



May 6, 2022

Dear Fellow Shareholders,

Martinrea International Inc. (“Martinrea” or the “Company”) is pleased to announce its annual general meeting of the shareholders of Martinrea (the “Meeting”) to be held, in person, at 10:00 a.m. on Tuesday, June 7, 2022. We invite all shareholders to vote your shares.

We entered 2022 and approach our annual meeting with you with a spirit of renewed optimism. We hope this is the year we finally put lingering pandemic-related and supply chain headwinds in the rear-view mirror.

Our Company and industry continued to navigate our way through some significant challenges in the last year, most of which were related to the ongoing fallout from the COVID-19 Pandemic, including:

1. Supply chain issues, most notably a global shortage of semiconductor chips, which has forced our OEM customers to cancel or “call off” production on various programs, often on short notice. This has resulted in a volatile production environment, which makes it difficult to adjust costs in response to changes in volumes.
2. Labour shortages, which make it difficult to adequately staff our production lines and align costs with volumes.
3. Cost inflation in wages, materials, energy, and other inputs.
4. Substantial new business launch activity. We are currently launching the largest volume of new programs in the Company’s history and, as such, launch-related costs are currently elevated.

Arguably, the challenges we faced in 2021 were greater than the challenges we faced in the early days of the COVID-19 Pandemic. When the automotive industry shut down for over two months beginning in March 2020, our revenues dropped precipitously close to zero, and many in our industry questioned their ability to survive. However, we knew what we had to do to secure our own survival, and we quickly acted to reduce costs and protect our balance sheet, thereby ensuring the sustainability of our business well into the future. We quickly bounced back from those dark days, posting record results in the third and fourth quarters of 2020.

The overall environment has been more erratic and unpredictable. Production volumes declined year-over-year, and remain suppressed, but the impact has been uneven across programs and platforms, and our sales mix has been negative. Cost inflation has been more pervasive than most in our industry expected. Labour shortages have impacted the Company. Visibility has been extremely limited. These factors have made it difficult to pivot in real time in response to these changing industry dynamics.

As we head into the spring and summer of 2022, we know there will be challenges, some continuing and some new. Already this year, we dealt with border closures resulting from protests against COVID-19 pandemic restrictions which affected our industry. These have been resolved. There is a horrible war affecting Europe, global financial markets, and the automotive market, especially in Europe. There are concerns about rising inflation and interest rates. We live in a troubled world.

But the future looks great to us. As we look forward, we believe there are multiple reasons to be positive. Our 2021 second half results were not good, although understandable given the challenges. As predicted, fourth quarter results were better than our third-quarter results, and we are off to a good start in the early part of 2022 with the recent announcement of a solidly profitable first quarter. We believe our results will continue to improve throughout the back half of the year as supply chain conditions normalize and industry volumes stabilize and recover. Our launch activity is also expected to normalize over the year, resulting in higher sales at better margins as volumes on these programs ramp up. We are also addressing cost inflation through commercial negotiations with our customers and other offsets.

We believe that we are at the beginning of what is likely to be a multi-year cycle of strong sales and production growth, in North America, where most of our operations are located. Demand for vehicles is robust, and likely to remain strong given pent-up demand, interest rates that although appear likely to move higher are still low in a historical context, high savings rates, and strong household balance sheets. Additionally, vehicle inventories remain near an all-time low, and it will likely take several years to build back up to normal levels.

As announced, we continue to drive towards our 2023 outlook which calls for total sales (including tooling sales) of \$4.6 to \$4.8 billion, an adjusted operating income margin exceeding 8%, and more than \$200 million in free cash flow. We have a high degree of confidence in our ability to meet these targets, given the factors noted above, and our confidence and faith in our people.

As always, we continue to live our vision of “making lives better by being the best we can be in the products we make and the services we provide” as well as our unique culture based on our central Golden Rule philosophy. At the same time, we remain true to our lean thinking philosophy and to our entrepreneurial character. We are a technology company focused on innovation, and we had some notable developments on that front during the year.

