MARTINREA INTERNATIONAL INC.

FIRST QUARTER REPORT

MARCH 31, 2018

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March 31, 2018

MESSAGE TO SHAREHOLDERS

The Company experienced a record first quarter, as reflected in the attached materials. Our Company continues to improve, driving our One Martinrea culture. Our financial position remains very strong and our future is bright.

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

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

MARTINREA INTERNATIONAL INC.

Martinrea International Inc. Reports Record First Quarter Results, New Product Awards and Announces Increased Dividend

PRESS RELEASE

May 3, 2018 – For Immediate Distribution

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a leader in the development and production of quality metal parts, assemblies and modules and fluid management systems and complex aluminum products focused primarily on the automotive sector, announced today the release of its financial results for the first quarter ended March 31, 2018 and a quarterly dividend increase.

HIGHLIGHTS

- Fourteenth consecutive quarter with record year-over-year adjusted earnings; best quarterly earnings to date
- Total sales of $964 million; production sales of $893 million
- Record quarterly net income of $56 million, or $0.65 per share
- Record quarterly adjusted net income of $56.6 million, or $0.65 per share
- Record quarterly adjusted EBITDA of $120 million
- Quarterly adjusted operating income (8.1%) and adjusted EBITDA (12.4%) margins increase substantially year-over-year
- Balance sheet continues to strengthen; quarter end net debt:adjusted EBITDA ratio very strong at 1.4:1
- Incremental new business awards of approximately $300 million in annualized sales, from existing and new customers
- Increased quarterly cash dividend of $0.045 declared

OVERVIEW

Pat D'Eramo, President and Chief Executive Officer, stated: "We are extremely pleased with our first quarter results and performance. We have started 2018 on a high note from a financial perspective and all our metrics continue to improve, with record earnings and significantly higher year-over-year operating margins. We are working hard to accelerate our Martinrea 2.0 strategy, and our teams are responding well. Productivity improvements are helping to drive margin improvement, despite flat sales. Safety and quality metrics are a primary focus and continue to improve. I am very pleased to note that our sales efforts have been paying off, and we are announcing a significant amount of new business totalling approximately $300 million in annualized sales, as follows: an aluminum hybrid rear sub-frame for Daimler to be produced in Meschede starting in 2020 ($90 million annual sales at peak volume); aluminum/steel hybrid front and rear sub-frames for a Ford crossover starting in 2020 ($40 million annual sales at peak volume); steel front and rear sub-frames, and suspension and engine dress module assemblies for another Ford crossover to be produced in Hermosillo starting in 2020 ($65 million annual sales at peak volume); aluminum powertrain components for Volkswagen to be produced in Spain starting in 2019 ($25 million annual sales at peak volume); and, for a new customer in China, an aluminum hybrid rear sub-frame for Geely's electric vehicle platform to be produced in China starting in 2021 ($80 million annual sales at peak volume). As you can see from these announcements, our product offerings reflect our lightweighting solutions over a broad range of vehicles using a variety of materials, over three continents. We have a broad range of customers supporting us, and we thank them for their confidence in us."

Fred Di Tosto, Chief Financial Officer, stated: "Sales for the first quarter, excluding tooling sales of $71 million, were $893 million, above our previously announced sales guidance, as certain programs had higher volumes than anticipated. In the quarter, our adjusted net earnings per share, on a basic and diluted basis, was $0.65 per share, a record quarter and in excess of the high end of our quarterly guidance, including $0.02 resulting from a net foreign exchange gain. Quarterly adjusted operating income and adjusted EBITDA margins increased significantly year-over-year and quarter-over-quarter. Operating income margin for the quarter hit 8.1%. Our balance sheet continues to strengthen as well ending the quarter at a net debt to adjusted EBITDA ratio of 1.4:1. We intend to maintain a strong balance sheet over time, and will pay down debt as appropriate, although we do not have specific targets. As is evident from the product wins just announced, we have a strong pipeline of programs on which to invest, and the product wins also solidify our ability to grow organically going forward."

Rob Wildeboer, Executive Chairman, stated: "We are firing on all cylinders and are becoming the company we aspire to be. We are driving and accelerating our One Martinrea culture throughout the organization, as evidenced at our Martinrea Accelerate 2.0 leadership conference last week, where 130 members of our leadership team came together for a week to concentrate on developing our lean thinking and entrepreneurial cultures, all based on developing a Golden Rule culture of dignity and respect. We are firmly convinced that culture matters, and it drives results, and results reinforce culture, all which result in a sustainable competitive advantage for our company over the long term. I believe we are just getting started, and the future looks great. We updated our vision to the following: making lives better by being the best supplier we can be in the products we make and the services we provide. Our people believe in the why—why do we do what we do, and in the purpose of our work. All our stakeholders are seeing the positive benefits. The year 2018 should be a great year for us. Building on the solid start to the year in our first quarter, our second quarter sales, excluding tooling sales, should range from $860 million to $900 million, and adjusted net earnings per share should range from $0.62 to $0.66 per share. As previously disclosed, we see operating margins improving over time to 9% or more by 2020 and 2020 revenues to exceed $4 billion, based on our budgetary assumptions. This is a wonderful industry to be in."

RESULTS OF OPERATIONS

All amounts in this press release are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares.

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Position for the first quarter ended March 31, 2018 ("MD&A"), the Company's interim condensed consolidated financial statements for the first quarter ended March 31, 2018 (the "interim consolidated financial statements") and the Company's Annual Information Form for the year ended December 31, 2017, can be found at www.sedar.com.

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

OVERALL RESULTS

The following table sets out certain highlights of the Company's performance for the three months ended March 31, 2018 and 2017. Refer to the Company's interim consolidated financial statements for the three months ended March 31, 2018 for a detailed account of the Company's performance for the periods presented in the table below.

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
Sales	$ 963,900	$ 1,000,550	(36,650)	(3.7%)
Gross Margin	144,429	118,215	26,214	22.2%
Operating Income	78,441	62,033	16,408	26.5%
Net Income for the period	55,959	43,467	12,492	28.7%
Net Income Attributable to Equity Holders of the Company	$ 55,959	$ 43,602	12,357	28.3%
Net Earnings per Share – Basic	$ 0.65	$ 0.50	0.15	30.0%
Net Earnings per Share – Diluted	$ 0.64	$ 0.50	0.14	28.0%
Non-IFRS Measures*				
Adjusted Operating Income	$ 78,441	$ 56,335	22,106	39.2%
% of Sales	*8.1%*	*5.6%*		
Adjusted EBITDA	119,962	94,547	25,415	26.9%
% of Sales	*12.4%*	*9.4%*		
Adjusted Net Income Attributable to Equity Holders of the Company	56,630	38,731	17,899	46.2%
Adjusted Net Earnings per Share – Basic and Diluted	$ 0.65	$ 0.45	0.20	44.4%

***Non-IFRS Measures**

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

The following tables provide a reconciliation of IFRS “Net Income Attributable to Equity Holders of the Company” to Non-IFRS “Adjusted Net Income Attributable to Equity Holders of the Company”, “Adjusted Operating Income” and “Adjusted EBITDA”.

	Three months ended March 31, 2018	Three months ended March 31, 2017
Net Income Attributable to Equity Holders of the Company	$ 55,959	$ 43,602
Unusual and Other Items (after-tax)*	671	(4,871)
Adjusted Net Income Attributable to Equity Holders of the Company	$ 56,630	$ 38,731

**Unusual and other items are explained in the "Adjustments to Net Income" section of this press release*

	Three months ended March 31, 2018	Three months ended March 31, 2017
Net Income Attributable to Equity Holders of the Company	$ 55,959	$ 43,602
Non-controlling interest	-	(135)
Income tax expense	17,953	13,353
Other finance income - excluding Unusual and Other Items*	(2,739)	(631)
Finance expense	6,501	5,844
Unusual and Other Items (before-tax)*	767	(5,698)
Adjusted Operating Income	$ 78,441	$ 56,335
Depreciation of property, plant and equipment	38,058	34,809
Amortization of intangible assets	3,477	3,736
Gain on disposal of property, plant and equipment	(14)	(333)
Adjusted EBITDA	$ 119,962	$ 94,547

**Unusual and other items are explained in the "Adjustments to Net Income" section of this press release*

<u>SALES</u>

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
North America	$ 741,155	$ 802,984	(61,829)	(7.7%)
Europe	185,723	172,320	13,403	7.8%
Rest of the World	40,381	27,077	13,304	49.1%
Eliminations	(3,359)	(1,831)	(1,528)	83.5%
Total Sales	$ 963,900	$ 1,000,550	(36,650)	(3.7%)

The Company's consolidated sales for the first quarter of 2018 decreased by $36.7 million or 3.7% to $963.9 million as compared to $1,000.6 million for the first quarter of 2017. The total decrease in sales was driven by a decrease in the North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the first quarter of 2018 in the Company's North America operating segment decreased by $61.8 million or 7.7% to $741.2 million from $803.0 million for the first quarter of 2017. The decrease was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the first quarter of 2018 of approximately $29.3 million as compared to the first quarter of 2017; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chevrolet Malibu, Ford Fusion and GM pick-up truck line-up, and programs that ended production during or subsequent to the first quarter of 2017 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2017 including the next generation GM Equinox/Terrain and an increase in tooling sales of $5.4 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the first quarter of 2018 in the Company's Europe operating segment increased by $13.4 million or 7.8% to $185.7 million from $172.3 million for the first quarter of 2017. The increase can be attributed to a $14.6 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2017, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp-up of new structural components work and the new V8 AMG engine block for Daimler; partially offset by a $5.1 million decrease in tooling sales.

