PRESS RELEASE

FOR IMMEDIATE RELEASE
FEBRUARY 29, 2024

MARTINREA INTERNATIONAL INC. REPORTS RECORD ANNUAL SALES AND FREE CASH FLOW, ANNOUNCES DIVIDEND

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems, today announced the release of its financial results for the fourth quarter and year ended December 31, 2023, and declared a quarterly cash dividend of $0.05 per share.

HIGHLIGHTS

Full Year 2023:

- Total sales of $5,340.0 million, an annual record for the Company.
- Diluted net earnings per share of $1.93 and Adjusted Net Earnings per Share[(1)] of $2.22.
- Free Cash Flow[(1)] of $195.4 million, an annual record for the Company.
- Adjusted Operating Income Margin[(1)] of 5.6%.
- Adjusted EBITDA[(1)] of $616.7 million, an annual record for the Company.
- Net debt-to-Adjusted EBITDA[(1)] ratio, (excluding IFRS 16 impact) strengthened, ending the year at 1.40x.
- New business awards announced over the last four quarters of approximately $375 million in annualized sales at mature volumes.
- Improved safety performance with a Total Recordable Injury Frequency (TRIF) of 1.10, a 9% improvement over 2022 and an 89% improvement since 2014.

Fourth Quarter 2023:

- Total sales of $1,296.1 million, consistent with the fourth quarter of 2022.
- Diluted net earnings per share of $0.02 and Adjusted Net Earnings per Share[(1)] of $0.37.
- Free Cash Flow[(1)] of $119.9 million, a quarterly record for the Company.
- Adjusted Operating Income Margin[(1)] of 4.4%.
- Adjusted EBITDA[(1)] of $140.1 million.
- Fourth quarter financial results were impacted by lost sales due to the United Auto Workers (UAW) strike at select operations of the Detroit 3 OEMs, and an unexpected Tier 2 supplier issue, both of which are now resolved.
- New business awards of approximately $75 million in annualized sales at mature volumes.
- Quarterly cash dividend of $0.05 per share declared.

---

[1] The Company prepares its financial statements in accordance with IFRS Accounting Standards. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures, included anywhere in this press release, include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt". The relevant IFRS financial measure, as applicable, and a reconciliation of certain non-IFRS financial measures to measures determined in accordance with IFRS are contained in the Company's Management Discussion and Analysis for the year ended December 31, 2023 and in this press release.

OVERVIEW

Pat D'Eramo, Chief Executive Officer, stated: "2023 was a record year for Martinrea in many ways. Despite some challenges we needed to overcome, we are pleased with the progress made during the year, a year in which we generated record revenues and record Adjusted EBITDA. Our Free Cash Flow(1) was exceptional, coming in at $119.9 million in the fourth quarter, and $195.4 million for the full year of 2023, a record level for our Company and better than what we were expecting at the time of our last call. Some of this can be attributed to timing, but notwithstanding, this is a great result for us. 2023 was a breakout year from a Free Cash Flow(1) perspective, and I am proud of our people and all their hard work to make this happen."

He continued: "I am also pleased to announce that we have been awarded new business representing $75 million in annualized sales at mature volumes, consisting of approximately $65 million in Lightweight Structures with General Motors, BMW, Nissan, and other customers, and $10 million in Propulsion Systems with Volvo Truck and Eaton. Over the last four quarters, we have been awarded new business worth approximately $375 million in annualized sales at mature volumes. In addition, we were awarded replacement business worth approximately $375 million in annualized sales on General Motors' next generation light-duty truck platform."

Fred Di Tosto, President and Chief Financial Officer, stated: "Sales for the fourth quarter, excluding tooling sales of $127.4 million, were $1,168.7 million, diluted net earnings per share was $0.02, and Adjusted Net Earnings per Share(1) was $0.37. Fourth quarter Operating Income was $28.5 million and Adjusted Operating Income(1) was $56.6 million. We faced some challenges in the fourth quarter that impacted our financial performance, including lost sales due to the UAW strike at select operations of the Detroit 3 OEMs, and an unexpected disruption with one of our Tier 2 suppliers, which resulted in premium costs that had approximately a 70 basis point impact on our fourth quarter consolidated Adjusted Operating Income Margin(1). Diluted net earnings per share and Operating Income includes $28.2 million in restructuring and impairment charges, with the vast majority being incurred in Germany, in order to right size operations to align with anticipated OEM programs and volume levels."

