MARTINREA INTERNATIONAL INC.

Martinrea International Inc. Reports Record Quarterly and Annual Earnings, Continued Strong Margin Improvement, Declares Dividend and Raises Quarterly Cash Dividend for 2018

PRESS RELEASE

March 1, 2018 – For Immediate Distribution

Toronto, Ontario – Martinrea International Inc. (TSX : MRE), a leader in the development and production of quality metal parts, assemblies and modules and fluid management systems and complex aluminum products focused primarily on the automotive sector, announced today the release of its financial results for the year and fourth quarter ended December 31, 2017 and that it has declared a quarterly cash dividend of $0.03 per share, and will raise its quarterly cash dividend by 50% to $0.045 cents per share for 2018.

HIGHLIGHTS

Fourth Quarter 2017

- Thirteenth consecutive quarter with record year-over-year adjusted earnings; best fourth quarter earnings to date
- Total sales of $878.6 million; production sales of $809.8 million
- Record fourth quarter net income of $32.4 million, or $0.37 per share
- Record fourth quarter adjusted net income of $43.2 million, or $0.50 per share
- Record fourth quarter adjusted EBITDA of $105.8 million
- Quarterly adjusted operating income (7.0%) and adjusted EBITDA (12%) margins increase substantially year-over-year
- Net debt decreases; balance sheet continues to strengthen; year end net debt:adjusted EBITDA ratio at 1.45:1, bettering target of 1.5:1
- Cash dividend of $0.03 declared

Full Year 2017 Highlights

- Eighth consecutive year with year-over-year adjusted increased earnings
- Total sales of $3,690.5 million; production sales of $3,479.6 million
- Best annual earnings performance in history
- Record annual net income of $159.5 million, or $1.84 per share
- Record annual adjusted net income of $165.5 million, or $1.91 per share
- Record adjusted EBITDA of $401.5 million
- Adjusted operating income (6.4%) and adjusted EBITDA (10.9%) margins increase substantially year-over-year
- 2017 operating margin target of 6% exceeded
- Continued strong margin growth anticipated over the next three years
- Multiple customer quality awards received
- Improved safety performance
- Quarterly cash dividend will be raised by 50% to $0.045 per share commencing with the first quarter of 2018

OVERVIEW

Pat D'Eramo, Martinrea's President and Chief Executive Officer, stated: "2017 was an outstanding year for Martinrea and our people, and we had a strong fourth quarter to finish the year on a high note. This is now our thirteenth consecutive quarter with record year over year adjusted earnings and we expect that progress to continue. I am especially pleased that the targets for operating margin and leverage ratio that we set three years ago, which were fairly aggressive targets, were both met on time and with some room to spare. We made commitments on these objectives and we met them, just as we make commitments to our customers and our people, and we strive to meet them too. We are very proud of our team at Martinrea and acknowledge their fine efforts in bringing success to our company. Our focus on operational excellence, cost reduction, good launches and improving our product offerings to customers is clearly taking hold, and our Martinrea 2.0 strategy is achieving results. We are also pleased to report improved safety performance, even though we already were better than the industry average. Safety is not just a must for the care of our people, but it is a sign of efficiency and discipline in our operations. Our quality continues to win awards from customers, and we received many quality awards from key customers in 2017. I am pleased to announce $40 million of new business in the quarter, since our last call, with Nissan on its next generation Rogue crossover vehicle platform starting in 2020. We continue to be very excited about our future, and about the coming year."

Fred Di Tosto, Martinrea's Chief Financial Officer, stated: "Sales for the fourth quarter, excluding tooling sales of $68.8 million, were $809.8 million, within our previously announced sales guidance. In the quarter, our adjusted net earnings per share, on a basic and diluted basis, was $0.50 per share, in excess of the high end of our quarterly guidance and a record fourth quarter. Fourth quarter adjusted operating income and adjusted EBITDA margins increased significantly year-over-year. Operating income margin for the year hit 6.4%, well in excess of the 6% target set at the end of 2014. We are also very pleased to have met our leverage ratio target by the end of 2017—it is clear that we have a very strong balance sheet for this industry, and the ability to generate cash. In 2017, a year where we invested heavily in our operations, net debt decreased by approximately $80 million. We intend to maintain a strong balance sheet over time, and will pay down debt as appropriate, although we do not have specific targets."

