MARTINREA INTERNATIONAL INC.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

Martinrea International Inc.

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Martinrea International Inc.

Interim Condensed Consolidated Balance Sheets

(in thousands of Canadian dollars) (unaudited)

	Note	September 30, 2024	December 31, 2023
ASSETS			
Cash and cash equivalents		$ 177,267	$ 186,804
Trade and other receivables	2	801,012	695,819
Inventories	3	564,558	568,274
Prepaid expenses and deposits		35,611	33,904
Income taxes recoverable		35,644	11,089
TOTAL CURRENT ASSETS		1,614,092	1,495,890
Property, plant and equipment	4	1,945,783	1,943,771
Right-of-use assets	5	224,230	238,552
Deferred tax assets		193,175	192,301
Intangible assets		40,193	42,743
Investments	6	66,124	60,170
Pension assets		17,046	16,303
TOTAL NON-CURRENT ASSETS		2,486,551	2,493,840
TOTAL ASSETS		$ 4,100,643	$ 3,989,730
LIABILITIES			
Trade and other payables		$ 1,185,482	$ 1,176,579
Provisions	7	8,843	29,892
Income taxes payable		52,364	25,017
Current portion of long-term debt	8	11,290	12,778
Current portion of lease liabilities	9	52,177	48,507
TOTAL CURRENT LIABILITIES		1,310,156	1,292,773
Long-term debt	8	986,063	956,458
Lease liabilities	9	192,233	210,469
Pension and other post-retirement benefits		40,055	37,261
Deferred tax liabilities		26,059	27,588
TOTAL NON-CURRENT LIABILITIES		1,244,410	1,231,776
TOTAL LIABILITIES		2,554,566	2,524,549
EQUITY			
Capital stock	11	611,101	645,256
Contributed surplus		45,950	45,903
Accumulated other comprehensive income		139,934	95,753
Retained earnings		749,092	678,269
TOTAL EQUITY		1,546,077	1,465,181
TOTAL LIABILITIES AND EQUITY		$ 4,100,643	$ 3,989,730

Contingencies (note 16)
Subsequent event (note 18)

See accompanying notes to the interim condensed consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer"	Director
"Terry Lyons"	Director

Martinrea International Inc.

Interim Condensed Consolidated Statements of Operations

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

	Note	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
SALES		$ 1,237,493	$ 1,378,938	$ 3,863,199	$ 4,043,882
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(993,212)	(1,124,326)	(3,109,104)	(3,306,836)
Depreciation of property, plant and equipment and right-of-use assets (production)		(80,931)	(73,418)	(234,578)	(214,877)
Total cost of sales		(1,074,143)	(1,197,744)	(3,343,682)	(3,521,713)
GROSS MARGIN		163,350	181,194	519,517	522,169
Research and development costs		(10,852)	(9,628)	(32,037)	(28,257)
Selling, general and administrative		(82,384)	(83,990)	(247,132)	(239,962)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,973)	(4,419)	(12,230)	(13,164)
Loss on disposal of property, plant and equipment		(262)	(142)	(1,489)	(158)
Restructuring costs	7	-	-	(11,610)	-
OPERATING INCOME		65,879	83,015	215,019	240,628
Share of loss of equity investments	6	(690)	(600)	(2,147)	(2,630)
Net gain on disposal of equity investments		-	-	-	5,273
Finance expense	13	(18,840)	(21,376)	(58,501)	(60,108)
Other finance income	13	1,084	7,418	8,140	7,074
INCOME BEFORE INCOME TAXES		47,433	68,457	162,511	190,237
Income tax expense	10	(33,276)	(14,713)	(63,725)	(38,422)
NET INCOME FOR THE PERIOD		$ 14,157	$ 53,744	$ 98,786	$ 151,815
Basic earnings per share	12	$ 0.19	$ 0.68	$ 1.30	$ 1.90
Diluted earnings per share	12	$ 0.19	$ 0.68	$ 1.30	$ 1.90

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars) (unaudited)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
NET INCOME FOR THE PERIOD	$ 14,157	$ 53,744	$ 98,786	$ 151,815
Other comprehensive income (loss), net of tax:				
Items that may be reclassified to net income				
Foreign currency translation differences for foreign operations	(1,472)	28,682	44,206	(2,345)
Items that will not be reclassified to net income				
Share of other comprehensive income (loss) of equity investments (note 6)	14	14	(25)	(4)
Remeasurement of defined benefit plans	322	3,184	(814)	5,630
Other comprehensive income (loss), net of tax	(1,136)	31,880	43,367	3,281
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 13,021	$ 85,624	$ 142,153	$ 155,096

