MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the three months ended March 31, 2023

The following management discussion and analysis ("MD&A") was prepared as of May 4, 2023 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2023 ("interim financial statements") as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2022, 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 ("AIF") for the year ended December 31, 2022, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX: MRE) ("Martinrea" or the "Company") is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs over 18,000 skilled and motivated people in 58 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

Martinrea's vision is to make people's 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; providing meaningful opportunity, job satisfaction, and job security for our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities.

RECENT DEVELOPMENTS

Semiconductor chip shortage and other supply chain issues

The industry-wide shortage of semiconductor chips and other supply chain disruptions resulting, in part, from the COVID-19 pandemic, continue to have a negative impact on OEM light vehicle production globally. Although improved, OEM customers continue to take action in response to these supply chain disruptions, including: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. Such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; and premium costs to expedite shipments. While the Company has experienced some recovery in production volumes and an improvement in the stability of production, it remains unclear when supply and demand for automotive semiconductor chips and other components will fully rebalance and it continues to be difficult to predict the full impact of the chip shortage and any other supply chain disruptions.

Inflation and interest rates

The Company continues to experience higher commodity, freight and energy costs, as well as wage pressures in some markets, which are expected to persist in 2023. Additionally, the Company may continue to experience price increases or surcharges from sub-suppliers in connection with the inflationary pressures they face. The inability to offset inflationary price increases through continuous improvement actions, price increases to customers or modifications to products or otherwise, would have an adverse effect on earnings.

Increased global inflation rates have spurred a cycle of monetary policy tightening through aggressive interest rate increases by central banks, which has significantly increased the interest paid on the debt of the Company. Further, both the availability and cost of credit are factors affecting consumer confidence, which is a critical driver of vehicle sales and thus automotive production. A material, sustained decrease in consumer demand for vehicles could result in reductions to vehicle production, which would have an adverse effect on earnings.

Russia Ukraine conflict

Although the Company does not have any operations in Russia or Ukraine, the ongoing conflict between Russia and Ukraine continues to create or exacerbate a broad range of risks, including with respect to:

- global economic growth;
- global vehicle production volumes;
- inflationary pressures, including in energy, commodities and transportation/logistics;
- energy security in Western Europe; and
- supply chain fragility.

Any of the foregoing could have an adverse effect on the Company's business and results of operations.

At this time, natural gas inventories in Europe appear to be adequate to avoid production disruptions for the foreseeable future. Additionally, spot market pricing has eased due to improved supply conditions. However, a number of factors, including unforeseen supply shocks or demand spikes, could have a material impact to energy supply and costs.

The EU has developed a plan to reduce natural gas imports from Russia significantly and phase them out entirely by 2030; it previously announced measures to eliminate imports of Russian coal and oil. The inability of European countries to timely establish stable and secure energy supplies to offset Russian energy sources could cause significant economic disruption across Europe, including at some of the Company's manufacturing facilities.

Significant industry trends, the Company's business strategy and all other major risks the Company faces are discussed further in "Description of the Business and Trends" and "Risk Factors" in the Company's AIF dated March 2, 2023 available through SEDAR at www.sedar.com.

OVERALL RESULTS

Results of operations may include certain items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to International Financial Reporting Standards ("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.

The following table sets out certain highlights of the Company's performance for the three months ended March 31, 2023 and 2022. Refer to the Company's interim financial statements for the three months ended March 31, 2023 for a detailed account of the Company's performance for the periods presented in the table below.

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Sales	$ 1,303,889	$ 1,155,038	148,851	12.9%
Gross Margin	167,386	122,436	44,950	36.7%
Operating Income	75,177	40,049	35,128	87.7%
Net Income for the period	48,171	25,208	22,963	91.1%
Net Earnings per Share - Basic and Diluted	$ 0.60	$ 0.31	0.29	93.5%
Non-IFRS Measures*				
Adjusted Operating Income	$ 75,177	$ 44,286	30,891	69.8%
% of Sales	*5.8 %*	*3.8 %*		
Adjusted EBITDA	152,504	112,379	40,125	35.7%
% of Sales	*11.7 %*	*9.7 %*		
Adjusted Net Income	43,597	24,842	18,755	75.5%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.54	$ 0.31	0.23	74.2%

***Non-IFRS Measures**

The Company prepares its interim 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", "Adjusted EBITDA", "Free Cash Flow", and "Net Debt".