Rob Wildeboer, Executive Chairman, stated: "In 2017, we continued to drive our One Martinrea culture throughout the organization, as we focused on our vision, delivered on our mission and applied our Ten Guiding Principles in everything that we did. We continued to instill our lean thinking way into all of our operations and our entrepreneurial can do attitude was evident in our locations and our functions. We are thrilled with the improving financial performance, but that improved financial performance goes hand in hand with the development of our corporate culture, where we commit to work together to serve this company and all our stakeholders, making lives better, with dignity and respect. 2018 will be another year of promise and opportunity for our company and our business, and we see continued advancement in key earnings and margin metrics. The year is off to a good start, and we expect first quarter sales, excluding tooling sales, of $840 million to $880 million, and adjusted net earnings per share in the range of $0.59 to $0.63 per share. We are very confident of the future, and that is one reason for the increase in the dividend for our shareholders. At the same time, we see many opportunities to invest in our business, and we intend to employ our improving financial position to continue to strengthen our operations and to take advantage of the right opportunities."

RESULTS OF OPERATIONS

Results of operations may include certain unusual and other 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.

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, 2017 ("MD&A"), the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "audited consolidated financial statements") and the Company's Annual Information Form for the year ended December 31, 2017, can be found at www.sedar.com.

OVERALL RESULTS

The following tables set out certain highlights of the Company's performance for the years ended December 31, 2017 and 2016. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2017 for a detailed account of the Company's performance for the periods presented in the table below.

	Year ended December 31, 2017	Year ended December 31, 2016	$ Change	% Change
Sales	$ 3,690,499	$ 3,968,407	(277,908)	(7.0%)
Gross Margin	484,601	432,050	52,551	12.2%
Operating Income	246,624	159,444	87,180	54.7%
Net Income for the period	159,266	91,961	67,305	73.2%
Net Income Attributable to Equity Holders of the Company	$ 159,543	$ 92,380	67,163	72.7%
Net Earnings per Share – Basic and Diluted	$ 1.84	$ 1.07	0.77	72.0%
Non-IFRS Measures*				
Adjusted Operating Income	$ 236,807	$ 197,707	39,100	19.8%
% of Sales	*6.4%*	*5.0%*		
Adjusted EBITDA	401,493	350,357	51,136	14.6%
% of Sales	*10.9%*	*8.8%*		
Adjusted Net Income Attributable to Equity Holders of the Company	165,519	130,085	35,434	27.2%
Adjusted Net Earnings per Share – Basic	$ 1.91	$ 1.51	0.40	26.5%
Adjusted Net Earnings per Share – Diluted	$ 1.91	$ 1.50	0.41	27.3%

The following table sets out a detailed account of the Company's performance for the fourth quarters of 2017 and 2016 (unaudited).

	Three months ended December 31, 2017	Three months ended December 31, 2016	$ Change	% Change
Sales	$ 878,642	$ 990,407	(111,765)	(11.3%)
Cost of sales (excluding depreciation)	(716,927)	(852,732)	135,805	(15.9%)
Depreciation of property, plant and equipment (production)	(37,673)	(33,363)	(4,310)	12.9%
Gross Margin	124,042	104,312	19,730	18.9%
Research and development costs	(6,600)	(7,239)	639	(8.8%)
Selling, general and administrative	(52,531)	(47,971)	(4,560)	9.5%
Depreciation of property, plant and equipment (non-production)	(2,596)	(2,258)	(338)	15.0%
Amortization of customer contracts and relationships	(530)	(597)	67	(11.2%)
Impairment of assets	(7,488)	-	(7,488)	-
Gain on sale of land and building	13,374	-	13,374	-
Loss on disposal of property, plant and equipment	(144)	(271)	127	(46.9%)
Operating Income	$ 67,527	$ 45,976	21,551	46.9%
Finance expense	(5,735)	(6,084)	349	(5.7%)
Other finance income	2,681	661	2,020	305.6%
Income before taxes	$ 64,473	$ 40,553	23,920	59.0%
Income tax expense	(32,107)	(9,923)	(22,184)	223.6%
Net Income for the period	32,366	30,630	1,736	5.7%
Net Income Attributable to Equity Holders of the Company	$ 32,366	$ 30,753	1,613	5.2%
Net Earnings per Share - Basic and Diluted	$ 0.37	$ 0.36	0.01	2.8%
Non-IFRS Measures*				
Adjusted Operating Income	$ 61,641	$ 45,976	15,665	34.1%
% of sales	7.0%	4.6%		
Adjusted EBITDA	105,830	86,072	19,758	23.0%
% of sales	12.0%	8.7%		
Adjusted Net Income Attributable to Equity Holders of the Company	43,179	30,753	12,426	40.4%
Adjusted Net Earnings per Share - Basic and Diluted	$ 0.50	$ 0.36	0.14	38.9%