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars) (unaudited)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2022	$ 663,646	$ 45,558	$ 124,065	$ 543,636	$ 1,376,905
Net income for the period	-	-	-	151,815	151,815
Compensation expense related to stock options	-	331	-	-	331
Dividends ($0.15 per share)	-	-	-	(11,939)	(11,939)
Exercise of employee stock options	358	(97)	-	-	261
Repurchase of common shares (note 11)	(13,370)	-	-	(7,474)	(20,844)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	5,630	5,630
Foreign currency translation differences	-	-	(2,345)	-	(2,345)
Share of other comprehensive loss of equity investments	-	-	(4)	-	(4)
BALANCE AT SEPTEMBER 30, 2023	650,634	45,792	121,716	681,668	1,499,810
Net income for the period	-	-	-	1,850	1,850
Compensation expense related to stock options	-	111	-	-	111
Dividends ($0.05 per share)	-	-	-	(3,907)	(3,907)
Repurchase of common shares (note 11)	(5,378)	-	-	(2,847)	(8,225)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	1,505	1,505
Foreign currency translation differences	-	-	(25,949)	-	(25,949)
Share of other comprehensive loss of equity investments	-	-	(14)	-	(14)
BALANCE AT DECEMBER 31, 2023	645,256	45,903	95,753	678,269	1,465,181
Net income for the period	-	-	-	98,786	98,786
Compensation expense related to stock options	-	127	-	-	127
Dividends ($0.15 per share)	-	-	-	(11,281)	(11,281)
Exercise of employee stock options	350	(80)	-	-	270
Repurchase of common shares (note 11)	(34,505)	-	-	(15,868)	(50,373)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	(814)	(814)
Foreign currency translation differences	-	-	44,206	-	44,206
Share of other comprehensive loss of equity investments	-	-	(25)	-	(25)
BALANCE AT SEPTEMBER 30, 2024	$ 611,101	$ 45,950	$ 139,934	$ 749,092	$ 1,546,077

See accompanying notes to the interim condensed consolidated financial statements.

Martinrea International Inc.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars) (unaudited)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income for the period	$ 14,157	$ 53,744	$ 98,786	$ 151,815
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	84,904	77,837	246,808	228,041
Amortization of development costs	3,084	2,488	8,172	7,771
Unrealized loss (gain) on foreign exchange forward contracts	(4,382)	298	(913)	215
Finance expense	18,840	21,376	58,501	60,108
Income tax expense	33,276	14,713	63,725	38,422
Loss on disposal of property, plant and equipment	262	142	1,489	158
Deferred and restricted share units expense	2,893	2,294	6,261	9,505
Stock options expense	43	110	127	331
Share of loss of equity investments	690	600	2,147	2,630
Net gain on disposal of equity investments	-	-	-	(5,273)
Pension and other post-retirement benefits expense	571	693	1,702	2,087
Contributions made to pension and other post-retirement benefits	(489)	(666)	(1,657)	(1,886)
	153,849	173,629	485,148	493,924
Changes in non-cash working capital items:				
Trade and other receivables	(2,739)	(1,108)	(87,575)	(128,104)
Inventories	12,159	25,395	15,897	23,500
Prepaid expenses and deposits	(2,163)	(2,854)	(1,226)	2,595
Trade, other payables and provisions	(5,529)	(5,741)	(17,128)	73,577
	155,577	189,321	395,116	465,492
Interest paid	(21,839)	(25,278)	(65,306)	(73,041)
Income taxes paid	(1,849)	(10,839)	(50,533)	(74,622)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 131,889	$ 153,204	$ 279,277	$ 317,829
FINANCING ACTIVITIES:				
Increase (decrease) in long-term debt (net of deferred financing fees)	(29,094)	(27,011)	18,847	8,320
Equipment loan repayments	(1,329)	(3,895)	(5,899)	(12,471)
Principal payments of lease liabilities	(13,096)	(11,845)	(38,852)	(34,732)
Dividends paid	(3,743)	(3,981)	(11,489)	(12,019)
Exercise of employee stock options	-	-	270	261
Repurchase of common shares	(9,471)	(10,804)	(49,393)	(20,844)
NET CASH USED IN FINANCING ACTIVITIES	$ (56,733)	$ (57,536)	$ (86,516)	$ (71,485)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (excluding capitalized interest)*	(80,814)	(62,444)	(191,681)	(222,300)
Capitalized development costs	(1,457)	(1,397)	(4,601)	(5,598)
Increase in investments (note 6)	-	-	(8,130)	(1,000)
Proceeds on disposal of property, plant and equipment	4,122	16	5,311	402
NET CASH USED IN INVESTING ACTIVITIES	$ (78,149)	$ (63,825)	$ (199,101)	$ (228,496)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,178)	1,127	(3,197)	(778)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,171)	32,970	(9,537)	17,070
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	181,438	145,755	186,804	161,655
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 177,267	$ 178,725	$ 177,267	$ 178,725

*As at September 30, 2024, $46,104 (December 31, 2023 - $75,800) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the interim condensed consolidated financial statements.

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

1. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS" 34) as issued by the International Accounting Standards Board ("IASB"), and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2023.

(b) Basis of presentation

These interim condensed consolidated financial statements include the accounts of Martinrea International Inc. and its subsidiaries. The notes presented in these interim condensed consolidated financial statements include in general only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS Accounting Standards for annual financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2023.

(c) Presentation currency

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

(d) Recently adopted accounting standards and policies

Amendments to IFRS 16, Leases - Lease Liability in a sale and Leaseback

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

The Company adopted the amendments to IFRS 16 effective January 1, 2024. The adoption of amendments to IFRS 16 did not have a material impact on the interim condensed consolidated financial statements.

Amendments to IAS 1, Non-current Liabilities with Covenants

On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debts as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The Company adopted the amendments to IAS 1 effective January 1, 2024. The adoption of amendments to IAS 1 did not have a material impact on the interim condensed consolidated financial statements.