The following tables provide a reconciliation of IFRS "Net Income" to Non-IFRS "Adjusted Net Income", "Adjusted Operating Income" and "Adjusted EBITDA":

		Three months ended March 31, 2023		Three months ended March 31, 2022
Net Income	$	48,171	$	25,208
Adjustments, after tax*		(4,574)		(366)
Adjusted Net Income	$	43,597	$	24,842

**Adjustments are explained in the "Adjustments to Net Income" section of this MD&A*

		Three months ended March 31, 2023		Three months ended March 31, 2022
Net Income	$	48,171	$	25,208
Income tax expense		12,079		8,220
Other finance expense (income)		(224)		316
Share of loss of equity investments		1,378		1,101
Finance expense		19,046		9,254
Adjustments, before tax*		(5,273)		187
Adjusted Operating Income	$	75,177	$	44,286
Depreciation of property, plant and equipment and right-of-use assets		74,672		65,372
Amortization of development costs		2,613		2,721
Loss on disposal of property, plant and equipment		42		-
Adjusted EBITDA	$	152,504	$	112,379

**Adjustments are explained in the "Adjustments to Net Income" section of this MD&A*

SALES

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

		Three months ended March 31, 2023		Three months ended March 31, 2022	$ Change	% Change
North America	$	973,992	$	859,700	114,292	13.3%
Europe		303,470		261,462	42,008	16.1%
Rest of the World		33,882		39,753	(5,871)	(14.8%)
Eliminations		(7,455)		(5,877)	(1,578)	(26.9%)
Total Sales	$	1,303,889	$	1,155,038	148,851	12.9%

The Company's consolidated sales for the first quarter of 2023 increased by $148.9 million or 12.9% to $1,303.9 million as compared to $1,155.0 million for the first quarter of 2022. The total increase in sales was driven by year-over-year increases in the North America and Europe operating segments, partially offset by a year-over-year decrease in the Rest of the World.

Sales for the first quarter of 2023 in the Company's North America operating segment increased by $114.3 million or 13.3% to $974.0 million from $859.7 million for the first quarter of 2022. The increase was due generally to the launch and ramp up of new programs during or subsequent to the first quarter of 2022, including Mercedes' new electric vehicle platform (EVA2), the Tesla Model Y, and a Toyota/Lexus SUV; overall higher first quarter OEM light vehicle production volumes, which increased in North America by approximately 10% year-over-year, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the first quarter of 2023 of $46.3 million as compared to first quarter of 2022; the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases) on customer pricing and sales; and an increase in tooling sales of $16.3 million, which are typically dependent of the timing of tooling construction and final acceptance by the customer. These positive factors were partially offset by lower year-over-year production volumes of certain light vehicle platforms including the Ford Escape and GM Equinox/Terrain, both significant platforms for the Company.

Sales for the first quarter of 2023 in the Company's Europe operating segment increased by $42.0 million or 16.1% to $303.5 million from $261.5 million for the first quarter of 2022. The increase was due to the launch and ramp up of new programs, including Mercedes' new electric vehicle platform (EVA2); overall higher first quarter OEM light vehicle production volumes, which increased in Europe by approximately 17% year-over-year, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; and the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases) on customer pricing and sales. These positive factors were partially offset by lower year-over-year production volumes with certain customers, largely Jaguar Land Rover, Lucid and Ford; and a $5.9 million decrease in tooling sales.

Sales for the first quarter of 2023 in the Company's Rest of the World operating segment decreased by $5.9 million or 14.8% to $33.9 million from $39.8 million for the first quarter of 2022. The decrease was largely driven by lower year-over-year production volumes with Geely, General Motors and Jaguar Land Rover; partially offset by higher production volumes with Mercedes, and an increase in tooling sales of $1.0 million.

Overall tooling sales increased by $11.7 million (including outside segment sales eliminations) to $64.3 million for the first quarter of 2023 from $52.6 million for the first quarter of 2022.

GROSS MARGIN

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Gross margin	$ 167,386	$ 122,436	44,950	36.7%
% of Sales	12.8%	10.6%		

The gross margin percentage for the first quarter of 2023 of 12.8% increased as a percentage of sales by 2.2% as compared to the gross margin percentage for the first quarter of 2022 of 10.6%. The increase in gross margin as a percentage of sales was generally due to:

- overall higher production sales volume and corresponding higher utilization of assets;
- favourable commercial settlements; and
- productivity and efficiency improvements at certain operating facilities.