*Non-IFRS Measures

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

The following tables provide a reconciliation of IFRS “Net Income Attributable to Equity Holders of the Company” to Non-IFRS “Adjusted Net Income Attributable to Equity Holders of the Company”, “Adjusted Operating Income” and “Adjusted EBITDA”:

		Three months ended December 31, 2017		Three months ended December 31, 2016
Net Income Attributable to Equity Holders of the Company	$	32,366	$	30,753
Unusual and Other Items (after-tax)*		10,813		-
Adjusted Net Income Attributable to Equity Holders of the Company	$	43,179	$	30,753

		Three months ended December 31, 2017		Three months ended December 31, 2016
Net Income Attributable to Equity Holders of the Company	$	32,366	$	30,753
Non-controlling interest		-		(123)
Income tax expense		32,107		9,923
Other finance income – excluding Unusual and Other Items*		(359)		(661)
Finance expense		5,735		6,084
Unusual and Other Items (before-tax)*		(8,208)		-
Adjusted Operating Income	$	61,641	$	45,976
Depreciation of property, plant and equipment		40,269		35,621
Amortization of intangible assets		3,776		4,204
Loss on disposal of property, plant and equipment		144		271
Adjusted EBITDA	$	105,830	$	86,072

**Unusual and other items are explained in the "Adjustments to Net Income" section of this Press Release*

		Year ended December 31, 2017		Year ended December 31, 2016
Net Income Attributable to Equity Holders of the Company	$	159,543	$	92,380
Unusual and Other Items (after-tax)*		5,976		37,705
Adjusted Net Income Attributable to Equity Holders of the Company	$	165,519	$	130,085

		Year ended December 31, 2017		Year ended December 31, 2016
Net Income Attributable to Equity Holders of the Company	$	159,543	$	92,380
Non-controlling interest		(277)		(419)
Income tax expense		69,970		41,378
Other finance expense (income) – excluding Unusual and Other Items*		(1,442)		1,909
Finance expense		22,527		24,196
Unusual and Other Items (before-tax)*		(13,514)		38,263
Adjusted Operating Income	$	236,807	$	197,707
Depreciation of property, plant and equipment		149,670		136,344
Amortization of intangible assets		15,399		15,959
Loss (gain) on disposal of property, plant and equipment		(383)		347
Adjusted EBITDA	$	401,493	$	350,357

**Unusual and other items are explained in the "Adjustments to Net Income" section of this Press Release*

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below. Certain comparative information has been reclassified where relevant to conform to the current financial statement presentation adopted in 2017.

SALES

Three months ended December 31, 2017 to three months ended December 31, 2016 comparison

		Three months ended December 31, 2017		Three months ended December 31, 2016	$ Change	% Change
North America	$	674,852	$	805,487	(130,635)	(16.2%)
Europe		163,949		150,983	12,966	8.6%
Rest of the World		41,904		38,165	3,739	9.8%
Eliminations		(2,063)		(4,228)	2,165	(51.2%)
Total Sales	$	878,642	$	990,407	(111,765)	(11.3%)