He continued: "Net Debt(1) declined by approximately $107 million quarter over quarter, to $782.4 million. Our Net Debt to Adjusted EBITDA(1) ratio (excluding the impact of IFRS 16) ended the quarter at 1.40x, down from 1.56x at the end of the third quarter of 2023. Our leverage ratio now sits comfortably within our long-term target range of 1.5x or better, and this includes spending $29.1 million to repurchase approximately 2.3 million shares through our normal course issuer bid in 2023. Subsequent to the fourth quarter, we amended our lending agreements, extending the maturity of both our Canadian and U.S. dollar banking facilities at generally similar pricing terms to the previous agreements, and obtaining an additional $100 million in borrowing capacity. This is a testament to the strong relationships we have with our lenders, and we thank them for their ongoing support."

Rob Wildeboer, Executive Chairman, stated: "As we look forward into 2024, we expect our results to improve over the fourth quarter. Most industry forecasters are currently calling for a relatively flat production volume environment in 2024. Slower-than-expected EV sales and higher market interest rates are likely contributing to this view. Given this industry backdrop, our 2024 outlook calls for total sales of $5.0-$5.3 billion, also reflecting a more normal year of tooling sales, an improved Adjusted Operating Income Margin(1) of 5.7%-6.2%, and continued strong Free Cash Flow(1) of $100-$150 million. We continue to perform at a high level, our balance sheet is in great shape, we are delivering on our Free Cash Flow(1) promises, and executing on our capital allocation priorities. To our shareholders and all our stakeholders, thank you for your continued support."

He added: "We also published our 2023 Sustainability Report today, which outlines the progress we have made on various sustainability initiatives and goals throughout the year. Of note, we continued to deliver industry-leading safety performance in 2023, with a Total Recordable Injury Frequency (TRIF) of 1.10, representing a 9% improvement over 2022 and an 89% improvement since 2014. In addition, we reduced both our carbon and energy intensity. We believe this demonstrates the commitment our organization and its people have to our unique culture, based on our Golden Rule philosophy of treating people the way we want to be treated – with dignity and respect – which also extends to the environment. One of our 10 Guiding Principles is "leave it better", and we believe our collective efforts try to make a better world."

RESULTS OF OPERATIONS

All amounts in this press release are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares.

Additional information about the Company, including the Company's Management Discussion and Analysis of Operating Results and Financial Position for the year ended December 31, 2023 ("MD&A"), the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "audited consolidated financial statements") and the Company's Annual Information Form for the year ended December 31, 2023 can be found at www.sedarplus.ca.

OVERALL RESULTS

Results of operations may include certain items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to IFRS measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

The following tables set out certain highlights of the Company's performance for the three months and years ended December 31, 2023 and 2022. Refer to the Company's consolidated financial statements for the year ended December 31, 2023 for a detailed account of the Company's performance for the periods presented in the tables below.

	Year ended December 31, 2023	Year ended December 31, 2022	$ Change	% Change
Sales	$ 5,340,003	$ 4,757,588	582,415	12.2%
Gross Margin	675,397	559,263	116,134	20.8%
Operating Income	269,114	217,779	51,335	23.6%
Net Income for the period	153,665	132,838	20,827	15.7%
Net Earnings per Share - Basic and Diluted	$ 1.93	$ 1.65	0.28	17.0%
Non-IFRS Measures*				
Adjusted Operating Income	$ 297,275	$ 230,119	67,156	29.2%
% of Sales	*5.6 %*	*4.8 %*		
Adjusted EBITDA	616,678	515,888	100,790	19.5%
% of Sales	*11.5 %*	*10.8 %*		
Adjusted Net Income	176,492	141,612	34,880	24.6%
Adjusted Net Earnings per Share - Basic and Diluted	$ 2.22	$ 1.76	0.46	26.1%