(e) Recently issued accounting standards

The IASB issued the following new standards:

IFRS 18, Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements (replacement to IAS 1). The new accounting standard introduces three sets of new requirements to improve companies' reporting of financial performance and give investors a better basis for analyzing and comparing companies:

- improved comparability in the statement of profit or loss by introducing three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures by requiring companies to disclose explanations of those company-specific measures that are related to the income statement; and

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

- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

The new standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing the impact of the new standard on the consolidated financial statements.

Amendments to IFRS 9 and IFRS 7, Classification and Measurements of Financial Instruments
On May 30, 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). The amendments include:

- clarifying the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarifying and adding further guidance for assessing whether a financial asset meets the solely payments of principal and interest criterion;
- adding new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance targets); and
- updating the disclosures for equity instruments designated at fair value through other comprehensive income.

The amendments are effective for annual periods beginning on or after January 1, 2026. The adoption of amendments to IFRS 9 and IFRS 7 is not expected to have a material impact on the consolidated financial statements.

2. TRADE AND OTHER RECEIVABLES

	September 30, 2024	December 31, 2023
Trade receivables	$ 758,363	$ 643,959
Other receivables	41,736	47,923
Foreign exchange forward contracts not accounted for as hedges (note 15(d))	913	3,937
	$ 801,012	$ 695,819

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

On March 27, 2024, Martinrea entered into an accounts receivable program agreement to sell up to $100,000 in trade receivables without recourse and on an uncommitted basis, subject to predetermined limits for certain customers. Under the agreement, the receivables are sold on a fully serviced basis, so that the Company continues to administer the collection of such receivables. The Company derecognizes the trade receivables sold under the program when it transfers substantially all the risks and rewards of ownership of the receivables. As at September 30, 2024, $48,658 (US $36,002) of receivables were sold under the program, of which $13,624 (US $10,080) was held back from the sale proceeds, to be settled when the funds are received from the customers, in accordance with the provisions of the program, with the net proceeds being used primarily to support the Company's supply base.

3. INVENTORIES

	September 30, 2024	December 31, 2023
Raw materials	$ 262,314	$ 256,038
Work in progress	78,186	69,474
Finished goods	48,698	51,202
Tooling work in progress and other inventory	175,360	191,560
	$ 564,558	$ 568,274

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

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2024			December 31, 2023		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 246,415	$ (51,572)	$ 194,843	$ 240,789	$ (47,664)	$ 193,125
Leasehold improvements	89,611	(63,178)	26,433	86,038	(58,881)	27,157
Manufacturing equipment	3,297,700	(1,915,630)	1,382,070	3,131,621	(1,751,642)	1,379,979
Tooling and fixtures	36,742	(28,314)	8,428	38,627	(34,302)	4,325
Other assets	96,126	(64,306)	31,820	87,808	(59,052)	28,756
Construction in progress	302,189	-	302,189	310,429	-	310,429
	$ 4,068,783	$ (2,123,000)	$ 1,945,783	$ 3,895,312	$ (1,951,541)	$ 1,943,771

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress	Total
Net as of December 31, 2022	$ 173,433	$ 30,205	$ 1,310,227	$ 5,145	$ 30,675	$ 399,088	$ 1,948,773
Additions	25	-	5,115	6	886	287,066	293,098
Disposals	-	-	(986)	-	(223)	(135)	(1,344)
Depreciation	(7,003)	(4,362)	(239,027)	(779)	(9,760)	-	(260,931)
Impairment	-	-	(666)	-	-	-	(666)
Transfers from construction in progress	30,797	1,619	328,984	19	7,477	(368,896)	-
Foreign currency translation adjustment	(4,127)	(305)	(23,668)	(66)	(299)	(6,694)	(35,159)
Net as of December 31, 2023	$ 193,125	$ 27,157	$ 1,379,979	$ 4,325	$ 28,756	$ 310,429	$ 1,943,771
Additions	84	-	787	-	635	171,089	172,595
Disposals	(1,198)	-	(4,961)	(5)	(122)	(514)	(6,800)
Depreciation	(5,527)	(3,376)	(192,604)	(1,015)	(6,123)	-	(208,645)
Transfers from construction in progress	3,821	2,107	166,108	4,897	7,941	(184,874)	-
Foreign currency translation adjustment	4,538	545	32,761	226	733	6,059	44,862
Net as of September 30, 2024	$ 194,843	$ 26,433	$ 1,382,070	$ 8,428	$ 31,820	$ 302,189	$ 1,945,783

5. RIGHT-OF-USE ASSETS

	September 30, 2024			December 31, 2023		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	$ 328,437	$ (170,316)	$ 158,121	$ 316,314	$ (141,483)	$ 174,831
Leased manufacturing equipment	122,242	(57,773)	64,469	107,162	(44,985)	62,177
Leased other assets	5,786	(4,146)	1,640	5,364	(3,820)	1,544
	$ 456,465	$ (232,235)	$ 224,230	$ 428,840	$ (190,288)	$ 238,552

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

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

		Leased buildings		Leased manufacturing equipment		Leased other assets		Total
Net as of December 31, 2022	$	185,281	$	67,320	$	1,464	$	254,065
Additions		10,626		12,022		1,017		23,665
Lease modifications		13,647		19		22		13,688
Depreciation		(31,896)		(16,382)		(935)		(49,213)
Foreign currency translation adjustment		(2,827)		(802)		(24)		(3,653)
Net as of December 31, 2023	$	174,831	$	62,177	$	1,544	$	238,552
Additions		2,804		11,941		744		15,489
Lease modifications		2,585		-		-		2,585
Depreciation		(25,971)		(11,497)		(695)		(38,163)
Foreign currency translation adjustment		3,872		1,848		47		5,767
Net as of September 30, 2024	$	158,121	$	64,469	$	1,640	$	224,230

