschede, Germany of $1,810 (€1,238) were incurred during the second quarter of 2016. No further costs related to this restructuring are expected to be incurred.

Other additions to the restructuring accrual during 2016 totalled $1,874 (US$1,441) and represent expected employee related payouts resulting from the closure of an operating facility in Detroit, Michigan.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, 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.

Net additions to the claims and litigation provision for the three months ended March 31, 2017 related to certain employee related matters in the Company's operating facility in Brazil stemming in part from the right sizing of its workforce conducted by the Company after the business was acquired in 2011.

8. LONG-TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 14.

	March 31, 2017	December 31, 2016
Banking facility	$ 610,077	$ 631,879
Equipment loans	80,505	89,524
	690,582	721,403
Current portion	(23,515)	(27,982)
	$ 667,067	$ 693,421

Terms and conditions of outstanding loans, as at March 31, 2017, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2017 Carrying amount	December 31, 2016 Carrying amount
Banking facility	USD	LIBOR+2.0%	2020	$ 340,454	$ 362,529
	CAD	BA+2.0%	2020	269,623	269,350
Equipment loans	USD	4.25%	2018	19,911	23,532
	EUR	3.06%	2024	15,358	15,337
	EUR	2.54%	2025	14,669	14,648
	EUR	4.93%	2023	14,265	14,370
	USD	7.36%	2017	4,644	6,195
	EUR	3.35%	2019	3,446	3,797
	EUR	4.34%	2025	3,045	3,041
	EUR	1.36%	2021	2,266	2,548
	USD	4.25%	2017	1,664	3,872
	USD	3.80%	2022	500	527
	EUR	0.26%	2025	353	353
	BRL	5.00%	2020	194	200
	EUR	3.37%	2017	190	904
	USD	3.99%	2017	-	200
				$ 690,582	$ 721,403

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

On April 29, 2016, the Company's banking facility was amended to extend its maturity date and increase the total available revolving credit lines under the facility. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $350 million and US $400 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $150 million;
- pricing terms at market rates; and
- a maturity date of April 2020.

There were no changes to pricing terms or financial covenants under the facility adverse to the Company.

As at March 31, 2017, the Company has drawn US$256,000 (December 31, 2016 - US$270,000) on the U.S. revolving credit line and drawn $273,000 (December 31, 2016 - $273,000) on the Canadian revolving credit line. At March 31, 2017, the weighted average effective rate of the banking facility credit lines was 2.9% (December 31, 2016 - 2.7%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2017.

Deferred financing fees of $3,855 (December 31, 2016 - $4,194) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments are as follows:

Within one year	$	23,515
One to two years		9,224
Two to three years		3,157
Three to four years		617,001
Thereafter		37,685
	$	690,582

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2015	$	717,012
Drawn downs and loan proceeds (net of capitalized deferred financing fees of $2,370)		90,784
Repayments		(69,499)
Amortization of deferred financing fees		1,169
Foreign currency translation adjustment		(18,063)
Net as of December 31, 2016	$	721,403
Repayments		(26,959)
Amortization of deferred financing fees		342
Foreign currency translation adjustment		(4,204)
Net as of March 31, 2017	$	690,582

9. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended March 31, 2017		Three months ended March 31, 2016
Current income tax expense	$	(24,923)	$	(14,263)
Deferred income tax recovery		11,570		3,764
Total income tax expense	$	(13,353)	$	(10,499)

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

10. CAPITAL STOCK

Common shares outstanding:	Number		Amount
Balance, December 31, 2015	86,374,667	$	709,396
Exercise of stock options	10,000		101
Balance, March 31, 2016	86,384,667	$	709,497
Exercise of stock options	100,000		1,013
Balance, December 31, 2016	86,484,667	$	710,510
Exercise of stock options	27,500		284
Balance, March 31, 2017	86,512,167	$	710,794

