MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	June 30, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents		$ 145,755	$ 161,655
Trade and other receivables	2	902,455	789,931
Inventories	3	656,123	665,316
Prepaid expenses and deposits		30,296	36,237
Income taxes recoverable		18,099	6,454
TOTAL CURRENT ASSETS		1,752,728	1,659,593
Property, plant and equipment	4	1,928,478	1,948,773
Right-of-use assets	5	242,727	254,065
Deferred tax assets		193,054	166,680
Intangible assets		43,707	45,916
Investments	6	60,083	55,858
Pension assets		15,459	12,234
TOTAL NON-CURRENT ASSETS		2,483,508	2,483,526
TOTAL ASSETS		$ 4,236,236	$ 4,143,119
LIABILITIES			
Trade and other payables		$ 1,353,075	$ 1,315,380
Provisions	7	5,769	7,906
Income taxes payable		35,292	39,216
Current portion of long-term debt	8	15,374	16,198
Current portion of lease liabilities	9	45,029	43,665
TOTAL CURRENT LIABILITIES		1,454,539	1,422,365
Long-term debt	8	1,067,787	1,054,170
Lease liabilities	9	217,020	229,455
Pension and other post-retirement benefits		41,585	41,912
Deferred tax liabilities		26,485	18,312
TOTAL NON-CURRENT LIABILITIES		1,352,877	1,343,849
TOTAL LIABILITIES		2,807,416	2,766,214
EQUITY			
Capital stock	11	657,271	663,646
Contributed surplus		45,682	45,558
Accumulated other comprehensive income		93,020	124,065
Retained earnings		632,847	543,636
TOTAL EQUITY		1,428,820	1,376,905
TOTAL LIABILITIES AND EQUITY		$ 4,236,236	$ 4,143,119

Contingencies (note 16)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer"	Director
"Terry Lyons"	Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
SALES		$ 1,361,055	$ 1,113,875	$ 2,664,944	$ 2,268,913
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(1,116,313)	(925,762)	(2,182,510)	(1,896,707)
Depreciation of property, plant and equipment and right-of-use assets (production)		(71,153)	(62,324)	(141,459)	(123,981)
Total cost of sales		(1,187,466)	(988,086)	(2,323,969)	(2,020,688)
GROSS MARGIN		173,589	125,789	340,975	248,225
Research and development costs		(9,351)	(8,289)	(18,629)	(17,401)
Selling, general and administrative		(77,449)	(68,130)	(155,972)	(133,453)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(4,379)	(3,909)	(8,745)	(7,624)
Gain (loss) on disposal of property, plant and equipment		26	82	(16)	82
Restructuring costs		-	-	-	(4,237)
OPERATING INCOME		82,436	45,543	157,613	85,592
Share of loss of equity investments	6	(652)	(1,265)	(2,030)	(2,366)
Net gain on disposal of equity investments	6	-	-	5,273	-
Gain on dilution of equity investments	6	-	-	-	4,050
Finance expense	13	(19,686)	(11,346)	(38,732)	(20,600)
Other finance income (expense)	13	(568)	1,446	(344)	1,130
INCOME BEFORE INCOME TAXES		61,530	34,378	121,780	67,806
Income tax expense	10	(11,630)	(8,907)	(23,709)	(17,127)
NET INCOME FOR THE PERIOD		$ 49,900	$ 25,471	$ 98,071	$ 50,679
Basic earnings per share	12	$ 0.62	$ 0.32	$ 1.22	$ 0.63
Diluted earnings per share	12	$ 0.62	$ 0.32	$ 1.22	$ 0.63

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 June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
NET INCOME FOR THE PERIOD	$ 49,900	$ 25,471	$ 98,071	$ 50,679
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(33,648)	17,899	(31,027)	(9,539)
Items that will not be reclassified to net income				
Share of other comprehensive income (loss) of equity investments (note 6)	(7)	306	(18)	285
Remeasurement of defined benefit plans	2,071	2,957	2,446	12,063
Other comprehensive income (loss), net of tax	(31,584)	21,162	(28,599)	2,809
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 18,316	$ 46,633	$ 69,472	$ 53,488