6. INVESTMENTS

		September 30, 2024		December 31, 2023
Investment in common shares of NanoXplore Inc.	$	52,208	$	54,384
Investment in common shares and convertible debentures of AlumaPower Corporation.		4,036		4,036
Investment in common shares and convertible debentures of Equispheres Inc.		9,030		1,000
Other		850		750
	$	66,124	$	60,170

As at September 30, 2024, the Company held a 22.5%, 13.1%, and 6.8% equity interest (on a non-diluted basis) in NanoXplore Inc. (“NanoXplore”), AlumaPower Corporation (“AlumaPower”), and Equispheres Inc. (“Equispheres”), respectively. 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. AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive. 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 investment in NanoXplore based on NanoXplore’s 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 shares in AlumaPower and Equispheres are classified as fair value through other comprehensive income. 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 (loss).

Movement in equity-accounted investments is summarized as follows:

		Investment in common shares of NanoXplore
Net as of December 31, 2022	$	48,749
Additions		8,452
Share of loss for the period		(2,799)
Share of other comprehensive loss for the period		(18)
Net as of December 31, 2023	$	54,384
Share of loss for the period		(2,147)
Share of other comprehensive loss for the period		(29)
Net as of September 30, 2024	$	52,208

As at September 30, 2024, the stock market value of the shares held in NanoXplore by the Company was $86,549.

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

7. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2022	$ 4,380	$ 3,526	$ 7,906
Net additions	27,266	375	27,641
Amounts used during the period	(3,444)	(1,944)	(5,388)
Foreign currency translation adjustment	(425)	158	(267)
Net as of December 31, 2023	$ 27,777	$ 2,115	$ 29,892
Net additions	11,610	1,796	13,406
Amounts used during the period	(32,946)	(1,565)	(34,511)
Foreign currency translation adjustment	233	(177)	56
Net as of September 30, 2024	$ 6,674	$ 2,169	$ 8,843

Additions to the restructuring provision during the nine months ended September 30, 2024 totaled $11,610 and represent employee-related severance resulting from the rightsizing of certain operations in Germany ($5,041), Mexico ($3,910), Canada ($1,995), and the United States ($664).

8. LONG-TERM DEBT

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

	September 30, 2024	December 31, 2023
Banking facility	$ 975,949	$ 938,129
Equipment loans	21,404	31,107
	997,353	969,236
Current portion	(11,290)	(12,778)
	$ 986,063	$ 956,458

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

	Currency	Nominal interest rate	Year of maturity	September 30, 2024 Carrying amount	December 31, 2023 Carrying amount
Banking facility	USD	SOFR + 1.70%	2027	$ 569,007	$ 529,496
	CAD	CORRA + 1.70%	2027	156,942	408,633
	CAD	CORRA + 1.95%	2027	250,000	-
Equipment loans	CAD	2.54%	2026	10,382	14,142
	EUR	2.46%	2026	4,386	5,818
	EUR	1.40%	2026	4,009	5,677
	CAD	5.22%	2025	1,324	2,598
	EUR	0.00%	2028	800	870
	EUR	3.72%	2035	453	-
	EUR	0.26%	2025	50	72
	EUR	1.05%	2024	-	1,930
				$ 997,353	$ 969,236

On February 23, 2024, 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 ten banks (down from eleven), include the following:

- an unaltered unsecured credit structure, with a $100 million increase in total borrowing capacity;
- unchanged financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- a new non-amortizing term loan of $250 million at variable interest rates;
- available revolving credit lines of $350 million (down from $500 million) and US $520 million (similar to the previous facility);
- available asset based financing capacity of $300 million, similar to the previous facility;

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

- accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US $300 million, similar to the previous facility;
- pricing terms at market rates including transitioning the interest rate benchmark of the Canadian revolving credit line from Bankers' Acceptance ("BA") to the Canadian Overnight Repo Rate Average ("CORRA");
- a maturity date extended to February 2027 (from April 2025); and
- no mandatory principal repayment provisions for the revolving credit lines, including the new non-amortizing term loan, similar to the previous facility.

As at September 30, 2024, the Company had drawn US $421,000 (December 31, 2023 - US $401,000) on the U.S. revolving credit line, $160,000 (December 31, 2023 - $410,000) on the Canadian revolving credit line, and $250,000 (December 31, 2023 - $nil) on the Canadian non-amortizing term loan. At September 30, 2024, the weighted average effective interest rate of the banking facility was 6.5% (December 31, 2023 - 7.1%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at September 30, 2024.

Deferred financing fees of $3,058 (December 31, 2023 - $1,367) have been netted against the carrying amount of the long-term debt.

On May 23, 2024, the Company finalized an eleven-year equipment loan with total borrowing capacity of €1,092 ($1,601), repayable in bi-annual installments commencing in 2028 at a fixed annual interest rate of 3.72%.