		Three months ended December 31, 2023		Three months ended December 31, 2022	$ Change	% Change
Sales	$	1,296,121	$	1,294,592	1,529	0.1%
Cost of sales (excluding depreciation)		(1,065,338)		(1,065,948)	610	0.1%
Depreciation of property, plant and equipment and right-of-use assets (production)		(77,555)		(70,140)	(7,415)	(10.6%)
Gross Margin		153,228		158,504	(5,276)	(3.3%)
Research and development costs		(9,754)		(10,273)	519	5.1%
Selling, general and administrative		(83,476)		(72,174)	(11,302)	(15.7%)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(4,548)		(4,174)	(374)	(9.0%)
Gain (loss) on disposal of property, plant and equipment		1,197		(1,323)	2,520	190.5%
Restructuring costs		(27,266)		-	(27,266)	(100.0%)
Impairment of assets		(895)		-	(895)	(100.0%)
Operating Income	$	28,486	$	70,560	(42,074)	(59.6%)
Share of loss of equity investments		(930)		(1,665)	735	44.1%
Finance expense		(20,215)		(16,194)	(4,021)	(24.8%)
Other finance income (expense)		(421)		2,959	(3,380)	(114.2%)
Income before taxes	$	6,920	$	55,660	(48,740)	(87.6%)
Income tax expense		(5,070)		(9,433)	4,363	46.3%
Net Income for the period		1,850		46,227	(44,377)	(96.0%)
Net Earnings per Share - Basic and Diluted	$	0.02	$	0.58	(0.56)	(96.6%)
Non-IFRS Measures*						
Adjusted Operating Income	$	56,647	$	70,560	(13,913)	(19.7%)
% of Sales		4.4 %		5.5 %		
Adjusted EBITDA		140,080		148,990	(8,910)	(6.0%)
% of Sales		10.8 %		11.5 %		
Adjusted Net Income		29,251		46,227	(16,976)	(36.7%)
Adjusted Net Earnings per Share - Basic and Diluted	$	0.37	$	0.58	(0.21)	(36.2%)

Non-IFRS Measures

The Company prepares its consolidated financial statements in accordance with IFRS Accounting Standards. However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Earnings per Share (on a basic and diluted basis)", "Adjusted Operating Income", "Adjusted EBITDA", "Free Cash Flow", and "Net Debt".

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

		Three months ended December 31, 2023		Three months ended December 31, 2022
Net Income	$	1,850	$	46,227
Adjustments, after tax*		27,401		-
Adjusted Net Income	$	29,251	$	46,227

		Year ended December 31, 2023		Year ended December 31, 2022
Net Income	$	153,665	$	132,838
Adjustments, after tax*		22,827		8,774
Adjusted Net Income	$	176,492	$	141,612

Adjustments are explained in the "Adjustments to Net Income" section of this Press Release

		Three months ended December 31, 2023		Three months ended December 31, 2022
Net Income	$	1,850	$	46,227
Income tax expense		5,070		9,433
Other finance expense (income)		421		(2,959)
Share of loss of equity investments		930		1,665
Finance expense		20,215		16,194
Adjustments, before tax*		28,161		-
Adjusted Operating Income	$	56,647	$	70,560
Depreciation of property, plant and equipment and right-of-use assets		82,103		74,314
Amortization of development costs		2,527		2,793
Loss (gain) on disposal of property, plant and equipment		(1,197)		1,323
Adjusted EBITDA	$	140,080	$	148,990

		Year ended December 31, 2023		Year ended December 31, 2022
Net Income	$	153,665	$	132,838
Income tax expense		43,492		41,207
Other finance income		(6,653)		(9,127)
Share of loss of equity investments		3,560		5,074
Finance expense		80,323		51,837
Adjustments, before tax*		22,888		8,290
Adjusted Operating Income	$	297,275	$	230,119
Depreciation of property, plant and equipment and right-of-use assets		310,144		274,707
Amortization of development costs		10,298		10,929
Loss (gain) on disposal of property, plant and equipment		(1,039)		133
Adjusted EBITDA	$	616,678	$	515,888

Adjustments are explained in the "Adjustments to Net Income" section of this Press Release

SALES

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

		Three months ended December 31, 2023		Three months ended December 31, 2022	$ Change	% Change
North America	$	959,464	$	984,588	(25,124)	(2.6%)
Europe		311,034		273,642	37,392	13.7%
Rest of the World		34,467		47,575	(13,108)	(27.6%)
Eliminations		(8,844)		(11,213)	2,369	21.1%
Total Sales	$	1,296,121	$	1,294,592	1,529	0.1%

The Company's consolidated sales for the fourth quarter of 2023 increased by $1.5 million or 0.1% to $1,296.1 million as compared to $1,294.6 million for the fourth quarter of 2022. The total increase in sales was driven by a year-over-year increase in the Europe operating segment, partially offset by year-over-year decreases in sales in North America and the Rest of the World.

