

# MANAGEMENT DISCUSSION AND ANALYSIS

## OF OPERATING RESULTS AND FINANCIAL POSITION

For the three and nine months ended September 30, 2023

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The following management discussion and analysis (“MD&A”) was prepared as of November 8, 2023 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 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.sedarplus.ca](http://www.sedarplus.ca).

### **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 approximately 19,000 skilled and motivated people in 59 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**

#### **The United Auto Workers strike at General Motors, Ford and Stellantis**

On September 15, 2023, the United Auto Workers union (UAW) went on strike at certain U.S. facilities at General Motors, Ford and Stellantis, the Company’s three largest customers. Since that time, the UAW progressively expanded the strike action to include additional customer facilities. The labour disruption has had a negative impact on production volumes, generally increasing in magnitude with every additional customer facility that went on strike. The impact of the lower production volumes on the Company’s financial results for the third quarter of 2023 was relatively limited given the extent of the initial strike action taken by the UAW, as well as the timing of the labour disruption in proximity to the quarter-end. The strikes are over, pending ratification of the tentative agreements with each of General Motors, Ford and Stellantis, and production has already restarted. However, should any or all of the agreements not be ratified, a prolonged and expanded UAW strike at General Motors, Ford and Stellantis could have a material adverse effect on the Company’s operations and profitability.

#### **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. 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, could 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 could have an adverse effect on earnings.

## 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.

## Russia-Ukraine and Israel-Hamas conflicts

Although the Company does not have any operations in Russia, Ukraine or in the Middle East, these ongoing conflicts 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; and
- supply chain fragility.

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

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.sedarplus.ca](http://www.sedarplus.ca).

## 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 tables set out certain highlights of the Company's performance for the three and nine months ended September 30, 2023 and 2022. Refer to the Company's interim financial statements for the three and nine months ended September 30, 2023 for a detailed account of the Company's performance for the periods presented in the tables below.

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change	% Change
Sales	\$ 1,378,938	\$ 1,194,083	184,855	15.5%
Gross Margin	181,194	152,534	28,660	18.8%
Operating Income	83,015	61,627	21,388	34.7%
Net Income for the period	53,744	35,932	17,812	49.6%
Net Earnings per Share - Basic and Diluted	\$ 0.68	\$ 0.45	0.23	51.1%
<b>Non-IFRS Measures*</b>				
Adjusted Operating Income	\$ 83,015	\$ 69,730	13,285	19.1%
% of Sales	6.0 %	5.8 %		
Adjusted EBITDA	163,482	140,227	23,255	16.6%
% of Sales	11.9 %	11.7 %		
Adjusted Net Income	53,744	45,072	8,672	19.2%
Adjusted Net Earnings per Share - Basic and Diluted	\$ 0.68	\$ 0.56	0.12	21.4%

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change	% Change
Sales	\$ 4,043,882	\$ 3,462,996	580,886	16.8%
Gross Margin	522,169	400,759	121,410	30.3%
Operating Income	240,628	147,219	93,409	63.4%
Net Income for the period	151,815	86,611	65,204	75.3%
Net Earnings per Share - Basic and Diluted	\$ 1.90	\$ 1.08	0.82	75.9%
<b>Non-IFRS Measures*</b>				
Adjusted Operating Income	\$ 240,628	\$ 159,559	81,069	50.8%
% of Sales	6.0 %	4.6 %		
Adjusted EBITDA	476,598	366,898	109,700	29.9%
% of Sales	11.8 %	10.6 %		
Adjusted Net Income	147,241	95,385	51,856	54.4%
Adjusted Net Earnings per Share - Basic and Diluted	\$ 1.84	\$ 1.19	0.65	54.6%

#### **\*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 September 30, 2023	Three months ended September 30, 2022
Net Income	\$ 53,744	\$ 35,932
Adjustments, after tax*	-	9,140
Adjusted Net Income	\$ 53,744	\$ 45,072

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net Income	\$ 151,815	\$ 86,611
Adjustments, after tax*	(4,574)	8,774
Adjusted Net Income	\$ 147,241	\$ 95,385

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

	Three months ended September 30, 2023	Three months ended September 30, 2022
Net Income	\$ 53,744	\$ 35,932
Income tax expense	14,713	14,647
Other finance income	(7,418)	(5,038)
Share of loss of equity investments	600	1,043
Finance expense	21,376	15,043
Adjustments, before tax*	-	8,103
Adjusted Operating Income	\$ 83,015	\$ 69,730
Depreciation of property, plant and equipment and right-of-use assets	77,837	68,788
Amortization of development costs	2,488	2,817
Loss (gain) on disposal of property, plant and equipment	142	(1,108)
Adjusted EBITDA	\$ 163,482	\$ 140,227

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Net Income	\$ 151,815	\$ 86,611
Income tax expense	38,422	31,774
Other finance income	(7,074)	(6,168)
Share of loss of equity investments	2,630	3,409
Finance expense	60,108	35,643
Adjustments, before tax*	(5,273)	8,290
Adjusted Operating Income	\$ 240,628	\$ 159,559
Depreciation of property, plant and equipment and right-of-use assets	228,041	200,393
Amortization of development costs	7,771	8,136
Loss (gain) on disposal of property, plant and equipment	158	(1,190)
Adjusted EBITDA	\$ 476,598	\$ 366,898