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

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

	Three months ended March 31, 2017			Three months ended March 31, 2016		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	3,010,617	$	11.38	4,340,617	$	12.38
Exercised during the period	(27,500)		7.33	(10,000)		7.20
Cancelled during the period	(522,500)		13.83	(1,000,000)		16.15
Balance, end of period	2,460,617	$	10.91	3,330,617	$	11.26
Options exercisable, end of period	2,335,617	$	10.86	3,080,617	$	11.21

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2017:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$6.00 - 8.99	872,368	2008 - 2012	2018 - 2022
$9.00 - 9.99	50,000	2008	2018
$10.00 - 15.99	1,155,749	2007 - 2015	2017 - 2025
$16.00 - 17.75	382,500	2007	2017
Total share purchase options	2,460,617		

For the three months ended March 31, 2017, the Company expensed $36 (three months ended March 31, 2016 - $83) to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

Deferred share unit plan
The following is a summary of the activity of the outstanding Deferred Share Units (DSU's) as at March 31, 2017:

		Three months ended March 31, 2017		Three months ended March 31, 2016
Units outstanding, beginning of period		67,837		-
Units granted during the period		-		-
Units settled during the period		-		-
Units for dividends earned during the period (issued twice a year)		-		-
Units outstanding, end of period		67,837		-
Weighted average fair value per unit on date of grant	$	9.81	$	-

At March 31, 2017, the intrinsic value of the outstanding DSUs amounted to $666 (December 31, 2016 - $568). DSU compensation expensed of $98 was recognized for the three months ended March 31, 2017.

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

11. EARNINGS PER SHARE

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	86,491,774	$ 0.50	86,384,334	$ 0.38
Effect of dilutive securities:				
Stock options	143,702	-	243,560	-
Diluted	86,635,476	$ 0.50	86,627,894	$ 0.38

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

For the three months ended March 31, 2017, 1,588,249 options (three months ended March 31, 2016 - 2,090,749) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

12. OTHER FINANCE INCOME (EXPENSE)

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net foreign exchange gain (loss)	$ 566	$ (2,123)
Other income, net	65	2
Other finance income	$ 631	$ (2,121)

13. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products 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 between the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of the World.

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2016. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

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

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	Sales	**Operating Income**	**Sales**	**Operating Income**
North America				
Canada	$ 228,852		$ 234,376	$
USA	386,394		443,267	
Mexico	230,182		205,791	
Eliminations	(42,444)		(40,124)	
	$ 802,984	$ 53,153	$ 843,310	$ 43,604
Europe				
Germany	112,866		109,392	
Spain	44,726		40,686	
Slovakia	14,797		14,855	
Eliminations	(69)		(204)	
	172,320	12,579	164,729	8,875
Rest of the World	27,077	(3,699)	34,793	(1,134)
Eliminations	(1,831)		(3,382)	
	$ 1,000,550	$ 62,033	$ 1,039,450	$ 51,345

Certain comparative information has been reclassified to conform with the current financial statement presentation adopted in 2017.

14. FINANCIAL INSTRUMENTS

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

Fair Value

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

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

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

	March 31, 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 56,049	$ 56,049	$ -	$ -
Foreign exchange forward contracts (note 2)	$ 1,696	$ -	$ 1,696	$ -

	December 31, 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 59,165	$ 59,165	$ -	$ -
Foreign exchange forward contracts (note 6)	$ (208)	$ -	$ (208)	$ -

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

Fair values versus carrying amounts

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

March 31, 2017	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 624,287	$ -	$ 624,287	$ 624,287
Foreign exchange forward contracts	1,696	-	-	1,696	1,696
	1,696	624,287	-	625,983	625,983
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(805,926)	(805,926)	(805,926)
Long-term debt	-	-	(690,582)	(690,582)	(690,582)
	-	-	(1,496,508)	(1,496,508)	(1,496,508)
Net financial assets (liabilities)	$ 1,696	$ 624,287	$ (1,496,508)	$ (870,525)	$ (870,525)