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2021	$ 663,415	$ 44,845	$ 51,207	$ 410,308	$ 1,169,775
Net income for the period	-	-	-	50,679	50,679
Compensation expense related to stock options	-	391	-	-	391
Dividends ($0.10 per share)	-	-	-	(8,038)	(8,038)
Exercise of employee stock options	231	(60)	-	-	171
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	12,063	12,063
Foreign currency translation differences	-	-	(9,539)	-	(9,539)
Share of other comprehensive income of equity investments	-	-	285	-	285
BALANCE AT JUNE 30, 2022	663,646	45,176	41,953	465,012	1,215,787
Net income for the period	-	-	-	82,159	82,159
Compensation expense related to stock options	-	382	-	-	382
Dividends ($0.10 per share)	-	-	-	(8,038)	(8,038)
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	4,503	4,503
Foreign currency translation differences	-	-	82,357	-	82,357
Share of other comprehensive loss of equity investments	-	-	(245)	-	(245)
BALANCE AT DECEMBER 31, 2022	663,646	45,558	124,065	543,636	1,376,905
Net income for the period	-	-	-	98,071	98,071
Compensation expense related to stock options	-	221	-	-	221
Dividends ($0.10 per share)	-	-	-	(7,999)	(7,999)
Exercise of employee stock options	358	(97)	-	-	261
Repurchase of common shares (note 11)	(6,733)	-	-	(3,307)	(10,040)
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	-	-	-	2,446	2,446
Foreign currency translation differences	-	-	(31,027)	-	(31,027)
Share of other comprehensive loss of equity investments	-	-	(18)	-	(18)
BALANCE AT JUNE 30, 2023	$ 657,271	$ 45,682	$ 93,020	$ 632,847	$ 1,428,820

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income for the period	$ 49,900	$ 25,471	$ 98,071	$ 50,679
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	75,532	66,233	150,204	131,605
Amortization of development costs	2,670	2,598	5,283	5,319
Unrealized loss (gain) on foreign exchange forward contracts	4,701	2,593	(83)	1,756
Finance expense	19,686	11,346	38,732	20,600
Income tax expense	11,630	8,907	23,709	17,127
Loss (gain) on disposal of property, plant and equipment	(26)	(82)	16	(82)
Deferred and restricted share units expense	1,775	1,632	7,211	545
Stock options expense	111	195	221	391
Share of loss of equity investments	652	1,265	2,030	2,366
Net gain on disposal of equity investments	-	-	(5,273)	-
Gain on dilution of equity investments	-	-	-	(4,050)
Pension and other post-retirement benefits expense	700	854	1,394	1,722
Contributions made to pension and other post-retirement benefits	(597)	(295)	(1,220)	(1,660)
	166,734	120,717	320,295	226,318
Changes in non-cash working capital items:				
Trade and other receivables	4,872	(12,287)	(126,996)	(202,699)
Inventories	20,080	(34,946)	(1,895)	(58,128)
Prepaid expenses and deposits	2,190	(2,201)	5,449	(5,850)
Trade, other payables and provisions	(28,108)	68,031	79,318	221,636
	165,768	139,314	276,171	181,277
Interest paid	(24,464)	(14,012)	(47,763)	(23,971)
Income taxes paid	(31,206)	(7,963)	(63,783)	(9,974)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 110,098	$ 117,339	$ 164,625	$ 147,332
FINANCING ACTIVITIES:				
Increase (decrease) in long-term debt (net of deferred financing fees)	(11,763)	17,519	35,331	37,519
Repayment of long-term debt	(4,336)	(5,662)	(8,576)	(11,021)
Principal payments of lease liabilities	(11,933)	(11,829)	(22,887)	(20,323)
Dividends paid	(4,019)	(4,019)	(8,038)	(8,037)
Exercise of employee stock options	261	171	261	171
Repurchase of common shares	(10,040)	-	(10,040)	-
NET CASH USED IN FINANCING ACTIVITIES	$ (41,830)	$ (3,820)	$ (13,949)	$ (1,691)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (excluding capitalized interest)*	(76,440)	(85,570)	(159,856)	(173,114)
Capitalized development costs	(2,436)	(2,287)	(4,201)	(3,626)
Increase in investments (note 6)	(1,000)	-	(1,000)	(1,000)
Proceeds on disposal of property, plant and equipment	255	416	386	416
NET CASH USED IN INVESTING ACTIVITIES	$ (79,621)	$ (87,441)	$ (164,671)	$ (177,324)
Effect of foreign exchange rate changes on cash and cash equivalents	523	(6,551)	(1,905)	(5,745)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,830)	19,527	(15,900)	(37,428)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	156,585	96,336	161,655	153,291
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 145,755	$ 115,863	$ 145,755	$ 115,863

