

MARTINREA INTERNATIONAL INC.



ANNUAL INFORMATION FORM

For the fiscal year ended

December 31, 2019

March 5, 2020

TABLE OF CONTENTS

1.	CORPORATE STRUCTURE.....	3
	Name and Incorporation.....	3
	Intercorporate Relationships	3
2.	ABOUT MARTINREA	3
3.	GENERAL DEVELOPMENT OF THE BUSINESS	4
	History (2001 to 2014) Martinrea 1.0 – Building a Footprint	4
	Recent Developments in the Company’s Business (2015 to 2019) Martinrea 2.0 – One Martinrea and Driving the Culture.....	5
	Significant Acquisitions and Significant Dispositions	8
4.	DESCRIPTION OF THE BUSINESS AND TRENDS	8
	Overview	8
	Automotive Industry - General	9
	The Company’s Vision, Mission, Culture and Business Strategy.....	15
	Elements of Business Strategy	17
	Products.....	20
	Operations	21
	Commitment to Quality.....	22
	Capabilities.....	22
	Sales, Marketing and Customers	25
	Suppliers and Sourcing	26
	Competition.....	26
	Human Resources.....	27
	Facilities	27
	Information Technology and Cybersecurity.....	27
	Sustainable Business	27
	Acquisitions	35
5.	DIVIDENDS.....	35
	Dividend Policy.....	35
6.	CAPITAL STRUCTURE.....	35
7.	MARKET FOR SECURITIES.....	36
8.	ESCROWED SECURITIES	36
9.	DIRECTORS AND OFFICERS	37
	Name, Occupation and Security Holding.....	37
	Cease Trade Orders	39
10.	RISK FACTORS.....	40
	North American and Global Economic and Political Conditions and Epidemics or Pandemics.....	40
	Automotive Industry Risks	40
	Dependence Upon Key Customers	41
	Financial Viability of Suppliers	41
	Competition.....	42
	Cost Absorption and Purchase Orders.....	42
	Material Prices	42
	Outsourcing and Insourcing Trends	42
	Product Warranty, Recall and Liability Risk	43
	Product Development and Technological Change	43
	Dependence Upon Key Personnel.....	43
	Limited Financial Resources/Uncertainty of Future Financing/Banking	43
	Acquisitions	43
	Private or Public Equity Investments in Technology Companies	44
	Joint Ventures	44
	Potential Rationalization Costs and Turnaround Costs	44
	Launch and Operational Costs	45
	Labour Relations Matters.....	45
	Trade Restrictions	45
	Changes in Laws and Governmental Regulations.....	45

Litigation and Regulatory Compliance and Investigations	46
Quote/Pricing Assumptions.....	46
Currency Risk - Hedging	46
Currency Risk - Competitiveness in Certain Jurisdictions.....	46
Fluctuations in Operating Results	46
Internal Controls Over Financial Reporting and Disclosure Controls and Procedures	47
Environmental Regulation and Climate Change	47
A Shift Away from Technologies in Which the Company is Investing	48
Competition with Low Cost Countries.....	48
The Company’s ability to shift its manufacturing footprint to take advantage of opportunities in growing markets	48
Risks of conducting business in foreign countries, including China, Brazil and other growing markets	49
Potential Tax Exposures.....	49
Change in the Company’s mix of earnings between jurisdictions with lower tax rates and those with higher tax rates.	49
Pension Plans and other post employment benefits	49
Impairment Charges	50
Cybersecurity Threats	50
Potential Volatility of Share Prices	50
Dividends	51
11. PROMOTERS.....	51
12. LEGAL PROCEEDINGS	51
13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	51
14. TRANSFER AGENT AND REGISTRAR.....	51
15. MATERIAL CONTRACTS	51
16. INTERESTS OF EXPERTS	52
17. ADDITIONAL INFORMATION	52
APPENDIX “A” LIST OF SUBSIDIARIES AS AT DECEMBER 31, 2019	54
APPENDIX “B” FACILITIES.....	56
APPENDIX “C” MARTINREA INTERNATIONAL INC. AUDIT COMMITTEE MANDATE	60