The Company's consolidated sales for the fourth quarter of 2017 decreased by $111.8 million or 11.3% to $878.6 million as compared to $990.4 million for the fourth quarter of 2016. The decrease in sales was driven by a decrease in the North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the fourth quarter of 2017 in the Company's North America operating segment decreased by $130.6 million or 16.2% to $674.9 million from $805.5 million for the fourth quarter of 2016. The decrease was due to a $48.8 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the fourth quarter of 2017 of approximately $31.2 million as compared to the fourth quarter of 2016; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Ford Fusion, Chevrolet Malibu, and other platforms late in their life cycle, and programs that ended production during or subsequent to the fourth quarter of 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by higher year-over-year OEM production volumes on certain light-vehicle platforms such as the Ford Escape and FCA's Pentastar engine block program; and the launch of new programs during or subsequent to the fourth quarter of 2016 including the GM Bolt and next generation GM Equinox/Terrain, fourth quarter production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario.

Sales for the fourth quarter of 2017 in the Company's Europe operating segment increased by $13.0 million or 8.6% to $164.0 million from $151.0 million for the fourth quarter of 2016. The increase can be attributed to a $6.4 million increase in tooling sales, a $2.5 million positive foreign exchange impact from the translation of Euro denominated production sales as compared to the fourth quarter of 2016, and higher overall production volumes in the Company's Martinrea Honsel German operations including the ramp up of new structural components work and the new V8 AMG engine block for Daimler.

Sales for the fourth quarter of 2017 in the Company's Rest of the World operating segment increased by $3.7 million or 9.8% to $41.9 million from $38.2 million in the fourth quarter of 2016. The increase was due to a $4.0 million increase in tooling sales and higher year-over year production sales in the Company's operating facility in Brazil; partially offset by a $1.1 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the fourth quarter of 2016, and lower year-over-year OEM production volumes on the Ford Mondeo/Taurus platforms in China.

Overall tooling sales decreased by $38.4 million to $68.8 million for the fourth quarter of 2017 from $107.2 million for the fourth quarter of 2016.

Year ended December 31, 2017 to year ended December 31, 2016 comparison

		Year ended December 31, 2017		Year ended December 31, 2016	$ Change	% Change
North America	$	2,913,786	$	3,222,660	(308,874)	(9.6%)
Europe		657,029		636,082	20,947	3.3%
Rest of the World		132,067		122,989	9,078	7.4%
Eliminations		(12,383)		(13,324)	941	(7.1%)
Total Sales	$	3,690,499	$	3,968,407	(277,908)	(7.0%)

The Company's consolidated sales for the year ended December 31, 2017 decreased by $277.9 million or 7.0% to $3,690.5 million as compared to $3,968.4 million for the year ended December 31, 2016. The total decrease in sales was driven by a decrease in the Company's North America operating segment, partially offset by year-over-year increases in sales in Europe and the Rest of the World.

Sales for the year ended December 31, 2017 in the Company's North America operating segment decreased by $308.9 million or 9.6% to $2,913.8 million from $3,222.7 million for the year ended December 31, 2016. The decrease was due to the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the year ended December 31, 2017 of approximately $47.7 million as compared to the comparative period of 2016; a $44.9 million decrease in tooling sales; and lower year-over-year OEM production volumes on certain light-vehicle platforms including the Chrysler 200, customer production of which ended at the end of 2016, Ford Fusion, Chevrolet Malibu, and other platforms late in their product life cycle, and programs that ended production during or subsequent to the year ended December 31, 2016 such as the previous version of the GM Equinox/Terrain. These negative factors were partially offset by a year-over-year increase in production volumes on FCA's Pentastar engine block program which was down during the first quarter of 2016 for re-tooling; higher year-over-year volumes on certain light vehicle platforms such as the Ford Escape, GM Pick-up truck/SUV platform and other GM programs previously impacted by unplanned OEM shutdowns during the second quarter of 2016 because of an earthquake in Japan which disrupted the supply chain; and the launch of new programs during or subsequent to the year ended December 31, 2016 including the GM Bolt and next generation GM Equinox/Terrain, 2017 production volumes of which were impacted by an employee strike at GM's assembly plant in Ingersoll, Ontario that lasted four weeks.