Sales for the first quarter of 2018 in the Company's Rest of the World operating segment increased by $13.3 million or 49.1% to $40.4 million from $27.1 million for the first quarter of 2017. The increase was due to a $7.4 million increase in tooling sales, higher year-over-year production sales in the Company's operating facility in Brazil and the launch of new structural components work for Jaguar Landrover in China, which began to ramp up in the first quarter of 2018; partially offset by a $0.4 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2017.

Overall tooling sales increased by $7.0 million to $71.2 million for the first quarter of 2018 from $64.2 million for the first quarter of 2017.

GROSS MARGIN

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
Gross margin	$ 144,429	$ 118,215	26,214	22.2%
% of Sales	15.0%	11.8%		

The gross margin percentage for the first quarter of 2018 of 15.0% increased as a percentage of sales by 3.2% as compared to the gross margin percentage for the first quarter of 2017 of 11.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2017.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities, including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched; and an increase in tooling sales which typically earn low margins for the Company.

ADJUSTMENTS TO NET INCOME

(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

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

TABLE A

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	For the three months ended March 31, 2018 (a)	For the three months ended March 31, 2017 (b)	(a)-(b) Change
NET INCOME (A)	**$55,959**	**$43,602**	**$12,357**
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	-	(5,698)	5,698
Unrealized loss on derivative instruments (2)	767	-	767
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$767**	**($5,698)**	**$6,465**
Tax impact of above items	(96)	827	(923)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$671**	**($4,871)**	**$5,542**
ADJUSTED NET INCOME (A + B)	**$56,630**	**$38,731**	**$17,899**
Number of Shares Outstanding – Basic (‘000)	86,746	86,492	
Adjusted Basic Net Earnings Per Share	$0.65	$0.45	
Number of Shares Outstanding – Diluted (‘000)	87,352	86,635	
Adjusted Diluted Net Earnings Per Share	$0.65	$0.45	

(1) Gain on sale of land and building

During the first quarter of 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 $9.9 million (net of closing costs of $0.4 million) resulting in a pre-tax gain of $5.7 million.

(2) Unrealized loss on derivative instruments

In the third quarter of 2017, the Company acquired 5,500,000 common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering (the investment is further described in note 6 of the interim consolidated financial statements and later on in the MD&A under the section “Investments”). As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2,750,000 common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

During the first quarter of 2018, the Company acquired an additional 411,800 common shares in NanoXplore for a total of $0.7 million through another private placement offering. As part of the transaction to acquire the additional common shares, the Company also received warrants entitling the Company to acquire up to an additional 205,900 common shares in NanoXplore at a price of $2.30 per share for a period of up to two years after issuance.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period with the change in fair value recorded through profit or loss. As at March 31, 2018, the warrants had a fair value of $3.3 million. Based on the fair value of the warrants as at March 31, 2018, an unrealized loss of $0.8 million was recognized in the first quarter, recorded in other finance income. This unrealized loss has been added back for Adjusted Net Income purposes.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

		Three months ended March 31, 2018		Three months ended March 31, 2017	$ Change	% Change
Net Income	$	55,959	$	43,602	12,357	28.3%
Adjusted Net Income	$	56,630	$	38,731	17,899	46.2%
Net Earnings per Share						
Basic	$	0.65	$	0.50		
Diluted	$	0.64	$	0.50		
Adjusted Net Earnings per Share						
Basic	$	0.65	$	0.45		
Diluted	$	0.65	$	0.45		

Net Income, before adjustments, for the first quarter of 2018 increased by $12.4 million to $56.0 million from $43.6 million for the first quarter of 2017 largely as a result of the increase in the Company's gross margin as previously discussed. Excluding the unusual and other items recognized during the first quarters of 2018 and 2017 as explained in Table A under "Adjustments to Net Income", Net income for the first quarter of 2018 increased to $56.6 million or $0.65 per share, on a basic and diluted basis, from $38.7 million or $0.45 per share, on a basic and diluted basis, for the first quarter of 2017.

Adjusted Net Income for the first quarter of 2018, as compared to the first quarter of 2017, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2017; and
- a net foreign exchange gain of $2.7 million for the first quarter of 2018 compared to $0.6 million for the first quarter of 2017.

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- a slight year-over-year increase in finance expense on the Company's bank debt and equipment loans as a result of increased borrowing rates.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

		Three months ended March 31, 2018		Three months ended March 31, 2017	$ Change	% Change
Additions to PP&E	$	50,337	$	66,641	(16,304)	(24.5%)

Additions to PP&E decreased by $16.3 million to $50.3 million in the first quarter of 2018 from $66.6 million in the first quarter of 2017 due generally to timing of expenditures. Additions as a percentage of sales decreased year-over-year to 5.2% from 6.7% in the first quarter of 2017. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

DIVIDEND

A cash dividend of $0.045 per share has been declared by the Board of Directors payable to shareholders of record on June 30, 2018, on or about July 15, 2018.

ABOUT MARTINREA

Martinrea currently employs approximately 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's vision: making lives better by being the best supplier we can be in the products we make and the services we provide. The Company's mission is to make people's lives better by delivering: outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth; superior long term investment returns to our stakeholders; and positive contributions to our communities as good corporate citizens.

CONFERENCE CALL DETAILS

A conference call to discuss those results will be held on Friday, May 4, 2018 at 8:00am. (Toronto time) which can be accessed by dialing (416) 340-2219 or toll free (800) 377-0758. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing (905) 694-9451 or toll free (800) 408-3053 (conference id - 1166690#). The rebroadcast will be available until May 22, 2018.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, gross margin, earnings, and earnings per share (including as adjusted), or operating income margins (including expected growth in operating income margin to 9% or growth in sales to over $4 billion by 2020), improvements in the Company's metrics including quality and safety, the intention to maintain a strong balance sheet and pay down debt over time, the ramping up and launching of new programs and the financial impact of launches, the payment of dividends, as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan", "outlook" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;

- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- Competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as under-funding of pensions plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats; and
- dividends.

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

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

For further information, please contact:

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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2018

The following management discussion and analysis ("MD&A") was prepared as of May 3, 2018 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2018 ("interim consolidated financial statements"), as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2017 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2017, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or 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. Martinrea currently employs approximately 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

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OVERALL RESULTS

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Gain on disposal of property, plant and equipment	(14)	(333)
Adjusted EBITDA	$ 119,962	$ 94,547

Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A

SALES

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
North America	$ 741,155	$ 802,984	(61,829)	(7.7%)
Europe	185,723	172,320	13,403	7.8%
Rest of the World	40,381	27,077	13,304	49.1%
Eliminations	(3,359)	(1,831)	(1,528)	83.5%
Total Sales	$ 963,900	$ 1,000,550	(36,650)	(3.7%)

The Company's consolidated sales for the first quarter of 2018 decreased by $36.7 million or 3.7% to $963.9 million as compared to $1,000.6 million for the first quarter of 2017. The total decrease in sales was driven by a decrease in the North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the first quarter of 2018 in the Company's North America operating segment decreased by $61.8 million or 7.7% to $741.2 million from $803.0 million for the first quarter of 2017. The decrease was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the first quarter of 2018 of approximately $29.3

million as compared to the first quarter of 2017; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chevrolet Malibu, Ford Fusion and GM pick-up truck line-up, and programs that ended production during or subsequent to the first quarter of 2017 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by the launch of new programs during or subsequent to the first quarter of 2017 including the next generation GM Equinox/Terrain and an increase in tooling sales of $5.4 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the first quarter of 2018 in the Company's Europe operating segment increased by $13.4 million or 7.8% to $185.7 million from $172.3 million for the first quarter of 2017. The increase can be attributed to a $14.6 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2017, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp-up of new structural components work and the new V8 AMG engine block for Daimler; partially offset by a $5.1 million decrease in tooling sales.

