MARTINREA INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Martinrea International Inc.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2023 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, multiple times a year to review, among other matters, accounting policies, any observations relating to internal controls over the financial reporting process that may be identified during the audit, as influenced by the nature, timing and extent of audit procedures performed, annual consolidated financial statements, the results of the external audit and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2023. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) *"Pat D'Eramo"*

Pat D'Eramo

Chief Executive Officer

(Signed) *"Fred Di Tosto"*

Fred Di Tosto

President & Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Martinrea International Inc.

Opinion

We have audited the consolidated financial statements of Martinrea International Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2023 and December 31, 2022
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we

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have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Existence and accuracy of tooling work in progress inventory

Description of the matter

We draw attention to Notes 1(c), 2(f) and 4 of the financial statements. The Entity enters into tooling contracts, where tooling work in progress inventory that is internally developed includes directly attributable labour as well as overhead. The tooling work in progress and other inventory balance was $191,560 thousand. The Entity uses judgment in determining the appropriateness of costs included in tooling work in progress inventory.

Why the matter is a key audit matter

We identified the existence and accuracy of tooling work in progress inventory as a key audit matter. This matter represented an area of higher assessed risk of material misstatement requiring significant judgment related to the nature and amounts of costs capitalized. As a result, significant auditor judgment was required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- For a sample of tooling contracts with work in progress inventory, we:
  - Compared the costs capitalized to supplier invoices or internal records, as applicable
  - Evaluated the appropriateness of the amounts capitalized for labour and overhead cost by comparing the underlying inputs to vendor invoices or payroll records

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in the Report to Shareholders filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and Report to Shareholders filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is David Brendan Power.

Vaughan, Canada

February 29, 2024

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents		$ 186,804	$ 161,655
Trade and other receivables	3	695,819	789,931
Inventories	4	568,274	665,316
Prepaid expenses and deposits		33,904	36,237
Income taxes recoverable		11,089	6,454
TOTAL CURRENT ASSETS		1,495,890	1,659,593
Property, plant and equipment	5	1,943,771	1,948,773
Right-of-use assets	6	238,552	254,065
Deferred tax assets	15	192,301	166,680
Intangible assets	7	42,743	45,916
Investments	8	60,170	55,858
Pension assets	14	16,303	12,234
TOTAL NON-CURRENT ASSETS		2,493,840	2,483,526
TOTAL ASSETS		$ 3,989,730	$ 4,143,119
LIABILITIES			
Trade and other payables	10	$ 1,176,579	$ 1,315,380
Provisions	11	29,892	7,906
Income taxes payable		25,017	39,216
Current portion of long-term debt	12	12,778	16,198
Current portion of lease liabilities	13	48,507	43,665
TOTAL CURRENT LIABILITIES		1,292,773	1,422,365
Long-term debt	12	956,458	1,054,170
Lease liabilities	13	210,469	229,455
Pension and other post-retirement benefits	14	37,261	41,912
Deferred tax liabilities	15	27,588	18,312
TOTAL NON-CURRENT LIABILITIES		1,231,776	1,343,849
TOTAL LIABILITIES		2,524,549	2,766,214
EQUITY			
Capital stock	16	645,256	663,646
Contributed surplus		45,903	45,558
Accumulated other comprehensive income		95,753	124,065
Retained earnings		678,269	543,636
TOTAL EQUITY		1,465,181	1,376,905
TOTAL LIABILITIES AND EQUITY		$ 3,989,730	$ 4,143,119

Commitments and contingencies (note 23)
Subsequent event (note 12)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer"	Director
"Terry Lyons"	Director

Martinrea International Inc.

Consolidated Statements of Operations

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

	Note	Year ended December 31, 2023	Year ended December 31, 2022
SALES		$ 5,340,003	$ 4,757,588
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(4,372,174)	(3,939,565)
Depreciation of property, plant and equipment and right-of-use assets (production)		(292,432)	(258,760)
Total cost of sales		(4,664,606)	(4,198,325)
GROSS MARGIN		675,397	559,263
Research and development costs	18	(38,011)	(36,918)
Selling, general and administrative		(323,438)	(276,146)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(17,712)	(15,947)
Gain (loss) on disposal of property, plant and equipment		1,039	(133)
Restructuring costs	11	(27,266)	(7,846)
Impairment of assets	9	(895)	(4,494)
OPERATING INCOME		269,114	217,779
Share of loss of equity investments	8	(3,560)	(5,074)
Net gain on disposal of equity investments	8	5,273	-
Gain on dilution of equity investments	8	-	4,050
Finance expense	20	(80,323)	(51,837)
Other finance income	20	6,653	9,127
INCOME BEFORE INCOME TAXES		197,157	174,045
Income tax expense	15	(43,492)	(41,207)
NET INCOME FOR THE PERIOD		$ 153,665	$ 132,838
Basic earnings per share	17	$ 1.93	$ 1.65
Diluted earnings per share	17	$ 1.93	$ 1.65

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2023	Year ended December 31, 2022
NET INCOME FOR THE PERIOD	$ 153,665	$ 132,838
Other comprehensive income (loss), net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	(28,294)	72,818
Items that will not be reclassified to net income		
Share of other comprehensive income (loss) of equity investments (note 8)	(18)	40
Remeasurement of defined benefit plans	7,135	16,566
Other comprehensive income (loss), net of tax	(21,177)	89,424
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 132,488	$ 222,262

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2021	$ 663,415	$ 44,845	$ 51,207	$ 410,308	$ 1,169,775
Net income for the period	-	-	-	132,838	132,838
Compensation expense related to stock options	-	773	-	-	773
Dividends ($0.20 per share)	-	-	-	(16,076)	(16,076)
Exercise of employee stock options	231	(60)	-	-	171
Other comprehensive income net of tax					
Remeasurement of defined benefit plans	-	-	-	16,566	16,566
Foreign currency translation differences	-	-	72,818	-	72,818
Share of other comprehensive income of equity investments	-	-	40	-	40
BALANCE AT DECEMBER 31, 2022	663,646	45,558	124,065	543,636	1,376,905
Net income for the period	-	-	-	153,665	153,665
Compensation expense related to stock options	-	442	-	-	442
Dividends ($0.20 per share)	-	-	-	(15,846)	(15,846)
Exercise of employee stock options	358	(97)	-	-	261
Repurchase of common shares (note 16)	(18,748)	-	-	(10,321)	(29,069)
Other comprehensive income (loss) net of tax					
Remeasurement of defined benefit plans	-	-	-	7,135	7,135
Foreign currency translation differences	-	-	(28,294)	-	(28,294)
Share of other comprehensive loss of equity investments	-	-	(18)	-	(18)
BALANCE AT DECEMBER 31, 2023	$ 645,256	$ 45,903	$ 95,753	$ 678,269	$ 1,465,181

