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*

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.

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:

Fred Di Tosto
Chief Financial Officer
Martinrea International Inc.
3210 Langstaff Road
Vaughan, Ontario L4K 5B2

Tel: (416) 749-0314
Fax: (289) 982-3001