*As at June 30, 2023, $67,112 (December 31, 2022 - $94,754) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the interim condensed consolidated financial statements.

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

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2022.

(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, 2022.

(c) Presentation currency

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

(d) Recently adopted accounting standards and policies

Amendments to 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 Company adopted the amendments to IAS 8 effective January 1, 2023. The adoption of amendments to IAS 8 did not have a material impact on the interim condensed 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 Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 effective January 1, 2023. The adoption of amendments to IAS 1 and IFRS Practice Statement 2 did not have a material impact on the interim condensed consolidated financial statements.

Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

On May 23, 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform.

The amendments include:

- a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation; and
- targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

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

The accounting exemption is to be applied immediately after publication of the amendment. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before December 31, 2023.

The Company adopted the amendments to IAS 12 effective May 23, 2023. The adoption of amendments to IAS 12 did not have material impact on the interim condensed consolidated financial statements.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

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

The 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.

2. TRADE AND OTHER RECEIVABLES

	June 30, 2023	December 31, 2022
Trade receivables	$ 845,958	$ 737,199
Other receivables	56,414	50,618
Foreign exchange forward contracts not accounted for as hedges (note 15(d))	83	2,114
	$ 902,455	$ 789,931

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

3. INVENTORIES

	June 30, 2023	December 31, 2022
Raw materials	$ 273,454	$ 269,549
Work in progress	77,891	83,119
Finished goods	54,240	54,844
Tooling work in progress and other inventory	250,538	257,804
	$ 656,123	$ 665,316

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

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023			December 31, 2022		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 215,720	$ (44,223)	$ 171,497	$ 215,066	$ (41,633)	$ 173,433
Leasehold improvements	84,799	(56,735)	28,064	85,745	(55,540)	30,205
Manufacturing equipment	2,918,353	(1,635,042)	1,283,311	2,862,421	(1,552,194)	1,310,227
Tooling and fixtures	38,717	(34,051)	4,666	39,590	(34,445)	5,145
Other assets	86,596	(57,627)	28,969	84,321	(53,646)	30,675
Construction in progress	411,971	-	411,971	399,088	-	399,088
	$ 3,756,156	$ (1,827,678)	$ 1,928,478	$ 3,686,231	$ (1,737,458)	$ 1,948,773

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, 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	-	-	(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
Additions	25	-	588	-	162	140,678	141,453
Disposals	-	-	(187)	-	(120)	(95)	(402)
Depreciation	(3,393)	(2,176)	(115,768)	(397)	(4,790)	-	(126,524)
Transfers from construction in progress	4,669	404	111,548	-	3,409	(120,030)	-
Foreign currency translation adjustment	(3,237)	(369)	(23,097)	(82)	(367)	(7,670)	(34,822)
Net as of June 30, 2023	$ 171,497	$ 28,064	$ 1,283,311	$ 4,666	$ 28,969	$ 411,971	$ 1,928,478