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

		Year ended December 31, 2023		Year ended December 31, 2022
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES:				
Net income for the period	$	153,665	$	132,838
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets		310,144		274,707
Amortization of development costs		10,298		10,929
Impairment of assets (note 9)		895		4,494
Unrealized gain on foreign exchange forward contracts		(3,937)		(2,114)
Finance expense (note 20)		80,323		51,837
Income tax expense (note 15)		43,492		41,207
Loss (gain) on disposal of property, plant and equipment		(1,039)		133
Deferred and restricted share units expense (note 16)		14,060		7,072
Stock options expense (note 16)		442		773
Share of loss of equity investments (note 8)		3,560		5,074
Net gain on disposal of equity investments (note 8)		(5,273)		-
Gain on dilution of equity investments (note 8)		-		(4,050)
Pension and other post-retirement benefits expense (note 14)		3,217		3,452
Contributions made to pension and other post-retirement benefits (note 14)		(1,990)		(2,633)
		607,857		523,719
Changes in non-cash working capital items:				
Trade and other receivables		89,896		(116,069)
Inventories		89,040		(45,009)
Prepaid expenses and deposits		2,019		(11,167)
Trade, other payables and provisions		(99,296)		172,100
		689,516		523,574
Interest paid		(96,184)		(63,327)
Income taxes paid		(82,240)		(22,468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	511,092	$	437,779
FINANCING ACTIVITIES:				
Increase (decrease) in long-term debt (net of deferred financing fees)		(71,647)		37,493
Equipment loan repayments		(17,104)		(22,137)
Principal payments of lease liabilities		(47,204)		(41,174)
Dividends paid		(15,958)		(16,075)
Exercise of employee stock options		261		171
Repurchase of common shares		(29,069)		-
NET CASH USED IN FINANCING ACTIVITIES	$	(180,721)	$	(41,722)
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (excluding capitalized interest)*		(295,286)		(376,439)
Capitalized development costs		(8,235)		(7,376)
Increase in investments (note 8)		(2,617)		(1,500)
Proceeds on disposal of property, plant and equipment		2,383		3,364
Upfront recovery of development cost incurred		-		682
NET CASH USED IN INVESTING ACTIVITIES	$	(303,755)	$	(381,269)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,467)		(6,424)
INCREASE IN CASH AND CASH EQUIVALENTS		25,149		8,364
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		161,655		153,291
CASH AND CASH EQUIVALENTS, END OF PERIOD	$	186,804	$	161,655

*As at December 31, 2023, $75,800 (December 31, 2022 - $94,754) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables.

See accompanying notes to the 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 consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2023 were approved by the Board of Directors on February 29, 2024.

(b) Presentation currency

These 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.

(c) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, sales and expenses and the related disclosures with respect to contingent assets and liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (assumptions made are disclosed in individual notes throughout the financial statements where relevant):

- Estimates of the economic life of property, plant and equipment and intangible assets;
- Estimates involved in the measurement of lease liabilities and associated right-of-use-assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs. These estimates may include discount rates and long-term growth rates;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and the Company's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and service costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately-priced tooling contracts. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work

under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecast loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes; and

- Estimates used in determining the fair value of stock option and performance share unit grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options/units granted, where relevant.

Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (judgments made are disclosed in individual notes throughout the financial statements where relevant):

- Accounting for provisions including assessments of possible legal and tax contingencies, and restructuring. Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgment is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Judgments in determining the appropriateness of costs included in tooling work in progress inventory;
- Judgments in determining the timing of revenue recognition for tooling sales;
- Judgments in determining whether sales contracts contain material rights; and
- The determination of the Company's cash generating units ("CGU") for impairment testing.

The decisions made by the Company in each instance are set out under the various accounting policies in these notes.

2. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Each subsidiary of the Company maintains its accounting records in its functional currency. A subsidiary's functional currency is the currency of the principal economic environment in which it operates.

(i) Foreign currency transactions

Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

(ii) Translation of financial statements of foreign operations

The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the Canadian dollar are translated to Canadian dollars at the exchange rate prevailing on the date of transaction.

Foreign currency differences on translation are recognized in other comprehensive income (loss) in the cumulative translation account net of income tax.

(c) Financial instruments

(i) Financial assets and liabilities

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

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

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

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

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

(ii) Impairment of financial assets

A forward-looking “expected credit loss” (ECL) model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company’s allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer’s credit-worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

(iii) Derivative financial instruments not accounted for as hedges

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

(iv) Hedge accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

Net investment hedges
The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

The change in fair value of the hedging US debt is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts will be recognized in profit or loss as and when the corresponding accumulated other comprehensive income (loss) from the hedged foreign operations is recognized in profit or loss. The Company has not identified any ineffectiveness in these hedge relationships as at December 31, 2023.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of material and labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either a) not sold to the customer, or b) paid for by the customer on delivery of each part, without the customer guaranteeing full financing of the costs incurred. In accordance with IAS 16, Property, plant and equipment, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within profit or loss.

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment as part of the cost of that asset. Capitalized borrowing costs are amortized over the useful life of the related asset.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

(iii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful life of each item of property, plant and equipment, since this period most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is recorded on the following bases and at the following rates:

	Basis	**Rate**
Buildings	Declining balance	4%
Leasehold improvements	Straight-line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight line	7% to 20%
Tooling and fixtures	Straight-line	Lesser of estimated useful life and life of program
Other	Declining balance and straight line	20% to 30%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

(e) Intangible assets

The Company's intangible assets are composed of development costs.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if:

- the development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- the future economic benefits are probable; and
- the Company intends and has sufficient resources to complete the development of and to use or sell the asset.

Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in research and development costs in the consolidated statement of operations.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

(f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, including depreciation, based on normal operating capacity. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Impairment losses are recognized on the basis of net realizable value.

(g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located.

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

Short-term and low-value leases
The Company has elected to not recognize right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than US$5,000). The expenses associated with such leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term.

Variable lease payments
Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the consolidated statement of operations in the period in which they are incurred.

(h) Investments in Associates

Associates are entities over which the Company has significant influence, but not control, on financial and operating policy decisions. Significant influence is assumed when the Company holds 20% to 50% of the voting power of the investee, unless qualitative factors overcome this presumption. Similarly, significant influence is presumed not to exist when the Company holds less than 20% of the voting power of the investee, unless qualitative factors overcome this presumption.

Interests in associates are accounted for using the equity method. The investment is initially recognized at cost. The carrying amount is subsequently increased or decreased to recognize the Company's share of profits or losses of the equity-accounted investees after the date of acquisition or when significant influence begins. The Company's share of profits or losses is recognized in the consolidated statement of operations, and its share of other comprehensive income or loss is included in other comprehensive income (loss).