These factors were partially offset by:

- higher labour, material and energy costs;
- operational inefficiencies at certain operating facilities;
- a negative sales mix; and
- the impact of material passthrough on customer pricing.

Gross margin for the first quarter of 2023 continued to be impacted by production inefficiencies related to the industry-wide supply chain disruptions driven by the unpredictability of customer production schedules.

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

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Selling, general & administrative	$ 78,523	$ 65,323	13,200	20.2%
% of Sales	6.0%	5.7%		

SG&A expense for the first quarter of 2023 increased by $13.2 million to $78.5 million as compared to SG&A expense for the first quarter of 2022 of $65.3 million. The increase in SG&A expense can largely be attributed to overall higher employee levels and related costs as compared to the first quarter of 2022 as a result of overall higher volumes and general activity; an increase in travel and related costs as COVID-related restrictions loosened; and an increase in overall performance-based variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units.

SG&A expense as a percentage of sales increased to 6.0% for the first quarter of 2023 compared to 5.7% for the first quarter of 2022.

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

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	$ 70,306	$ 61,657	8,649	14.0%
Depreciation of PP&E and right-of-use assets (non-production)	4,366	3,715	651	17.5%
Amortization of development costs	2,613	2,721	(108)	(4.0%)
Total depreciation and amortization	$ 77,285	$ 68,093	9,192	13.5%

Total depreciation and amortization expense for the first quarter of 2023 increased by $9.2 million to $77.3 million as compared to $68.1 million for the first quarter of 2022. The increase in depreciation and amortization expense was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the first quarter of 2022.

A significant portion of the Company’s recent investments relates to various new programs that commenced during or subsequent to the first quarter of 2022 and new and replacement programs scheduled to launch over the next two to three years in all of the Company’s various product offerings. The Company continues to make significant investments in its operations in light of its backlog of business and global footprint.

Total depreciation and amortization expense as a percentage of sales for the first quarter of 2023 of 5.9% was generally in line with the first quarter of 2022.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain 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, 2023 to three months ended March 31, 2022 comparison

		Three months ended March 31, 2023		Three months ended March 31, 2022		$ Change
NET INCOME	**$**	**48,171**	**$**	**25,208**	**$**	**22,963**
Adjustments:						
Net gain on disposal of equity investments (1)		(5,273)		-		(5,273)
Gain on dilution of equity investments (2)		-		(4,050)		4,050
Restructuring costs (3)		-		4,237		(4,237)
ADJUSTMENTS, BEFORE TAX	**$**	**(5,273)**	**$**	**187**	**$**	**(5,460)**
Tax impact of adjustments		699		(553)		1,252
ADJUSTMENTS, AFTER TAX	**$**	**(4,574)**	**$**	**(366)**	**$**	**(4,208)**
ADJUSTED NET INCOME	**$**	**43,597**	**$**	**24,842**	**$**	**18,755**
Number of Shares Outstanding – Basic (‘000)		80,387		80,367		
Adjusted Basic Net Earnings Per Share	$	0.54	$	0.31		
Number of Shares Outstanding – Diluted (‘000)		80,445		80,370		
Adjusted Diluted Net Earnings Per Share	$	0.54	$	0.31		

(1) Net gain on disposal of equity investments

On March 24, 2023, Martinrea sold its equity interest in VoltaXplore Inc. ("VoltaXplore) to NanoXplore Inc. ("NanoXplore") for 3,420,406 common shares of NanoXplore at $2.92 per share representing an aggregate consideration of $10.0 million. The sale transaction resulted in a gain on disposal of equity investments during the first quarter of 2023 as follows:

Gross gain (Total consideration of $10.0 million less book value of investment)	$	6,821
Less: gain attributable to indirect retained interest		(1,548)
Net gain on disposal of equity investments	$	5,273

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

(2) Gain on dilution of equity investments

As at December 31, 2021, the Company held 35,045,954 common shares of NanoXplore representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). On February 24, 2022, NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of $4.60 per common share for aggregate gross proceeds of $30.0 million. Upon finalization of the transaction, the Company’s net ownership interest decreased to 21.2% from 22.2%. This dilution resulted in a deemed disposition of a portion of the Company’s ownership interest in NanoXplore, resulting in a gain on dilution of $4.1 million during the first quarter of 2022.