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

## SALES

### Three months ended September 30, 2023 to three months ended September 30, 2022 comparison

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change	% Change
North America	\$ 1,042,218	\$ 887,372	154,846	17.4%
Europe	302,145	264,373	37,772	14.3%
Rest of the World	42,644	48,049	(5,405)	(11.2%)
Eliminations	(8,069)	(5,711)	(2,358)	(41.3%)
Total Sales	\$ 1,378,938	\$ 1,194,083	184,855	15.5%

The Company's consolidated sales for the third quarter of 2023 increased by \$184.9 million or 15.5% to \$1,378.9 million as compared to \$1,194.1 million for the third 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 third quarter of 2023 in the Company's North America operating segment increased by \$154.8 million or 17.4% to \$1,042.2 million from \$887.4 million for the third quarter of 2022. The increase was due generally to the launch and ramp up of new programs during or subsequent to the third quarter of 2022, including Mercedes' new electric vehicle platform (EVA2), General Motors' new electric vehicle platform (BEV3), and a Toyota/Lexus SUV; overall higher third quarter OEM light vehicle production volumes, which increased in North America by approximately 9% 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 third quarter of 2023 of \$29.8 million as compared to the third quarter of 2022; the impact of commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and an increase in tooling sales of \$56.7 million, which are typically dependent on 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 Lucid Air and Ford Mustang Mach E. The UAW strike action, which began on September 15, 2023 at General Motors, Ford and Stellantis in the United States, had a relatively limited impact on production sales for third quarter of 2023 given the extent of the initial strike action, as well as timing of the labour disruption in proximity to the quarter-end.

Sales for the third quarter of 2023 in the Company's Europe operating segment increased by \$37.8 million or 14.3% to \$302.1 million from \$264.4 million for the third quarter of 2022. The increase was due generally to overall higher third quarter OEM light vehicle production volumes, which increased in Europe by approximately 6% 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 Euro denominated production sales, which had a positive impact on overall sales for the third quarter of 2023 of \$23.9 million as compared to the third quarter of 2022; the impact of commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and a \$2.8 million increase in tooling sales. These positive factors were partially offset by lower year-over-

year production volumes of certain platforms, including the Lucid Air, Mercedes' new electric vehicle platform (EVA2), and an engine block for Ford.

Sales for the third quarter of 2023 in the Company's Rest of the World operating segment decreased by \$5.4 million or 11.2% to \$42.6 million from \$48.0 million in the third quarter of 2022. The decrease was largely driven by the lower year-over-year production volumes on Geely's new electric vehicle platform (PMA), and with Jaguar Land Rover; partially offset by the impact of commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales, and an increase in tooling sales of \$2.6 million.

Overall tooling sales increased by \$61.6 million (including outside segment sales eliminations) to \$128.6 million for the third quarter of 2023 from \$67.0 million for the third quarter of 2022.

***Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison***

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change	% Change
North America	\$ 3,063,277	\$ 2,573,796	489,481	19.0%
Europe	893,638	781,667	111,971	14.3%
Rest of the World	113,092	126,475	(13,383)	(10.6%)
Eliminations	(26,125)	(18,942)	(7,183)	(37.9%)
<b>Total Sales</b>	<b>\$ 4,043,882</b>	<b>\$ 3,462,996</b>	<b>580,886</b>	<b>16.8%</b>

The Company's consolidated sales for the nine months ended September 30, 2023 increased by \$580.9 million or 16.8% to \$4,043.9 million as compared to \$3,463.0 million for the nine months ended September 30, 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 decrease in sales in the Rest of the World.

Sales for the nine months ended September 30, 2023 in the Company's North America operating segment increased by \$489.5 million or 19.0% to \$3,063.3 million from \$2,573.8 million for the nine months ended September 30, 2022. The increase was due generally to the launch and ramp up of new programs, including Mercedes' new electric vehicle platform (EVA2), General Motors' new electric vehicle platform (BEV3), and a Toyota/Lexus SUV; overall higher OEM light vehicle production volumes during the period, which increased in North America by approximately 11% 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 nine months ended September 30, 2023 of \$129.9 million as compared to the corresponding period of 2022; the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and an increase in tooling sales of \$116.6 million, which are typically dependent on 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 Mustang Mach E, Lucid Air and GM Equinox/Terrain. The UAW strike action, which began on September 15, 2023 at General Motors, Ford and Stellantis in the United States, had a relatively limited impact on production sales for the nine months ended September 30, 2023 given the extent of the initial strike action, as well as timing of the labour disruption in proximity to the end of the period.

Sales for the nine months ended September 30, 2023 in the Company's Europe operating segment increased by \$112.0 million or 14.3% to \$893.6 million from \$781.7 million for the nine months ended September 30, 2022. The increase can be attributed to the launch and ramp up of new programs, including Mercedes' new electric vehicle platform (EVA2); overall higher OEM light vehicle production volumes during the first nine months of the year, which increased in Europe by approximately 14% 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 Euro denominated production sales, which had a positive impact on overall sales for the nine months ended September 30, 2023 of \$42.2 million as compared to the corresponding period of 2022; the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and an increase in tooling sales of \$1.8 million. These positive factors were partially offset by lower year-over-year production volumes of certain platforms, including the Lucid Air and an engine block for Ford.

Sales for the nine months ended September 30, 2023 in the Company's Rest of the World operating segment decreased by \$13.4 million or 10.6% to \$113.1 million from \$126.5 million for the nine months ended September 30, 2022. The decrease was largely driven by lower year-over-year production volumes on Geely's new electric vehicle platform (PMA), and with Jaguar Land Rover; partially offset by the impact of commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales, and an increase in tooling sales of \$4.6 million.