Unrealized gains on transactions between the Company and its equity-accounted investees are eliminated to the extent of the Company's interest in the investee. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in the level of the Company's equity interest in an equity-accounted investee are recognized in the consolidated statement of operations. Where an equity-accounted investee increases its equity through share issuances, the Company records its share of such increase in its investments of the investee on the consolidated balance sheet.

The amounts included in the financial statements of the investees are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the investee is written down to its estimated recoverable amount and charged to the consolidated statement of operations.

The Company has an equity interest in one associate as further described in note 8.

(i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units).

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Pensions and other post-retirement benefits

The Company's liability for pensions and other post-retirement benefits is based on valuations performed by independent actuaries using the projected unit credit method. These valuations incorporate both financial assumptions (discount rate, and changes in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

The liability for pensions and other post-retirement benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately through other comprehensive income (loss) and transferred directly to retained earnings. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss.

(k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.

When the effect of the time value of money is material, the amount of the provision is discounted using a rate that reflects the market's current assessment of this value and the risks specific to the liability concerned. The increase in the provision related to the passage of time is recognized through profit and loss in other finance income (expense).

(l) Revenue recognition

The Company recognizes sales from two categories of goods: production (including finished production parts, assemblies and modules), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

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

Revenue and cost of sales from tooling contracts are presented on a gross basis in the consolidated statements of operations. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. Judgment is required in determining the appropriateness of costs included in tooling work in progress inventory. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost overruns, non-reimbursable costs, change orders and potential price changes.

(m) Finance expense

Finance expense is comprised of interest expense on long-term debt and lease liabilities and amortization of deferred financing costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(n) Other finance income (expense)

Other finance income (expense) comprises interest income on funds invested, changes in the fair value of derivative financial instruments not accounted for as hedges and foreign exchange gains and losses reported on a net basis. Interest income (expense) is recognized as it accrues in profit or loss, using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Guarantees

A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are remeasured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* ("IAS 37") and (ii) the amount initially recognized less cumulative amortization.

(q) Stock-based payments

The Company accounts for all stock-based payments to employees and non-employees using the fair value-based method of accounting. The Company measures the compensation cost of stock-based option awards at the grant date using the Black-Scholes-Merton option valuation model to determine the fair value of the options. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options.

(r) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(t) Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. DSU Plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date.

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in profit or loss.

(u) Performance and Restricted Share Unit Plan

On November 3, 2016, as subsequently amended, a Performance and Restricted Share Unit Plan (the "PRSU Plan") was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan) for cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in profit or loss.

(v) Recently adopted accounting standards and policies

Amendments to IAS 8, Definition of Accounting Estimates

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Company adopted the amendments to IAS 8 effective January 1, 2023. The adoption of amendments to IAS 8 did not have a material impact on the consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments help companies provide useful accounting policy disclosures by requiring companies to disclose their material accounting policies rather than their significant accounting policies.

The Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 effective January 1, 2023. The adoption of amendments to IAS 1 and IFRS Practice Statement 2 are reflected in note 2 to the consolidated financial statements.

Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

On May 23, 2023, the IASB issued International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform.

The amendments include:

- a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation; and
- targeted disclosure requirements to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

The accounting exemption is to be applied immediately after publication of the amendment. The disclosures relating to the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before December 31, 2023.

The Company adopted the amendments to IAS 12 effective May 23, 2023. The adoption of amendments to IAS 12 did not have material impact on the consolidated financial statements.

(w) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

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 amendments are effective for annual periods beginning on or after January 1, 2024. The adoption of amendments to IFRS 16 is not expected to have a material impact on the consolidated financial statements.

<u>*Amendments to IAS 1, Non-current Liabilities with Covenants*</u>

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 amendments are effective for annual periods beginning on or after January 1, 2024. The adoption of amendments to IAS 1 is not expected to have a material impact on the consolidated financial statements.

3. TRADE AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Trade receivables	$ 643,959	$ 737,199
Other receivables	47,923	50,618
Foreign exchange forward contracts not accounted for as hedges (note 22(d))	3,937	2,114
	$ 695,819	$ 789,931

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 22.

4. INVENTORIES

	December 31, 2023	December 31, 2022
Raw materials	$ 256,038	$ 269,549
Work in progress	69,474	83,119
Finished goods	51,202	54,844
Tooling work in progress and other inventory	191,560	257,804
	$ 568,274	$ 665,316

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2023			December 31, 2022		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 240,789	$ (47,664)	$ 193,125	$ 215,066	$ (41,633)	$ 173,433
Leasehold improvements	86,038	(58,881)	27,157	85,745	(55,540)	30,205
Manufacturing equipment	3,131,621	(1,751,642)	1,379,979	2,862,421	(1,552,194)	1,310,227
Tooling and fixtures	38,627	(34,302)	4,325	39,590	(34,445)	5,145
Other assets	87,808	(59,052)	28,756	84,321	(53,646)	30,675
Construction in progress	310,429	-	310,429	399,088	-	399,088
	$ 3,895,312	$ (1,951,541)	$ 1,943,771	$ 3,686,231	$ (1,737,458)	$ 1,948,773

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, 2021	$	146,114	$	24,609	$	1,223,955	$	3,425	$	28,763	$	301,048	$	1,727,914
Additions		151		-		2,836		13		2,139		364,147		369,286
Disposals		-		-		(2,700)		(7)		(7)		(783)		(3,497)
Depreciation		(5,943)		(3,703)		(213,563)		(604)		(9,039)		-		(232,852)
Impairment (note 9)		-		-		(2,577)		-		(86)		(45)		(2,708)
Transfers from construction in progress		23,871		8,663		241,852		1,955		8,011		(284,352)		-
Foreign currency translation adjustment		9,240		636		60,424		363		894		19,073		90,630
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 (note 9)		-		-		(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

6. RIGHT-OF-USE ASSETS

	December 31, 2023						December 31, 2022					
		Cost		Accumulated amortization and impairment losses		Net book value		Cost		Accumulated amortization and impairment losses		Net book value
Leased buildings	$	316,314	$	(141,483)	$	174,831	$	297,448	$	(112,167)	$	185,281
Leased manufacturing equipment		107,162		(44,985)		62,177		97,140		(29,820)		67,320
Leased other assets		5,364		(3,820)		1,544		4,484		(3,020)		1,464
	$	428,840	$	(190,288)	$	238,552	$	399,072	$	(145,007)	$	254,065

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

		Leased buildings		Leased manufacturing equipment		Leased other assets		Total
Net as of December 31, 2021	$	167,632	$	53,846	$	1,456	$	222,934
Additions		18,263		22,964		705		41,932
Lease modifications		20,846		(40)		-		20,806
Depreciation		(27,516)		(13,603)		(736)		(41,855)
Impairment (note 9)		(834)		-		-		(834)
Foreign currency translation adjustment		6,890		4,153		39		11,082
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