(3) Restructuring costs

Additions to the restructuring provision during the first quarter of 2022 totaled $4.2 million and represent employee-related severance resulting from the rightsizing of operations in Canada related to the cancellation of an OEM light vehicle platform well before the end of its expected life cycle.

NET INCOME

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Net Income	$ 48,171	$ 25,208	22,963	91.1%
Adjusted Net Income	43,597	24,842	18,755	75.5%
Net Earnings per Share				
Basic and Diluted	$ 0.60	$ 0.31		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.54	$ 0.31		

Net Income, before adjustments, for the first quarter of 2023 increased by $23.0 million to $48.2 million or $0.60 per share, on a basic and diluted basis, from a Net Income of $25.2 million or $0.31 per share, on a basic and diluted basis, for the first quarter of 2022. Excluding the adjustments explained in Table A under "Adjustments to Net Income", Adjusted Net Income for the first quarter of 2023 increased by $18.8 million to $43.6 million or $0.54 per share, on a basic and diluted basis, from $24.8 million or $0.31 per share, on a basic and diluted basis, for the first quarter of 2022.

Adjusted Net Income for the first quarter of 2023, as compared to the first quarter of 2022, was positively impacted by the following:

- higher gross margin on higher year-over-year sales volume as previously explained; and
- a lower effective tax rate (20.7% for the first quarter of 2023 compared to 26.1% for the first quarter of 2022).

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense, as previously explained; and
- a $9.8 million year-over-year increase in finance expense as a result of increased debt levels and borrowing rates on the Company's revolving bank debt.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Additions to PP&E	$ 63,290	$ 67,789	(4,499)	(6.6%)

Additions to PP&E decreased by $4.5 million to $63.3 million for the first quarter of 2023 compared to $67.8 million for the first quarter of 2022. Additions to PP&E as a percentage of sales decreased to 4.9% for the first quarter of 2023 from 5.9% for the first quarter of 2022.

General timing of expenditures makes quarterly additions to PP&E quite volatile by nature. Capital additions for the three months ended March 31, 2023 and 2022 include new program capital and incremental investments required in equipment related to customer-driven engineering changes on new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

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 among North America, Europe and the Rest of the World. The Company measures segment operating performance based on operating income (loss).

Three months ended March 31, 2023 to three months ended March 31, 2022 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended March 31, 2023	**Three months ended March 31, 2022**	**Three months ended March 31, 2023**	**Three months ended March 31, 2022**
North America	$ 973,992	$ 859,700	$ 74,246	$ 44,615
Europe	303,470	261,462	(989)	(592)
Rest of the World	33,882	39,753	1,920	263
Eliminations	(7,455)	(5,877)	-	-
Adjusted Operating Income			$ 75,177	$ 44,286
Adjustments*			-	(4,237)
Total	$ 1,303,889	$ 1,155,038	$ 75,177	$ 40,049

** Operating Income (Loss) for the operating segments has been adjusted for certain items as explained in Table A under "Adjustments to Net Income". The $4.2 million adjustment for the for the first quarter of 2022 was recognized in North America.*

North America

Adjusted Operating Income in North America increased by $29.6 million to $74.2 million or 7.6% of sales for the first quarter of 2023 from $44.6 million or 5.2% of sales for the first quarter of 2022. The increase in Adjusted Operating Income as a percentage of sales was generally due to overall higher production sales volume and corresponding higher utilization of assets; favourable commercial settlements; and productivity and efficiency improvements at certain operating facilities. These positive factors were partially offset by higher labour and material costs; operational inefficiencies at certain operating facilities; a negative sales mix; higher SG&A expense as a percentage of sales; and the impact of material passthrough on customer pricing.

Europe

Adjusted Operating Loss in Europe increased by $0.4 million to a loss of $1.0 million or (0.3%) of sales for the first quarter of 2023 from a loss of $0.6 million or (0.2%) of sales for the first quarter of 2022. The increase in Adjusted Operating Loss was generally due to higher material and energy costs, and operational inefficiencies at certain operating facilities; partially offset by incremental contribution from the higher year-over-year sales; favourable commercial settlements; and productivity and efficiency improvements at certain operating facilities.