Sales for the first quarter of 2018 in the Company's Rest of the World operating segment increased by $13.3 million or 49.1% to $40.4 million from $27.1 million for the first quarter of 2017. The increase was due to a $7.4 million increase in tooling sales, higher year-over-year production sales in the Company's operating facility in Brazil and the launch of new structural components work for Jaguar Landrover in China, which began to ramp up in the first quarter of 2018; partially offset by a $0.4 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the first quarter of 2017.

Overall tooling sales increased by $7.0 million to $71.2 million for the first quarter of 2018 from $64.2 million for the first quarter of 2017.

GROSS MARGIN

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

		Three months ended March 31, 2018		Three months ended March 31, 2017	$ Change	% Change
Gross margin	$	144,429	$	118,215	26,214	22.2%
% of Sales		15.0%		11.8%		

The gross margin percentage for the first quarter of 2018 of 15.0% increased as a percentage of sales by 3.2% as compared to the gross margin percentage for the first quarter of 2017 of 11.8%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities; and
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2017.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities, including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched; and an increase in tooling sales which typically earn low margins for the Company.

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

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

		Three months ended March 31, 2018		Three months ended March 31, 2017	$ Change	% Change
Selling, general & administrative	$	56,342	$	52,599	3,743	7.1%
% of Sales		5.8%		5.3%		

SG&A expense for the first quarter of 2018 increased by $3.7 million to $56.3 million as compared to $52.6 million for the first quarter of 2017. The increase can be attributed to increased costs incurred at new and/or expanded facilities launching and ramping up new work; a general increase in employment and other costs to support the evolution of the business and operating margin expansion initiatives;

and higher year-over-year incentive compensation based on the performance of the business; partially offset by lower litigation costs related to certain employee related matters in the Company's operating facility in Brazil. SG&A expenses are being monitored and managed on a continuous basis in order to optimize costs.

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

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
Depreciation of PP&E (production)	$ 35,612	$ 32,550	3,062	9.4%
Depreciation of PP&E (non-production)	2,446	2,259	187	8.3%
Amortization of customer contracts and relationships	530	540	(10)	(1.9%)
Amortization of development costs	2,947	3,196	(249)	(7.8%)
Total depreciation and amortization	$ 41,535	$ 38,545	2,990	7.8%

Total depreciation and amortization expense for the first quarter of 2018 increased by $3.0 million to $41.5 million as compared to $38.5 million for the first quarter of 2017. The increase in total depreciation and amortization expense was primarily due to an increase in depreciation expense on a larger PP&E base resulting from new and replacement business.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the first quarter of 2017. The Company continues to make significant investments in the operations of the Company in light of its backlog of business and growing global footprint.

Depreciation of PP&E (production) expense as a percentage of sales increased year-over-over to 3.7% for the first quarter of 2018 from 3.3% for the first quarter of 2017 due to lower year-over-year sales as previously discussed, and recent investments put into production.

ADJUSTMENTS TO NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

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

TABLE A

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	For the three months ended March 31, 2018 (a)	For the three months ended March 31, 2017 (b)	(a)-(b) Change
NET INCOME (A)	**$55,959**	**$43,602**	**$12,357**
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	-	(5,698)	5,698
Unrealized loss on derivative instruments (2)	767	-	767
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$767**	**($5,698)**	**$6,465**
Tax impact of above items	(96)	827	(923)
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$671**	**($4,871)**	**$5,542**
ADJUSTED NET INCOME (A + B)	**$56,630**	**$38,731**	**$17,899**
Number of Shares Outstanding – Basic (‘000)	86,746	86,492	
Adjusted Basic Net Earnings Per Share	$0.65	$0.45	
Number of Shares Outstanding – Diluted (‘000)	87,352	86,635	
Adjusted Diluted Net Earnings Per Share	$0.65	$0.45	

(1) Gain on sale of land and building

During the first quarter of 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 $9.9 million (net of closing costs of $0.4 million) resulting in a pre-tax gain of $5.7 million.

(2) Unrealized loss on derivative instruments

In the third quarter of 2017, the Company acquired 5,500,000 common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering (the investment is further described in note 6 of the interim consolidated financial statements and later on in this MD&A under the section “Investments”). As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2,750,000 common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

During the first quarter of 2018, the Company acquired an additional 411,800 common shares in NanoXplore for a total of $0.7 million through another private placement offering. As part of the transaction to acquire the additional common shares, the Company also received warrants entitling the Company to acquire up to an additional 205,900 common shares in NanoXplore at a price of $2.30 per share for a period of up to two years after issuance.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period with the change in fair value recorded through profit or loss. As at March 31, 2018, the warrants had a fair value of $3.3 million. Based on the fair value of the warrants as at March 31, 2018, an unrealized loss of $0.8 million was recognized in the first quarter, recorded in other finance income. This unrealized loss has been added back for Adjusted Net Income purposes.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

		Three months ended March 31, 2018		Three months ended March 31, 2017	$ Change	% Change
Net Income	$	55,959	$	43,602	12,357	28.3%
Adjusted Net Income	$	56,630	$	38,731	17,899	46.2%
Net Earnings per Share						
Basic	$	0.65	$	0.50		
Diluted	$	0.64	$	0.50		
Adjusted Net Earnings per Share						
Basic	$	0.65	$	0.45		
Diluted	$	0.65	$	0.45		

Net Income, before adjustments, for the first quarter of 2018 increased by $12.4 million to $56.0 million from $43.6 million for the first quarter of 2017 largely as a result of the increase in the Company's gross margin as previously discussed. Excluding the unusual and other items recognized during the first quarters of 2018 and 2017 as explained in Table A under "Adjustments to Net Income", Net income for the first quarter of 2018 increased to $56.6 million or $0.65 per share, on a basic and diluted basis, from $38.7 million or $0.45 per share, on a basic and diluted basis, for the first quarter of 2017.

Adjusted Net Income for the first quarter of 2018, as compared to the first quarter of 2017, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2017; and
- a net foreign exchange gain of $2.7 million for the first quarter of 2018 compared to $0.6 million for the first quarter of 2017.

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- a slight year-over-year increase in finance expense on the Company's bank debt and equipment loans as a result of increased borrowing rates.

Three months ended March 31, 2018 actual to guidance comparison:

On March 1, 2018, the Company provided the following guidance for the first quarter of 2018:

		Guidance		Actual
Production sales (in millions)	$	840 – 880	$	893
Adjusted Net Earnings per Share				
Basic and Diluted	$	0.59 – 0.63	$	0.65

For the first quarter of 2018, production sales of $893 million came in slightly above the published sales guidance range due to higher than expected production volumes on certain OEM light vehicle platforms. Adjusted Net Earnings per Share of $0.65 also exceeded the published earnings guidance range due to higher than expected production volumes on certain OEM light vehicle platforms and a net foreign exchange gain recognized during the quarter.

ADDITIONS TO PROPERTY. PLANT AND EOUIPMENT

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
Additions to PP&E	$ 50,337	$ 66,641	(16,304)	(24.5%)

Additions to PP&E decreased by $16.3 million to $50.3 million in the first quarter of 2018 from $66.6 million in the first quarter of 2017 due generally to timing of expenditures. Additions as a percentage of sales decreased year-over-year to 5.2% from 6.7% in the first quarter of 2017. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

SEGMENT ANALYSIS

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

Three months ended March 31, 2018 to three months ended March 31, 2017 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended March 31, 2018	Three months ended March 31, 2017	Three months ended March 31, 2018	Three months ended March 31, 2017
North America	$ 741,155	$ 802,984	$ 61,468	$ 47,455
Europe	185,723	172,320	15,835	12,579
Rest of the World	40,381	27,077	1,138	(3,699)
Eliminations	(3,359)	(1,831)	-	-
Adjusted Operating Income	-	-	$ 78,441	$ 56,335
Unusual and Other Items*	-	-	-	5,698
Total	$ 963,900	$ 1,000,550	$ 78,441	$ 62,033

**Operating income for the operating segments has been adjusted for unusual and other items. The $5.7 million of unusual and other items incurred during the first quarter of 2017 was recognized in North America. The unusual and other items noted are all fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted Operating Income in North America increased by $14.0 million to $61.5 million for the first quarter of 2018 from $47.5 million for the first quarter of 2017 despite lower sales as previously discussed. Adjusted Operating Income in North America was positively impacted by productivity and efficiency improvements at certain operating facilities and general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the first quarter of 2017; partially offset by operational inefficiencies and other costs at certain other facilities.