Overall tooling sales increased by \$122.0 million (including outside segment sales eliminations) to \$302.8 million for the nine months ended September 30, 2023 from \$180.8 million for the nine months ended September 30, 2022.

## **GROSS MARGIN**

### ***Three months ended September 30, 2023 to three months ended September 30, 2022 comparison***

	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>	<b>\$ Change</b>	<b>% Change</b>
Gross margin	\$ 181,194	\$ 152,534	28,660	18.8 %
% of Sales	13.1 %	12.8 %		

The gross margin percentage for the third quarter of 2023 of 13.1% increased as a percentage of sales by 0.3% as compared to the gross margin percentage for the third quarter of 2022 of 12.8%. 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; and
- productivity and efficiency improvements at certain operating facilities.

These factors were partially offset by:

- operational inefficiencies at certain operating facilities; and
- a negative sales mix.

Overall market related inflationary pressures on labour, material and energy costs, along with offsetting commercial settlements, were generally stable for the quarter on a year-over-year basis.

Gross margin for the third 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, although the stability of OEM production volumes has improved year-over-year.

### ***Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison***

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>\$ Change</b>	<b>% Change</b>
Gross margin	\$ 522,169	\$ 400,759	121,410	30.3%
% of Sales	12.9%	11.6%		

The gross margin percentage for the nine months ended September 30, 2023 of 12.9% increased as a percentage of sales by 1.3% as compared to the gross margin percentage for the nine months ended September 30, 2022 of 11.6%. 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 nine months ended September 30, 2023 continued to be impacted by production inefficiencies related to the industry-wide supply chain disruptions driven by the unpredictability of customer production schedules, although the stability of OEM production volumes has improved year-over-year.

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

##### ***Three months ended September 30, 2023 to three months ended September 30, 2022 comparison***

	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>	<b>\$ Change</b>	<b>% Change</b>
Selling, general & administrative	\$ 83,990	\$ 70,519	13,471	19.1 %
% of Sales	6.1 %	5.9 %		

SG&A expense for the third quarter of 2023 increased by \$13.5 million to \$84.0 million as compared to SG&A expense for the third quarter of 2022 of \$70.5 million. The increase in SG&A expense can largely be attributed to overall higher employee levels and related costs as compared to the third quarter of 2022 as a result of overall higher volumes and general activity; and an increase in travel and related costs as COVID-related restrictions loosened.

SG&A expense as a percentage of sales increased to 6.1% for the third quarter of 2023 compared to 5.9% for the third quarter of 2022.

##### ***Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison***

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>\$ Change</b>	<b>% Change</b>
Selling, general & administrative	\$ 239,962	\$ 203,972	35,990	17.6%
% of Sales	5.9%	5.9%		

SG&A expense for the nine months ended September 30, 2023 increased by \$36.0 million to \$240.0 million as compared to SG&A expense for the nine months ended September 30, 2022 of \$204.0 million. The increase in SG&A expense can largely be attributed to overall higher employee levels and related costs as compared to the corresponding period of 2022 as a result of overall higher volumes and general activity; an increase in overall performance-based variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units; and an increase in travel and related costs as COVID-related restrictions loosened.

SG&A expense as a percentage of sales for the nine months ended September 30, 2023 of 5.9% was in-line with the corresponding period of 2022.

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

*Three months ended September 30, 2023 to three months ended September 30, 2022 comparison*

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	\$ 73,418	\$ 64,639	8,779	13.6%
Depreciation of PP&E and right-of-use assets (non-production)	4,419	4,149	270	6.5%
Amortization of development costs	2,488	2,817	(329)	(11.7%)
Total depreciation and amortization	\$ 80,325	\$ 71,605	8,720	12.2%

Total depreciation and amortization expense for the third quarter of 2023 increased by \$8.7 million to \$80.3 million as compared to \$71.6 million for the third 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 third quarter of 2022.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the third 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 decreased year-over-over to 5.8% for the third quarter of 2023 from 6.0% for the third quarter of 2022 due mainly to higher overall sales volume.

*Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison*

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	\$ 214,877	\$ 188,620	26,257	13.9%
Depreciation of PP&E and right-of-use assets (non-production)	13,164	11,773	1,391	11.8%
Amortization of development costs	7,771	8,136	(365)	(4.5%)
Total depreciation and amortization	\$ 235,812	\$ 208,529	27,283	13.1%

Total depreciation and amortization expense for the nine months ended September 30, 2023 increased by \$27.3 million to \$235.8 million as compared to \$208.5 million for the nine months ended September 30, 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 nine months ended September 30, 2022.

Total depreciation and amortization expense as a percentage of sales decreased year-over-over to 5.8% for the nine months ended September 30, 2023 from 6.0% for the nine months ended September 30, 2022 due mainly to higher overall sales volume.