Sales for the year ended December 31, 2017 in the Company's Europe operating segment increased by $20.9 million or 3.3% to $657.0 million from $636.1 million for the year ended December 31, 2016. The increase can be attributed to higher production volumes in the Company's Martinrea Honsel German operations including the ramp up of new structural components work and the new V8 AMG engine block for Daimler, and an $8.0 million increase in tooling sales; partially offset by the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the year ended December 31, 2017 of approximately $6.3 million as compared to the comparative period of 2016.

Sales for the year ended December 31, 2017 in the Company's Rest of the World operating segment increased by $9.1 million or 7.4% to $132.1 million from $123.0 million for the year ended December 31, 2016. The increase was mainly due to a year-over-year increase in production sales in the Company's operating facility in Brazil and higher year-over-year production sales in China related to GM's CT6 vehicle platform; partially offset by a $5.1 million decrease in tooling sales and a $0.6 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the year ended December 31, 2016.

Overall tooling sales decreased by $42.0 million to $210.9 million for the year ended December 31, 2017 from $252.9 million for the year ended December 31, 2016.

GROSS MARGIN

Three months ended December 31, 2017 to three months ended December 31, 2016 comparison

	Three months ended December 31, 2017	Three months ended December 31, 2016	$ Change	% Change
Gross margin	$ 124,042	$ 104,312	19,730	18.9%
% of Sales	14.1%	10.5%		

The gross margin percentage for the fourth quarter of 2017 of 14.1% increased as a percentage of sales by 3.6% as compared to the gross margin percentage for the fourth quarter of 2016 of 10.5%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the fourth quarter of 2016; and
- a decrease in tooling sales which typically earn low margins for the Company.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

Year ended December 31, 2017 to year ended December 31, 2016 comparison

	Year ended December 31, 2017	Year ended December 31, 2016	$ Change	% Change
Gross margin	$ 484,601	$ 432,050	52,551	12.2%
% of Sales	13.1%	10.9%		

The gross margin percentage for the year ended December 31, 2017 of 13.1% increased as a percentage of sales by 2.2% as compared to the gross margin percentage for the year ended December 31, 2016 of 10.9%. The increase in gross margin as a percentage of sales was generally due to:

- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the year ended December 31, 2016; and
- a decrease in tooling sales which typically earn low margins for the Company.

These positive factors were partially offset by operational inefficiencies and other costs at certain other facilities including upfront costs incurred in preparation of upcoming new programs and related to new business in the process of being launched.

ADJUSTMENTS TO NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Adjusted Net Income excludes certain unusual and other 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, 2017 to three months ended December 31, 2016 comparison

	For the three months ended December 31, 2017 (a)	For the three months ended December 31, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$32,366**	**$30,753**	**$1,613**
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	(13,374)	-	(13,374)
Unrealized gain on derivative instruments (2)	(2,322)	-	(2,322)
Impairment of assets (4)	7,488	-	7,488
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($8,208)**	**-**	**($8,208)**
Tax impact of above items (6)	(292)	-	(292)
Impact of US tax reforms on deferred tax asset (7)	19,313	-	19,313
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$10,813**	**-**	**$10,813**
ADJUSTED NET INCOME (A + B)	**$43,179**	**$30,753**	**$12,426**
Number of Shares Outstanding – Basic (‘000)	86,593	86,404	
Adjusted Basic Net Earnings Per Share	$0.50	$0.36	
Number of Shares Outstanding – Diluted (‘000)	87,101	86,466	
Adjusted Diluted Net Earnings Per Share	$0.50	$0.36	

TABLE B

Year ended December 31, 2017 to year ended December 31, 2016 comparison

	For the year ended December 31, 2017 (a)	For the year ended December 31, 2016 (b)	(a)-(b) Change
NET INCOME (A)	**$159,543**	**$92,380**	**$67,163**
Add Back - Unusual and Other Items:			
Gain on sale of land and building (1)	(19,072)	-	(19,072)
Unrealized gain on derivative instruments (2)	(3,697)	-	(3,697)
Executive separation agreement (3)	1,767	-	1,767
Impairment of assets (4)	7,488	34,579	(27,091)
Restructuring costs (5)	-	3,684	(3,684)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**($13,514)**	**$38,263**	**($51,777)**
Tax impact of above items (6)	177	(558)	735
Impact of US tax reforms on deferred tax asset (7)	19,313	-	19,313
TOTAL UNUSUAL AND OTHER ITEMS - AFTER TAX (B)	**$5,976**	**$37,705**	**($31,729)**
ADJUSTED NET INCOME (A + B)	**$165,519**	**$130,085**	**$35,434**
Number of Shares Outstanding – Basic (‘000)	86,527	86,389	
Adjusted Basic Net Earnings Per Share	$1.91	$1.51	
Number of Shares Outstanding – Diluted (‘000)	86,779	86,527	
Adjusted Diluted Net Earnings Per Share	$1.91	$1.50	