Europe

Adjusted Operating Income in Europe increased by $3.2 million to $15.8 million for the first quarter of 2018 from $12.6 million for the first quarter of 2017 due to incremental margin contribution from a $13.4 million year-over-year increase in sales, partially offset by upfront costs incurred in the Company's German operations in preparation of upcoming new programs and related to new business in the process of being launched. As noted previously, the year-over-year increase in sales can be attributed to a $14.6 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the first quarter of 2017, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp up of new structural components work and the new V8 AMG engine block for Daimler; partially offset by a $5.1 million decrease in tooling sales.

Rest of the World

The operating results for the Rest of the World operating segment improved year-over-year on higher year-over-year sales as previously discussed and lower litigation costs related to certain employee related matters in the Company's operating facility in Brazil; partially offset by upfront costs incurred in the Company's China operations in preparation of upcoming new programs and related to new business in the process of being launched.

SUMMARY OF QUARTERLY RESULTS (unaudited)

	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	963,900	878,642	838,535	972,772	1,000,550	990,407	914,725	1,023,825
Gross Margin	144,429	124,042	113,418	128,926	118,215	104,312	99,698	116,222
Net Income (loss) for the period	55,959	32,366	36,022	47,411	43,467	30,630	28,827	(27)
Net Income (loss) attributable to equity holders of the Company	55,959	32,366	36,229	47,346	43,602	30,753	29,098	(42)
Adjusted Net Income attributable to equity holders of the Company*	56,630	43,179	36,263	47,346	38,731	30,753	29,098	37,663
Basic Net Earnings per Share	0.65	0.37	0.42	0.55	0.50	0.36	0.34	-
Diluted Net Earnings per Share	0.64	0.37	0.42	0.55	0.50	0.36	0.34	-
Adjusted Basic and Diluted Net Earnings per Share*	0.65	0.50	0.42	0.55	0.45	0.36	0.34	0.44

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include “Adjusted Net Income”, “Adjusted Net Earnings per Share (on a basic and diluted basis)”, “Adjusted Operating Income” and "Adjusted EBITDA”. Please refer to the Company's previously filed annual and interim MD&A of operating results and financial position for the fiscal years 2017 and 2016 for a full reconciliation of IFRS to non-IFRS measures.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid and continues to strengthen, which can be attributed to the Company's low cost structure, reasonable level of debt and prospects for growth. As at March 31, 2018, the Company had total equity of $1,052.5 million (December 31, 2017 - $958.5). As at March 31, 2018, the Company's ratio of current assets to current liabilities was 1.30:1 (December 31, 2017 - 1.28:1). The Company's current working capital level of $272.5 million at March 31, 2018, up from $226.9 million at December 31, 2017, and credit facilities (discussed below) are expected to be sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing bank credit facilities or asset backed financing.

CASH FLOWS

	Three months ended March 31, 2018	Three months ended March 31, 2017	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 122,407	$ 94,254	28,153	29.9%
Change in non-cash working capital items	(12,004)	41,356	(53,360)	(129.0%)
	110,403	135,610	(25,207)	(18.6%)
Interest paid	(6,933)	(5,120)	(1,813)	35.4%
Income taxes paid	(31,678)	(23,452)	(8,226)	35.1%
Cash provided by operating activities	71,792	107,038	(35,246)	(32.9%)
Cash provided by (used in) financing activities	11,808	(29,348)	41,156	(140.2%)
Cash used in investing activities	(74,355)	(80,532)	6,177	(7.7%)
Effect of foreign exchange rate changes on cash and cash equivalents	957	(274)	1,231	449.3%
Increase (decrease) in cash and cash equivalents	$ 10,202	$ (3,116)	13,318	(427.4%)

Cash provided by operating activities during the first quarter of 2018 was $71.8 million, compared to cash provided by operating activities of $107.0 million in the corresponding period of 2017. The components for the first quarter of 2018 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $122.4 million;
- non-cash working capital items use of cash of $12.0 million comprised of increases in trade and other receivables of $72.7 million, inventories of $36.4 million and prepaid expenses and deposits of $3.1 million; partially offset by an increase in trade other payables and provisions of $100.2 million.
- interest paid (excluding capitalized interest) of $6.9 million; and
- income taxes paid of $31.7 million.

Cash provided by financing activities during the first quarter of 2018 was $11.8 million, compared to cash used in financing activities of $29.3 million in the corresponding period in 2017, as a result of $19.7 million in drawdowns on the Company's revolving banking facility to fund working capital needs; partially offset by repayments on the Company's asset-based financing arrangements of $5.3 million and $2.6 million in dividends paid.

Cash used in investing activities during the first quarter of 2018 was $74.4 million, compared to $80.5 million in the corresponding period in 2017. The components for the first quarter of 2018 primarily include the following:

- cash additions to PP&E of $71.5 million;
- capitalized development costs relating to upcoming new program launches of $3.0 million;
- an investment in NanoXplore Inc. (as described in note 6 of the interim consolidated financial statements for the three months ended March 31, 2018) of $0.7 million; partially offset by
- proceeds from the disposal of PP&E of $0.8 million.

Taking into account the opening cash balance of $71.2 million at the beginning of the first quarter of 2018, and the activities described above, the cash and cash equivalents balance at March 31, 2018 was $81.4 million.

Financing

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, 2018, the Company had drawn $233.0 million (December 31, 2017 - $233.0 million) on the Canadian revolving credit line and US$271.0 million (December 31, 2017 - $256.0 million) on the U.S. revolving credit line.

Net debt (i.e. long-term debt less cash on hand) increased by $13.3 million from $582.8 million at December 31, 2017 to $596.1 million at March 31, 2018. The Company's net debt to Adjusted EBITDA (on a trailing twelve months basis) leverage ratio improved to 1.40x at the end of the first quarter of 2018, from 1.45x at the end of the fourth quarter of 2017 and 1.78x at the end of the first quarter of 2017.

The Company was in compliance with its debt covenants as at March 31, 2018.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were $0.12 per share, paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, with the most recent quarterly dividend being paid on April 15, 2018.

In view of the Company's financial performance, and its future outlook and cash needs, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly installments of $0.045 per share, commencing with the release of the first quarter results of 2018. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2016 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2018 the amount of off-balance sheet program financing was $43.8 million (December 31, 2017 - $75.2 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on Industry Highlights and Trends and Risks and Uncertainties as outlined in the Company's Annual Information Form dated March 1, 2018 and available through SEDAR at www.sedar.com which are incorporated herein by reference. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 3, 2018, the Company had 86,745,834 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at May 3, 2018, options to acquire 1,944,450 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2018, there has been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2017.

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At March 31, 2018, the amount of the off-balance sheet program financing was $43.8 million representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

Hedge Accounting

The Company uses some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments made in certain US operations. At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment that is being hedged, the risk that is being hedged, the type of hedging instrument used and how effectiveness will be assessed.

At inception and at every quarter end thereafter, the Company formally assesses the effectiveness of these net investment hedges. The change in fair value of the hedging US debt is recorded, to the extent effective, directly in Other Comprehensive Income (Loss). These amounts will be recognized in earnings as and when the corresponding Accumulated Other Comprehensive Income (Loss) from the hedged foreign operations is recognized in net earnings.

Financial Instruments

The Company periodically utilizes certain financial instruments, principally forward currency exchange contracts to manage the risk associated with fluctuations in currency exchange rates. It is the Company's policy to not utilize financial instruments for trading or speculative purposes. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's foreign denominated sales and the Company's purchases of materials and equipment. Gains and losses on forward foreign exchange contracts are reflected in the consolidated financial statements in the same period as the hedged item. In the event that a hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized in income.

At March 31, 2018, the Company had committed to trade U.S. dollars in exchange for the following:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	$	40,000	1.3025	1
Buy Mexican Peso	$	22,067	18.8063	1

The aggregate value of these forward contracts as at March 31, 2018 was a pre-tax gain of $1.3 million and was recorded in trade and other receivables (December 31, 2017 - loss of $0.1 million recorded in trade and other payables).

INVESTMENTS

In the third quarter of 2017, the Company acquired 5,500,000 common shares in NanoXplore Inc. ("NanoXplore"), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering. As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2,750,000 common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

NanoXplore is a graphene company, a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions under the heXo-G brand, including graphene powder, graphene plastic masterbatch pellets, and graphene-enhanced polymers. The company has its headquarters and graphene production facility in Montreal, Quebec.