Future annual minimum principal repayments as at September 30, 2024 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 12,555	$ (1,265)	$ 11,290
One to two years	7,995	(1,265)	6,730
Two to three years	979,206	(528)	978,678
Three to four years	300	-	300
Thereafter	355	-	355
	$ 1,000,411	$ (3,058)	$ 997,353

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2022	$ 1,070,368
Net repayments	(71,647)
Equipment loan repayments	(17,104)
Amortization of deferred financing fees	1,022
Foreign currency translation adjustment	(13,403)
Net as of December 31, 2023	$ 969,236
Net drawdowns	21,005
Equipment loan proceeds	442
Equipment loan repayments	(5,899)
Deferred financing fee additions	(2,600)
Amortization of deferred financing fees	909
Foreign currency translation adjustment	14,260
Net as of September 30, 2024	$ 997,353

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

9. LEASE LIABILITIES

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

Movement in lease liabilities is summarized as follows:

		Total
Net as of December 31, 2022	$	273,120
Net additions		23,665
Lease modifications		13,688
Principal payments of lease liabilities		(47,204)
Termination of leases		(174)
Foreign currency translation adjustment		(4,119)
Net as of December 31, 2023	$	258,976
Net additions		15,489
Lease modifications		2,585
Principal payments of lease liabilities		(38,852)
Foreign currency translation adjustment		6,212
Net as of September 30, 2024	$	244,410

The maturity of contractual undiscounted lease liabilities as at September 30, 2024 is as follows:

		Total
Within one year	$	62,009
One to two years		57,009
Two to three years		51,289
Three to four years		33,172
Thereafter		75,719
Total undiscounted lease liabilities at September 30, 2024	$	279,198
Interest on lease liabilities		(34,788)
Total present value of minimum lease payments	$	244,410
Current portion		(52,177)
	$	192,233

10. INCOME TAXES

The components of income tax expense are as follows:

		Three months ended September 30, 2024		Three months ended September 30, 2023		Nine months ended September 30, 2024		Nine months ended September 30, 2023
Current income tax expense	$	(29,893)	$	(25,939)	$	(60,923)	$	(72,747)
Deferred income tax recovery (expense)		(3,383)		11,226		(2,802)		34,325
Total income tax expense	$	(33,276)	$	(14,713)	$	(63,725)	$	(38,422)

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

Reconciliation of effective tax rate

The provision for income taxes differs from the result that would be obtained by applying statutory income tax rates to income before income taxes. The difference results from the following:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Income before income taxes	$ 162,511	$ 190,237
Tax at Statutory income tax rate of 26.5% (2023 - 26.5%)	43,065	50,413
Increase (decrease) in income taxes resulting from:		
Utilization of losses previously not benefited	(866)	(3,872)
Changes in estimates related to prior years	510	358
Revaluations due to foreign exchange	13,408	(16,086)
Revaluations due to inflation	(5,141)	(5,601)
Tax rate differences in foreign jurisdictions	1,065	477
Non taxable portion of capital losses	74	-
Current year tax losses not benefited and withholding tax expensed	1,855	2,478
Non-deductible expenses	9,755	10,255
	$ 63,725	$ 38,422
Effective income tax rate applicable to income before income taxes	39.2%	20.2%

11. CAPITAL STOCK

Common shares outstanding:	Number	Amount
Balance as of December 31, 2022	80,387,095	$ 663,646
Exercise of stock options	25,000	358
Repurchase of common shares under normal course issuer bid	(1,619,555)	(13,370)
Balance as of September 30, 2023	78,792,540	650,634
Repurchase of common shares under normal course issuer bid	(651,100)	(5,378)
Balance as of December 31, 2023	78,141,440	645,256
Exercise of stock options	25,000	350
Repurchase of common shares under normal course issuer bid	(4,178,592)	(34,505)
Balance as of September 30, 2024	73,987,848	$ 611,101

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

Repurchase of capital stock:

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

During 2023, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,270,655 common shares for an aggregate purchase price of $29,069, resulting in a reduction to capital stock of $18,748 and a decrease to retained earnings of $10,321. The shares were purchased and cancelled directly under the NCIB.

On April 29, 2024, the Company renewed the NCIB receiving approval from the TSX to acquire for cancellation up to an additional 6,435,000 common shares of the Company. The renewed bid commenced on May 2, 2024 and spans a 12-month period.

During the nine months ended September 30, 2024, the Company purchased for cancellation an aggregate of 4,178,592 common shares for an aggregate purchase price of $50,373 resulting in a reduction to capital stock of $34,505 and a decrease to retained earnings of $15,868. The shares were purchased and cancelled directly under the NCIB.

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

Stock options

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

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,328,500	$ 13.56	2,435,000	$ 13.50
Exercised during the period	(25,000)	10.80	(25,000)	10.44
Cancelled during the period	-	-	(81,500)	12.53
Expired during the period	(58,500)	12.63	-	-
Balance, end of period	2,245,000	$ 13.62	2,328,500	$ 13.56
Options exercisable, end of period	2,045,000	$ 13.55	1,938,500	$ 13.39

The following is a summary of the issued and outstanding common share purchase options as at September 30, 2024:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$10.00 - 12.99	525,000	2014 - 2022	2024 - 2032
$13.00 - 16.99	1,720,000	2015 - 2020	2025 - 2030
Total share purchase options	2,245,000		

For the three and nine months ended September 30, 2024, the Company expensed $43 (2023 - $110) and $127 (2023 - $331), respectively, to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

Deferred Share Unit ("DSU") Plan

The following is a summary of the issued and outstanding DSUs as at September 30, 2024 and 2023:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Outstanding, beginning of period	836,505	625,148
Granted and reinvested dividends	134,977	113,999
Redeemed	-	-
Outstanding, end of period	971,482	739,147

The DSUs granted during the nine months ended September 30, 2024 and 2023 had a weighted average fair value per unit of $11.91 and $13.88, respectively, on the date of grant. For the three and nine months ended September 30, 2024, DSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $110 (2023 - $433) and $402 (2023 - $2,314), respectively, recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at September 30, 2024 was $1,371 (September 30, 2023 - $1,843 and December 31, 2023 - $1,791) and will be recognized in profit or loss over the remaining vesting period.