5. RIGHT-OF-USE ASSETS

	June 30, 2023			December 31, 2022		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 300,435	$ (124,801)	$ 175,634	$ 297,448	$ (112,167)	$ 185,281
Leased manufacturing equipment	103,023	(37,249)	65,774	97,140	(29,820)	67,320
Leased other assets	4,677	(3,358)	1,319	4,484	(3,020)	1,464
	$ 408,135	$ (165,408)	$ 242,727	$ 399,072	$ (145,007)	$ 254,065

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

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

		Leased buildings		Leased manufacturing equipment		Leased other assets		Total
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		(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
Additions		-		7,512		330		7,842
Lease modifications		8,559		-		-		8,559
Depreciation		(15,161)		(8,068)		(451)		(23,680)
Foreign currency translation adjustment		(3,045)		(990)		(24)		(4,059)
Net as of June 30, 2023	$	175,634	$	65,774	$	1,319	$	242,727

6. INVESTMENTS

		June 30, 2023		December 31, 2022
Investment in common shares of NanoXplore Inc.	$	55,914	$	48,749
Investment in common shares and convertible debentures of AlumaPower Corp.		2,669		2,669
Investment in convertible debentures of Equispheres Inc.		1,000		-
Other		500		500
Investments in common shares of VoltaXplore Inc.		-		3,940
	$	60,083	$	55,858

As at June 30, 2023, the Company held 38,466,360 common shares of NanoXplore Inc. (“NanoXplore”) representing a 22.7% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high-volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

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. 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 March 24, 2023, Martinrea sold its equity interest in VoltaXplore to NanoXplore for 3,420,406 common shares of NanoXplore at $2.92 per share representing an aggregate consideration of $10,000. The sale transaction resulted in a gain on disposal of equity investments during the first quarter of 2023 as follows:

Gross gain (Total consideration of $10,000 less book value of investment)	$	6,821
Less: gain attributable to indirect retained interest		(1,548)
Net gain on disposal of equity investments	$	5,273

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

As at June 30, 2023, 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.

On April 20, 2023, the Company acquired convertible debentures of Equispheres Inc. (“Equispheres”) in the amount of $1,000. Equispheres is a private company developing technologies for the production and use of advanced materials in additive manufacturing.

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

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore (up to the date of disposal of March 24, 2023) 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 in AlumaPower are classified as fair value through other comprehensive income, while the convertible debentures in AlumaPower and Equispheres are classified as amortized cost. 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.

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, 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
Additions	8,452	-
Share of loss for the period	(1,269)	(761)
Share of other comprehensive loss for the period	(18)	-
Disposal	-	(3,179)
Net as of June 30, 2023	$ 55,914	$ -

As at June 30, 2023, the stock market value of the shares held in NanoXplore by the Company was $124,631.

7. PROVISIONS

	Restructuring	Claims and Litigation	Total
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
Net additions	-	205	205
Amounts used during the period	(1,092)	(1,265)	(2,357)
Foreign currency translation adjustment	(170)	185	15
Net as of June 30, 2023	$ 3,118	$ 2,651	$ 5,769

8. LONG-TERM DEBT

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

	June 30, 2023	December 31, 2022
Banking facility	$ 1,043,574	$ 1,022,169
Equipment loans	39,587	48,199
	1,083,161	1,070,368
Current portion	(15,374)	(16,198)
	$ 1,067,787	$ 1,054,170

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

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

	Currency	Nominal interest rate	Year of maturity	June 30, 2023 Carrying amount	December 31, 2022 Carrying amount
Banking facility	USD	SOFR + 2.00%	2025	$ 650,452	$ 644,558
	CAD	BA + 2.00%	2025	393,122	377,611
Equipment loans	CAD	2.54%	2026	16,608	19,044
	EUR	1.40%	2026	6,945	8,284
	EUR	2.46%	2026	6,893	8,043
	EUR	1.05%	2024	4,763	7,624
	CAD	5.22%	2025	3,419	4,220
	EUR	0.00%	2028	862	864
	EUR	0.26%	2025	97	120
				$ 1,083,161	$ 1,070,368

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.