**ADJUSTMENTS TO NET INCOME**

Adjusted Net Income excludes certain items as set out in the following tables 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 September 30, 2023 to three months ended September 30, 2022 comparison*

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change
<b>NET INCOME</b>	<b>\$ 53,744</b>	<b>\$ 35,932</b>	<b>\$ 17,812</b>
Adjustments:			
Impairment of assets (3)	-	4,494	(4,494)
Restructuring costs (4)	-	3,609	(3,609)
<b>ADJUSTMENTS, BEFORE TAX</b>	<b>\$ -</b>	<b>\$ 8,103</b>	<b>\$ (8,103)</b>
Tax impact of adjustments	-	(180)	180
Writedown of deferred tax asset (3)	-	1,217	(1,217)
<b>ADJUSTMENTS, AFTER TAX</b>	<b>\$ -</b>	<b>\$ 9,140</b>	<b>\$ (9,140)</b>
<b>ADJUSTED NET INCOME</b>	<b>\$ 53,744</b>	<b>\$ 45,072</b>	<b>\$ 8,672</b>
Number of Shares Outstanding – Basic ('000)	79,327	80,387	
Adjusted Basic Net Earnings Per Share	\$ 0.68	\$ 0.56	
Number of Shares Outstanding – Diluted ('000)	79,407	80,387	
Adjusted Diluted Net Earnings Per Share	\$ 0.68	\$ 0.56	

**TABLE B***Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison*

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change
<b>NET INCOME</b>	<b>\$ 151,815</b>	<b>\$ 86,611</b>	<b>\$ 65,204</b>
Adjustments:			
Net gain on disposal of equity investments (1)	(5,273)	-	(5,273)
Gain on dilution of equity investments (2)	-	(4,050)	4,050
Impairment of assets (3)	-	4,494	(4,494)
Restructuring costs (4)	-	7,846	(7,846)
<b>ADJUSTMENTS, BEFORE TAX</b>	<b>\$ (5,273)</b>	<b>\$ 8,290</b>	<b>\$ (13,563)</b>
Tax impact of adjustments	699	(733)	1,432
Writedown of deferred tax asset (3)	-	1,217	(1,217)
<b>ADJUSTMENTS, AFTER TAX</b>	<b>\$ (4,574)</b>	<b>\$ 8,774</b>	<b>\$ (13,348)</b>
<b>ADJUSTED NET INCOME</b>	<b>\$ 147,241</b>	<b>\$ 95,385</b>	<b>\$ 51,856</b>
Number of Shares Outstanding – Basic ('000)	79,933	80,376	
Adjusted Basic Net Earnings Per Share	\$ 1.84	\$ 1.19	
Number of Shares Outstanding – Diluted ('000)	79,989	80,376	
Adjusted Diluted Net Earnings Per Share	\$ 1.84	\$ 1.19	

### (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) Impairment of assets

During the third quarter of 2022, the Company recorded impairment charges on property, plant, equipment, right of use assets, and inventories totaling \$4.5 million representing a writedown of the total assets of a Cash Generating Unit ("CGU") in China, comprised of two operating facilities originally acquired from Metalsa S.A in 2020, included in the Rest of the World operating segment. The impairment charges resulted from the cancellation of the OEM light vehicle platforms being serviced by the CGU before the end of their expected life cycles. This led to a decision to close the facilities. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts. The decision to close the facilities also resulted in a writedown of deferred tax assets of \$1.2 million.

### (4) Restructuring costs

Additions to the restructuring provision during the three and nine months ended September 30, 2022 totaled \$3.6 million and \$7.8 million, respectively, and represent employee-related severance resulting from the rightsizing of operations in Canada and China related to the cancellation of certain OEM light vehicle platforms well before the end of their expected life cycles.

## **NET INCOME**

### *Three months ended September 30, 2023 to three months ended September 30, 2022 comparison*

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change	% Change
Net Income	\$ 53,744	\$ 35,932	17,812	49.6%
Adjusted Net Income	53,744	45,072	8,672	19.2%
Net Earnings per Share				
Basic and Diluted	\$ 0.68	\$ 0.45		
Adjusted Net Earnings per Share				
Basic and Diluted	\$ 0.68	\$ 0.56		

Net Income, before adjustments, for the third quarter of 2023 increased by \$17.8 million to \$53.7 million or \$0.68 per share, on a basic and diluted basis, from a Net Income of \$35.9 million or \$0.45 per share, on a basic and diluted basis, for the third quarter of 2022. Excluding the adjustments explained in Table A under "Adjustments to Net Income", Adjusted Net Income for the third quarter of 2023 increased by \$8.7 million to \$53.7 million or \$0.68 per share, on a basic and diluted basis, from \$45.1 million or \$0.56 per share, on a basic and diluted basis, for the third quarter of 2023.

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

- higher gross margin on higher year-over-year sales volume as previously explained;
- a net foreign exchange gain of \$7.1 million for the third quarter of 2023 compared to a gain of \$5.0 million for the third quarter of 2022; and
- a lower effective tax rate (21.5% for the third quarter of 2023 compared to 23.2% for the third 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 \$6.3 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt.

***Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison***

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change	% Change
Net Income	\$ 151,815	\$ 86,611	65,204	75.3%
Adjusted Net Income	147,241	95,385	51,856	54.4%
Net Earnings per Share				
Basic and Diluted	\$ 1.90	\$ 1.08		
Adjusted Net Earnings per Share				
Basic and Diluted	\$ 1.84	\$ 1.19		

Net Income, before adjustments, for the nine months ended September 30, 2023 increased by \$65.2 million to \$151.8 million or \$1.90 per share, on a basic and diluted basis, from a Net Income of \$86.6 million or \$1.08 per share, on a basic and diluted basis, for the nine months ended September 30, 2022. Excluding the adjustments explained in Table B under "Adjustments to Net Income", Adjusted Net Income for the nine months ended September 30, 2023 increased by \$51.9 million to \$147.2 million or \$1.84 per share on a basic and diluted basis, from \$95.4 million or \$1.19 per share, on a basic and diluted basis, for the nine months ended September 30, 2022.