(1) Gain on sale of land and building

During the fourth quarter of 2017, the Company finalized and closed a sale-leaseback arrangement involving the land and building of two of its operating facilities in the Greater Toronto Area. The assets were sold for net proceeds of $31.0 million (net of closing costs of $0.5 million) resulting in a pre-tax gain of $13.4 million. The corresponding leaseback of the assets is for a term of ten years at market rates.

During the first quarter of 2017, in connection with the relocation of an existing operation to another manufacturing facility, a building owned by the Company in Mississauga, Ontario was sold on an “as-is, where-is” basis. The building was sold for proceeds of $9.9 million (net of closing costs of $0.4 million) resulting in a pre-tax gain of $5.7 million.

(2) Unrealized gain on derivative instruments

In the third quarter of 2017, the Company acquired 5.5 million common shares in NanoXplore Inc. (“NanoXplore”), a publicly listed company on the TSX Venture Exchange trading under the ticker symbol GRA, for a total of $2.5 million through a private placement offering (the investment is further described in note 7 of the consolidated financial statements and later on in this MD&A under the section “Investments”). As part of the transaction to acquire the common shares, the Company also received warrants entitling the Company to acquire up to an additional 2.75 million common shares in NanoXplore at a price of $0.70 per share for a period of up to two years after issuance. The warrants in NanoXplore represent derivative instruments and are fair valued at the end of each reporting period with the change in fair value recorded through profit or loss. As at December 31, 2017, the warrants had a fair value of $4.0 million which resulted in an unrealized gain of $3.7 million for the year ended December 31, 2017, of which $2.3 million was recognized in the fourth quarter, recorded in Other finance income. This unrealized gain has been added back for Adjusted Net Income purposes.

(3) Executive separation agreement

During the third quarter of 2017, David Rashid ceased to be an Executive Vice President of Operations of the Company. The costs added back for Adjusted Net Income purposes represents Mr. Rashid's termination benefits (included in SG&A expense) as set out in his employment contract payable over a twelve-month period.

(4) Impairment of assets

During the fourth quarter of 2017, in conjunction with the Company's annual business planning cycle, the Company recorded an impairment charge on PP&E of $7.5 million. The impairment charge related to specific equipment at an operating facility in Canada included in the North America operating segment. The equipment is no longer in use and is not expected to be re-deployed.

During the second quarter of 2016, the Company recorded impairment charges on PP&E, intangible assets and inventories totaling $34.6 million (US$26.6 million) related to an operating facility in Detroit, Michigan included in the North America operating segment. The impairment charges resulted from the cancellation of the main OEM light vehicle platform being serviced by the facility, representing the majority of the business, well before the end of its expected life cycle. This led to a decision to close the facility. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts.

(5) Restructuring costs

As part of the acquisition of Honsel in 2011, a certain level of restructuring was contemplated, in particular, at the Company's operating facility in Meschede, Germany. In connection with these restructuring activities, $1.8 million (€1.2 million) of employee related severance was recognized during the second quarter of 2016. No further costs related to this restructuring are expected.

Other additions to the restructuring accrual during 2016 totaled $1.9 million (US$1.4 million) and represent employee-related payouts resulting from the closure of the operating facility in Detroit, Michigan as described above.

(6) Tax impact of above items

The tax impact of the adjustments recorded to income in 2017 of $0.3 million reflects a lower tax effect on the gain on sale of land and building and the unrealized gain on derivative instruments due to the capital nature of the gains for tax purposes (capital gains are generally taxed at lower rates).