Sales for the fourth quarter of 2023 in the Company's North America operating segment decreased by $25.1 million or 2.6% to $959.5 million from $984.6 million for the fourth quarter of 2022. The decrease was due to the impact of the UAW strike at General Motors, Ford and Stellantis in the United States, negatively impacting production sales for the fourth quarter across several platforms; and lower year-over-year OEM production volumes on other light-vehicle platforms, including the Ford Mustang Mach E, Lucid Air, and GM Equinox/Terrain. These negative factors were partially offset by the launch and ramp up of new programs during or subsequent to the fourth quarter of 2022, including the Mercedes' new electric vehicle platform (EVA2), General Motors' new electric vehicle platform (BEV3), a Toyota/Lexus SUV, and a transmission for the ZF Group; overall higher year-over-year fourth quarter OEM light vehicle production volumes, apart from the impact of the UAW strike, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the fourth quarter of 2023 of $11.0 million as compared to the fourth quarter of 2022; and an increase in tooling sales of $4.2 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the fourth quarter of 2023 in the Company's Europe operating segment increased by $37.4 million or 13.7% to $311.0 million from $273.6 million for the fourth quarter of 2022. The increase was due generally to overall higher fourth quarter OEM light vehicle production volumes, which increased in Europe by approximately 7% year-over-year, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; the launch and ramp up of new programs during or subsequent to the fourth quarter of 2022, with Mercedes and the ZF Group; the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the fourth quarter of 2023 of $21.5 million as compared to the fourth quarter of 2022; and a $0.7 million increase in tooling sales. These positive factors were partially offset by lower year-over-year production volumes of certain platforms, namely the Mercedes' new electric vehicle platform (EVA2).

Sales for the fourth quarter of 2023 in the Company's Rest of the World operating segment decreased by $13.1 million or 27.6% to $34.5 million from $47.6 million in the fourth quarter of 2022. The decrease was largely driven by the lower year-over-year production volumes on Geely's new electric vehicle platform (PMA) and with General Motors; and programs that came with the operations acquired from Metalsa that ended production during the fourth quarter of 2023. These negative factors were partially offset by the launch and ramp up of new programs during or subsequent to the fourth quarter of 2022, specifically the BMW 5-series, and an increase in tooling sales of $2.2 million.

Overall tooling sales increased by $6.4 million (including outside segment sales eliminations) to $127.4 million for the fourth quarter of 2023 from $121.0 million for the fourth quarter of 2022.

Year ended December 31, 2023 to year ended December 31, 2022 comparison

	Year ended December 31, 2023	Year ended December 31, 2022	$ Change	% Change
North America	$ 4,022,741	$ 3,558,384	464,357	13.0%
Europe	1,204,672	1,055,309	149,363	14.2%
Rest of the World	147,559	174,050	(26,491)	(15.2%)
Eliminations	(34,969)	(30,155)	(4,814)	(16.0%)
Total Sales	$ 5,340,003	$ 4,757,588	582,415	12.2%

The Company's consolidated sales for the year ended December 31, 2023 increased by $582.4 million or 12.2% to $5,340.0 million as compared to $4,757.6 million for the year ended December 31, 2022. The total increase in sales was driven by year-over-year increases in the North America and Europe operating segments, partially offset by a decrease in sales in the Rest of the World.

Sales for the year ended December 31, 2023 in the Company's North America operating segment increased by $464.4 million or 13.0% to $4,022.7 million from $3,558.4 million for the year ended December 31, 2022. The increase was due generally to the launch and ramp up of new programs, including Mercedes' new electric vehicle platform (EVA2), General Motors' new electric vehicle platform (BEV3), a Toyota/Lexus SUV, and a transmission for the ZF Group; overall higher OEM light vehicle production volumes during the period, which increased in North America by approximately 10% year-over-year, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the year ended December 31, 2023 of $138.6 million as compared to the corresponding period of 2022; the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and an increase in tooling sales of $120.9 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. These positive factors were partially offset by lower year-over-year production volumes of certain light vehicle platforms including the Ford Mustang Mach E, Lucid Air and GM Equinox/Terrain; and the impact the UAW strike had on production volumes, mainly during the fourth quarter of 2023.