Special Note Regarding Forward-Looking Statements

This Annual Information Form contains forward-looking statements within the meaning of applicable Canadian securities laws, including, but not limited to, statements related to the outlook and growth of the automotive industry, including increasing sales and revenues, production levels, government financial intervention, the financial outlook of OEMs, availability of credit for automotive purchases, the cyclical nature of the automotive industry, various trends, such as the future of and impact of autonomous vehicles, connectivity and shared vehicles, electric vehicles, the expected relevance of the internal combustion engine, the launching of new programs, pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the impact of government regulations and governmental trade policy (including the USMCA which will replace NAFTA when ratified, Brexit and the CPTPP), the anticipated implementation date of the USMCA, the competitive environment of the auto industry, the increase in foreign-owned OEM production in relation to vehicle importation, the increased reliance on outsourcing by OEMs, including by foreign-owned OEMs, the impact of the consolidation of vehicle platforms, including on warranty/recall risk or localization trends, anticipated growth in the automotive industry generally and in emerging markets such as Asia, India, Eastern Europe and China, the benefit of strategic relationships to the growth of the Company's business, the benefit of the acquisition from Metalsa to the Company's business, the increased reliance on forming, sustainability and environmentally focused and increasingly lightweight technologies, and the importance of lightweighting to a supplier's competitive position, future investments in leading edge technology, the use of and benefit of graphene to the Company's business, equipment and processes, the benefits of flexible manufacturing lines, opportunities to increase sales, expand the customer base and growth of the Company and pursuit of and belief in its strategies and ability to deliver on them, successful integration of acquisitions, broad geographic presence and penetration, increased relationships with suppliers, statements on industry trends, and market growth, the impact of coronavirus on industry volumes and revenues, and the Company's belief of the Brazil tax assessment claims referenced under *Potential Tax Exposures and Legal Proceedings*. 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. 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, which are discussed in greater detail in the "Risk Factors" section of this Annual Information Form:

- North American and global economic and political conditions and epidemics or pandemics;
- 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 and commodities;
- outsourcing and insourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- product development and technological change;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources/uncertainty of future financing/banking;
- risks associated with the integration of acquisitions;
- risks associated with private or public investment in technology companies;
- the risks associated with joint ventures;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- labour relations matters;
- trade restrictions;
- changes in governmental regulations or laws including any changes to trade;
- litigation and regulatory compliance and investigations;
- quote and pricing assumptions;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation and climate change;

- the impact of climate, political, social and economic risks, natural disasters and pandemics in the countries in which we operate or sell to, or from which we source production;
- 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 markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans;
- the cost of post-employment benefits;
- impairment charges;
- cybersecurity threats;
- the potential volatility of the Company's share price; 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.

MARTINREA INTERNATIONAL INC.

1. CORPORATE STRUCTURE

Name and Incorporation

Martinrea International Inc. (“Martinrea” or the “Company”) was formed under the *Business Corporations Act* (Ontario) by the amalgamation of several predecessor corporations by articles of amalgamation dated May 1, 1998 and continued business under the successor corporation, Royal Laser Tech Corporation. On June 4, 2002, the Company changed its name from Royal Laser Tech Corporation to Martinrea International Inc. pursuant to articles of amendment.

The Company’s head and registered office is located at 3210 Langstaff Road, Vaughan, Ontario, L4K 5B2.

Intercorporate Relationships

A list of the Company’s principal subsidiaries and their respective jurisdictions of incorporation as at December 31, 2019 is annexed hereto as Appendix “A”. The Company’s intercorporate legal structure is not indicative of the Company’s operational structure.

Unless otherwise indicated or unless the context otherwise requires, all references in this Annual Information Form to Martinrea or the Company include Martinrea and its subsidiaries.

Martinrea currently operates in 57 locations, in ten countries, as shown below, with its corporate head office in Vaughan, Ontario and its main sales and research and development tech center in Auburn Hills, Michigan, and a sales and engineering office in Japan.



2. ABOUT MARTINREA

Martinrea is a lightweighting company and is an increasingly diversified and global supplier, engaged in the design, development and manufacturing of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea provides highly engineered, value-added systems, lightweight structures and propulsion components to customers. (See “*Description of the Business and Trends: Automotive Industry – General*”.)

The Company, led by Pat D’Eramo (Chief Executive Officer and President), Rob Wildeboer (Executive Chairman) and the rest of the executive management team, is focused on innovation and providing engineered solutions using its lightweighting expertise in metal forming, aluminum casting and other lightweighting materials to help automakers curb vehicle weight, while at the same time improving a vehicle’s overall strength, safety and

efficiency, and using its fluids management and aluminum systems expertise to create solutions to meet the customer's demands for mobility. (See "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*".)