On June 14, 2023, the Company amended its banking facility to change the interest rate benchmark of the U.S. revolving credit line from London Interbank Offered Rate ("LIBOR") to Term Secured Overnight Financing Rate ("SOFR").

As at June 30, 2023, the Company had drawn US $491,000 (December 31, 2022 - US $476,000) on the U.S. revolving credit line and $395,000 (December 31, 2022 - $380,000) on the Canadian revolving credit line. At June 30, 2023, the weighted average effective interest rate of the banking facility credit lines was 7.2% (December 31, 2022 - 6.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at June 30, 2023.

Deferred financing fees of $1,878 (December 31, 2022 - $2,389) have been netted against the carrying amount of the long-term debt.

Future annual minimum principal repayments as at June 30, 2023 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 16,396	$ (1,022)	$ 15,374
One to two years	1,057,772	(852)	1,056,920
Two to three years	9,162	(4)	9,158
Three to four years	1,518	-	1,518
Thereafter	191	-	191
	$ 1,085,039	$ (1,878)	$ 1,083,161

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

Movement in long-term debt is summarized as follows:

		Total
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
Net drawdowns		35,331
Equipment loan repayments		(8,576)
Amortization of deferred financing fees		511
Foreign currency translation adjustment		(14,473)
Net as of June 30, 2023	$	1,083,161

9. LEASE LIABILITIES

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

Movement in lease liabilities is summarized as follows:

		Total
Net as of December 31, 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
Net additions		7,842
Lease modifications		8,559
Principal payments of lease liabilities		(22,887)
Foreign currency translation adjustment		(4,585)
Net as of June 30, 2023	$	262,049

The maturity of contractual undiscounted lease liabilities as at June 30, 2023 is as follows:

		Total
Within one year	$	55,247
One to two years		51,961
Two to three years		47,250
Three to four years		43,300
Thereafter		106,419
Total undiscounted lease liabilities at June 30, 2023	$	304,177
Interest on lease liabilities		(42,128)
Total present value of minimum lease payments	$	262,049
Current portion		(45,029)
	$	217,020

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

10. INCOME TAXES

The components of income tax expense are as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Current income tax expense	$ (13,409)	$ (18,878)	$ (46,808)	$ (37,846)
Deferred income tax recovery	1,779	9,971	23,099	20,719
Total income tax expense	$ (11,630)	$ (8,907)	$ (23,709)	$ (17,127)

11. CAPITAL STOCK

Common shares outstanding:	Number	Amount
Balance as of December 31, 2021	80,367,095	$ 663,415
Exercise of stock options	20,000	231
Balance as of June 30, 2022 and December 31, 2022	80,387,095	663,646
Exercise of stock options	25,000	358
Repurchase of common shares under normal course issuer bid	(815,555)	(6,733)
Balance as of June 30, 2023	79,596,540	$ 657,271

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

Repurchase of capital stock:

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

During the second quarter of 2023, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 815,555 common shares for an aggregate purchase price of $10,040, resulting in a reduction to stated capital of $6,733 and a decrease to retained earnings of $3,307. The shares were purchased and cancelled directly under the NCIB.

Stock options

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

	Six months ended June 30, 2023		Six months ended June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,435,000	$ 13.50	2,622,500	$ 13.32
Exercised during the period	(25,000)	10.44	(20,000)	8.57
Cancelled during the period	(81,500)	12.53	-	-
Expired during the period	-	-	(184,500)	11.14
Balance, end of period	2,328,500	$ 13.56	2,418,000	$ 13.52
Options exercisable, end of period	1,809,500	$ 13.42	1,607,000	$ 13.21

The following is a summary of the issued and outstanding common share purchase options as at June 30, 2023:

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

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.