7. INTANGIBLE ASSETS

	December 31, 2023			December 31, 2022		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Development costs	$ 140,174	$ (97,431)	$ 42,743	$ 151,229	$ (105,313)	$ 45,916

Movement in intangible assets is summarized as follows:

	Development costs
Net as of December 31, 2021	$ 47,809
Additions	7,376
Upfront recovery of development costs incurred	(682)
Amortization	(10,929)
Foreign currency translation adjustment	2,342
Net as of December 31, 2022	45,916
Additions	8,235
Amortization	(10,298)
Foreign currency translation adjustment	(1,110)
Net as of December 31, 2023	$ 42,743

8. INVESTMENTS

	December 31, 2023	December 31, 2022
Investment in common shares of NanoXplore Inc.	$ 54,384	$ 48,749
Investment in common shares and convertible debentures of AlumaPower Corp.	4,036	2,669
Investment in convertible debentures of Equispheres Inc.	1,000	-
Other	750	500
Investments in common shares of VoltaXplore Inc.	-	3,940
	$ 60,170	$ 55,858

As at December 31, 2023, the Company held 38,466,360 common shares of NanoXplore Inc. ("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 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 $30,001. 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 $4,050 during the first quarter of 2022.

As a result of stock option exercises within NanoXplore, the Company's net ownership interest decreased slightly to 21.1% from 21.2% during the fourth quarter of 2022.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore Inc. ("VoltaXplore"), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested $4,036 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 $1,000 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 $10,000. 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 $10,000 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 December 31, 2023, the Company held 19,912 of class A shares, 14,952 of class C shares, and $1,365 (US $1,066) of convertible debentures of AlumaPower, including the acquisition of an additional 4,960 class A shares for $1,367 pursuant to a private placement offering on October 31, 2023, 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 Inc. ("Equispheres") in the amount of $1,000. 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 (loss), 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		(2,799)		(761)
Share of other comprehensive loss for the period		(18)		-
Disposal		-		(3,179)
Net as of December 31, 2023	$	54,384	$	-

As at December 31, 2023, the stock market value of the shares held in NanoXplore by the Company was $93,473.

9. IMPAIRMENT OF ASSETS

During the fourth quarter of 2023, the Company recorded impairment charges on property, plant and equipment and inventories totaling $895 related to the closure of an operating facility in Canada, included in the North America operating segment. The impairment charges resulted from the end of production of certain OEM light vehicle platforms which led to the decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

During the third quarter of 2022, the Company recorded impairment charges on property, plant, equipment, right-of-use assets, and inventories totaling $4,494 representing a writedown of the total assets of a 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.

10. TRADE AND OTHER PAYABLES

	December 31, 2023	December 31, 2022
Trade accounts payable and accrued liabilities	$ 1,176,579	$ 1,315,380

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

Included in trade accounts payable and accrued liabilities are contract liabilities related to advance consideration received from customers for tooling contracts. During the year ended December 31, 2023, the Company recognized $143,468 (2022 - $132,650) of revenues that were included in contract liabilities at the beginning of the period.

11. PROVISIONS

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2021	$ 3,185	$ 3,087	$ 6,272
Net additions	7,846	1,410	9,256
Amounts used during the period	(6,648)	(1,338)	(7,986)
Foreign currency translation adjustment	(3)	367	364
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

(a) Restructuring

Additions to the restructuring provision in 2023 totaled $27,266 and represent employee-related severance resulting from the rightsizing of operations in Germany, due to lower than expected OEM production volumes, and the closure of an operating facility in Canada, resulting from the end of production of certain OEM light vehicle platforms.

Additions to the restructuring provision in 2022 totaled $7,846 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 before the end of their expected life cycles.

(b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, customers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

12. 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 22.

	December 31, 2023	December 31, 2022
Banking facility	$ 938,129	$ 1,022,169
Equipment loans	31,107	48,199
	969,236	1,070,368
Current portion	(12,778)	(16,198)
	$ 956,458	$ 1,054,170

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

	Currency	Nominal interest rate	Year of maturity	December 31, 2023 Carrying amount	December 31, 2022 Carrying amount
Banking facility	USD	SOFR + 1.70%	2025	$ 529,496	$ 644,558
	CAD	BA + 1.70%	2025	408,633	377,611
Equipment loans	CAD	2.54%	2026	14,142	19,044
	EUR	1.40%	2026	5,677	8,284
	EUR	2.46%	2026	5,818	8,043
	EUR	1.05%	2024	1,930	7,624
	CAD	5.22%	2025	2,598	4,220
	EUR	0.00%	2028	870	864
	EUR	0.26%	2025	72	120
				$ 969,236	$ 1,070,368

Subsequent to December 31, 2023, 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;
- 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 facilities, similar to the previous facility.

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 December 31, 2023, the Company had drawn US $401,000 (December 31, 2022 - US $476,000) on the U.S. revolving credit line and $410,000 (December 31, 2022 - $380,000) on the Canadian revolving credit line. At December 31, 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 December 31, 2023.

Deferred financing fees of $1,367 (December 31, 2022 - $2,389) have been netted against the carrying amount of the long-term debt.

On June 27, 2022, the Company finalized a three-year equipment loan in the amount of $5,000 repayable in monthly installments commencing in 2022 at a fixed annual interest rate of 5.22%.

Future annual minimum principal repayments as at December 31, 2023, before the extension of the Company's banking facility noted above, are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	$ 13,800	$ (1,022)	$ 12,778
One to two years	951,057	(345)	950,712
Two to three years	5,264	-	5,264
Three to four years	193	-	193
Thereafter	289	-	289
	$ 970,603	$ (1,367)	$ 969,236

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2021	$ 1,010,990
Net drawdowns	32,126
Equipment loan proceeds	5,367
Equipment loan repayments	(22,137)
Amortization of deferred financing fees	1,559
Foreign currency translation adjustment	42,463
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

13. 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, 2021	$ 239,777
Net additions	41,932
Lease modifications	20,806
Principal payments of lease liabilities	(41,174)
Foreign currency translation adjustment	11,779
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

The maturity of contractual undiscounted lease liabilities as at December 31, 2023 is as follows:

		Total
Within one year	$	58,840
One to two years		55,110
Two to three years		50,192
Three to four years		44,406
Thereafter		90,193
Total undiscounted lease liabilities at December 31, 2023	$	298,741
Interest on lease liabilities		(39,765)
Total present value of minimum lease payments	$	258,976
Current portion		(48,507)
	$	210,469

14. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Company has defined benefit and non-pension post-retirement benefit plans in Canada, the United States and Germany. The defined benefit plans provide pensions based on years of service, years of contributions and earnings. The post-retirement benefit plans provide for the reimbursement of certain medical costs.