To continue to propel the Company forward, the Company has focused over the last several years on building its culture (of entrepreneurship, lean manufacturing principles, and the Golden Rule philosophy) and implementing its Vision, Mission and Ten Guiding Principles (see "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*") throughout the Company, with a strategy based on four key pillars: having a high performance culture, operational excellence, superior financial management and customer satisfaction.

Since its inception, the Company has been executing its strategy with prudent, profitable growth through innovation and engineering, with talented people. At Martinrea, we believe our strength is in our people (see "*Description of the Business and Trends: Sustainable Business*"). The Company has created a diverse culture, giving employees the opportunity to help the Company grow its footprint and expand its product offerings and areas of expertise with discipline, dedication and determination. The Company believes a culture based on treating people the way we want to be treated, with dignity and respect, is a critical component of a sustainable business and will be a sustainable competitive advantage over time (see "*Description of the Business and Trends: Sustainable Business*").

The Company has grown from its founding as an automotive parts supplier in 2001 to become a leader in all of its product areas. (See "*General Development of the Business*".) As at December 31, 2019, Martinrea employed approximately 15,000 skilled and motivated people in 51 locations in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China and Japan.

3. GENERAL DEVELOPMENT OF THE BUSINESS

In terms of automotive parts suppliers, Martinrea is a relatively young company, whose competitors have been in business in some cases for many decades. For this reason, we have included a brief history of Martinrea's business development as an automotive parts supplier from inception to the present.

History (2001 to 2014) Martinrea 1.0 – Building a Footprint

The Company's historical business before 2001 consisted primarily of the production of metal products including store fixtures and metal components. Since its founding in 2001 as an automotive supplier, the Company has focused on original equipment manufacturers ("OEMs") as a Tier One supplier (suppliers which supply components, assemblies, modules or systems directly to OEMs) in the automotive sector, and on large equipment manufacturers for its non-automotive business. (See "*Description of the Business and Trends*".)

In August 2001, a new executive team joined the Company and set it on its path as a market leader in the production of metal forming and fluid systems parts, assemblies and modules particularly for the automotive industry: Rob Wildeboer, as Executive Chairman, Fred Jaekel, as President and Chief Executive Officer and Nick Orlando, as Executive Vice President and Chief Financial Officer. They were the co-founders of the business of the Company.

From 2001 to 2014, the Company developed both through organic growth from customers awarding it new, incremental or takeover business (that is, business taken over from a competitor at the request of a customer) and through acquisition, seeing revenue increase from \$26.5 million in 2001 to revenues of approximately \$3.6 billion in 2014. During this time, the Company grew its footprint, managed the integration of acquisitions to improve efficiencies, had sizeable launch activity, strengthened product offerings, took advantage of technological capabilities, created more profitability, grew existing customers and added new customers, streamlined and restructured its operations (closing non-performing plants and expanding or building plants in areas where operations and production was growing), with most years (with the exception of the 2008 and 2009 recession) being record years in terms of revenues, volumes and profits, while continuing to implement the Company's strategy and its decentralized system and organization-wide entrepreneurial approach on a larger global platform as it expanded into new jurisdictions and geographies.

The Company made various acquisitions expanding the Company's business and operations, each adding to the Company's capabilities, assets and revenues: (i) in 2002, the Company acquired the shares of Rea International

Inc. (“Rea International”) and Pilot Industries, Inc. (“Pilot”); (ii) in 2005, the Company opened its first metal forming plant in the United States, named Icon, in Corydon, Indiana, by acquiring assets and takeover business from an insolvent competitor; (iii) in May, 2006, the Company acquired the assets of Depco International (“Depco”) in Ontario, renamed Rollstar Metal Forming; (iv) on December 1, 2006, the Company acquired the North American body and chassis operations of the ThyssenKrupp Budd Company (“TKB”); (v) in 2009, the Company acquired the business of SKD Automotive Group (“SKD”) which involved acquisitions of a plant in Mexico City, Mexico and Jonesville, Michigan, along with the related business, and the takeover of SKD’s work in Canada along with the related equipment necessary to produce the work; and (vi) in 2011, in addition to focusing on growing its core business, the Company seized the opportunity to expand its business into the light-metal aluminum casting and machining industry through the acquisition from bankruptcy of substantially all of the assets of Honsel AG (“Honsel”) to form the Martinrea Honsel Group (also called “Martinrea Honsel”). The Company partnered with Anchorage Capital Group, L.L.C. (“Anchorage”) in the transaction which involved the acquisition of plants in Germany located in Meschede, Soest (which was later sold in 2015) and Nuttlar, as well as Madrid, Spain; Queretaro, Mexico; and Monte Mor, Brazil (in 2014, the Company acquired the minority interest in Martinrea Honsel from Anchorage so it now fully owns the aluminum casting and machining operations of Martinrea Honsel).