Here are some of the key highlights of the past year—the full range are found in our Annual Information Form and published releases:

- We celebrated our 20<sup>th</sup> anniversary as an auto parts manufacturer, a significant milestone for our Company. In that time, a relatively short time in the industry, we have been one of the fastest-growing manufacturing companies in the world.
- We continued to deliver industry-leading safety metrics, with a Total Recordable Injury Frequency (TRIF) of 1.37, representing a 46% improvement over last year, and a 91% improvement since 2014. This is significantly better than the industry average of 3.0 and is an accomplishment to be proud of. Our goal is to be the industry leader.
- We are busy. Our plants are filling up with work. We are going through the greatest launch cycle in our history. These new programs are leading-edge and properly priced. Once launched, the vast majority of our plants will be full – for the first time since we started in the automotive business. And, as noted, we think this will support record financial results.

- In light of the ongoing semiconductor shortage and other headwinds we are currently facing, and as a proactive measure, we reached an agreement with our banking syndicate to provide enhanced covenant flexibility. Under the terms of the amended agreement, the calculation of our net debt to trailing twelve-month EBITDA ratio for covenant purposes now excludes EBITDA from the third and fourth quarters of 2021, and, instead, is based on the annualized total of the remaining quarters in the period. Additionally, the maximum net debt to trailing twelve-month EBITDA ratio covenant has been increased for the first, second, and third quarters of 2022. We have excellent relationships with our lenders, and we thank them for their ongoing support.
- We increased our investment in NanoXplore Inc. by purchasing one million shares in February 2021, representing an approximate 22.2% interest in NanoXplore Inc. (the decrease in ownership percentage was as a result of dilution). NanoXplore is a world leader in graphene production, and we are very excited about its future. Also, we have been producing the world's first graphene-enhanced brake lines for customers – a technological first. And this product has recently been nominated for an Automotive News PACE award, a prestigious award recognizing leading innovations in the automotive industry.
- We entered a 50/50 joint venture with NanoXplore called VoltaXplore Inc., aimed at commercializing the development of graphene-enhanced lithium-ion batteries for electric vehicles. A one gigawatt-hour demonstration facility has been commissioned, on time and on budget, and is currently producing batteries. We believe this is game changing technology, and are presently talking to potential financial partners and customers.
- We formally established our Martinrea Innovation Development (MiND) initiative, with the purpose of incubating, developing, and funding innovative technologies that can be directly applied to Martinrea's operations, or grow independently. Martinrea currently holds three leading technology equity investments, including its stake in NanoXplore, its VoltaXplore 50/50 joint venture with NanoXplore, and a minority equity position in AlumaPower, a private company developing aluminum air battery technology for a variety of end markets, including automotive. Martinrea is also evaluating a number of other initiatives within MiND, including additive manufacturing, robotics, and software.
- We made substantial progress in a number of our environmental, social and governance initiatives throughout the year, as outlined in our 2021 Sustainability Report posted on our website, and summarized in our proxy materials. Notable highlights include a pretty incredible improvement in our safety metrics, a unique giving program involving our employees, and our diversity initiatives. And I remind you that the bulk of our business revolves around lightweighting structures, structures that are powered to move people or product. If we can lightweight the structure, vehicles use less fuel to travel, saving energy. In the case of internal combustion engine powered vehicles, that means less fuel emissions and less GHG emissions; in the case of electrified vehicles, that means one needs less of a charge to propel the vehicle a given distance. Our initiatives with graphene and graphene enhanced batteries are also leading-edge technology initiatives with tremendous potential environmental benefits.

As the industry increasingly moves towards electric vehicles, our program mix and product portfolio is evolving in lockstep with this trend. We estimate that by 2026, approximately 40% of our book of business will be on electrified vehicle platforms, which is in line with industry projections from IHS Markit in the regions we operate in. Our business is largely agnostic to propulsion type, and for the small portion of our business that is exposed, we have a broad range of products that are either in production or under development to address the transition. In fact, we believe that we have an opportunity to augment our content per vehicle as the world goes electric.

We believe that our culture is and will be a sustainable competitive advantage for the Company over the long term, and we believe it has driven the improving financial, safety and quality performance in the past. In order to be sustainable for the long term, a company has to be profitable, safe, build great products, take care of its customers and people, and have a culture that is embraced by the people.

Sustainable companies with great cultures will be around for a long time. We believe we have a company poised to excel in 2022, 2023 and beyond, and we are committed to deliver for our shareholders and all our stakeholders.