The plans are governed by the pension laws of the jurisdiction in which they are registered. The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. Local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

The assets of the defined benefit pension plans are held in segregated accounts isolated from the Company's assets. The plans are administered pursuant to applicable regulations, investment policies and procedures and to the mandate of an established pension committee. The pension committee oversees the administration of the pension plans, which include the following principal areas:

- Overseeing the funding, administration, communication and investment management of the plans;
- Selecting and monitoring the performance of all third parties performing duties in respect of the plans, including audit, actuarial and investment management services;
- Proposing, considering and approving amendments to the defined benefit pension plans;
- Proposing, considering and approving amendments of the investment policies and procedures;
- Reviewing actuarial reports prepared in respect of the administration of the defined benefit pension plans; and
- Reviewing and approving the audited financial statements of the defined benefit pension plan funds.

The assets of the defined benefit pension plans are invested and managed following all applicable regulations and investment policies and procedures, and reflect the characteristics and asset mix of each defined benefit pension plan. Investment and market return risk is managed by:

- Contracting professional investment managers to execute the investment strategy following the investment policies and procedures and regulatory requirements;
- Specifying the kinds of investments that can be held in plans and monitoring compliance;
- Using asset allocation and diversification strategies; and
- Purchasing annuities from time to time.

The pension plans are exposed to market risks such as changes in interest rates, inflation and fluctuations in investment values. The plans are also exposed to non-financial risks in the nature of membership mortality, demographic changes and regulatory change.

Information about the Company's defined benefit plans as at December 31, 2023 and 2022, in aggregate, is as follows:

Accrued benefit obligation:	**December 31, 2023**			**December 31, 2022**		
	Other post-retirement benefits	**Pensions**	**Total**	**Other post-retirement benefits**	**Pensions**	**Total**
Balance, beginning of year	$ (29,432)	$ (67,095)	$ (96,527)	$ (37,690)	$ (86,927)	$ (124,617)
Benefits paid by the plan	1,543	3,310	4,853	1,420	3,089	4,509
Current service costs	(52)	(1,351)	(1,403)	(112)	(2,132)	(2,244)
Interest costs	(1,413)	(3,144)	(4,557)	(1,014)	(2,180)	(3,194)
Curtailment gain	369	970	1,339	-	-	-
Special termination loss	-	(1,736)	(1,736)	-	-	-
Actuarial gains - experience	101	258	359	676	538	1,214
Actuarial gains - demographic assumptions	3,239	-	3,239	598	-	598
Actuarial gains (losses) - financial assumptions	(1,539)	(1,433)	(2,972)	7,611	22,502	30,113
Foreign exchange translation	330	578	908	(921)	(1,985)	(2,906)
Balance, end of year	$ (26,854)	$ (69,643)	$ (96,497)	$ (29,432)	$ (67,095)	$ (96,527)

Plan Assets:	**December 31, 2023**			**December 31, 2022**		
	Other post-retirement benefits	**Pensions**	**Total**	**Other post-retirement benefits**	**Pensions**	**Total**
Fair value, beginning of year	$ -	$ 66,849	$ 66,849	$ -	$ 75,087	$ 75,087
Contributions paid into the plans	1,539	451	1,990	1,417	1,216	2,633
Benefits paid by the plans	(1,539)	(3,310)	(4,849)	(1,417)	(3,089)	(4,506)
Interest income	-	3,274	3,274	-	2,110	2,110
Administrative costs	-	(134)	(134)	-	(124)	(124)
Remeasurements, return on plan assets recognized in other comprehensive income (loss)	-	9,035	9,035	-	(9,982)	(9,982)
Foreign exchange translation	-	(626)	(626)	-	1,631	1,631
Fair value, end of year	$ -	$ 75,539	$ 75,539	$ -	$ 66,849	$ 66,849
Accrued net benefit obligation, end of year	**$ (26,854)**	**$ 5,896**	**$ (20,958)**	**$ (29,432)**	**$ (246)**	**$ (29,678)**
Recorded on the consolidated balance sheets as follows:						
Pension assets	$ -	$ 16,303	$ 16,303	$ -	$ 12,234	$ 12,234
Pension and other post-retirement benefits long-term liability	$ (26,854)	$ (10,407)	$ (37,261)	$ (29,432)	$ (12,480)	$ (41,912)

Certain pension plans ended the year with asset values exceeding the present value of funded obligations. Accordingly, such plans are presented as pension assets totaling $16,303 (December 31, 2022 - $12,234).

On October 23, 2023, the Company purchased a buy-in group annuity contract in the amount of $13,897 for the retirees and beneficiaries of its Canadian registered defined benefit pension plan who retired on or before July 1, 2023. As at December 31, 2023, the fair value of the buy-in assets of $15,544 is included in the fair value of plan assets and is determined to be equal to the defined benefit obligation for the covered annuitants.

Pension expense recognized in profit or loss:

	December 31, 2023			December 31, 2022		
	Other post-retirement benefits	Pensions	Total	Other post-retirement benefits	Pensions	Total
Current service costs	$ 52	$ 1,351	$ 1,403	$ 112	$ 2,132	$ 2,244
Net interest cost	1,413	(130)	1,283	1,014	70	1,084
Curtailment gain	(369)	(970)	(1,339)	-	-	-
Special termination loss	-	1,736	1,736	-	-	
Administrative costs	-	134	134	-	124	124
Pension expense	$ 1,096	$ 2,121	$ 3,217	$ 1,126	$ 2,326	$ 3,452

Amounts recognized in other comprehensive income (loss), before income taxes:

	Year ended December 31, 2023	Year ended December 31, 2022
Actuarial gain	$ 9,661	$ 21,943

Plan assets are primarily composed of pooled funds, which invest in fixed income and equities, common stocks and bonds that are actively traded and annuities. Plan assets are composed of:

	December 31, 2023	December 31, 2022
Equity	34.9%	83.1%
Debt securities	45.6%	16.9%
Annuities	19.5%	-
	100.0%	100.0%

As at December 31, 2023 and 2022, investments in equity and debt securities in the plan are at Level 2 on the fair value hierarchy, as defined in note 22.

The defined benefit obligation and plan assets are composed by country as follows:

	Year ended December 31, 2023				Year ended December 31, 2022			
	Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	$ (34,461)	$ (25,175)	-	$ (59,636)	$ (31,574)	$ (25,544)	-	$ (57,118)
Fair value of plan assets	50,764	24,775	-	75,539	43,808	23,041	-	66,849
Funding status of funded obligations	16,303	(400)	-	15,903	12,234	(2,503)	-	9,731
Present value of unfunded obligations	(15,137)	(12,998)	(8,726)	(36,861)	(17,951)	(12,775)	(8,683)	(39,409)
Total funded status of obligations	$ 1,166	$ (13,398)	$ (8,726)	$ (20,958)	$ (5,717)	$ (15,278)	$ (8,683)	$ (29,678)

There are significant assumptions made in the calculations provided by the actuaries and it is the responsibility of the Company to determine which assumptions could result in a significant impact when determining the accrued benefit obligations and pension expense.