Sales for the year ended December 31, 2023 in the Company’s Europe operating segment increased by $149.4 million or 14.2% to $1,204.7 million from $1,055.3 million for the year ended December 31, 2022. The increase can be attributed to the launch and ramp up of new programs with Mercedes and the ZF Group; overall higher OEM light vehicle production volumes during the year ended December 31, 2023, which increased in Europe by approximately 13% year-over-year, primarily as a result of the industry-wide supply chain disruptions which impacted 2022 to a greater degree compared to 2023; the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the year ended December 31, 2023 of $63.8 million as compared to the corresponding period of 2022; the impact of material passthrough and commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales; and an increase in tooling sales of $2.6 million. These positive factors were partially offset by lower year-over year-production volumes of certain platforms, including the Lucid Air, certain programs with Mercedes, and an engine block for Ford.

Sales for the year ended December 31, 2023 in the Company’s Rest of the World operating segment decreased by $26.5 million or 15.2% to $147.6 million from $174.1 million for the year ended December 31, 2022. The decrease was largely driven by lower year-over-year production volumes on Geely's new electric vehicle platform (PMA), and with Jaguar Land Rover; partially offset by the impact of commercial settlements (to partially offset inflationary cost increases and volume shortfalls) on customer pricing and sales, and an increase in tooling sales of $6.8 million.

Overall tooling sales increased by $128.5 million (including outside segment sales eliminations) to $430.3 million for the year ended December 31, 2023 from $301.8 million for the year ended December 31, 2022.

GROSS MARGIN

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

	Three months ended December 31, 2023	Three months ended December 31, 2022	$ Change	% Change
Gross margin	$ 153,228	$ 158,504	(5,276)	(3.3)%
% of Sales	11.8 %	12.2 %		

The gross margin percentage for the fourth quarter of 2023 of 11.8% decreased as a percentage of sales by 0.4% as compared to the gross margin percentage for the fourth quarter of 2022 of 12.2%. The decrease in gross margin as a percentage of sales was generally due to:

- the impact of the UAW strike at General Motors, Ford and Stellantis in the United States, which resulted in lost production sales during the quarter, on the Company’s margin profile for the quarter; and
- operational inefficiencies at certain operating facilities, including costs resulting from a Tier 2 supply chain disruption during the quarter.

These factors were partially offset by productivity and efficiency improvements at certain operating facilities and other improvements.

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

Year ended December 31, 2023 to year ended December 31, 2022 comparison

	Year ended December 31, 2023	Year ended December 31, 2022	$ Change	% Change
Gross margin	$ 675,397	$ 559,263	116,134	20.8%
% of Sales	12.6%	11.8%		

The gross margin percentage for the year ended December 31, 2023 of 12.6% increased as a percentage of sales by 0.8% as compared to the gross margin percentage for the year ended December 31, 2022 of 11.8%. The increase in gross margin as a percentage of sales was generally due to:

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

These factors were partially offset by:

- higher labour, material and energy costs;
- operational inefficiencies at certain operating facilities, including costs resulting from a Tier 2 supply chain disruption during the fourth quarter of the year;
- a negative sales mix;
- the impact of material passthrough on customer pricing; and
- the impact of the UAW strike at General Motors, Ford and Stellantis in the United States, which resulted in lost production sales mainly during the fourth quarter of the year, on the Company's margin profile.

Gross margin for the year ended December 31, 2023 continued to be impacted by production inefficiencies related to the industry-wide supply chain disruptions driven by the unpredictability of customer production schedules, although the stability of OEM production volumes has improved year-over-year.

ADJUSTMENTS TO NET INCOME

Adjusted Net Income excludes certain items as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

TABLE A

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

	Three months ended December 31, 2023	Three months ended December 31, 2022	$ Change
NET INCOME	**$ 1,850**	**$ 46,227**	**$ (44,377)**
Adjustments:			
Restructuring costs (1)	27,266	-	27,266
Impairment of assets (2)	895	-	895
ADJUSTMENTS, BEFORE TAX	**$ 28,161**	**$ -**	**$ 28,161**
Tax impact of adjustments	(760)	-	(760)
ADJUSTMENTS, AFTER TAX	**$ 27,401**	**$ -**	**$ 27,401**
ADJUSTED NET INCOME	**$ 29,251**	**$ 46,227**	**$ (16,976)**
Number of Shares Outstanding – Basic (‘000)	78,700	80,387	
Adjusted Basic Net Earnings Per Share	$ 0.37	$ 0.58	
Number of Shares Outstanding – Diluted (‘000)	78,725	80,387	
Adjusted Diluted Net Earnings Per Share	$ 0.37	$ 0.58	