The tax impact of the adjustments recorded to income during 2016 of $0.6 million represents solely the corresponding tax effect on the $1.8 million in restructuring costs incurred in Meschede, Germany. The $34.6 million in impairment charges and $1.9 million in restructuring costs related to the closure of the operating facility in Detroit, Michigan, as described above, resulted in tax losses that were not benefitted and, as a result, not recognized as deferred tax assets. In assessing the realization of deferred tax assets at a point in time, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of taxable temporary differences; however, forming a conclusion on the realization of deferred tax assets requires judgment when there are recent tax losses.

(7) Impact of US tax reforms on deferred tax asset

Extensive changes to the US tax system were enacted on December 22, 2017, which, among other changes, substantially reduced the US federal corporate tax rate from 35% to 21% with effect from January 1, 2018. As a result of this change, the Company's deferred tax asset in the US decreased as at December 31, 2017 with a corresponding one-time, non-cash increase in income tax expense of $19.3 million.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended December 31, 2017 to three months ended December 31, 2016 comparison

		Three months ended December 31, 2017		Three months ended December 31, 2016	$ Change	% Change
Net Income	$	32,366	$	30,753	1,613	5.2%
Adjusted Net Income	$	43,179	$	30,753	12,426	40.4%
Net Earnings per Share						
Basic and Diluted	$	0.37	$	0.36		
Adjusted Net Earnings per Share						
Basic and Diluted	$	0.50	$	0.36		

Net Income, before adjustments, for the fourth quarter of 2017 increased by $1.6 million to $32.4 million from $30.8 million for the fourth quarter of 2016. Excluding the unusual and other items recognized during the fourth quarter of 2017 as explained in Table A under “Adjustments to Net Income”, Net Income for the fourth quarter of 2017 increased to $43.2 million or $0.50 per share, on a basic and diluted basis, from $30.8 million or $0.36 per share, on a basic and diluted basis, for the fourth quarter of 2016.

Adjusted Net Income for the fourth quarter of 2017, as compared to the fourth quarter of 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or a subsequent to the fourth quarter of 2016; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (23.3% for the fourth quarter of 2017 compared to 24.5% for the fourth quarter of 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A expense as previously discussed; and
- a year-over-year increase in depreciation expense as previously discussed.

Three months ended December 31, 2017 actual to guidance comparison:

On November 14, 2017, the Company provided the following guidance for the fourth quarter of 2017:

		Guidance		Actual
Production sales (in millions)	$	790 - 830	$	810
Adjusted Net Earnings per Share				
Basic and Diluted	$	0.45 - 0.49	$	0.50

For the fourth quarter of 2017, while production sales of $810 million were within the published sales guidance range, Adjusted Net Earnings per Share of $0.50 exceeded the published earnings guidance range due generally to better than expected financial performance at certain operating facilities.

Year ended December 31, 2017 to year ended December 31, 2016 comparison

	Year ended December 31, 2017	Year ended December 31, 2016	$ Change	% Change
Net Income	$ 159,543	$ 92,380	67,163	72.7%
Adjusted Net Income	$ 165,519	$ 130,085	35,434	27.2%
Net Earnings per Share				
Basic and Diluted	$ 1.84	$ 1.07		
Adjusted Net Earnings per Share				
Basic	$ 1.91	$ 1.51		
Diluted	$ 1.91	$ 1.50		

Net Income, before adjustments, for the year ended December 31, 2017 increased by $67.1 million to $159.5 million from $92.4 million for the year ended December 31, 2016 largely as a result of the increase in the Company's gross margin, as previously discussed, and the impact of the unusual and other items incurred during the year ended December 31, 2017 and 2016 as explained in Table B under "Adjustments to Net Income". Excluding these unusual and other items, net income for the year ended December 31, 2017 increased to $165.5 million or $1.91 per share, on a basic and diluted basis, from $130.1 million or $1.51 per share, on a basic basis, and $1.50 per share, on a diluted basis, for the year ended December 31, 2016.