Principal actuarial assumptions, expressed as weighted averages, are summarized below:

	December 31, 2023	December 31, 2022
Defined benefit pension plans:		
Discount rate used to calculate year end benefit obligation	4.6%	4.8%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2021
Other post-employment benefit plans:		
Discount rate used to calculate year end benefit obligation	4.7%	5.0%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2021
Health care trend rates:		
Initial health care rate	5.0%	3.5%
Ultimate health care rate	4.2%	4.2%

Sensitivity of Key Assumptions

In the sensitivity analysis shown below, the Company determines the defined benefit obligation using the same method used to calculate the defined benefit obligations recognized in the consolidated balance sheet. Sensitivity is calculated by changing one assumption while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption will change at a time, and that some assumptions are correlated.

		Impact on defined benefit obligation			
		December 31, 2023		December 31, 2022	
Pension Plans	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 5.6%	Increase by 6.3%	Decrease by 5.7%	Increase by 6.4%
Life Expectancy	1 Year	Increase by 2.9%	Decrease by 2.8%	Increase by 2.7%	Decrease by 2.8%
Other post-retirement benefits					
Discount rate	0.50%	Decrease by 4.8%	Increase by 5.2%	Decrease by 4.8%	Increase by 5.1%
Medical costs	1.00%	Increase by 8.9%	Decrease by 7.7%	Increase by 9.3%	Decrease by 8.0%

15. INCOME TAXES

The components of income tax expense are as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	$ (67,075)	$ (66,210)
Deferred income tax recovery	23,583	25,003
Total income tax expense	$ (43,492)	$ (41,207)

Taxes on items recognized in other comprehensive income (loss) or directly in equity were as follows:

Deferred tax benefit (charge) on:	Year ended December 31, 2023	Year ended December 31, 2022
Employee benefit plan actuarial gains	$ (2,526)	$ (5,377)
Foreign currency items	(548)	1,183
	$ (3,074)	$ (4,194)

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:

	Year ended December 31, 2023	Year ended December 31, 2022
Income before income taxes	$ 197,157	$ 174,045
Tax at Statutory income tax rate of 26.5% (2022 - 26.5%)	52,247	46,122
Increase (decrease) in income taxes resulting from:		
Utilization of losses previously not benefited	(5,418)	(1,799)
Changes in estimates related to prior years	417	351
Revaluations due to foreign exchange and inflation	(28,979)	(12,031)
Tax rate differences in foreign jurisdictions	5,039	(6,609)
Non-taxable portion of capital losses (gains)	(245)	136
Current year tax losses not benefited and withholding tax expensed	10,501	2,108
Derecognition of previously recognized deferred tax assets	1,293	5,910
Non-deductible expenses	8,637	7,019
	$ 43,492	$ 41,207
Effective income tax rate applicable to income before income taxes	22.1%	23.7%

The movement of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2021	$ 121,429	$ 12,916	$ 33,581	$ 18,603	$ 15,681	$ 202,210
Benefit (charge) to income	(3,094)	1,634	9,108	19,690	(832)	26,506
Benefit (charge) to other comprehensive income	-	(5,377)	-	-	1,183	(4,194)
Translation and other items	5,983	412	2,706	1,931	(4,833)	6,199
December 31, 2022	$ 124,318	$ 9,585	$ 45,395	$ 40,224	$ 11,199	$ 230,721
Benefit (charge) to income	(25,097)	2,813	15,205	42,797	1,481	37,199
Charge to other comprehensive income	-	(2,526)	-	-	(548)	(3,074)
Translation and other items	(1,880)	(114)	(1,387)	(1,884)	69	(5,196)
December 31, 2023 before offset	$ 97,341	$ 9,758	$ 59,213	$ 81,137	$ 12,201	$ 259,650
Tax offset						(67,349)
December 31, 2023 after offset						$ 192,301

The movement of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2021	$ (68,247)	$ (9,946)	$ (78,193)
Benefit (charge) to income	(3,564)	2,060	(1,504)
Translation and other items	(2,751)	95	(2,656)
December 31, 2022	$ (74,562)	$ (7,791)	$ (82,353)
Charge to income	(12,997)	(619)	(13,616)
Translation and other items	1,297	(265)	1,032
December 31, 2023 before offset	$ (86,262)	$ (8,675)	$ (94,937)
Tax offset			67,349
December 31, 2023 after offset			$ (27,588)

Net deferred asset at December 31, 2022	$ 148,368
Net deferred asset at December 31, 2023	$ 164,713

During the year ended December 31, 2023, the Company disclosed deferred tax assets and deferred tax liabilities on a net basis where a right of offset exists.

The Company has accumulated approximately $614,228 (December 31, 2022 - $725,507) in non-capital losses that are available to reduce taxable income in future years. If unused, these losses will expire as follows:

Year		
2024 - 2028	$	22,927
2029 - 2043		365,019
Indefinite		226,282
	$	614,228

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

Deferred tax assets include tax credits of $10,989 (December 31, 2022 - $8,383).

A deferred tax asset of $69,617 in the United States (December 31, 2022 - $80,449) has been recorded in excess of the reversing taxable temporary differences. Income projections support the conclusion that the deferred tax asset is probable of being realized and, consequently, it has been recognized.

Deferred tax assets have not been recognized in respect of the following items:

		December 31, 2023		December 31, 2022
Tax losses in foreign jurisdictions	$	65,760	$	63,769
Deductible temporary differences in foreign jurisdictions		4,976		8,399
Other capital items		-		188
	$	70,736	$	72,356

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately $1,067,384 at December 31, 2023 (December 31, 2022 - $949,660).

On August 4, 2023, the Canadian federal government released updated draft legislative proposals for public comment relating to budget measures, including draft legislative proposals relating to the implementation of a 15% global minimum tax (Pillar Two) initiated by the OECD. The proposed Pillar Two rules will take effect for fiscal years beginning on or after December 31, 2023. Accordingly, the Pillar Two rules did not have material impact on the consolidated financial statements.

Other future changes in tax law in any of the jurisdictions in which the Company has a presence could significantly impact the Company's provision for income taxes, taxes payable, and deferred tax asset and liability balances.

16. CAPITAL STOCK

Common shares outstanding:	**Number**		**Amount**
Balance as of December 31, 2021	80,367,095	$	663,415
Exercise of stock options	20,000		231
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	(2,270,655)		(18,748)
Balance as of December 31, 2023	78,141,440	$	645,256

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.

Stock options

The Company has one stock option plan for key employees. Under the plan, the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with the stock option plan and the policies of the Company. The options have a maximum term of 10 years and generally vest between zero and five years.