TABLE B

Year ended December 31, 2023 to year ended December 31, 2022 comparison

	Year ended December 31, 2023	Year ended December 31, 2022	$ Change
NET INCOME	**$ 153,665**	**$ 132,838**	**$ 20,827**
Adjustments:			
Restructuring costs (1)	27,266	7,846	19,420
Impairment of assets (2)	895	4,494	(3,599)
Net gain on disposal of equity investments (3)	(5,273)	-	(5,273)
Gain on dilution of equity investments (4)	-	(4,050)	4,050
ADJUSTMENTS, BEFORE TAX	**$ 22,888**	**$ 8,290**	**$ 14,598**
Tax impact of adjustments	(61)	(733)	672
Writedown of deferred tax asset (2)	-	1,217	(1,217)
ADJUSTMENTS, AFTER TAX	**$ 22,827**	**$ 8,774**	**$ 14,053**
ADJUSTED NET INCOME	**$ 176,492**	**$ 141,612**	**$ 34,880**
Number of Shares Outstanding – Basic (‘000)	79,608	80,378	
Adjusted Basic Net Earnings Per Share	$ 2.22	$ 1.76	
Number of Shares Outstanding – Diluted (‘000)	79,655	80,378	
Adjusted Diluted Net Earnings Per Share	$ 2.22	$ 1.76	

(1) Restructuring costs

Additions to the restructuring provision for the year ended December 31, 2023, recognized during the fourth quarter of 2023, totaled $27.3 million, 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 during the year ended December 31, 2022, recognized during the first and third quarters of 2022, totaled $7.8 million, and represent employee-related severance resulting from the rightsizing of operations in Canada and China related to the cancellation of certain OEM light vehicle platforms well before the end of their expected life cycles.

(2) Impairment of assets

During the fourth quarter of 2023, the Company recorded impairment charges on property, plant and equipment and inventories totaling $0.9 million 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 $4.5 million representing a writedown of the total assets of a Cash Generating Unit (“CGU”) in China, comprised of two operating facilities originally acquired from Metalsa S.A in 2020, included in the Rest of the World operating segment. The impairment charges resulted from the cancellation of the OEM light vehicle platforms being serviced by the CGU before the end of their expected life cycles. This led to a decision to close the facilities. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts. The decision to close the facilities also resulted in a writedown of deferred tax assets of $1.2 million.

(3) Net gain on disposal of equity investments

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

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

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

(4) Gain on dilution of equity investments

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

NET INCOME

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

	Three months ended December 31, 2023	Three months ended December 31, 2022	$ Change	% Change
Net Income	$ 1,850	$ 46,227	(44,377)	(96.0%)
Adjusted Net Income	29,251	46,227	(16,976)	(36.7%)
Net Earnings per Share				
Basic and Diluted	$ 0.02	$ 0.58		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 0.37	$ 0.58		

Net Income, before adjustments, for the fourth quarter of 2023 decreased by $44.4 million to $1.9 million or $0.02 per share, on a basic and diluted basis, from Net Income of $46.2 million or $0.58 per share, on a basic and diluted basis, for the fourth quarter of 2022. Excluding the adjustments explained in Table A under “Adjustments to Net Income", Adjusted Net Income for the fourth quarter of 2023 decreased by $17.0 million to $29.3 million or $0.37 per share, on a basic and diluted basis, from $46.2 million or $0.58 per share, on a basic and diluted basis, for the fourth quarter of 2023.

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

- lower gross margin due largely to the impact of the UAW strike at General Motors, Ford and Stellantis in the United States on production volumes and corresponding contribution, and operational inefficiencies resulting from a Tier 2 supply chain disruption during the quarter;
- a year-over-year increase in SG&A expense, as previously explained;
- a $4.0 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt; and
- a net foreign exchange loss of $1.3 million for the fourth quarter of 2023 compared to a gain of $2.9 million for the fourth quarter of 2022.

These negative factors were partially offset by a $1.2 million gain on the disposal of property, plant and equipment for the fourth quarter of 2023 compared to a loss of $1.3 million for the fourth quarter of 2022.