The initial purchase price of $2.5 million was allocated to the common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $2.2 million being initially allocated to the common shares and $0.3 million to the warrants.

During the first quarter of 2018, the Company acquired an additional 411,800 common shares in NanoXplore for a total of $0.7 million through another private placement offering. As part of the transaction to acquire the additional common shares, the Company also received warrants entitling the Company to acquire up to an additional 205,900 common shares in NanoXplore at a price of $2.30 per share for a period of up to two years after issuance. The purchase price of $0.7 million was allocated to the additional common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $0.6 million being allocated to the common shares and $0.1 million to the warrants.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes valuation model, with the change in fair value recorded through profit or loss. As at March 31, 2018, the warrants had a fair value of $3.3 million. Based on the fair value of the warrants as at March 31, 2018, an unrealized loss of $0.8 million was recognized for the three months ended March 31, 2018 and recorded in other finance income (expense) in the interim condensed consolidated statement of operations. The table below summarizes the assumptions used in valuing the warrants under the Black-Scholes valuation model during the three months ended March 31, 2018:

	2018 Acquisition	**March 31, 2018**
Expected volatility	66.87%	64.56%
Risk free interest rate	1.88%	1.77%
Expected life (years)	2	2

The NanoXplore common shares are recorded at their fair value at the end of each reporting period based on publically quoted prices, with the change in fair value recorded in other comprehensive income. As at March 31, 2018, the common shares had a fair value of $10.7 million. Based on the fair value of the common shares as at March 31, 2018, an unrealized loss of $1.1 million ($1.0 million net of tax) was recognized for the three months ended March 31, 2018.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

CRITICAL ACCOUNTING ESTIMATES

Recently adopted accounting standards and policies

The Company has initially adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), IFRS 9, Financial Instruments ("IFRS 9") and amendments made to Share-Based Payments ("IFRS 2"), effective January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 using the full retrospective approach. The adoption of the standard did not result in any restatement of previously reported results and did not have a material impact on the consolidated financial statements.

The following should be read as a modification to the significant accounting policies in note 2(j) of the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

Revenue Recognition Policy

Revenue recognition policies under the new standard are substantially consistent with prior reporting periods. The Company recognizes sales primarily from two categories of goods: production (including finished production parts and assemblies), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

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

Upon adoption of the new standard, additional disclosures related to the nature, amount, timing and uncertainty of the Company's revenues and cash flows arising from contracts with customers have been included in the consolidated financial statements, with comparative information, including a breakdown of the Company's revenues between production and tooling.

IFRS 9, Financial Instruments

The adoption of IFRS 9 did not have a material impact on the consolidated financial statements.

IFRS 9 includes an accounting policy choice between deferring the adoption of the new hedge accounting standards under IFRS 9 and continuing with the current IAS 39 hedge accounting standards. The Company has decided to continue to apply IAS 39 hedge accounting standards.

The following should be read as a modification to the significant accounting policies in note 2(c) and 2 (g) (i) of the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

(a) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification under IFRS 9 as described below:

Fair value through profit or loss (FVTPL):

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

Fair value through other comprehensive income (FVTOCI):

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

Amortized cost:

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

Other financial liabilities:

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

(b) Impairment of financial assets:

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The existing model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward-looking information. The Company's allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers. The adoption of IFRS 9 did not have a material impact on the Company's policy for assessing impairment of financial assets.

(c) Derivative financial instruments

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

Amendments to IFRS 2, Share-Based Payments

The adoption of the amendments to IFRS 2 did not have a material impact on the consolidated financial statements.

Recently issued accounting standards

The IASB issued the following amendments to existing standards:

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. The Company is currently assessing the impact of IFRS 16 on the consolidated financial statements. The extent of the impact has not yet been determined.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to the growth of the Company and pursuit of its strategies, investments in its business, management and monitoring of SG&A expenses, the financing of future capital expenditures, and ability to fund anticipated working capital needs, the Company's views on its liquidity and ability to deal with present economic conditions, and the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2017 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;

- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits
- impairment charges;
- cyber security threats; and
- dividends.

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

MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note		March 31, 2018		December 31, 2017
ASSETS					
Cash and cash equivalents		$	81,395	$	71,193
Trade and other receivables	2		649,222		556,049
Inventories	3		424,964		376,972
Prepaid expenses and deposits			19,040		15,504
Income taxes recoverable			7,359		12,979
TOTAL CURRENT ASSETS			1,181,980		1,032,697
Property, plant and equipment	4		1,333,513		1,282,624
Deferred income tax assets			155,336		142,173
Intangible assets	5		70,139		68,414
Other assets	6		14,029		15,265
TOTAL NON-CURRENT ASSETS			1,573,017		1,508,476
TOTAL ASSETS		$	2,754,997	$	2,541,173
LIABILITIES					
Trade and other payables	7	$	846,954	$	741,549
Provisions	8		5,477		5,048
Income taxes payable			36,370		34,429
Current portion of long-term debt	9		20,640		24,795
TOTAL CURRENT LIABILITIES			909,441		805,821
Long-term debt	9		656,904		629,222
Pension and other post-retirement benefits			63,939		65,258
Deferred income tax liabilities			72,180		82,373
TOTAL NON-CURRENT LIABILITIES			793,023		776,853
TOTAL LIABILITIES			1,702,464		1,582,674
EQUITY					
Capital stock	10		713,425		713,425
Contributed surplus			42,155		41,981
Accumulated other comprehensive income			132,696		94,268
Retained earnings			164,257		108,825
TOTAL EQUITY			1,052,533		958,499
TOTAL LIABILITIES AND EQUITY		$	2,754,997	$	2,541,173

Contingencies (note 16)

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, 2018	Three months ended March 31, 2017
SALES		$ 963,900	$ 1,000,550
Cost of sales (excluding depreciation of property, plant and equipment)		(783,859)	(849,785)
Depreciation of property, plant and equipment (production)		(35,612)	(32,550)
Total cost of sales		(819,471)	(882,335)
GROSS MARGIN		144,429	118,215
Research and development costs		(6,684)	(6,815)
Selling, general and administrative		(56,342)	(52,599)
Depreciation of property, plant and equipment (non-production)		(2,446)	(2,259)
Amortization of customer contracts and relationships		(530)	(540)
Gain on sale of land and building	4	-	5,698
Gain on disposal of property, plant and equipment		14	333
OPERATING INCOME		78,441	62,033
Finance expense		(6,501)	(5,844)
Other finance income	13	1,972	631
INCOME BEFORE INCOME TAXES		73,912	56,820
Income tax expense	11	(17,953)	(13,353)
NET INCOME FOR THE PERIOD		$ 55,959	$ 43,467
Non-controlling interest		-	135
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$ 55,959	$ 43,602
Basic earnings per share	12	$ 0.65	$ 0.50
Diluted earnings per share	12	$ 0.64	$ 0.50

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, 2018	Three months ended March 31, 2017
NET INCOME FOR THE PERIOD	$ 55,959	$ 43,467
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	39,433	(4,690)
Change in fair value of investments	(1,005)	-
Items that will not be reclassified to net income		
Remeasurement of defined benefit plans	2,075	(535)
Other comprehensive income (loss), net of tax	40,503	(5,225)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 96,462	$ 38,242
Attributable to:		
Equity holders of the Company	96,462	38,377
Non-controlling interest	-	(135)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 96,462	$ 38,242

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	Accumulated other comprehensive income	Retained earnings/ (accumulated deficit)	Total	Non-controlling interest	Total equity
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 income (loss), net of tax							
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
Net income for the period	-	-	-	115,941	115,941	(142)	115,799
Change in non-controlling interest	-	-	-	(1,849)	(1,849)	799	(1,050)
Compensation expense related to stock options	-	87	-	-	87	-	87
Dividends ($0.09 per share)	-	-	-	(7,790)	(7,790)	-	(7,790)
Exercise of employee stock options	2,631	(720)	-	-	1,911	-	1,911
Other comprehensive income (loss), net of tax							
Remeasurement of defined benefit plans	-	-	-	2,074	2,074	-	2,074
Foreign currency translation differences	-	-	(26,047)	-	(26,047)	-	(26,047)
Change in fair value of investments	-	-	7,957	-	7,957	-	7,957
BALANCE AT DECEMBER 31, 2017	713,425	41,981	94,268	108,825	958,499	-	958,499
Net income for the period	-	-	-	55,959	55,959	-	55,959
Compensation expense related to stock options	-	174	-	-	174	-	174
Dividends ($0.03 per share)	-	-	-	(2,602)	(2,602)	-	(2,602)
Other comprehensive income (loss), net of tax							
Remeasurement of defined benefit plans	-	-	-	2,075	2,075	-	2,075
Foreign currency translation differences	-	-	39,433	-	39,433	-	39,433
Change in fair value of investments	-	-	(1,005)	-	(1,005)	-	(1,005)
BALANCE AT MARCH 31, 2018	$ 713,425	$ 42,155	$ 132,696	$ 164,257	$ 1,052,533	$ -	$ 1,052,533