By 2014, Martinrea’s footprint was in place.

Martinrea experienced increasing success and recognition from its largest customers General Motors, Ford, FCA, Daimler, JLR and Nissan, in terms of business wins (for both new and incremental business) and takeover business and in customer awards. Organic growth throughout this period included plant expansions in Canada, the United States and Mexico, and opening new plants in many areas. Martinrea also experienced consistent recognition from its customers in terms of customer performance awards.

The Company also experienced challenges in the automotive industry in North America in 2008 and 2009 with the 2008 and 2009 global credit and economic crisis and the severe contraction of the North American, and global, automotive industry in particular. Yet, in the face of all of the turmoil and despite the industry crisis, the Company survived and thrived, and focused on maintaining its strategy with hard work and dedication, resilience, responsiveness and discipline.

In November, 2014, Pat D’Eramo was appointed President and Chief Executive Officer.

Recent Developments in the Company’s Business (2015 to 2019) Martinrea 2.0 – One Martinrea and Driving the Culture

The second major phase in Martinrea’s history began under the joint leadership of Pat D’Eramo and Rob Wildeboer, as they focused on the development of a One Martinrea concept, driving a high performance culture, operational excellence, superior financial management and customer satisfaction. The Company developed its Vision and Mission founded on Ten Guiding Principles, as it focused on developing a unique and successful Martinrea culture.

In 2015, the Company experienced record financial results to that date, with revenues of approximately \$3.9 billion and adjusted net income¹ of approximately \$119 million, in a year when the North American industry experienced post-recession record sales and production volumes. The Company finished the year with 44 facilities in operation or in the later stages of being built, and over 14,000 employees, in eight countries on four continents. The Company’s new facilities in Spain and Riverside, Missouri launched business in 2015, and the new facilities in Mexico and China were built and preparing for launches in 2016. One facility, in Soest, Germany, was determined to be a

¹ The Company prepares its financial statements in accordance with International Finance 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” and “Adjusted EBITDA” (which are referenced in this Annual Information Form). A reconciliation of IFRS “Adjusted Net Income” and “Adjusted EBITDA” is contained in the Company’s management discussion and analysis of operating results and financial condition for the relevant year ended December 31 under the heading “Overall Results” and/or “Adjustments to Net Income”, a copy of which is available on www.sedar.com.

non-strategic asset with an uncertain future and was sold at a price approximating book value. There were no acquisitions in 2015. The Company continued to quote and win new business in 2015 in its various product areas.

2016 was another good year for the Company, as it worked to continuously improve and deliver results and value to its shareholders and customers. To emphasize this focus, in the spring of 2016, the Company held a Global General Manager Conference of the Company's operational leaders bringing together its diverse culture to drive the strategy (and kickstart what is internally known as Martinrea 2.0). As the management team continued to develop and execute on the Company's four pillar strategy, quality and performance generally improved throughout the Company; the Company experienced improved financial results in many areas; and customer satisfaction improved, as evidenced in significant new product mandates in all areas of the Company's business and a number of customer awards to the Company and many of its plants.

The Company experienced its best financial results in its history to that date, with revenues of approximately \$3.97 billion and adjusted net income of approximately \$130.1 million¹, also showing margin improvement and a stronger balance sheet.

While the Company's operational footprint remained in place, it continued to make adjustments to reflect customer demand. The Company announced the closure of its Detroit Hot Stamping facility due to its customer's decision to cancel a specific light vehicle platform, on which the majority of the work in the facility was dedicated. The remaining work in the plant was moved to other facilities. The Company's Chinese fluids business expanded into a larger and more modern facility, reflecting its business growth in China. Facilities were expanded in Estampados, MJ Mexico and Silao and a new metallic facility was built in San Luis Potosi. Facilities in China and Mexico (noted above) that were being built in 2015 launched in 2016. To drive innovation, Martinrea announced the construction of a new 108,200 sq. ft. technical center in Auburn Hills, Michigan to combine its U.S. based sales, product engineering, purchasing and vehicle-lightweighting research and development activity into a single, state-of-the-art facility in close proximity to some of the largest vehicle manufacturers in the world.