Year ended December 31, 2023 to year ended December 31, 2022 comparison

	Year ended December 31, 2023	Year ended December 31, 2022	$ Change	% Change
Net Income	$ 153,665	$ 132,838	20,827	15.7%
Adjusted Net Income	176,492	141,612	34,880	24.6%
Net Earnings per Share				
Basic and Diluted	$ 1.93	$ 1.65		
Adjusted Net Earnings per Share				
Basic and Diluted	$ 2.22	$ 1.76		

Net Income, before adjustments, for the year ended December 31, 2023 increased by $20.8 million to $153.7 million or $1.93 per share, on a basic and diluted basis, from Net Income of $132.8 million or $1.65 per share, on a basic and diluted basis, for the year ended December 31, 2022. Excluding the adjustments explained in Table B under “Adjustments to Net Income”, Adjusted Net Income for the year ended December 31, 2023 increased by $34.9 million to $176.5 million or $2.22 per share on a basic and diluted basis, from $141.6 million or $1.76 per share, on a basic and diluted basis, for the year ended December 31, 2022.

Adjusted Net Income for the year ended December 31, 2023, as compared to the year ended December 31, 2022, was positively impacted by the following:

- higher gross margin on higher year-over-year sales volume as previously explained;
- a $1.0 million gain on the disposal of property, plant and equipment for the year ended December 31, 2023 compared to a loss of $0.1 million for the comparative period of 2022;
- a year-over-year decrease in share of loss of equity investments; and
- a lower effective tax rate (19.8% for the year ended December 31, 2023 compared to 22.3% for the year ended December 31, 2022).

These factors were partially offset by the following:

- a year-over-year increase in SG&A expense, as previously explained;
- a $28.5 million year-over-year increase in finance expense as a result of increased borrowing rates on the Company's revolving bank debt; and
- a lower net foreign exchange gain of $5.2 million for the year ended December 31, 2023 compared to a gain of $8.7 million for the year ended December 31, 2022.

DIVIDEND

A cash dividend of $0.05 per share has been declared by the Board of Directors payable to shareholders of record on March 31, 2024, on or about April 15, 2024.

ABOUT MARTINREA

Martinrea International Inc. is a leader in the development and production of quality metal parts, assemblies and modules, fluid management systems, and complex aluminum products focused primarily on the automotive sector. Martinrea currently operates in 56 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa, and Japan. Martinrea's vision is making lives better by being the best supplier we can be in the products we make and the services we provide. For more information on Martinrea, please visit www.martinrea.com. Follow Martinrea on X and Facebook.

CONFERENCE CALL DETAILS

A conference call to discuss the financial results will be held on Thursday, February 29, 2024 at 5:30 p.m. Eastern Time. To participate, please dial 416-641-6104 (Toronto area) or 800-952-5114 (toll free Canada and US) and enter participant code 8029740#. Please call 10 minutes prior to the start of the conference call.

The conference call will also be webcast live in listen-only mode and archived for twelve months. The webcast and accompanying presentation can be accessed at: https://www.martinrea.com/investor-relations/events-presentations/.

There will also be a rebroadcast of the call available by dialing 905-694-9451 or toll free 800-408-3053 (Conference ID – 5701857#). The rebroadcast will be available until April 8, 2024.

If you have any teleconferencing questions, please call Ganesh Iyer at 416-749-0314.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This Press Release and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views or beliefs in or on, the impact of, or duration of, or factors affecting, or expected response to or growth of, improvements in, expansion of and/or guidance or outlook (including for 2024) as to future results, revenue, sales, margin, gross margin, earnings, and earnings per share, adjusted earnings per share, free cash flow, volumes, adjusted net earnings per share, operating income margins, operating margins, adjusted operating income margins, leverage ratios, net debt to adjusted EBITDA(1), debt repayment, Adjusted EBITDA(1), capex levels, working capital levels, cash tax levels, progress on commercial negotiations, the growth of the Company and pursuit of, and belief in, its strategies, the strength, recovery and growth of the automotive industry and continuing challenges, as well as other forward-looking statements. The words “continue”, “expect”, “anticipate”, “estimate”, “may”, “will”, “should”, “views”, “intend”, “believe”, “plan” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Many factors could cause the Company’s actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company’s AIF and MD&A for the year ended December 31, 2023, and other public filings which can be found at www.sedarplus.ca:

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

- Lease Obligations

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

For further information, please contact:

Fred Di Tosto
President and Chief Financial Officer
Martinrea International Inc.
3210 Langstaff Road
Vaughan, Ontario L4K 5B2
Tel: 416-749-0314
Fax: 289-982-3001

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.