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

For the three and six months ended June 30, 2023, the Company expensed $111 (2022 - $195) and $221 (2022 - $391), 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 June 30, 2023 and 2022:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Outstanding, beginning of period	625,148	397,091
Granted and reinvested dividends	90,203	84,006
Redeemed	-	-
Outstanding, end of period	715,351	481,097

The DSUs granted during the six months ended June 30, 2023 and 2022 had a weighted average fair value per unit of $13.79 and $8.09, respectively, on the date of grant. At June 30, 2023, the fair value of all outstanding DSUs amounted to $7,616 (June 30, 2022 - $3,548 and December 31, 2022 - $5,736). For the three and six months ended June 30, 2023, DSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $545 (2022 - $717) and $1,881 (2022 - $169), respectively, recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at June 30, 2023 was $1,612 (June 30, 2022 - $690 and December 31, 2022 - $1,510) and will be recognized in profit or loss over the remaining vesting period.

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

The following is a summary of the issued and outstanding RSUs and PSUs for the six months ended June 30, 2023 and 2022:

	RSUs	PSUs	Total
Outstanding, December 31, 2021	287,812	286,282	574,094
Granted and reinvested dividends	91,756	68,098	159,854
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, June 30, 2022	379,568	354,380	733,948
Granted and reinvested dividends	278,426	223,931	502,357
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
Granted and reinvested dividends	140,552	100,046	240,598
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, June 30, 2023	699,026	578,670	1,277,696

The RSUs and PSUs granted during the six months ended June 30, 2023 and 2022 had a weighted average fair value per unit of $15.25 and $8.36, respectively, on the date of grant. For the three and six months ended June 30, 2023, RSU and PSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $1,230 (2022 - $915) and $5,330 (2022 - $376), respectively, recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at June 30, 2023 was $6,191 (June 30, 2022 - $1,836 and December 31, 2022 - $6,137) 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 six months ended June 30, 2023 and 2022 are shown in the table below:

	Six months ended June 30, 2023	Six months ended June 30, 2022
Expected life (years)	2.61	2.62
Risk free interest rate	3.84%	2.67%

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

12. EARNINGS PER SHARE

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

	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	80,095,389	$	0.62	80,372,206	$	0.32
Effect of dilutive securities:						
Stock options	52,866		-	-		-
Diluted	80,148,255	$	0.62	80,372,206	$	0.32

	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	80,241,242	$	1.22	80,369,651	$	0.63
Effect of dilutive securities:						
Stock options	51,633		-	-		-
Diluted	80,292,875	$	1.22	80,369,651	$	0.63

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 and six months ended June 30, 2023, 1,720,000 options (2022 - 2,418,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

13. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

		Three months ended June 30, 2023		Three months ended June 30, 2022		Six months ended June 30, 2023		Six months ended June 30, 2022
Debt interest, gross	$	(21,690)	$	(11,229)	$	(42,453)	$	(19,575)
Interest on lease liabilities		(2,691)		(2,171)		(5,518)		(4,268)
Capitalized interest - at an average rate of 7.1%, 7.0% (2022 - 3.8%, 3.5%)		4,695		2,054		9,239		3,243
Finance expense	$	(19,686)	$	(11,346)	$	(38,732)	$	(20,600)

		Three months ended June 30, 2023		Three months ended June 30, 2022		Six months ended June 30, 2023		Six months ended June 30, 2022
Net foreign exchange gain (loss)	$	(706)	$	1,241	$	(636)	$	906
Other income, net		138		205		292		224
Other finance income (expense)	$	(568)	$	1,446	$	(344)	$	1,130