Adjusted Net Income for the year ended December 31, 2017, as compared to the year ended December 31, 2016, was positively impacted by the following:

- higher gross profit despite an overall decrease in year-over-year sales as previously explained;
- productivity and efficiency improvements at certain operating facilities;
- general sales mix including new and replacement programs that launched, and old programs that ended production, during or subsequent to the year ended December 31, 2016;
- a net foreign exchange gain of $1.2 million for the year ended December 31, 2017 compared to a net foreign exchange loss of $2.2 million for the year ended December 31, 2016;
- a year-over-year decrease in finance expense on the Company's bank debt and equipment loans; and
- a lower effective tax rate on adjusted income due generally to the mix of earnings (23.4% for the year ended December 31, 2017 compared to 24.4% for the year ended December 31, 2016).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain other facilities;
- a year-over-year increase in SG&A as previously discussed;
- a year-over-year increase in depreciation expense as previously discussed; and
- an increase in research and development costs due to increased new product and process research and development activity.

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended December 31, 2017 to three months ended December 31, 2016 comparison

	Three months ended December 31, 2017	Three months ended December 31, 2016	$ Change	% Change
Additions to PP&E	$ 83,815	$ 112,721	(28,906)	(25.6%)

Additions to PP&E decreased by $28.9 million to $83.8 million in the fourth quarter of 2017 from $112.7 million in the fourth quarter of 2016 due generally to the timing of expenditures. Additions as a percentage of sales decreased year-over-year to 9.5% from 11.4% in the fourth quarter of 2016. The Company continues to make investments in the business in particular at new greenfield operating facilities as these new plants execute on their backlogs of new business.

Year ended December 31, 2017 to year ended December 31, 2016 comparison

	Year ended December 31, 2017	Year ended December 31, 2016	$ Change	% Change
Additions to PP&E	$ 251,920	$ 249,454	2,466	1.0%

Additions to PP&E increased slightly by $2.5 million year-over-year to $251.9 million for the year ended December 31, 2017 compared to $249.5 million for the year ended December 31, 2016. Additions as a percentage of sales increased year-over-year to 6.8% for the year ended December 31, 2017 from 6.3% for the year ended December 31, 2016. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in 2017 continued to be for manufacturing equipment for new and replacement programs that recently launched or will be launching over the next 24 months.

DIVIDEND

A cash dividend of $0.03 per share has been declared by the Board of Directors payable to shareholders of record on March 31, 2018, on or about April 15, 2018.

ABOUT MARTINREA

Martinrea currently employs approximately 15,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

Martinrea's vision for the future is to be the best, preferred and most valued supplier in the world in the products and services we provide our customers. The Company's mission is to deliver: outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth; superior long term investment returns to our stakeholders; and positive contributions to our communities as good corporate citizens.

CONFERENCE CALL DETAILS

A conference call to discuss those results will be held on March 2, 2018 at 8:00 a.m. (Toronto time) which can be accessed by dialing (416) 405-9200 or toll free (866) 696-5896. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing (905) 694-9451 or toll free (800) 408-3053 (conference id 3740436#). The rebroadcast will be available until March 16, 2018.

FORWARD-LOOKING INFORMATION

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the growth or expectations of, improvements in, expansion of and/or guidance or outlook as to future revenue, sales, gross margin, earnings, and earnings per share (including as adjusted), operating income margins and adjusted earnings per share for the first quarter of 2018, the financial strength of the Company and its balance sheet, the future amount and type of restructuring expenses to be expensed (including the expectation as to no further restructuring costs from the Honsel acquisition), the growth and strengthening of and the competitiveness of the Company, the opening of facilities and pursuit of its strategies, the progress, and expectations, of operational and productivity improvements and efficiencies and the lean manufacturing culture, the reduction of costs and expense, investments in its business, the payment of dividends, as well as other forward-looking statements. The words “continue”, “expect”, “anticipate”, “estimate”, “may”, “will”, “should”, “views”, “intend”, “believe”, “plan”, “outlook” 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 (FX), timing of product launches and operational improvements during the period and current Board approved budgets. Certain forward-looking financial assumptions are presented as non-IFRS information, and we do not provide reconciliation to IFRS for such assumptions. 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 Annual Information Form and other public filings which can found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- Competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposure;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as under-funding of pensions plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats; and
- dividends.

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".

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