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

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

The following is a summary of the issued and outstanding RSUs and PSUs for the nine months ended September 30, 2024 and 2023:

	RSUs	PSUs	Total
Outstanding, December 31, 2022	558,474	478,624	1,037,098
Granted and reinvested dividends	206,030	146,488	352,518
Redeemed	-	-	-
Cancelled	-	-	-
Outstanding, September 30, 2023	764,504	625,112	1,389,616
Granted and reinvested dividends	244,101	218,352	462,453
Redeemed	(192,725)	(191,966)	(384,691)
Cancelled	(6,690)	(7,303)	(13,993)
Outstanding, December 31, 2023	809,190	644,195	1,453,385
Granted and reinvested dividends	261,306	193,303	454,609
Redeemed	-	-	-
Cancelled	(3,854)	(3,047)	(6,901)
Outstanding, September 30, 2024	1,066,642	834,451	1,901,093

The RSUs and PSUs granted during the nine months ended September 30, 2024 and 2023 had a weighted average fair value per unit of $12.15 and $15.33, respectively, on the date of grant. For the three and nine months ended September 30, 2024, RSU and PSU compensation expense reflected in the interim condensed consolidated statement of operations, including changes in fair value during the period, amounted to $2,783 (2023 - $1,861) and $5,859 (2023 - $7,191), respectively, recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at September 30, 2024 was $5,454 (September 30, 2023 - $7,342 and December 31, 2023 - $9,765) and will be recognized in profit or loss over the remaining vesting period.

The key assumptions, on a weighted average basis, used in the valuation of PSUs granted during the nine months ended September 30, 2024 and 2023 are shown in the table below:

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Expected life (years)	2.52	2.52
Risk free interest rate	4.00%	4.09%

12. EARNINGS PER SHARE

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

	Three months ended September 30, 2024		Three months ended September 30, 2023	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	74,629,233	$ 0.19	79,326,948	$ 0.68
Effect of dilutive securities:				
Stock options	1,051	-	79,730	-
Diluted	74,630,284	$ 0.19	79,406,678	$ 0.68

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	76,191,453	$ 1.30	79,932,987	$ 1.90
Effect of dilutive securities:				
Stock options	2,748	-	55,845	-
Diluted	76,194,201	$ 1.30	79,988,832	$ 1.90

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

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the three and nine months ended September 30, 2024, 2,220,000 (2023 - 1,100,000) and 1,720,000 (2023 - 1,720,000) options, respectively, were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

13. FINANCE EXPENSE AND OTHER FINANCE INCOME

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Debt interest, gross	$ (19,507)	$ (22,568)	$ (60,788)	$ (65,021)
Interest on lease liabilities	(2,782)	(2,849)	(8,323)	(8,367)
Capitalized interest - at an average rate of 7.1%, 7.3% (2023 - 7.4%, 7.1%)	3,449	4,041	10,610	13,280
Finance expense	$ (18,840)	$ (21,376)	$ (58,501)	$ (60,108)

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net foreign exchange gain	$ 1,298	$ 7,134	$ 8,079	$ 6,498
Other income (expense), net	(214)	284	61	576
Other finance income	$ 1,084	$ 7,418	$ 8,140	$ 7,074

14. OPERATING SEGMENTS

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

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

The accounting policies of the segments are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2023. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Three months ended September 30, 2024			
	Production Sales	Tooling Sales	Total Sales	Operating Income (Loss)
North America				
Canada	$ 114,672	$ 43,541	$ 158,213	
USA	365,254	4,683	369,937	
Mexico	469,581	51,022	520,603	
Eliminations	(42,495)	(46,002)	(88,497)	
	$ 907,012	$ 53,244	$ 960,256	$ 65,273
Europe				
Germany	161,888	15,834	177,722	
Spain	58,601	1,073	59,674	
Slovakia	12,671	576	13,247	
Eliminations	-	(144)	(144)	
	$ 233,160	$ 17,339	$ 250,499	$ 625
Rest of the World	31,944	1,694	33,638	(19)
Eliminations	(4,837)	(2,063)	(6,900)	-
	$ 1,167,279	$ 70,214	$ 1,237,493	$ 65,879