14. OPERATING SEGMENTS

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

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

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

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, 2022. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Three months ended June 30, 2023			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 183,962	$ 54,975	$ 238,937	
USA	391,300	31,144	422,444	
Mexico	443,967	52,839	496,806	
Eliminations	(60,397)	(50,723)	(111,120)	
	$ 958,832	$ 88,235	$ 1,047,067	$ 80,657
Europe				
Germany	207,797	20,301	228,098	
Spain	47,444	1,077	48,521	
Slovakia	9,946	1,458	11,404	
	$ 265,187	$ 22,836	$ 288,023	$ 1,508
Rest of the World	35,168	1,398	36,566	271
Eliminations	(8,070)	(2,531)	(10,601)	-
	$ 1,251,117	$ 109,938	$ 1,361,055	$ 82,436

	Three months ended June 30, 2022			
	Production Sales	Tooling Sales	Total Sales	Operating Income (Loss)
North America				
Canada	$ 145,747	$ 23,385	$ 169,132	
USA	294,041	21,219	315,260	
Mexico	394,786	16,726	411,512	
Eliminations	(52,416)	(16,764)	(69,180)	
	$ 782,158	$ 44,566	$ 826,724	$ 41,242
Europe				
Germany	186,929	11,603	198,532	
Spain	41,032	6,034	47,066	
Slovakia	9,958	276	10,234	
	$ 237,919	$ 17,913	$ 255,832	$ 4,425
Rest of the World	38,245	428	38,673	(124)
Eliminations	(5,691)	(1,663)	(7,354)	-
	$ 1,052,631	$ 61,244	$ 1,113,875	$ 45,543

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

	Six months ended June 30, 2023			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 374,101	$ 109,383	$ 483,484	
USA	733,010	44,806	777,816	
Mexico	897,965	70,194	968,159	
Eliminations	(124,039)	(84,361)	(208,400)	
	$ 1,881,037	$ 140,022	$ 2,021,059	$ 154,903
Europe				
Germany	443,714	30,144	473,858	
Spain	92,617	1,906	94,523	
Slovakia	21,631	1,481	23,112	
	$ 557,962	$ 33,531	$ 591,493	$ 519
Rest of the World	66,788	3,660	70,448	2,191
Eliminations	(15,128)	(2,928)	(18,056)	-
	$ 2,490,659	$ 174,285	$ 2,664,944	$ 157,613

	Six months ended June 30, 2022			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 313,205	$ 45,368	$ 358,573	
USA	605,397	41,518	646,915	
Mexico	797,621	25,041	822,662	
Eliminations	(109,880)	(31,846)	(141,726)	
	$ 1,606,343	$ 80,081	$ 1,686,424	$ 81,620
Europe				
Germany	378,753	26,120	404,873	
Spain	83,091	6,814	89,905	
Slovakia	20,894	1,622	22,516	
	$ 482,738	$ 34,556	$ 517,294	$ 3,833
Rest of the World	76,777	1,649	78,426	139
Eliminations	(10,796)	(2,435)	(13,231)	-
	$ 2,155,062	$ 113,851	$ 2,268,913	$ 85,592

15. FINANCIAL INSTRUMENTS

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

Fair Value

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

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

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

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

	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 145,755	$ 145,755	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 6)	2,669	-	-	2,669
Investment in convertible debentures of Equispheres (note 6)	1,000	-	-	1,000
Foreign exchange forward contracts not accounted for as hedges (note 2)	83	-	83	-

	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 6)	2,669	-	-	2,669
Foreign exchange forward contracts not accounted for as hedges (note 2)	2,114	-	2,114	-

Fair values versus carrying amounts

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

June 30, 2023	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 902,372	$ -	$ 902,372	$ 902,372
Investment in common shares and convertible debentures of AlumaPower	-	1,304	-	1,365	2,669	2,669
Investment in convertible debentures of Equispheres	-	-	-	1,000	1,000	1,000
Foreign exchange forward contracts not accounted for as hedges	83	-	-	-	83	83
	$ 83	$ 1,304	$ 902,372	$ 2,365	$ 906,124	$ 906,124
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,353,075)	(1,353,075)	(1,353,075)
Long-term debt	-	-	-	(1,083,161)	(1,083,161)	(1,083,161)
	$ -	$ -	$ -	$ (2,436,236)	$ (2,436,236)	$ (2,436,236)
Net financial assets (liabilities)	$ 83	$ 1,304	$ 902,372	$ (2,433,871)	$ (1,530,112)	$ (1,530,112)

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)

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.