Rest of the World

Adjusted Operating Income in the Rest of the World increased by $1.7 million to $1.9 million or 5.7% of sales for the first quarter of 2023 from $0.3 million or 0.7% of sales for the first quarter of 2022, due to favourable settlements on indirect tax matters and lower launch related costs; partially offset by the negative impact on margins from lower year-over-year production sales.

SUMMARY OF QUARTERLY RESULTS
(unaudited)

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	$1,303,889	$1,294,592	$1,194,083	$1,113,875	$1,155,038	$1,053,440	$ 848,497	$ 884,866
Gross Margin	167,386	158,504	152,534	125,789	122,436	63,032	50,007	111,728
Operating Income (Loss)	75,177	70,560	61,627	45,543	40,049	(2,900)	(16,234)	34,621
Adjusted Operating Income (Loss)	75,177	70,560	69,730	45,543	44,286	(2,900)	(16,234)	39,065
Net Income (Loss) for the period	48,171	46,227	35,932	25,471	25,208	(9,653)	(17,120)	23,952
Adjusted Net Income (Loss)	43,597	46,227	45,072	25,471	24,842	(9,653)	(17,120)	27,026
Basic and Diluted Net Earnings (Loss) per Share	0.60	0.58	0.45	0.32	0.31	(0.12)	(0.21)	0.30
Adjusted Basic and Diluted Net Earnings (Loss) per Share	0.54	0.58	0.56	0.32	0.31	(0.12)	(0.21)	0.34

LIQUIDITY AND CAPITAL RESOURCES

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

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

As at March 31, 2023, the Company had drawn US $496 million (December 31, 2022 - US $476 million) on the U.S. revolving credit line and $400 million (December 31, 2022 - $380 million) on the Canadian revolving credit line. As at March 31, 2023, the Company had total liquidity of $283 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's amended credit facility includes a $300 million allowance for asset based financing that the Company can use for additional financing, of which approximately $256 million was available as at March 31, 2023. At March 31, 2023, the weighted average effective interest rate of the banking facility credit lines was 6.9% (December 31, 2022 - 6.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at March 31, 2023.

The principal sources of liquidity available for the Company’s future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company’s overall liquidity and operating cash flow will be sufficient to meet the Company’s anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments, despite the challenges presented by the industry-wide supply chain disruptions. The Company's ability to fund its anticipated cash requirements, and to comply with financial covenants under the Company's banking facility, depend on the Company's future operating performance and cash flows and many factors outside of its control, including the cost of material, energy, and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of supply chain disruptions, and other factors.

Debt leverage ratios:

Excluding the impact of IFRS 16:	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
Long-term debt	$ 1,112,455	$ 1,070,368	$ 1,086,724	$ 1,046,941	$ 1,018,390
Less: Cash and cash equivalents	(156,585)	(161,655)	(158,505)	(115,863)	(96,336)
Net Debt	$ 955,870	$ 908,713	$ 928,219	$ 931,078	$ 922,054
Trailing 12-month Adjusted EBITDA	$ 502,724	$ 465,789	$ 382,583	$ 289,779	$ 278,780
Net Debt to Adjusted EBITDA ratio	1.90x	1.95x	2.43x	3.21x	3.31x

Including the impact of IFRS 16:	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
Long-term debt	$ 1,112,455	$ 1,070,368	$ 1,086,724	$ 1,046,941	$ 1,018,390
Lease liabilities	266,969	273,120	249,669	243,619	248,863
	1,379,424	1,343,488	1,336,393	1,290,560	1,267,253
Less: Cash and cash equivalents	(156,585)	(161,655)	(158,505)	(115,863)	(96,336)
Net Debt	$ 1,222,839	$ 1,181,833	$ 1,177,888	$ 1,174,697	$ 1,170,917
Trailing 12-month Adjusted EBITDA	$ 556,013	$ 515,888	$ 430,137	$ 334,808	$ 320,134
Net Debt to Adjusted EBITDA ratio	2.20x	2.29x	2.74x	3.51x	3.66x

The following table provides a reconciliation of Trailing 12-month Adjusted EBITDA including the impact of IFRS 16 to Trailing 12-month Adjusted EBITDA excluding the impact of IFRS 16.