Adjusted Net Income for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 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 (20.4% for the nine months ended September 30, 2023 compared to 24.7% for the nine months ended September 30, 2022).

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense, as previously explained; and
- a \$24.5 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt.

**ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

***Three months ended September 30, 2023 to three months ended September 30, 2022 comparison***

	Three months ended September 30, 2023	Three months ended September 30, 2022	\$ Change	% Change
Additions to PP&E	\$ 53,756	\$ 89,280	(35,524)	(39.8%)

Additions to PP&E decreased by \$35.5 million to \$53.8 million or 3.9% of sales for the third quarter of 2023 as compared to \$89.3 million or 7.5% in the third quarter of 2022, as the Company's capital expenditures program balances out and normalizes after a cycle of significant investment in new program capital and other projects.

**Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison**

	Nine months ended September 30, 2023	Nine months ended September 30, 2022	\$ Change	% Change
Additions to PP&E	\$ 195,209	\$ 248,360	(53,151)	(21.4%)

Additions to PP&E decreased by \$53.2 million to \$195.2 million or 4.8% of sales for the nine months ended September 30, 2023 compared to \$248.4 million or 7.2% of sales for the nine months ended September 30, 2022, as the Company's capital expenditures program balances out and normalizes after a cycle of significant investment in new program capital and other projects.

General timing of expenditures makes quarterly additions to PP&E quite volatile by nature. Capital additions for the three and nine months ended September 30, 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 September 30, 2023 to three months ended September 30, 2022 comparison**

	SALES		OPERATING INCOME	
	Three months ended September 30, 2023	Three months ended September 30, 2022	Three months ended September 30, 2023	Three months ended September 30, 2022
North America	\$ 1,042,218	\$ 887,372	\$ 68,076	\$ 62,413
Europe	302,145	264,373	10,193	2,960
Rest of the World	42,644	48,049	4,746	4,357
Eliminations	(8,069)	(5,711)	-	-
Adjusted Operating Income			83,015	\$ 69,730
Adjustments*	-	-	-	(8,103)
Total	\$ 1,378,938	\$ 1,194,083	\$ 83,015	\$ 61,627

\* Operating Income for the operating segments has been adjusted for certain items as explained in Table A under "Adjustments to Net Income". Of the \$8.1 million adjustment for the third quarter of 2022, \$0.7 million was recognized in North America and \$7.4 million in the Rest of the World.

**North America**

Adjusted Operating Income in North America increased by \$5.7 million to \$68.1 million or 6.5% of sales for the third quarter of 2023 from \$62.4 million or 7.0% of sales for the third quarter of 2022. The decrease in Adjusted Operating Income as a percentage of sales was generally due to lower year-over-year favourable commercial settlements; operational inefficiencies at certain operating facilities; higher SG&A expense as a percentage of sales; and a negative sales mix. These negative factors were partially offset by overall higher production sales volume and corresponding higher utilization of assets; and productivity and efficiency improvements at certain operating facilities.

**Europe**

Adjusted Operating Income in Europe increased by \$7.2 million to \$10.2 million or 3.4% of sales for the third quarter of 2023 from \$3.0 million or 1.1% of sales for the third quarter of 2022. The increase in Adjusted Operating Income was generally due to higher year-over-year favourable commercial settlements, incremental contribution from higher year-over-year sales, and productivity and efficiency

improvements at certain operating facilities; partially offset by a negative sales mix, and operational inefficiencies at certain operating facilities.

### Rest of the World

Adjusted Operating Income in the Rest of the World increased by \$0.3 million to \$4.7 million or 11.1% of sales for the third quarter of 2023 from \$4.4 million or 9.1% of sales for the third quarter of 2022, due generally to favourable commercial settlements; partially offset by the negative impact on margins from lower year-over-year production sales.

### Nine months ended September 30, 2023 to nine months ended September 30, 2022 comparison

	SALES		OPERATING INCOME*	
	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
North America	\$ 3,063,277	\$ 2,573,796	\$ 222,979	\$ 148,270
Europe	893,638	781,667	10,712	6,793
Rest of the World	113,092	126,475	6,937	4,496
Eliminations	(26,125)	(18,942)	-	-
Adjusted Operating Income			\$ 240,628	\$ 159,559
Adjustments*	-	-	-	(12,340)
Total	\$ 4,043,882	\$ 3,462,996	\$ 240,628	\$ 147,219

\* Operating Income for the operating segments has been adjusted for certain items as explained in Table B under "Adjustments to Net Income". Of the \$12.3 million adjustment for the for nine months ended September 30, 2022, \$4.9 million was recognized in North America and \$7.4 million in the Rest of the World.

### North America

Adjusted Operating Income in North America increased by \$74.7 million to \$223.0 million or 7.3% of sales for the nine months ended September 30, 2023 from \$148.3 million or 5.8% of sales for the nine months ended September 30, 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; and the impact of material passthrough on customer pricing.

### Europe

Adjusted Operating Income in Europe increased by \$3.9 million to \$10.7 million or 1.2% of sales for the nine months ended September 30, 2023 from \$6.8 million or 0.9% of sales for the nine months ended September 30, 2022. The increase in Adjusted Operating Income was generally due to favourable commercial settlements; incremental contribution from higher year-over-year sales; and productivity and efficiency improvements at certain operating facilities; partially offset by higher material and energy costs, and operational inefficiencies at certain operating facilities.