	Three months ended September 30, 2023			
	Production Sales	Tooling Sales	Total Sales	Operating Income
North America				
Canada	$ 174,131	$ 45,673	$ 219,804	
USA	379,534	14,021	393,555	
Mexico	445,694	79,842	525,536	
Eliminations	(57,837)	(38,840)	(96,677)	
	$ 941,522	$ 100,696	$ 1,042,218	$ 68,076
Europe				
Germany	216,424	22,113	238,537	
Spain	50,363	4,338	54,701	
Slovakia	10,164	209	10,373	
Eliminations	(941)	(525)	(1,466)	
	$ 276,010	$ 26,135	$ 302,145	$ 10,193
Rest of the World	38,908	3,736	42,644	4,746
Eliminations	(6,063)	(2,006)	(8,069)	-
	$ 1,250,377	$ 128,561	$ 1,378,938	$ 83,015

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

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

	Nine months ended September 30, 2024			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income (Loss)**
North America				
Canada	$ 406,420	$ 64,954	$ 471,374	
USA	1,150,464	11,171	1,161,635	
Mexico	1,414,396	76,552	1,490,948	
Eliminations	(149,041)	(66,138)	(215,179)	
	$ 2,822,239	$ 86,539	$ 2,908,778	$ 195,007
Europe				
Germany	571,636	72,225	643,861	
Spain	180,034	9,528	189,562	
Slovakia	39,519	1,643	41,162	
Eliminations	(380)	(2,736)	(3,116)	
	$ 790,809	$ 80,660	$ 871,469	$ 20,566
Rest of the World	91,173	11,427	102,600	(554)
Eliminations	(15,743)	(3,905)	(19,648)	-
	$ 3,688,478	$ 174,721	$ 3,863,199	$ 215,019

	Nine months ended September 30, 2023			
	Production Sales	**Tooling Sales**	**Total Sales**	**Operating Income**
North America				
Canada	$ 548,232	$ 155,056	$ 703,288	
USA	1,112,544	58,827	1,171,371	
Mexico	1,343,659	150,036	1,493,695	
Eliminations	(181,876)	(123,201)	(305,077)	
	$ 2,822,559	$ 240,718	$ 3,063,277	$ 222,979
Europe				
Germany	660,138	52,257	712,395	
Spain	142,980	6,244	149,224	
Slovakia	33,452	1,797	35,249	
Eliminations	(2,598)	(632)	(3,230)	
	$ 833,972	$ 59,666	$ 893,638	$ 10,712
Rest of the World	105,696	7,396	113,092	6,937
Eliminations	(21,191)	(4,934)	(26,125)	-
	$ 3,741,036	$ 302,846	$ 4,043,882	$ 240,628

15. FINANCIAL INSTRUMENTS

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

Fair Value

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.

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

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

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

	September 30, 2024			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 177,267	$ 177,267	$ -	$ -
Investment in common shares of AlumaPower (note 6)	4,036	-	-	4,036
Investment in common shares of Equispheres (note 6)	9,030	-	-	9,030
Foreign exchange forward contracts not accounted for as hedges (note 2)	913	-	913	-

	December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 186,804	$ 186,804	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 6)	4,036	-	-	4,036
Investment in convertible debentures of Equispheres (note 6)	1,000	-	-	1,000
Foreign exchange forward contracts not accounted for as hedges (note 2)	3,937	-	3,937	-

Fair values versus carrying amounts

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

September 30, 2024	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Financial assets at amortized cost**	**Amortized cost**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 800,099	$ -	$ 800,099	$ 800,099
Investment in common shares of AlumaPower	-	4,036	-	-	4,036	4,036
Investment in common shares of Equispheres	-	9,030	-	-	9,030	9,030
Foreign exchange forward contracts not accounted for as hedges	913	-	-	-	913	913
	$ 913	$ 13,066	$ 800,099	$ -	$ 814,078	$ 814,078
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,185,482)	(1,185,482)	(1,185,482)
Long-term debt	-	-	-	(997,353)	(997,353)	(997,353)
	$ -	$ -	$ -	$ (2,182,835)	$ (2,182,835)	$ (2,182,835)
Net financial assets (liabilities)	$ 913	$ 13,066	$ 800,099	$ (2,182,835)	$ (1,368,757)	$ (1,368,757)

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

December 31, 2023	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:						
Trade and other receivables	$ -	$ -	$ 691,882	$ -	$ 691,882	$ 691,882
Investment in common shares and convertible debentures of AlumaPower	-	2,671	-	1,365	4,036	4,036
Investment in convertible debentures of Equispheres	-	-	-	1,000	1,000	1,000
Foreign exchange forward contracts not accounted for as hedges	3,937	-	-	-	3,937	3,937
	$ 3,937	$ 2,671	$ 691,882	$ 2,365	$ 700,855	$ 700,855
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,176,579)	(1,176,579)	(1,176,579)
Long-term debt	-	-	-	(969,236)	(969,236)	(969,236)
	$ -	$ -	$ -	$ (2,145,815)	$ (2,145,815)	$ (2,145,815)
Net financial assets (liabilities)	$ 3,937	$ 2,671	$ 691,882	$ (2,143,450)	$ (1,444,960)	$ (1,444,960)

The fair values of trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying amount since it is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based.

Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

(a) Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 28.2%, 21.9%, and 11.3% of its production sales for the nine months ended September 30, 2024 (2023 - 26.0%, 20.3%, and 15.5%). A substantial portion of the Company's trade receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of trade receivables that were past due as at September 30, 2024 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 1.0% of total trade receivables for all periods and movements in the period were minimal.