## **Governance**

Martinrea remains committed to having a strong and diverse board to carry out our duties and responsibilities. We implemented a board diversity policy in 2015 and undertook a rigorous review of our skills matrix to make sure we assemble the right mix of skills, experience and good qualities, as described in our Circular. The following are the independent directors up for re-election this year, who you supported strongly last year with your ballots:

- Terry Lyons brings a broad range of operational, manufacturing, financial and governance experience.
- Fred Olson brings a deep knowledge of the automotive and automotive supplier industry, having been a senior executive and director of a major automotive parts supplier as well as having roles at various suppliers and OEMs during his automotive career.
- Sandra Pupatello brings tremendous international experience, having led investment and trade missions to industrial capitals on five continents and, as the former Minister of Economic Development for Ontario with oversight of the automotive portfolio, has strong connections with many automotive OEMs.
- David Schoch brings to the Board a deep and intricate knowledge of the automotive industry, financial, operational, public company chief financial officer and senior executive experience, as well as knowledge of global markets. He has spent the bulk of his career at very senior levels at Ford Motor Company, in North America, Asia, South America and Europe, all areas in which the Company has operations.
- Molly Shoichet brings to the Board a deep knowledge of science, technology and innovation, corporate and public policy experience and an entrepreneurial spirit. She brings a unique perspective to the Board, building on her interdisciplinary research at the intersection of engineering, science and medicine where she is able to bring diverse groups together to solve common problems.
- Edward Waitzer brings to the Board a deep knowledge of legal, regulatory and corporate governance issues, mergers and acquisitions and sustainability.

As noted in our Management Information Circular, by our next Annual General Meeting of Shareholders in 2023, the Board has made a commitment to have a minimum of 30% female directors. Presently, one-third of our independent directors are female.

We are a technology and innovation driven company, specializing in automotive parts, for the most part, as we have an industrial group also. Our directors as a group have significant expertise in this challenging industry, from a variety of perspectives. We address corporate strategy and risk oversight, which are critical

aspects of our responsibility. Our Board members are dedicated, knowledgeable and all focused on the best interests of Martinrea. Today, the Chair of the Audit Committee is Terry Lyons, the Chair of the Human Resources and Compensation Committee is David Schoch and the Chair of the Corporate Governance and Nomination Committee is Sandra Pupatello. Fred Olson is our lead director. All directors serve on one or more committees, but note all directors are invited to and typically attend all committee meetings.

Our directors are fully engaged in regular meetings, but also in a broad range of activities listed in the proxy materials, ranging from industry events to facilities visits to conferences, although the frequency of these events has been significantly reduced during the pandemic. Thankfully, things have opened up again. We held our first quarter 2022 board meeting in Montreal so we could review in person our investments in NanoXplore and VoltaXplore, and we are developing a good schedule of in person events going forward. We also hold many update sessions during the year. Our board is informed, engaged and involved appropriately.

We conduct board assessments to increase the effectiveness of our board, committees and directors. We are all stakeholders, and will continue to build our equity ownership. All directors are paid an annual retainer, one-half of which is paid in DSUs, to build equity ownership.

In addition to the independent directors, Pat D'Eramo and I will be nominees. Pat is leading our team in developing and fulfilling our strategy, and driving operational excellence throughout the Company. I have been with Martinrea since it was formed. We are both proud to serve on this Board and for this Company and our people that work hard for us all every day.

To close, Martinrea continues to have a great future, and we are seeing it unfold every day. I believe our industry is poised for a really great run coming out of the pandemic, chip shortages and other supply chain issues. We are dealing with industry challenges with a tremendous sense of focus, dedication and resilience and we will continue to be a leader in our industry.

We have a highly experienced and dedicated management team and a strong independent board of directors, dedicated to creating shareholder value for years to come. On behalf of the Board, we would like to thank our shareholders for your ongoing support as we move forward together to building a stronger Martinrea.

Sincerely,



Rob Wildeboer

**Questions or Requests for Assistance may be Directed to our Proxy Solicitor:**



**North America Toll Free  
1-877-452-7184  
Collect Calls Outside North America  
416-304-0211  
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