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

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,435,000	$ 13.50	2,622,500	$ 13.32
Granted during the period	-	-	25,000	10.74
Exercised during the period	(25,000)	10.44	(20,000)	8.57
Cancelled during the period	(81,500)	12.53	(8,000)	13.19
Expired during the period	-	-	(184,500)	11.14
Balance, end of period	2,328,500	$ 13.56	2,435,000	$ 13.50
Options exercisable, end of period	2,103,500	$ 13.49	1,893,600	$ 13.33

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2023:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$10.00 - 12.99	608,500	2014 - 2022	2024 - 2032
$13.00 - 16.99	1,720,000	2015 - 2020	2025 - 2030
Total share purchase options	2,328,500		

The Black-Scholes-Merton option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting and exercise restrictions under the Company's black-out policy, which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

The key assumptions, on a weighted average basis, used in the valuation of options granted during the year ended December 31, 2022 are shown in the table below. No options were granted during the year ended December 31, 2023.

	Year ended December 31, 2022
Expected volatility	42.13%
Risk free interest rate	3.30%
Expected life (years)	5.0
Dividend yield	1.86%
Weighted average fair value of options granted	$ 3.39

For the year ended December 31, 2023, the Company expensed $442 (2022 - $773), 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 December 31, 2023 and 2022:

	Year ended December 31, 2023	Year ended December 31, 2022
Outstanding, beginning of period	625,148	397,091
Granted and reinvested dividends	211,357	228,057
Redeemed	-	-
Outstanding, end of period	836,505	625,148

The DSUs granted during the year ended December 31, 2023 and 2022 had a weighted average fair value per unit of $13.19 and $8.63, respectively, on the date of grant. At December 31, 2023, the fair value of all outstanding DSUs amounted to $9,234 (December 31, 2022 - $5,736). For the year ended December 31, 2023, DSU compensation expense reflected in the consolidated statement of operations, including changes in fair value during the period, amounted to $3,498 (2022 - $2,356), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at December 31, 2023 was $1,791 (December 31, 2022 - $1,510) and will be recognized in profit or loss over the remaining vesting period.

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

The following is a summary of the issued and outstanding RSUs and PSUs for the year ended December 31, 2023 and 2022:

	RSUs	PSUs	Total
Outstanding, December 31, 2021	287,812	286,282	574,094
Granted and reinvested dividends	370,182	292,029	662,211
Redeemed	(98,181)	(98,181)	(196,362)
Cancelled	(1,339)	(1,506)	(2,845)
Outstanding, December 31, 2022	558,474	478,624	1,037,098
Granted and reinvested dividends	450,131	364,840	814,971
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

The RSUs and PSUs granted during the year ended December 31, 2023 and 2022 had a weighted average fair value per unit of $14.16 and $9.45, respectively, on the date of grant. For the year ended December 31, 2023, RSU and PSU compensation expense reflected in the consolidated statement of operations, including changes in fair value during the period, amounted to $10,562 (2022 - $4,716), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at December 31, 2023 was $9,765 (December 31, 2022 - $6,137) 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 year ended December 31, 2023 and 2022 are shown in the table below:

	Year ended December 31, 2023	Year ended December 31, 2022
Expected life (years)	2.25	2.28
Risk free interest rate	4.31%	3.51%

17. EARNINGS PER SHARE

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

	Year ended December 31, 2023			Year ended December 31, 2022		
	Weighted average number of shares		Per common share amount	Weighted average number of shares		Per common share amount
Basic	79,608,262	$	1.93	80,378,469	$	1.65
Effect of dilutive securities:						
Stock options	46,784		-	-		-
Diluted	79,655,046	$	1.93	80,378,469	$	1.65

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 year ended December 31, 2023, 1,720,000 (2022 - 2,435,000) options were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

18. RESEARCH AND DEVELOPMENT COSTS

		Year ended December 31, 2023		Year ended December 31, 2022
Research and development costs, gross	$	35,948	$	33,365
Capitalized development costs		(8,235)		(7,376)
Amortization of capitalized development costs		10,298		10,929
Research and development costs, net	$	38,011	$	36,918

19. PERSONNEL EXPENSES

The consolidated statement of operations presents operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note		Year ended December 31, 2023		Year ended December 31, 2022
Wages and salaries and other short-term employee benefits		$	1,344,370	$	1,167,975
Expenses related to pension and post-retirement benefits	14		3,217		3,452
RSU and PSU compensation expense (including changes in fair value during the year)	16		10,562		4,716
DSU compensation expense (including changes in fair value during the year)	16		3,498		2,356
Stock-based compensation expense	16		442		773
		$	1,362,089	$	1,179,272

20. FINANCE EXPENSE AND OTHER FINANCE INCOME

	Year ended December 31, 2023	Year ended December 31, 2022
Debt interest, gross	$ (85,839)	$ (54,238)
Interest on lease liabilities	(11,250)	(8,925)
Capitalized interest - at an average rate of 7.3% (2022 - 5.4%)	16,766	11,326
Finance expense	$ (80,323)	$ (51,837)

	Year ended December 31, 2023	Year ended December 31, 2022
Net foreign exchange gain	$ 5,152	$ 8,745
Other income, net	1,501	382
Other finance income	$ 6,653	$ 9,127

21. 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 material accounting policies in note 2 of the consolidated financial statements. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

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

	Year ended December 31, 2023				
	Production Sales	Tooling Sales	Total Sales	Property, plant and equipment and Right-of-use assets	Operating Income (Loss)
North America					
Canada	$ 711,263	$ 202,160	$ 913,423	$ 323,961	
USA	1,473,325	80,627	1,553,952	580,305	
Mexico	1,743,663	206,234	1,949,897	788,538	
Eliminations	(234,494)	(160,037)	(394,531)	-	
	$ 3,693,757	$ 328,984	$ 4,022,741	$ 1,692,804	$ 267,103
Europe					
Germany	855,073	83,242	938,315	266,181	
Spain	203,990	13,879	217,869	129,338	
Slovakia	50,074	1,680	51,754	15,355	
Eliminations	(2,634)	(632)	(3,266)	-	
	$ 1,106,503	$ 98,169	$ 1,204,672	$ 410,874	$ (8,307)
Rest of the World	136,499	11,060	147,559	78,645	10,318
Eliminations	(27,013)	(7,956)	(34,969)	-	-
	$ 4,909,746	$ 430,257	$ 5,340,003	$ 2,182,323	$ 269,114