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

	September 30, 2024	December 31, 2023
0-60 days	$ 752,258	$ 633,984
61-90 days	1,898	2,158
Greater than 90 days	4,207	7,817
	$ 758,363	$ 643,959

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12-week period, quarterly through forecasting and annually through the Company's budget process. At September 30, 2024, the Company had cash of $177,267 (December 31, 2023 - $186,804) and banking facilities available as discussed in note 8. All of the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

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

(c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, SOFR or the CORRA rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount	
	September 30, 2024	**December 31, 2023**
Variable rate instruments	$ 975,949	$ 938,129
Fixed rate instruments	21,404	31,107
	$ 997,353	$ 969,236

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $2,526 (2023 - $2,655) on the Company's interim condensed consolidated financial results for the three months ended September 30, 2024 and $7,583 (2023 - $8,061) for the nine months ended September 30, 2024.

(d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At September 30, 2024, the Company had committed to the following foreign exchange contracts:

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

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	$ 70,110	$ 19.9687	1

The aggregate value of these forward contracts as at September 30, 2024 was a pre-tax gain of $913 and was recorded in trade and other receivables (December 31, 2023 - pre-tax gain of $3,937 recorded in trade and other receivables).

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

September 30, 2024	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 422,771	€ 108,350	$ 102,817	R$ 36,886	¥ 102,934
Trade and other payables	(509,814)	(179,863)	(936,305)	(68,254)	(84,287)
Long-term debt	(421,000)	(6,426)	-	-	-
	$ (508,043)	€ (77,939)	$ (833,488)	R$ (31,368)	¥ 18,647

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

December 31, 2023	USD	EURO	PESO	BRL	CNY
Trade and other receivables	$ 355,463	€ 95,758	$ 94,082	R$ 34,796	¥ 104,647
Trade and other payables	(491,150)	(215,929)	(570,269)	(71,276)	(111,242)
Long-term debt	(401,000)	(9,842)	-	-	-
	$ (536,687)	€ (130,013)	$ (476,187)	R$ (36,480)	¥ (6,595)

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

	Average rate		Average rate		Closing rate	
	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023	September 30, 2024	December 31, 2023
USD	1.3704	1.3342	1.3592	1.3460	1.3516	1.3204
EURO	1.4885	1.4570	1.4743	1.4553	1.5091	1.4598
PESO	0.0749	0.0780	0.0781	0.0746	0.0686	0.0781
BRL	0.2502	0.2746	0.2641	0.2668	0.2487	0.2729
CNY	0.1896	0.1856	0.1886	0.1923	0.1927	0.1859

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at September 30 would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the three and nine months ended September 30, 2024 and 2023 by the amounts shown below, assuming all other variables remain constant:

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
USD	$ (3,617)	$ (4,883)	$ (12,574)	$ (16,332)
EURO	101	(961)	(1,231)	(771)
BRL	141	70	308	(51)
CNY	(154)	251	(50)	298
	$ (3,529)	$ (5,523)	$ (13,547)	$ (16,856)

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

(e) Capital risk management

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

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

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

16. CONTINGENCIES

Contingencies

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

Tax contingencies

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

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical VAT credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately $40,866 (BRL $164,301) including interest and penalties to September 30, 2024 (December 31, 2023 - $42,539 or BRL $155,897). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against the assessments. The amounts of certain assessments have decreased due to successful challenges by the Company's subsidiary at preliminary stages of the proceedings. The assessments are at various stages in the process. Three assessments totaling $24,233 (BRL $97,428) including interest and penalties as at September 30, 2024 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to $23,056 (BRL $92,695) shortly through a pledge of assets, bank letter of credit or cash deposit. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

The Company's subsidiary in Queretaro, Mexico, Martinrea Honsel Mexico, S.A. de C.V., is currently being assessed by the Mexican Federal Tax Authorities for tax deductions taken mainly in respect of certain intra-company transactions. The potential exposure under these assessments for the years 2023 and 2015, based on the notices issued by the tax authorities, is approximately $82,155 (MXN $1,197,888) including interest and penalties to September 30, 2024 (December 31, 2023 - $91,423 or MXN $1,170,668). In September 2024, the Company received an assessment for the year 2016. The potential exposure under this assessment, based on the notices issued by the tax authorities, is approximately $52,908 (MXN $771,446). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against such assessments. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

The Company's subsidiary in Meschede, Germany, Martinrea Honsel Germany GmbH, is currently being assessed by the German Federal and State Tax Authorities for tax deductions taken mainly in respect of certain intra-company transactions for the years 2014 to 2016. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $30,154 (EURO €19,982) including interest and penalties to September 30, 2024. The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will continue to vigorously defend against such assessments. A small provision related to this matter in the amount of $450 has been recorded, which the Company believes is adequate for all open tax years based on its assessment of many factors, including interpretations of international tax laws and prior experience.

17. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's interim condensed consolidated balance sheet unless the sale on the corresponding tooling project has been recognized, at which point a tooling trade payable on the project is recorded. At September 30, 2024, the amount of the off-balance sheet program financing was $22,020 (December 31, 2023 - $16,457) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2023 or 2024. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically range up to twenty-four months.

18. SUBSEQUENT EVENT

On October 24, 2024, the Company entered into a two-year long-term supply agreement with a key supplier in Europe. Also, on October 24, 2024, the Company entered into an arrangement to acquire the key supplier at a date subsequent to January 1, 2027 subject to certain criteria being met. The Company is currently assessing the accounting impact of these transactions.