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, 2018	Three months ended March 31, 2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 55,959	$ 43,467
Adjustments for:		
Depreciation of property, plant and equipment	38,058	34,809
Amortization of customer contracts and relationships	530	540
Amortization of development costs	2,947	3,196
Unrealized gains on foreign exchange forward contracts	(1,304)	(1,696)
Unrealized loss on derivative instruments (note 6)	767	-
Finance expense	6,501	5,844
Income tax expense	17,953	13,353
Gain on sale of land and building (note 4)	-	(5,698)
Gain on disposal of property, plant and equipment	(14)	(333)
Deferred and restricted share units expense	302	98
Stock options expense	174	36
Pension and other post-retirement benefits expense	1,177	1,138
Contributions made to pension and other post-retirement benefits	(643)	(500)
	122,407	94,254
Changes in non-cash working capital items:		
Trade and other receivables	(72,686)	(57,646)
Inventories	(36,415)	(18,549)
Prepaid expenses and deposits	(3,079)	(2,044)
Trade, other payables and provisions	100,176	119,595
	110,403	135,610
Interest paid (excluding capitalized interest)	(6,933)	(5,120)
Income taxes paid	(31,678)	(23,452)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 71,792	$ 107,038
FINANCING ACTIVITIES:		
Increase in long-term debt	19,689	-
Repayment of long-term debt	(5,279)	(26,959)
Dividends paid	(2,602)	(2,591)
Exercise of employee stock options	-	202
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	$ 11,808	$ (29,348)
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(71,453)	(87,339)
Capitalized development costs	(2,992)	(3,523)
Investment in NanoXplore Inc. (note 6)	(680)	-
Proceeds on disposal of land and building (note 4)	-	9,872
Proceeds on disposal of property, plant and equipment	770	458
NET CASH USED IN INVESTING ACTIVITIES	$ (74,355)	$ (80,532)
Effect of foreign exchange rate changes on cash and cash equivalents	957	(274)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,202	(3,116)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	71,193	59,165
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 81,395	$ 56,049

*As at March 31, 2018, $42,761 (December 31, 2017 - $63,877) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables and provisions.

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, 2017, 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, 2017.

(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

The Company has initially adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), IFRS 9, Financial Instruments ("IFRS 9") and amendments made to Share-Based Payments ("IFRS 2"), effective January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 using the full retrospective approach. The adoption of the standard did not result in any restatement of previously reported results and did not have a material impact on the consolidated financial statements.

The following should be read as a modification to the significant accounting policies in note 2(j) of the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

Revenue Recognition Policy

Revenue recognition policies under the new standard are substantially consistent with prior reporting periods. The Company recognizes sales primarily from two categories of goods: production (including finished production parts and assemblies), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

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

Upon adoption of the new standard, additional disclosures related to the nature, amount, timing and uncertainty of the Company's revenues and cash flows arising from contracts with customers have been included in the consolidated financial statements, with comparative information, including a breakdown of the Company's revenues between production and tooling.

IFRS 9, Financial Instruments

The adoption of IFRS 9 did not have a material impact on the consolidated financial statements.

IFRS 9 includes an accounting policy choice between deferring the adoption of the new hedge accounting standards under IFRS 9 and continuing with the current IAS 39 hedge accounting standards. The Company has decided to continue to apply IAS 39 hedge accounting standards.

The following should be read as a modification to the significant accounting policies in note 2(c) and 2 (g) (i) of the Company's annual audited consolidated financial statements for the year ended December 31, 2017.

(a) Financial assets and liabilities

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification under IFRS 9 as described below:

Fair value through profit or loss (FVTPL):

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

Fair value through other comprehensive income (FVTOCI):

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

Amortized cost:

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

Other financial liabilities:

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

(b) Impairment of financial assets:

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The ECL model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The existing model aligns with the simplified approach under IFRS 9, which measures lifetime ECL and forward-looking information. The Company's allowance is determined by historical experiences, and considers factors including, the aging of the balances, the customer's credit worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers. The adoption of IFRS 9 did not have a material impact on the Company's policy for assessing impairment of financial assets.

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

(c) Derivative financial instruments

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

Amendments to IFRS 2, Share-Based Payments

The adoption of the amendments to IFRS 2 did not have a material impact on the consolidated financial statements.

(e) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

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. The Company is currently assessing the impact of IFRS 16 on the consolidated financial statements. The extent of the impact has not yet been determined.

2. TRADE AND OTHER RECEIVABLES

	March 31, 2018	December 31, 2017
Trade receivables	$ 630,370	$ 538,830
Other receivables	17,548	17,219
Foreign exchange forward contracts (note 15(d))	1,304	-
	$ 649,222	$ 556,049

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

	March 31, 2018	December 31, 2017
Raw materials	$ 161,200	$ 154,293
Work in progress	40,557	38,618
Finished goods	31,610	34,962
Tooling work in progress and other inventory	191,597	149,099
	$ 424,964	$ 376,972

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

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2018			December 31, 2017		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 123,053	$ (18,668)	$ 104,385	$ 118,154	$ (17,157)	$ 100,997
Leasehold improvements	64,493	(37,524)	26,969	62,100	(35,897)	26,203
Manufacturing equipment	1,875,269	(964,876)	910,393	1,758,415	(909,065)	849,350
Tooling and fixtures	39,574	(32,146)	7,428	38,509	(31,034)	7,475
Other assets	55,562	(26,822)	28,740	53,197	(24,793)	28,404
Construction in progress and spare parts	255,598	-	255,598	270,195	-	270,195
	$ 2,413,549	$ (1,080,036)	$ 1,333,513	$ 2,300,570	$ (1,017,946)	$ 1,282,624

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, 2016	$ 120,049	$ 24,987	$ 808,036	$ 8,419	$ 17,757	$ 277,999	$ 1,257,247
Additions	-	802	565	-	242	250,311	251,920
Disposals	(22,497)	(311)	(2,024)	-	(209)	-	(25,041)
Depreciation	(4,068)	(4,173)	(134,515)	(1,435)	(5,479)	-	(149,670)
Impairment	-	-	(7,488)	-	-	-	(7,488)
Transfers from construction in progress and spare parts	12,537	5,272	213,526	987	16,583	(248,905)	-
Foreign currency translation adjustment	(5,024)	(374)	(28,750)	(496)	(490)	(9,210)	(44,344)
Net as of December 31, 2017	100,997	26,203	849,350	7,475	28,404	270,195	1,282,624
Additions	-	-	-	-	-	50,337	50,337
Disposals	-	-	(173)	-	(7)	(576)	(756)
Depreciation	(983)	(1,038)	(34,194)	(435)	(1,408)	-	(38,058)
Transfers from construction in progress and spare parts	1,258	950	70,211	172	1,141	(73,732)	-
Foreign currency translation adjustment	3,113	854	25,199	216	610	9,374	39,366
Net as of March 31, 2018	$ 104,385	$ 26,969	$ 910,393	$ 7,428	$ 28,740	$ 255,598	$ 1,333,513

The Company has entered into certain asset-backed financing arrangements that were structured as sale-leaseback transactions. At March 31, 2018, the carrying value of property, plant and equipment under such arrangements was $20,805 (December 31, 2017 – $21,001). The corresponding amounts owing are reflected within long-term debt (note 9).

During the first quarter of 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.

5. INTANGIBLE ASSETS

	March 31, 2018			December 31, 2017		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 62,073	$ (56,479)	$ 5,594	$ 61,432	$ (55,512)	$ 5,920
Development costs	145,625	(81,080)	64,545	143,325	(80,831)	62,494
	$ 207,698	$ (137,559)	$ 70,139	$ 204,757	$ (136,343)	$ 68,414

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

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2016	$ 8,172	$ 65,089	$ 73,261
Additions	-	14,211	14,211
Amortization	(2,162)	(13,237)	(15,399)
Upfront recovery of development costs incurred	-	(1,170)	(1,170)
Foreign currency translation adjustment	(90)	(2,399)	(2,489)
Net as of December 31, 2017	5,920	62,494	68,414
Additions	-	2,992	2,992
Amortization	(530)	(2,947)	(3,477)
Foreign currency translation adjustment	204	2,006	2,210
Net as of March 31, 2018	$ 5,594	$ 64,545	$ 70,139

6. OTHER ASSETS

	March 31, 2018	December 31, 2017
Investment in common shares of NanoXplore Inc.	$ 10,700	$ 11,275
Warrants in NanoXplore Inc.	3,329	3,990
	$ 14,029	$ 15,265

Investment in NanoXplore Inc.