### Rest of the World

Adjusted Operating Income in the Rest of the World increased by \$2.4 million to \$6.9 million or 6.1% of sales for the nine months ended September 30, 2023 from \$4.5 million or 3.6% of sales for the nine months ended September 30, 2022, due to favourable commercial settlements; 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	\$1,378,938	\$1,361,055	\$1,303,889	\$1,294,592	\$1,194,083	\$1,113,875	\$1,155,038	\$1,053,440
Gross Margin	181,194	173,589	167,386	158,504	152,534	125,789	122,436	63,032
Operating Income (Loss)	83,015	82,436	75,177	70,560	61,627	45,543	40,049	(2,900)
Adjusted Operating Income (Loss)	83,015	82,436	75,177	70,560	69,730	45,543	44,286	(2,900)
Net Income (Loss) for the period	53,744	49,900	48,171	46,227	35,932	25,471	25,208	(9,653)
Adjusted Net Income (Loss)	53,744	49,900	43,597	46,227	45,072	25,471	24,842	(9,653)
Basic and Diluted Net Earnings (Loss) per Share	0.68	0.62	0.60	0.58	0.45	0.32	0.31	(0.12)
Adjusted Basic and Diluted Net Earnings (Loss) per Share	0.68	0.62	0.54	0.58	0.56	0.32	0.31	(0.12)

## 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.

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

As at September 30, 2023, the Company had drawn US \$441 million (December 31, 2022 - US \$476 million) on the U.S. revolving credit line and \$435 million (December 31, 2022 - \$380 million) on the Canadian revolving credit line. As at September 30, 2023, the Company had total liquidity of \$345 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 \$264 million was available as at September 30, 2023. At September 30, 2023, the weighted average effective interest rate of the banking facility credit lines was 7.1% (December 31, 2022 - 6.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 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. 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:**

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
<b>Excluding the impact of IFRS 16:</b>					
Long-term debt	\$ 1,067,973	\$ 1,083,161	\$ 1,112,455	\$ 1,070,368	\$ 1,086,724
Less: Cash and cash equivalents	(178,725)	(145,755)	(156,585)	(161,655)	(158,505)
<b>Net Debt</b>	<b>\$ 889,248</b>	<b>\$ 937,406</b>	<b>\$ 955,870</b>	<b>\$ 908,713</b>	<b>\$ 928,219</b>
Trailing 12-month Adjusted EBITDA	\$ 569,709	\$ 548,420	\$ 502,724	\$ 465,789	\$ 382,583
Net Debt to Adjusted EBITDA ratio	1.56x	1.71x	1.90x	1.95x	2.43x

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
<b>Including the impact of IFRS 16:</b>					
Long-term debt	\$ 1,067,973	\$ 1,083,161	\$ 1,112,455	\$ 1,070,368	\$ 1,086,724
Lease liabilities	267,530	262,049	266,969	273,120	249,669
	1,335,503	1,345,210	1,379,424	1,343,488	1,336,393
Less: Cash and cash equivalents	(178,725)	(145,755)	(156,585)	(161,655)	(158,505)
<b>Net Debt</b>	<b>\$ 1,156,778</b>	<b>\$ 1,199,455</b>	<b>\$ 1,222,839</b>	<b>\$ 1,181,833</b>	<b>\$ 1,177,888</b>
Trailing 12-month Adjusted EBITDA	\$ 625,588	\$ 602,333	\$ 556,013	\$ 515,888	\$ 430,137
Net Debt to Adjusted EBITDA ratio	1.85x	1.99x	2.20x	2.29x	2.74x

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.

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Trailing 12-month Adjusted EBITDA - including the impact of IFRS 16	\$ 625,588	\$ 602,333	\$ 556,013	\$ 515,888	\$ 430,137
Principal payments of lease liabilities	(45,095)	(43,738)	(43,634)	(41,174)	(39,259)
Interest on lease liabilities	(10,784)	(10,175)	(9,655)	(8,925)	(8,295)
<b>Trailing 12-month Adjusted EBITDA - excluding the impact of IFRS 16</b>	<b>\$ 569,709</b>	<b>\$ 548,420</b>	<b>\$ 502,724</b>	<b>\$ 465,789</b>	<b>\$ 382,583</b>

The Company's Net Debt (excluding the impact of IFRS 16) decreased by \$48.2 million during the third quarter of 2023 to \$889.2 million from \$937.4 million at the end of the second quarter of 2023 due largely to Free Cash Flow generated during the quarter; partially offset by foreign exchange translation. The Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of IFRS 16) decreased to 1.56x from 1.71x at the end of the second quarter of 2023, due largely to an increase in trailing 12-month Adjusted EBITDA and the quarter-over-quarter decrease in net debt.

The Company was in compliance with its debt covenants as at September 30, 2023. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16.