The Company had a successful launch schedule during 2016, with over 70 successful launches, including the opening of four new plants, in Spain, Mexico, Riverside, U.S. and China. The Company won business (both new and incremental) for multiple programs launching in 2017, 2018 and 2019, in all its business areas. The Company was recognized by its customers for best in class performance at several of its facilities, which received top supplier awards. The Company also received a nomination for a Ford Motor Company World Excellence Award (WEA) for the category of Supplier Diversity Development Corporation of the Year in 2016. This award recognizes Tier One suppliers that successfully demonstrate significant contribution to the growth and development of supplier diversity development and community outreach during the 2016 calendar year.

2017 was another successful year for the Company, with record financial results to that date. The Company's four pillar strategy and lean manufacturing principles took hold, as evidenced by the Company's best year ever for financial performance to that date. 2017 revenues were approximately \$3.7 billion and adjusted net income¹ was approximately \$166 million. The Company experienced improving operating margins, cash flow and earnings per share. The Company's previously announced operating income margin target of 6% by the end of 2017 and a net debt:adjusted ebitda¹ target ratio of 1.5x by the end of 2017 were both met. The construction and move to the new Auburn Hills Technical Center facility was completed in 2017. Substantial investments were made in a number of existing facilities. The Company moved its MJ facility (now Martinrea Industrial Canada) to Vaughan, Ontario and its London, Ontario facility to Ingersoll, Ontario. The Company had a successful launch schedule during 2017, with many successful launches. The Company received a number of top supplier awards from a variety of customers, including GM, Ford, FCA, Nissan and Jaguar Land Rover. It also continued to improve its safety metrics to better than industry standards.

The Company's success continued in 2018, with record financial results to that date. 2018 revenues were again approximately \$3.7 billion and adjusted net income¹ was approximately \$193 million. The Company continued to experience improving operating margins, cash flow and earnings per share. The Company continued to invest in its operations and its business. The Company held its second leadership conference in April, 2018, building upon the success of the first leadership conference held in 2016, with the goal of accelerating the growth and execution of its strategy. The Company also renewed its sales and marketing strategy, positioning its products and capabilities with the evolving needs of its customers by delivering lightweight structures and propulsion systems and components using advanced materials in steel, aluminum, or a combination of both, as well as other materials. The Company launched

the new commercial strategy externally in early 2019. The Company also invested in lightweighting technologies and announced its intention to increase its strategic position to approximately 16% of the outstanding shares of NanoXplore Inc., a Canadian company which produces graphene, which the Company believes will have applications in certain areas of its business. The Company expanded its presence in Asia by opening a sales and engineering office in Tokyo, Japan to further build relationships with the Japanese automakers. The Company had a successful launch schedule during 2018. The Company won business (both new and incremental) for many programs launching in 2019, 2020 and 2021. In 2018, the Company earned approximately \$600 million in new product awards launching over the next several years, one of the best years for quoting work in the Company's history to that date. The Company received a number of top supplier awards from a variety of customers, including General Motors, Ford, FCA and others. Its safety metrics continued to improve to better than industry standards. The Company also navigated through the uncertainties created by the new United States Mexico Canada Agreement ("USMCA") negotiations and other global trade issues, such as steel and aluminum tariffs.

The Company had another strong year in 2019 in terms of financial and operational performance. 2019 revenues were approximately \$3.9 billion and adjusted net income¹ was approximately \$188 million. The first three quarters of the year showed year over year increases in revenue, adjusted operating income, free cash flow and adjusted earnings per share¹. In the fourth quarter of 2019, the industry experienced a significant strike at GM, which reduced revenues for the Company and negatively affected earnings. The strike ended in the fourth quarter of 2019 and operations returned to normal by the end of 2019.

The Company continued to invest in its operations and business in 2019, as well as make or agree to make several important strategic investments, while maintaining a strong balance sheet and returning capital to shareholders in the form of dividends and share repurchases under the Company's normal course issuer bid.

In 2019, and currently, the Company worked on developing its Project Breakthrough sales and marketing strategy throughout the organization, whereby the Company markets itself through two major product offerings, namely, Lightweight Structures and Propulsion Systems. The goal of this focused strategy is to present not just product, but systems, solutions to customers, utilizing the Company's strengths in metal fabrication, both of steel and aluminum, and in fluid systems.