In the third quarter of 2017, the Company acquired 5,500,000 common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2,475 through a private placement offering. As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2,750,000 common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance.

NanoXplore is a graphene company, a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions under the heXo-G brand, including graphene powder, graphene plastic masterbatch pellets, and graphene-enhanced polymers. The company has its headquarters and graphene production facility in Montreal, Quebec.

The initial purchase price of $2,475 was allocated to the common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $2,182 being initially allocated to the common shares and $293 to the warrants.

During the first quarter of 2018, the Company acquired an additional 411,800 common shares in NanoXplore for a total of $680 through another private placement offering. As part of the transaction to acquire the additional common shares, the Company also received warrants entitling the Company to acquire up to an additional 205,900 common shares in NanoXplore at a price of $2.30 per share for a period of up to two years after issuance. The purchase price of $680 was allocated to the additional common shares and warrants acquired based on their relative fair values at the time of issuance resulting in $574 being allocated to the common shares and $106 to the warrants.

The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period using the Black-Scholes valuation model, with the change in fair value recorded through profit or loss. As at March 31, 2018, the warrants had a fair value of $3,329. Based on the fair value of the warrants as at March 31, 2018, an unrealized loss of $767 was recognized for the three months ended March 31, 2018 and recorded in other finance income (expense) in the interim condensed consolidated statement of operations. The table below summarizes the assumptions used in valuing the warrants under the Black-Scholes valuation model during the three months ended March 31, 2018:

	2018 Acquisition	March 31, 2018
Expected volatility	66.87%	64.56%
Risk free interest rate	1.88%	1.77%
Expected life (years)	2	2

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

The NanoXplore common shares are recorded at their fair value at the end of each reporting period based on publically quoted prices, with the change in fair value recorded in other comprehensive income. As at March 31, 2018, the common shares had a fair value of $10,700. Based on the fair value of the common shares as at March 31, 2018, an unrealized loss of $1,148 ($1,005 net of tax) was recognized for the three months ended March 31, 2018.

7. TRADE AND OTHER PAYABLES

	March 31, 2018	December 31, 2017
Trade accounts payable and accrued liabilities	$ 846,954	$ 741,403
Foreign exchange forward contracts (note 15(d))	-	146
	$ 846,954	$ 741,549

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 15.

8. PROVISIONS

	Restructuring	Claims and Litigations	Total
Net as of December 31, 2016	$ 5,248	$ 1,441	$ 6,689
Net additions	-	5,840	5,840
Amounts used during the period	(4,060)	(2,979)	(7,039)
Foreign currency translation adjustment	(72)	(370)	(442)
Net as of December 31, 2017	1,116	3,932	5,048
Net additions	-	1,100	1,100
Amounts used during the period	(297)	(495)	(792)
Foreign currency translation adjustment	13	108	121
Net as of March 31, 2018	$ 832	$ 4,645	$ 5,477

Based on estimated cash outflows, all provisions as at March 31, 2018 and December 31, 2017 are presented on the interim condensed consolidated balance sheets as current liabilities.

9. LONG-TERM DEBT

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

	March 31, 2018	December 31, 2017
Banking facility	$ 579,956	$ 551,656
Equipment loans	97,588	102,361
	677,544	654,017
Current portion	(20,640)	(24,795)
	$ 656,904	$ 629,222

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

Terms and conditions of outstanding loans, as at March 31, 2018, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	March 31, 2018 Carrying amount	December 31, 2017 Carrying amount
Banking facility	USD	LIBOR+1.75%	2020	$ 349,238	$ 321,152
	CAD	BA+1.75%	2020	230,718	230,504
Equipment loans	CAD	3.80%	2022	36,949	38,785
	EUR	2.54%	2025	16,390	15,561
	EUR	3.06%	2024	16,020	15,210
	EUR	4.93%	2023	13,662	15,131
	USD	4.25%	2018	5,804	8,917
	EUR	4.34%	2025	3,403	3,230
	EUR	3.35%	2019	2,227	2,504
	EUR	1.36%	2021	2,211	2,100
	USD	3.80%	2022	401	413
	EUR	0.26%	2025	395	375
	BRL	5.00%	2020	126	135
				$ 677,544	$ 654,017

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, 2018, the Company had drawn US$271,000 (December 31, 2017 - US$256,000) on the U.S. revolving credit line and $233,000 (December 31, 2017 - $233,000) on the Canadian revolving credit line. At March 31, 2018, the weighted average effective rate of the banking facility credit lines was 3.3% (December 31, 2017 - 2.9%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2018.

Deferred financing fees of $2,485 (December 31, 2017 - $2,827) have been netted against the carrying amount of the long-term debt.

Subsequent to the quarter ended March 31, 2018, the Company finalized an equipment loan in the amount of €23,000 repayable in monthly installments over six years at a fixed interest rate of 1.05%. The loan agreement was executed on April 20, 2018.

Future annual minimum principal repayments are as follows:

Within one year	$ 20,640
One to two years	11,513
Two to three years	594,945
Three to four years	12,468
Thereafter	37,978
	$ 677,544

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

Movement in long-term debt is summarized as follows:

		Total
Net as of December 31, 2016	$	721,403
Equipment loan proceeds		40,000
Repayments		(88,648)
Amortization of deferred financing fees		1,368
Foreign currency translation adjustment		(20,106)
Net as of December 31, 2017	$	654,017
Drawdowns		19,689
Repayments		(5,279)
Amortization of deferred financing fees		342
Foreign currency translation adjustment		8,775
Net as of March 31, 2018	$	677,544

10. CAPITAL STOCK

Common shares outstanding:	**Number**		**Amount**
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
Exercise of stock options	233,667		2,631
Balance, December 31, 2017 and March 31, 2018	86,745,834	$	713,425

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, 2018			Three months ended March 31, 2017		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	1,844,450	$	10.12	3,010,617	$	11.38
Granted during the period	100,000		16.06	-		-
Exercised during the period	-		-	(27,500)		7.33
Cancelled during the period	-		-	(522,500)		13.83
Balance, end of period	1,944,450	$	10.43	2,460,617	$	10.91
Options exercisable, end of period	1,869,450	$	10.20	2,335,617	$	10.86

The following is a summary of the issued and outstanding common share purchase options as at March 31, 2018:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$6.00 - 8.99	688,701	2008 - 2012	2018 - 2022
$9.00 - 9.99	50,000	2008	2018
$10.00 - 15.99	1,105,749	2008 - 2015	2018 - 2025
$16.00 - 17.99	100,000	2018	2028
Total share purchase options	1,944,450		

The table below summarizes the assumptions used in determining stock-based compensation expense under the Black-Scholes option pricing model. The Black-Scholes 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 restrictions 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)

	Three months ended March 31, 2018	Three months ended March 31, 2017
Expected volatility	37.21%	-
Risk free interest rate	1.82%	-
Expected life (years)	4	-
Dividend yield	0.75%	-
Weighted average fair value of options granted	$ 4.76	$ -

For the three months ended March 31, 2018, the Company expensed $174 (2017 - $36) 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 issued and outstanding DSUs as at March 31, 2018:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Units outstanding, beginning of period	123,313	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	123,313	67,837

At March 31, 2018, the fair value of all outstanding DSUs amounted to $1,867 (March 31, 2017 - $666 and December 31, 2017 - $1,939). For the three months ended March 31, 2018, DSU compensation reflected in the interim consolidated statement of operations, including changes in fair value during the period, amounted to a benefit of $71 (2017 - expense of $98), which was recorded in selling, general and administrative expense in the interim condensed consolidated statement of operations.

Performance Restricted Share Unit Plan

The following is a summary of the issued and outstanding RSU's and PSUs for the three months ended March 31, 2018:

	RSUs	PSUs	Total
Units outstanding, beginning of period	77,304	77,304	154,608
Units granted during the period	19,900	19,900	39,800
Units exercised during the period	-	-	-
Units forfeited during the period	-	-	-
Units outstanding, end of period	97,204	97,204	194,408

The RSUs and PSUs granted during the three months ended March 31, 2018 had a weighted average fair value per unit of $13.61 on the date of grant. For the three months ended March 31, 2018, RSU and PSU compensation reflected in the interim consolidated statement of operations, including changes in fair value during the period, amounted to an expense of $373 (2017 - $Nil), which was recorded in selling, general and administrative expense in the interim condensed consolidated statement of operations.