## 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		Three months ended		\$ Change	% Change
	September 30, 2023		September 30, 2022			
Cash provided by operations before changes in non-cash working capital items	\$	173,629	\$	143,117	30,512	21.3%
Change in non-cash working capital items		15,692		30,814	(15,122)	(49.1%)
		189,321		173,931	15,390	8.8%
Interest paid		(25,278)		(18,237)	(7,041)	(38.6%)
Income taxes paid		(10,839)		(4,427)	(6,412)	(144.8%)
Cash provided by operating activities		153,204		151,267	1,937	1.3%
Cash used in financing activities		(57,536)		(20,886)	(36,650)	(175.5%)
Cash used in investing activities		(63,825)		(84,307)	20,482	24.3%
Effect of foreign exchange rate changes on cash and cash equivalents		1,127		(3,432)	4,559	132.8%
Increase in cash and cash equivalents	\$	32,970	\$	42,642	(9,672)	(22.7%)

Cash provided by operating activities during the third quarter of 2023 was \$153.2 million, compared to \$151.3 million in the corresponding period of 2022. The components for the third quarter of 2023 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$173.6 million;
- working capital items source of cash of \$15.7 million comprised of a decrease in inventories of \$25.4 million; partially offset by a decrease in trade, other payables and provisions of \$5.7 million, an increase in prepaid expenses and deposits of \$2.9 million, and an increase in trade and other receivables of \$1.1 million;
- interest paid of \$25.3 million; and
- income taxes paid of \$10.8 million.



Cash used in financing activities during the third quarter of 2023 was \$57.5 million, compared to \$20.9 million in the corresponding period of 2022. The components for the third quarter of 2023 primarily include the following:

- a \$30.9 million net decrease in long-term debt;
- principal payments of lease liabilities of \$11.8 million;
- repurchase of common shares under the normal course issuer bid (as described in note 13 of the interim condensed consolidated financial statements) of \$10.8 million; and
- \$4.0 million in dividends paid.

Cash used in investing activities during the third quarter of 2023 was \$63.8 million, compared to \$84.3 million in the corresponding period of 2022. The components for the third quarter of 2023 primarily include the following:

- cash additions to PP&E of \$62.4 million; and
- capitalized development costs relating to upcoming new program launches of \$1.4 million.

Taking into account the opening cash balance of \$145.8 million at the beginning of the third quarter of 2023, and the activities described above, the cash and cash equivalents balance at September 30, 2023 was \$178.7 million.

### **Cash flow**

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>\$ Change</b>	<b>% Change</b>
Cash provided by operations before changes in non-cash working capital items	\$ 493,924	\$ 369,435	124,489	33.7%
Change in non-cash working capital items	(28,432)	(14,227)	(14,205)	(99.8%)
	465,492	355,208	110,284	31.0%
Interest paid	(73,041)	(42,208)	(30,833)	(73.1%)
Income taxes paid	(74,622)	(14,401)	(60,221)	(418.2%)
Cash provided by operating activities	317,829	298,599	19,230	6.4%
Cash used in financing activities	(71,485)	(22,577)	(48,908)	(216.6%)
Cash used in investing activities	(228,496)	(261,631)	33,135	12.7%
Effect of foreign exchange rate changes on cash and cash equivalents	(778)	(9,177)	8,399	91.5%
Increase in cash and cash equivalents	\$ 17,070	\$ 5,214	11,856	227.4%

Cash provided by operating activities during the nine months ended September 30, 2023 was \$317.8 million, compared to \$298.6 million in the corresponding period of 2022. The components for the nine months ended September 30, 2023 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$493.9 million;
- working capital use of cash of \$28.4 million comprised of an increase in trade and other receivables of \$128.1 million; partially offset by an increase in trade, other payables and provisions of \$73.6 million, a decrease in inventories of \$23.5 million, and a decrease in prepaid expenses and deposits of \$2.6 million;
- income taxes paid of \$74.6 million; and
- interest paid of \$73.0 million.

Cash used in financing activities during the nine months ended September 30, 2023 was \$71.5 million, compared to \$22.6 million in the corresponding period of 2022. The components for the nine months ended September 30, 2023 primarily include the following:

- a \$4.2 million net decrease in long-term debt;
- principal payments of lease liabilities of \$34.7 million;
- repurchase of common shares under the normal course issuer bid (as described in note 13 of the interim condensed consolidated financial statements) of \$20.8 million; and
- \$12.0 million in dividends paid.

Cash used in investing activities during the nine months ended September 30, 2023 was \$228.5 million, compared to \$261.6 million in the corresponding period of 2022. The components for the nine months ended September 30, 2023 primarily include the following:

- cash additions to PP&E of \$222.3 million;
- capitalized development costs relating to upcoming new program launches of \$5.6 million; and
- an investment in Equispheres Inc. ("Equispheres") of \$1.0 million.

Taking into account the opening cash balance of \$161.7 million at the beginning of 2023, and the activities described above, the cash and cash equivalents balance at September 30, 2023 was \$178.7 million.

### **Free Cash Flow**

	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>	<b>\$ Change</b>
Adjusted EBITDA	\$ 163,482	\$ 140,227	23,255
Add (deduct):			
Change in non-cash working capital items	15,692	30,814	(15,122)
Purchase of property, plant and equipment (excluding capitalized interest)	(62,444)	(84,174)	21,730
Cash proceeds on disposal of property, plant and equipment	16	1,730	(1,714)
Capitalized development costs	(1,397)	(1,863)	466
Interest paid	(25,278)	(18,237)	(7,041)
Income taxes paid	(10,839)	(4,427)	(6,412)
Free cash flow	\$ 79,232	\$ 64,070	15,162

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

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 September 30, 2023, an increase from \$1.9 million as at June 30, 2023 and (\$33.0) million as at September 30, 2022.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the three months ended September 30, 2023 and 2022:

	<b>Three months ended September 30, 2023</b>	<b>Three months ended September 30, 2022</b>
Cash provided by operating activities	\$ 153,204	\$ 151,267
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(62,444)	(84,174)
Cash proceeds on disposal of property, plant and equipment	16	1,730
Capitalized development costs	(1,397)	(1,863)
Restructuring costs	-	3,609
Unrealized gain (loss) on foreign exchange contracts	(298)	848
Deferred and restricted share units expense	(2,294)	(2,093)
Stock options expense	(110)	(175)
Pension and other post-employment benefits expense	(693)	(846)
Contributions made to pension and other post-retirement benefits	666	805
Net unrealized foreign exchange gain and other income	(7,418)	(5,038)
Free cash flow	\$ 79,232	\$ 64,070

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>	<b>\$ Change</b>
Adjusted EBITDA	\$ 476,598	\$ 366,898	109,700
Add (deduct):			
Change in non-cash working capital items	(28,432)	(14,227)	(14,205)
Purchase of property, plant and equipment (excluding capitalized interest)	(222,300)	(257,288)	34,988
Cash proceeds on disposal of property, plant and equipment	402	2,146	(1,744)
Capitalized development costs	(5,598)	(5,489)	(109)
Interest paid	(73,041)	(42,208)	(30,833)
Income taxes paid	(74,622)	(14,401)	(60,221)
Free cash flow	\$ 73,007	\$ 35,431	37,576

Free cash flow for the nine months ended September 30, 2023 increased year-over-year due largely to higher Adjusted EBITDA, and a decrease in cash purchases of property, plant and equipment; partially offset by higher income taxes paid, higher interest paid on long-term debt, and an increase in cash used in non-cash working capital.

Reconciliation of IFRS “Cash provided by operating activities” to Non-IFRS “Free Cash Flow” for the nine months ended September 30, 2023 and 2022:

	<b>Nine months ended September 30, 2023</b>	<b>Nine months ended September 30, 2022</b>
Cash provided by operating activities	\$ 317,829	\$ 298,599
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(222,300)	(257,288)
Cash proceeds on disposal of property, plant and equipment	402	2,146
Capitalized development costs	(5,598)	(5,489)
Restructuring costs	-	7,846
Unrealized loss on foreign exchange contracts	(215)	(908)
Deferred and restricted share units expense	(9,505)	(2,638)
Stock options expense	(331)	(566)
Pension and other post-employment benefit expense	(2,087)	(2,568)
Contributions made to pension and other post-retirement benefits	1,886	2,465
Net unrealized foreign exchange gain and other income	(7,074)	(6,168)
Free cash flow	\$ 73,007	\$ 35,431

## **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.sedarplus.ca](http://www.sedarplus.ca) 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 November 8, 2023, the Company had 78,792,540 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at November 8, 2023, options to acquire 2,328,500 common shares were outstanding.

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

During the second and third quarters of 2023, the Company purchased for cancellation an aggregate of 1,619,555 common shares for an aggregate purchase price of \$20.8 million resulting in a reduction to stated capital of \$13.4 million and a decrease to retained earnings of \$7.5 million. The shares were purchased and cancelled directly under the NCIB.

## **CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING**

During the nine months ended September 30, 2023, 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, 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 unless the sale on the corresponding tooling project has been recognized, at which point a tooling trade payable on the project is recorded. At September 30, 2023, the amount of the off-balance sheet program financing was \$16.2 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 September 30, 2023, the Company had committed to the following foreign exchange contracts:

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

<b>Currency</b>	<b>Amount of U.S. dollars</b>	<b>Weighted average exchange rate of U.S. dollars</b>	<b>Maximum period in months</b>
Buy Mexican Peso	\$ 45,926	17.4195	1

The aggregate value of these forward contracts as at September 30, 2023 was a pre-tax loss of \$0.2 million and was recorded in trade and other payables (December 31, 2022 - pre-tax gain of \$2.1 million recorded in trade and other receivables).

## INVESTMENTS

	September 30, 2023	December 31, 2022
Investment in common shares of NanoXplore Inc.	\$ 55,328	\$ 48,749
Investment in common shares and convertible debentures of AlumaPower Corp.	2,669	2,669
Investment in convertible debentures of Equispheres Inc.	1,000	-
Other	500	500
Investment in common shares of VoltaXplore Inc.	-	3,940
	\$ 59,497	\$ 55,858

As at September 30, 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, 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 September 30, 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.

On April 20, 2023, the Company acquired convertible debentures of Equispheres in the amount of \$1.0 million. Equispheres is a private company developing technologies for the production and use of advanced materials in additive manufacturing.

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

Movement in equity-accounted investments is summarized as follows:

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net as of December 31, 2021	\$ 48,748	\$ 3,925
Additions	-	1,000
Gain on dilution of equity investments	4,050	-
Share of loss for the period	(4,089)	(985)
Share of other comprehensive income for the period	40	-
Net as of December 31, 2022	\$ 48,749	\$ 3,940
Additions	8,452	-
Share of loss for the period	(1,869)	(761)
Share of other comprehensive loss for the period	(4)	-
Disposal	-	(3,179)
Net as of September 30, 2023	\$ 55,328	\$ -

As at September 30, 2023, the market value of the shares held in NanoXplore by the Company was \$100.8 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, the conflict between Israel and Hamas, the UAW strikes or inflation including any impact, 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.sedarplus.ca](http://www.sedarplus.ca):

- 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;
- Conflict between Israel and Hamas;
- 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.