	March 31, 2023	**December 31, 2022**	**September 30, 2022**	**June 30, 2022**	**March 31, 2022**
Trailing 12-month Adjusted EBITDA - including the impact of IFRS 16	$ 556,013	$ 515,888	$ 430,137	$ 334,808	$ 320,134
Principal payments of lease liabilities	(43,634)	(41,174)	(39,259)	(37,074)	(33,654)
Interest on lease liabilities	(9,655)	(8,925)	(8,295)	(7,955)	(7,700)
Trailing 12-month Adjusted EBITDA - excluding the impact of IFRS 16	$ 502,724	$ 465,789	$ 382,583	$ 289,779	$ 278,780

The Company's Net Debt (excluding the impact of IFRS 16) increased by $47.2 million during the first quarter of 2023 to $955.9 million from $908.7 million at the end of the fourth quarter of 2022 due largely to an increase in non-cash working capital during the quarter. Despite the increase in Net Debt during the quarter, the Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of IFRS 16) decreased to 1.90x from 1.95x at the end of the fourth quarter of 2022, due largely to an increase in trailing 12-month Adjusted EBITDA.

The Company was in compliance with its debt covenants as at March 31, 2023. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

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

Dividends

In the second quarter of 2013, Martinrea's Board of Directors (the "Board") 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.

In 2018, in view of the Company's financial performance, and its future outlook and cash needs at the time, the Board decided to increase the annual dividends by 50% to $0.18 per share, to be paid in four quarterly payments of $0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to $0.20 per share, to be paid in four quarterly payments of $0.05 per share commencing at the beginning of 2020. The first such increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the pandemic, semiconductor chip shortage, and other supply chain disruptions. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current supply chain situation, the Company's financial performance and anticipated needs at that time.

Cash flow

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 153,561	$ 105,601	47,960	45.4%
Change in non-cash working capital items	(43,158)	(63,638)	20,480	32.2%
	110,403	41,963	68,440	163.1%
Interest paid	(23,299)	(9,959)	(13,340)	(133.9%)
Income taxes paid	(32,577)	(2,011)	(30,566)	(1,519.9%)
Cash provided by operating activities	54,527	29,993	24,534	81.8%
Cash provided by financing activities	27,881	2,129	25,752	1,209.6%
Cash used in investing activities	(85,050)	(89,883)	4,833	5.4%
Effect of foreign exchange rate changes on cash and cash equivalents	(2,428)	806	(3,234)	(401.2%)
Decrease in cash and cash equivalents	$ (5,070)	$ (56,955)	51,885	91.1%

Cash provided by operating activities during the first quarter of 2023 was $54.5 million, compared to $30.0 million in the corresponding period of 2022. The components for the first quarter of 2023 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $153.6 million;
- working capital use of cash of $43.2 million comprised of an increase in trade and other receivables of $131.9 million, and an increase in inventories of $22.0 million; partially offset by an increase in trade, other payables and provisions of $107.4 million, and a decrease in prepaid expenses and deposits of $3.3 million;
- income taxes paid of $32.6 million; and
- interest paid of $23.3 million.

Cash provided by financing activities during the first quarter of 2023 was $27.9 million, compared to $2.1 million in the corresponding period of 2022. The components for the first quarter of 2023 primarily include the following:

- a $42.9 million net increase in long-term debt;
- principal payments of lease liabilities of $11.0 million; and
- $4.0 million in dividends paid.

Cash used in investing activities during the first quarter of 2023 was $85.1 million, compared to $89.9 million in the corresponding period of 2022. The components for the first quarter of 2023 primarily include the following:

- cash additions to PP&E of $83.4 million;
- capitalized development costs relating to upcoming new program launches of $1.8 million; partially offset by
- proceeds from the disposal of PP&E of $0.1 million.

Taking into account the opening cash balance of $161.7 million at the beginning of the first quarter of 2023, and the activities described above, the cash and cash equivalents balance at March 31, 2023 was $156.6 million.

Free Cash Flow

	Three months ended March 31, 2023	Three months ended March 31, 2022	$ Change
Adjusted EBITDA	$ 152,504	$ 112,379	40,125
Add (deduct):			
Change in non-cash working capital items	(43,158)	(63,638)	20,480
Purchase of property, plant and equipment (excluding capitalized interest)	(83,416)	(87,544)	4,128
Cash proceeds on disposal of property, plant and equipment	131	-	131
Capitalized development costs	(1,765)	(1,339)	(426)
Interest paid	(23,299)	(9,959)	(13,340)
Income taxes paid	(32,577)	(2,011)	(30,566)
Free cash flow	$ (31,580)	$ (52,112)	20,532

Free cash flow for the first quarter of 2023 increased year-over-year due largely to higher Adjusted EBITDA, a decrease in cash used in non-cash working capital, and a decrease in cash purchases of property, plant and equipment; partially offset by higher income taxes paid; and higher interest paid on long-term debt.