December 31, 2016	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 568,445	$ -	$ 568,445	$ 568,445
	-	568,445	-	568,445	568,445
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	(706,799)	(706,799)	(706,799)
Long-term debt	-	-	(721,403)	(721,403)	(721,403)
Foreign exchange forward contracts	(208)	-	-	(208)	(208)
	(208)	-	(1,428,202)	(1,428,410)	(1,428,410)
Net financial assets (liabilities)	$ (208)	$ 568,445	$ (1,428,202)	$ (859,965)	$ (859,965)

The fair values of trade and other receivables and trade and other payables approximates their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying value since debt 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 Company 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 34.1%, 27.7%, and 14.4% of its production sales for the three months ended March 31, 2017. A substantial portion of the Company's accounts receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that were past due as at March 31, 2017 are part of the normal payment pattern within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current year are minimal.

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

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

		March 31, 2017		December 31, 2016
0-60 days	$	581,882	$	526,483
61-90 days		11,722		16,540
Greater than 90 days		11,615		12,051
	$	605,219	$	555,074

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At March 31, 2017, the Company had cash of $56,049 and banking facilities available as discussed in note 8. All the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

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

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Banker's Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.0%.

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

	Carrying amount			
		March 31, 2017		December 31, 2016
Variable rate instruments	$	610,077	$	631,879
Fixed rate instruments		80,505		89,524
	$	690,582	$	721,403

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,561 (three months ended March 31, 2016 - $1,501) on the Company's interim consolidated financial results for the three months ended March 31, 2017.

(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 the foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At March 31, 2017, the Company had committed to the following foreign exchange contracts:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	$	5,000	1.3435	2
Buy Mexican Peso	$	15,473	20.4222	2

The aggregate value of these forward contracts as at March 31, 2017 was a pre-tax gain of $1,696 and was recorded in trade and other receivables (December 31, 2016 - loss of $208 and was recorded in trade and other payables).

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

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

March 31, 2017		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	311,709	€	79,505	$	54,886	R$	18,493	¥	116,676
Trade and other payables		(378,121)		(89,373)		(170,816)		(18,835)		(81,764)
Long-term debt		(276,452)		(37,768)		-		(460)		-
	$	(342,864)	€	(47,636)	$	(115,930)	R$	(802)	¥	34,912

December 31, 2016		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	289,124	€	59,222	$	27,941	R$	15,359	¥	156,848
Trade and other payables		(353,541)		(73,297)		(116,038)		(17,432)		(79,703)
Long-term debt		(295,971)		(38,813)		-		(495)		-
	$	(360,388)	€	(52,888)	$	(88,097)	R$	(2,568)	¥	77,145

The following summary illustrates the fluctuations in the exchange rates applied during the three months ended March 31, 2017, and 2016 and as at December 31, 2016:

	Average rate		Closing rate	
	Three months ended March 31, 2017	Three months ended March 31, 2016	March 31, 2017	December 31, 2016
USD	1.3226	1.3897	1.3299	1.3427
EURO	1.4016	1.5207	1.4189	1.4169
PESO	0.0641	0.0780	0.0710	0.0651
BRL	0.4120	0.3507	0.4211	0.4125
CNY	0.1917	0.2130	0.1934	0.1930

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10% strengthening of the Canadian dollar against the following currencies at March 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three months ended March 31, 2017 by the amounts shown below, assuming all other variables remain constant:

		Three months ended March 31, 2017		Three months ended March 31, 2016
USD	$	(2,888)	$	(2,478)
EURO		(1,033)		(768)
BRL		366		189
CNY		60		51
	$	(3,495)	$	(3,006)

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

(e) Capital risk management

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

15. CONTINGENCIES

Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of this report or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

Tax contingency

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 value added tax ("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, is approximately $86,208 (BRL $204,723) including interest and penalties to March 31, 2017 (December 31, 2016 - $82,453 or BRL $199,886). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling $70,828 at some point through a pledge of assets, bank letter of credits 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.

16. 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 March 31, 2017, the amount of the program financing was $50,104 (December 31, 2016 - $65,468) 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 2016 or 2017 year-to-date. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.