	Year ended December 31, 2022				
	Production Sales	Tooling Sales	Total Sales	Property, plant and equipment and Right-of-use assets	Operating Income
North America					
Canada	$ 647,780	$ 122,411	$ 770,191	$ 316,389	
USA	1,291,203	109,924	1,401,127	626,433	
Mexico	1,633,059	66,813	1,699,872	790,904	
Eliminations	(221,767)	(91,039)	(312,806)	-	
	$ 3,350,275	$ 208,109	$ 3,558,384	$ 1,733,726	$ 199,101
Europe					
Germany	757,949	82,502	840,451	263,418	
Spain	161,956	9,198	171,154	118,213	
Slovakia	39,794	3,910	43,704	16,714	
	$ 959,699	$ 95,610	$ 1,055,309	$ 398,345	$ 17,732
Rest of the World	169,770	4,280	174,050	70,767	946
Eliminations	(23,987)	(6,168)	(30,155)	-	-
	$ 4,455,757	$ 301,831	$ 4,757,588	$ 2,202,838	$ 217,779

22. 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.
- 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:

	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 8)	4,036	-	-	4,036
Investment in convertible debentures of Equispheres (note 8)	1,000	-	-	1,000
Foreign exchange forward contracts not accounted for as hedges (note 3)	3,937	-	3,937	-

	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 161,655	$ 161,655	$ -	$ -
Investment in common shares and convertible debentures of AlumaPower (note 8)	2,669	-	-	2,669
Foreign exchange forward contracts not accounted for as hedges (note 3)	2,114	-	2,114	-

Fair values versus carrying amounts

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

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)

December 31, 2022	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	$ -	$ -	$ 787,817	$ -	$ 787,817	$ 787,817
Investment in common shares and convertible debentures of AlumaPower	-	1,304	-	1,365	2,669	2,669
Foreign exchange forward contracts not accounted for as hedges	2,114	-	-	-	2,114	2,114
	$ 2,114	$ 1,304	$ 787,817	$ 1,365	$ 792,600	$ 792,600
FINANCIAL LIABILITIES:						
Trade and other payables	-	-	-	(1,315,380)	(1,315,380)	(1,315,380)
Long-term debt	-	-	-	(1,070,368)	(1,070,368)	(1,070,368)
	$ -	$ -	$ -	$ (2,385,748)	$ (2,385,748)	$ (2,385,748)
Net financial assets (liabilities)	$ 2,114	$ 1,304	$ 787,817	$ (2,384,383)	$ (1,593,148)	$ (1,593,148)

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 25.9%, 20.5%, and 14.9% of its production sales for the year ended December 31, 2023 (2022 - 27.1%, 21.2%, and 14.5%). 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 December 31, 2023 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:

	December 31, 2023	December 31, 2022
0-60 days	$ 633,984	$ 726,066
61-90 days	2,158	4,250
Greater than 90 days	7,817	6,883
	$ 643,959	$ 737,199

(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 December 31, 2023, the Company had cash of $186,804 (December 31, 2022 - $161,655) and banking facilities available as discussed in note 12. 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 12.

(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 BA 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	
	December 31, 2023	December 31, 2022
Variable rate instruments	$ 938,129	$ 1,022,169
Fixed rate instruments	31,107	48,199
	$ 969,236	$ 1,070,368

Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $10,570 (2022 - $10,059) on the Company's consolidated financial results for the year ended December 31, 2023.

(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 December 31, 2023, the Company had committed to the following foreign exchange contracts:

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

Currency		Amount of U.S. dollars		Weighted average exchange rate of U.S. dollars	Maximum period in months
Sell Canadian Dollars	$	67,000	$	1.3403	1
Buy Mexican Peso		103,749		17.3495	1

The aggregate value of these forward contracts as at December 31, 2023 was a pre-tax gain of $3,937 and was recorded in trade and other receivables (December 31, 2022 - pre-tax gain of $2,114 recorded in trade and other receivables).

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

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)

December 31, 2022		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	398,811	€	92,861	$	118,703	R$	46,171	¥	163,299
Trade and other payables		(549,197)		(216,760)		(763,665)		(65,964)		(166,561)
Long-term debt		(476,000)		(17,204)		-		-		-
	$	(626,386)	€	(141,103)	$	(644,962)	R$	(19,793)	¥	(3,262)

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

	Average rate		Closing rate	
	Year ended December 31, 2023	Year ended December 31, 2022	December 31, 2023	December 31, 2022
USD	1.3508	1.2941	1.3204	1.3541
EURO	1.4562	1.3711	1.4598	1.4494
PESO	0.0754	0.0640	0.0781	0.0695
BRL	0.2688	0.2496	0.2729	0.2578
CNY	0.1911	0.1941	0.1859	0.1966

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 December 31 would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the year ended December 31, 2023 and 2022 by the amounts shown below, assuming all other variables remain constant:

		Year ended December 31, 2023		Year ended December 31, 2022
USD	$	(9,962)	$	(8,160)
EURO		463		(2,233)
BRL		13		(181)
CNY		(404)		554
	$	(9,890)	$	(10,020)

A weakening of the Canadian dollar against the above currencies at December 31 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) 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.

23. COMMITMENTS AND CONTINGENCIES

Commitments

The Company leases certain manufacturing facilities, manufacturing equipment, office equipment and vehicles under short-term leases and enters into purchase obligations in the normal course of business related to inventory, services, tooling and property, plant and equipment. The aggregate expected payments towards those obligations are as follows:

	December 31, 2023	December 31, 2022
Future minimum lease payments*	$ 1,066	$ 247
Capital and other purchase commitments	511,012	608,906
Letters of credit	18,401	15,255
	$ 530,479	$ 624,408

*These amounts relate to leases that did not meet the recognition criteria for lease liabilities under IFRS 16.

Future minimum lease payments under short-term leases are due as follows:

	December 31, 2023	December 31, 2022
Less than one year	$ 626	$ 161
Between one and five years	440	86
	$ 1,066	$ 247

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 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 $42,539 (BRL $155,897) including interest and penalties to December 31, 2023 (December 31, 2022 - $39,589 or BRL $153,586). 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 $25,648 (BRL $93,997) including interest and penalties as at December 31, 2023 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to $24,383 (BRL $89,359) 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, based on the notices issued by the tax authorities, is approximately $91,423 (MXN $1,170,668) including interest and penalties to December 31, 2023 (December 31, 2022 - $69,785 or MXN $1,090,387). 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.

24. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet unless the sale on the corresponding tooling project has been recognized, at which point a tooling trade payable on the project is recorded. At December 31, 2023, the amount of the off-balance sheet program financing was $16,457 (December 31, 2022 - $4,584) 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 2022 or 2023. 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.

25. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include the Board of Directors and the most Senior Corporate Officers of the Company that are primarily responsible for planning, directing, and controlling the Company's business activities.

The compensation expense associated with key management for employee services was included in employee salaries and benefits as follows:

		Year ended December 31, 2023		**Year ended December 31, 2022**
Salaries, pension and other short-term employee benefits	$	14,657	$	14,293
RSU, PSU and DSU compensation expense (benefit) (including changes in fair value during the year)		11,625		6,066
Stock-based compensation expense		322		591
Net expense	$	26,604	$	20,950