Tooling-related working capital accounts, including inventory, trade and other receivables, and trade and other payables on a net basis, amounted to $3.7 million as at March 31, 2023, an increase from ($8.9) million as at December 31, 2022 and ($6.0) million as at March 31, 2022.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023	Three months ended March 31, 2022
Cash provided by operating activities	$ 54,527	$ 29,993
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(83,416)	(87,544)
Cash proceeds on disposal of property, plant and equipment	131	-
Capitalized development costs	(1,765)	(1,339)
Restructuring costs	-	4,237
Unrealized gain on foreign exchange contracts	4,784	837
Deferred and restricted share units benefit (expense)	(5,436)	1,087
Stock options expense	(110)	(196)
Pension and other post-employment benefit expense	(694)	(868)
Contributions made to pension and other post-retirement benefits	623	1,365
Net unrealized foreign exchange loss (gain) and other expense (income)	(224)	316
Free cash flow	$ (31,580)	$ (52,112)

RISKS AND UNCERTAINTIES

The reader is referred to the detailed discussion on "Automotive Industry Highlights and Trends" and "Risk Factors" as outlined in the Company’s AIF dated March 2, 2023 available through SEDAR at www.sedar.com which are incorporated herein by reference. The disclosure in this MD&A and, in particular under “Recent Developments" supplements those risk factors described in the AIF.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at May 4, 2023, the Company had 80,387,095 common shares outstanding. The Company’s common shares constitute its only class of voting securities. As at May 4, 2023, options to acquire 2,353,500 common shares were outstanding.

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

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

During the three months ended March 31, 2023, there have been no material change in the table of contractual obligations specified in the Company's MD&A for the fiscal year ended December 31, 2022.

Guarantees

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, 2023, the amount of the off-balance sheet program financing was $11.9 million (December 31, 2022 - $4.6 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 up to twenty-four months.

Financial Instruments

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. It is the Company's policy to not utilize financial instruments for trading or speculative purposes.

At March 31, 2023, the Company had committed to the following foreign exchange contracts:

Foreign exchange forward contracts not accounted for as hedges and fair valued through profit or loss

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso		96,507	18.7551	1
Buy Euro	$	32	0.9193	1

The aggregate value of these forward contracts as at March 31, 2023 was a pre-tax gain of $4.8 million and was recorded in trade and other receivables (December 31, 2022 - pre-tax gain of $2.1 million).

INVESTMENTS

		March 31, 2023		December 31, 2022
Investment in common shares of NanoXplore Inc.	$	56,573	$	48,749
Investment in common shares and convertible debentures of AlumaPower Corp.		2,669		2,669
Other		500		500
Investment in common shares of VoltaXplore Inc.		-		3,940
	$	59,742	$	55,858

As at March 31, 2023, the Company held 38,466,360 common shares of NanoXplore representing a 22.7% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high-volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore Inc. ("VoltaXplore"), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested $4.0 million into VoltaXplore as start-up capital and to support the construction of a demonstration facility. On January 14, 2022, each of Martinrea and NanoXplore invested an additional $1.0 million in development funding into VoltaXplore by acquiring 1,000,000 common shares in VoltaXplore at $1.00 per share.

On March 24, 2023, Martinrea sold its equity interest in VoltaXplore to NanoXplore for 3,420,406 common shares of NanoXplore at $2.92 per share representing an aggregate consideration of $10.0 million. The sale transaction resulted in a gain on disposal of equity investments during the first quarter of 2023 as follows:

Gross gain (Total consideration of $10.0 million less book value of investment)	$	6,821
Less: gain attributable to indirect retained interest		(1,548)
Net gain on disposal of equity investments	$	5,273

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

As at March 31, 2023, the Company held 14,952 of each class A and class C shares and $1.4 million (US $1.1 million) of convertible debentures of AlumaPower Corporation ("AlumaPower"), representing a 12.5% equity interest in AlumaPower (on a non-diluted basis). AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive.