Unrecognized RSU and PSU compensation expense as at March 31, 2018 was $962 (March 31, 2017 - $Nil and December 31, 2017 - $803) and will be recognized in earnings over the next three years as the RSUs and PSUs vest.

The key assumptions used in the valuation of PSUs granted during the three months ended March 31, 2018 are shown in the table below:

Expected life (years)	1.79
Risk free interest rate	1.97%

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

11. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended March 31, 2018	Three months ended March 31, 2017
Current income tax	$	(37,610) $	(24,923)
Deferred income tax recovery		19,657	11,570
Total income tax expense	$	(17,953) $	(13,353)

12. EARNINGS PER SHARE

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

	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	86,745,834	$	0.65	86,491,774	$	0.50
Effect of dilutive securities:						
Stock options	605,696		(0.01)	143,702		-
Diluted	87,351,530	$	0.64	86,635,476	$	0.50

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, 2018, 100,000 options (2017 - 1,588,249) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

13. OTHER FINANCE INCOME

		Three months ended March 31, 2018		Three months ended March 31, 2017
Net foreign exchange gain	$	2,672	$	566
Unrealized loss on derivative instruments (note 6)		(767)		-
Other income, net		67		65
Other finance income	$	1,972	$	631

14. 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, 2017. The Company uses 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)

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

	Three months ended March 31, 2018			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 161,490	$ 14,149	$ 175,639	
USA	321,718	34,279	355,997	
Mexico	246,618	12,205	258,823	
Elimination	(44,245)	(5,059)	(49,304)	
	$ 685,581	$ 55,574	$ 741,155	$ 61,468
Europe				
Germany	120,877	4,109	124,986	
Spain	42,581	2,947	45,528	
Slovakia	14,152	1,057	15,209	
	177,610	8,113	185,723	15,835
Rest of the World	32,679	7,702	40,381	1,138
Eliminations	(3,179)	(180)	(3,359)	
	$ 892,691	$ 71,209	$ 963,900	$ 78,441

	Three months ended March 31, 2017			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 210,144	$ 18,708	$ 228,852	
USA	380,828	5,566	386,394	
Mexico	203,670	26,512	230,182	
Elimination	(41,853)	(591)	(42,444)	
	$ 752,789	$ 50,195	$ 802,984	$ 53,153
Europe				
Germany	104,387	8,479	112,866	
Spain	40,249	4,477	44,726	
Slovakia	14,509	288	14,797	
Elimination	(69)	-	(69)	
	159,076	13,244	172,320	12,579
Rest of the World	26,760	317	27,077	(3,699)
Eliminations	(2,304)	473	(1,831)	
	$ 936,321	$ 64,229	$ 1,000,550	$ 62,033

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, other assets, 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.

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

- 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, 2018			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 81,395	$ 81,395	$ -	$ -
Other assets (note 6)	$ 14,029	$ 10,700	$ 3,329	$ -
Foreign exchange forward contracts (note 2)	$ 1,304	$ -	$ 1,304	$ -

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 71,193	$ 71,193	$ -	$ -
Other assets (note 6)	$ 15,265	$ 11,275	$ 3,990	$ -
Foreign exchange forward contracts (note 7)	$ (146)	$ -	$ (146)	$ -

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, 2018	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	$ -	$ -	$ 647,918	$ -	$ 647,918	$ 647,918
Other assets (note 6)	3,329	10,700	-	-	14,029	14,029
Foreign exchange forward contracts	1,304	-	-	-	1,304	1,304
	4,633	10,700	647,918	-	663,251	663,251
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(846,954)	(846,954)	(846,954)
Long-term debt	-	-	-	(677,544)	(677,544)	(677,544)
	-	-	-	(1,524,498)	(1,524,498)	(1,524,498)
Net financial assets (liabilities)	$ 4,633	$ 10,700	$ 649,222	$ (1,524,498)	$ (861,247)	$ (861,247)

December 31, 2017	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	$ -	$ -	$ 556,049	$ -	$ 556,049	$ 556,049
Other assets (note 6)	3,990	11,275	-	-	15,265	15,265
	3,990	11,275	556,049	-	571,314	571,314
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(741,403)	(741,403)	(741,403)
Long-term debt	-	-	-	(654,017)	(654,017)	(654,017)
Foreign exchange forward contracts	(146)	-	-	-	(146)	(146)
	(146)	-	-	(1,395,420)	(1,395,566)	(1,395,566)
Net financial assets (liabilities)	$ 3,844	11,275	$ 556,049	$ (1,395,420)	$ (824,252)	$ (824,252)

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 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.

(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, currency risk and market price risk related to publicly-traded investments. 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 32.1%, 25.4%, and 15.7% of its production sales for the three months ended March 31, 2018 (2017 - 34.1%, 27.7% and 14.4%). 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 accounts receivable that was past due as at March 31, 2018 is part of the normal payment pattern within the industry. 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.

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

	March 31, 2018	December 31, 2017
0-60 days	$ 576,357	$ 501,336
61-90 days	22,077	19,853
Greater than 90 days	31,936	17,641
	$ 630,370	$ 538,830

(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, 2018, the Company had cash of $81,395 and banking facilities available as discussed in note 9. 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 9.

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

(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, 2018	**December 31, 2017**
Variable rate instruments	$ 579,956	$ 551,656
Fixed rate instruments	97,588	102,361
	$ 677,544	$ 654,017

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $1,420 (2017 - $1,561) on the Company's interim consolidated financial results for the three months ended March 31, 2018.

(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, 2018, 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	$ 40,000	1.3025	1
Buy Mexican Peso	$ 22,067	18.8063	1

The aggregate value of these forward contracts as at March 31, 2018 was a pre-tax gain of $1,304 and was recorded in trade and other receivables (December 31, 2017 - loss of $146 and was recorded in trade and other payables).

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

March 31, 2018	**USD**	**EURO**	**PESO**	**BRL**	**CNY**
Trade and other receivables	$ 325,261	€ 76,133	$ 134,264	R$ 25,746	¥ 182,573
Trade and other payables	(385,490)	(91,802)	(180,200)	(33,485)	(116,010)
Long-term debt	(276,781)	(34,369)	-	(338)	-
	$ (337,010)	€ (50,038)	$ (45,936)	R$ (8,077)	¥ 66,563

December 31, 2017	**USD**	**EURO**	**PESO**	**BRL**	**CNY**
Trade and other receivables	$ 282,095	€ 64,926	$ 44,972	R$ 19,424	¥ 174,033
Trade and other payables	(330,020)	(91,091)	(163,168)	(25,341)	(116,149)
Long-term debt	(263,701)	(35,949)	-	(356)	-
	$ (311,626)	€ (62,114)	$ (118,196)	R$ (6,273)	¥ 57,884

The following summary illustrates the fluctuations in the exchange rates applied during the three months ended March 31, 2018 and 2017 and as at December 31, 2017:

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

	Average rate		Closing rate	
	Three months ended March 31, 2018	Three months ended March 31, 2017	March 31, 2018	December 31, 2017
USD	1.2612	1.3226	1.2887	1.2571
EURO	1.5290	1.4016	1.5854	1.5089
PESO	0.0667	0.0641	0.0709	0.0639
BRL	0.3877	0.4120	0.3902	0.3795
CNY	0.1957	0.1917	0.2052	0.1924

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, 2018 and 2017 by the amounts shown below, assuming all other variables remain constant:

	Three months ended March 31, 2018	Three months ended March 31, 2017
USD	$ (4,060)	$ (2,888)
EURO	(1,327)	(1,033)
BRL	91	366
CNY	(246)	60
	$ (5,542)	$ (3,495)

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) Market price risk related to publicly-traded investments

Market price risk related to publicly-traded investments refers to the risk that changes or fluctuations in the market prices of the Company's investments in publicly-traded companies will affect income, cash flows or the value of financial instruments. The Company manages risks related to such changes by regularly reviewing publicly available information related to these investments to ensure that any risks are within reasonable levels of risk tolerance. The Company does not engage in risk management practices such as hedging, derivatives, or short selling with respect to publicly-traded investments.

(f) 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 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.

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. 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 $86,094 (BRL $220,640) including interest and penalties to March 31, 2018 (December 31, 2017- $83,110 or BRL 219,460). 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 $59,059 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.

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 consolidated balance sheet. At March 31, 2018, the amount of the program financing was $43,772 (December 31, 2017 - $75,189) 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 2017 or 2018 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.

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