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

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 26.3%, 19.8%, and 16.1% of its production sales for the six months ended June 30, 2023 (2022 - 27.0%, 22.3%, and 14.3%). 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 June 30, 2023 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:

	June 30, 2023	December 31, 2022
0-60 days	$ 836,490	$ 726,066
61-90 days	2,414	4,250
Greater than 90 days	7,054	6,883
	$ 845,958	$ 737,199

(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 June 30, 2023, the Company had cash of $145,755 (December 31, 2022 - $161,655) and banking facilities available as discussed in note 8. All of the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

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

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, SOFR or the 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	
	June 30, 2023	December 31, 2022
Variable rate instruments	$ 1,043,574	$ 1,022,169
Fixed rate instruments	39,587	48,199
	$ 1,083,161	$ 1,070,368

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

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $2,714 (2022 - $2,500) on the Company's interim condensed consolidated financial results for the three months ended June 30, 2023 and $5,406 (2022 - $4,929) for the six months ended June 30, 2023.

(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 June 30, 2023, 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	$	58,020	17.2355	1

The aggregate value of these forward contracts as at June 30, 2023 was a pre-tax gain of $83 and was recorded in trade and other receivables (December 31, 2022 - pre-tax gain of $2,114).

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

June 30, 2023		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	475,638	€	112,248	$	90,608	R$	44,689	¥	145,416
Trade and other payables		(596,019)		(230,099)		(652,438)		(60,575)		(147,907)
Long-term debt		(491,000)		(13,534)		-		-		-
	$	(611,381)	€	(131,385)	$	(561,830)	R$	(15,886)	¥	(2,491)

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)

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

	Average rate		Average rate		Closing rate	
	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022	June 30, 2023	December 31, 2022
USD	1.3562	1.2711	1.3519	1.2708	1.3248	1.3541
EURO	1.4701	1.3751	1.4545	1.4061	1.4452	1.4494
PESO	0.0750	0.0629	0.0729	0.0622	0.0774	0.0695
BRL	0.2672	0.2592	0.2629	0.2460	0.2765	0.2578
CNY	0.1958	0.1959	0.1957	0.1980	0.1825	0.1966

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

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 June 30, 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 and six months ended June 30, 2023 ended June 30, 2023 and 2022 by the amounts shown below, assuming all other variables remain constant:

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
USD	$ (5,539)	$ (2,682)	$ (11,449)	$ (5,737)
EURO	(108)	(407)	190	(566)
BRL	(51)	2	(121)	(67)
CNY	125	143	47	129
	$ (5,573)	$ (2,944)	$ (11,333)	$ (6,241)

A weakening of the Canadian dollar against the above currencies at June 30 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Capital risk management

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

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

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

16. CONTINGENCIES

Contingencies

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

Tax contingencies

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

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical VAT credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately $41,900 (BRL $151,524) including interest and penalties to June 30, 2023 (December 31, 2022 - $39,589 or BRL $153,586). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against the assessments. The amounts of certain assessments have decreased due to successful challenges by the Company's subsidiary at preliminary stages of the proceedings. The assessments are at various stages in the process. Two assessments totaling $22,046 (BRL $79,725) including interest and penalties as at June 30, 2023 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to $21,917 (BRL $79,259) 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 $86,734 (MXN $1,140,146) including interest and penalties to June 30, 2023 (December 31, 2022 - $69,785 or MXN $1,090,387). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against such assessments. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

17. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's interim condensed consolidated balance sheet unless the sale on the corresponding tooling project has been recognized, at which point a tooling trade payable on the project is recorded. At June 30, 2023, the amount of the off-balance sheet program financing was $15,542 (December 31, 2022 - $4,584) 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 2022 or 2023. 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.