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore (up to the date of disposal of March 24, 2023) based on their most recently available financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date, which represents a reasonable estimate of the change in the Company's interest. The common shares and convertible debentures in AlumaPower have been classified as fair value through other comprehensive income and amortized cost, respectively. Accordingly, the common shares are recorded at their fair value at the end of each reporting period, with the change in fair value recorded in other comprehensive income, while the convertible debentures are recorded at amortized cost using the effective interest rate method, less any impairment losses.

Movement in equity-accounted investments is summarized as follows:

		Investment in common shares of NanoXplore		**Investment in common shares of VoltaXplore**
Net as of December 31, 2021	$	48,748	$	3,925
Additions		-		1,000
Gain on dilution of equity investments		4,050		-
Share of loss for the period		(4,089)		(985)
Share of other comprehensive income for the period		40		-
Net as of December 31, 2022	$	48,749	$	3,940
Additions		8,452		-
Share of loss for the period		(617)		(761)
Share of other comprehensive loss for the period		(11)		-
Disposal		-		(3,179)
Net as of March 31, 2023	$	56,573	$	-

As at March 31, 2023, the market value of the shares held in NanoXplore by the Company was $125.4 million.

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.

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, or its views or beliefs in or on, the impact of, or duration of, or factors affecting, or expected response to: the global semi-conductor chip shortage, supply chain issues or disruptions, the conflict between Russia and Ukraine (including on energy supply in Europe or elsewhere) or inflation, on the Company's financial position, its business and operations, on its employees, on the automotive industry, on the economy, on production volumes or on the business of any OEM or suppliers; the growth of the Company and pursuit of, and belief in, its strategies; the ramping up and launching of new business; the continued investments in its business and technologies; the opportunity to increase sales; the ability to finance future capital expenditures, working capital, debt obligations and other commitments; the factors impacting its ability to fund anticipated cash requirements and to comply with financial covenants under the banking facility, ability to fund anticipated working capital needs, debt obligations and other commitments; the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs and using the tools as collateral, 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. 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 AIF and MD&A for the year ended December 31, 2022, and other public filings which can be found at www.sedar.com:

- North American and Global Economic and Political Conditions and Consumer Confidence;
- Automotive Industry Risks;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest, and Other Outbreaks;
- COVID-19 Pandemic;
- Russian Invasion of Ukraine;
- Semiconductor Chip Shortages and Price Increases;
- Inflationary Pressures;
- Regional Energy Shortages;
- Dependence Upon Key Customers;
- Customer Consolidation and Cooperation;
- Emergence of Potentially Disruptive EV OEMs;
- Outsourcing and Insourcing Trends;
- Financial Viability of Suppliers and Key Suppliers and Supply Disruptions;
- Competition;
- Customer Pricing Pressures, Contractual Arrangements, Cost and Risk Absorption and Purchase Orders;
- Material and Commodity Prices and Volatility;
- Scrap Steel/Aluminum Price Volatility;
- Quote/Pricing Assumptions;
- Launch and Operational Costs and Cost Structure;
- Fluctuations in Operating Results;
- Product Warranty, Repair/Replacement Costs, Recall, Product Liability and Liability Risk;
- Product Development and Technological Change;
- A Shift Away from Technologies in Which the Company is Investing;
- Dependence Upon Key Personnel;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Cybersecurity Threats;
- Acquisitions;
- Joint Ventures;
- Private or Public Equity Investments in Technology Companies;
- Potential Tax Exposures;
- Potential Rationalization Costs, Turnaround Costs and Impairment Charges;
- Labour Relations Matters;
- Trade Restrictions or Disputes;
- Changes in Laws and Governmental Regulations;
- Environmental Regulation and Climate Change;
- Litigation and Regulatory Compliance and Investigations;
- Risks of Conducting Business in Foreign Countries, Including China, Brazil and Other Growing Markets;
- Currency Risk;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Loss of Use of Key Manufacturing Facilities;
- Intellectual Property;
- Availability of Consumer Credit or Cost of Borrowing;
- Evolving Business Risk Profile;
- Competition with Low Cost Countries;
- The Company's Ability to Shift its Manufacturing Footprint to Take Advantage of Opportunities in Growing Markets;
- Change in the Company's Mix of Earnings Between Jurisdictions with Lower Tax Rates and Those with Higher Tax Rates;

- Pension Plans and Other Post-Employment Benefits;
- Potential Volatility of Share Prices;
- Dividends; and
- Lease Obligations.

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.