The Company purchased a plant in Mississippi from Variform in the first half of 2019, increasing its presence in the U.S. market and with Nissan. It also increased its investment in NanoXplore Inc. during the year, first from participating in an offering of shares in early 2019 and later in the year in a purchase of shares on the secondary market. By the end of 2019, Martinrea owned an approximate 25% interest in NanoXplore, which is currently building a sizable graphene plant in Montreal, Quebec. The Company continues to explore uses of graphene in its product offerings, particularly in the fluid systems area. In the fourth quarter of 2019, the Company announced a strategic relationship with Millison Die Casting, a Chinese manufacturer and distributor of aluminum casting products for the automotive and telecommunications industries. The Company believes this relationship will further expand its capabilities as a global supplier of aluminum castings, with the ability to work together with Millison in the Chinese market. The Company also announced in late 2019 an agreement to purchase the structural components for passenger cars division of Metalsa S.A. de C.V. for a purchase price of approximately USD \$19.5 million in cash, inclusive of working capital and on a debt free basis. Completion of the transaction occurred on March 2, 2020, once regulatory approvals and closing conditions had been obtained or met. The transaction enhances and diversifies the geographic and customer reach of the Company's Lightweight Structures group, provides added engineering capability in Europe, and adds approximately \$400 million in revenues on an annualized basis.

Operationally, the Company had a very busy but successful year, launching many new products, including the new Escape platform for Ford and the truck and SUV program for GM. The year 2019 was one of the busiest launch years on record for Martinrea, and one of the most successful. The Company continued to quote new business. Building on a very strong 2018 in new business awards, the Company announced approximately \$385 million in new business awards in 2019, launching primarily in 2021 and 2022. The business awards were from a broad variety of customers, as the Company continues to focus on increasing its customer base over time. The Metalsa acquisition is expected to significantly increase the Company's footprint with Daimler, BMW and Audi. The Company's safety and quality metrics, a constant focus by management, continued to improve in 2019, and are better than industry averages.

The Company was also very involved in trade related discussions in 2019, particularly in the USMCA negotiations. By the end of 2019, the USMCA had been signed by Mexico, the United States and Canada, and is expected to be implemented by the end of 2020 pending ratification and production of detailed rules and guidelines. The steel and aluminum tariffs imposed by the United States were lifted in 2019.

The Company finished 2019 with approximately 15,000 skilled and motivated people in 51 locations (including sales and engineering centers) in Canada, the United States, Mexico, Brazil, Germany, Spain, Slovakia, China and Japan.

Significant Acquisitions and Significant Dispositions

The Company has made several major acquisitions since 2001 (see “*History*” above). In the past three years, the Company has grown its business organically. The Company has made no “significant acquisitions” within the meaning of securities laws within the reporting period.

In early 2020, the Company completed the acquisition of the Metalsa assets described above. While an important step in its growth, such acquisition is not a significant acquisition for the Company, within the meaning of securities law.

Current Financial Year

In 2020, the Company continues to emphasize its culture in terms of its commitment to people, service, lean thinking and entrepreneurship. The Company expects to continue to develop as a leading automotive supplier in 2020 and beyond as it pursues its strategies as described herein and in the Management’s Discussion and Analysis of Operating Results and Financial Position for the year ended December 31, 2019. (See “*Additional Information*”.)

4. DESCRIPTION OF THE BUSINESS AND TRENDS

Overview

As noted above under “*About Martinrea*”, Martinrea is an increasingly diversified and global supplier, engaged in the design, development and manufacturing of quality metal parts, assemblies and modules and fluid management systems and complex aluminum products focused primarily on the automotive sector, and increasingly on its lightweighting technology and its ability to provide engineered solutions to its customers, servicing its customers with lightweight structures and propulsion systems and components.

Reporting Segments

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by the Company’s chief operating decision maker (“CODM”) which is the Chief Executive Officer. Given the differences between the regions in which the Company operates, the Company’s operations are segmented on a geographic basis between North America, Europe and Rest of the World. The Company uses segment operating income as the basis for the CODM to evaluate the performance of each of the Company’s reporting segments. The Company’s external sales by reporting segment for 2019 and 2018 were as follows:

Reporting Segment	2019 (Cdn \$ in thousands)	2018 (Cdn \$ in thousands)
North America	3,066,352	2,827,527
Europe	672,131	713,861
Rest of the World	132,670	135,322
Eliminations	(7,494)	(13,810)
Total	3,863,659	3,662,900

Automotive Industry - General

Automotive Industry Highlights and Trends

Martinrea operates in a business which is impacted by various economic, industry and technological trends. The automotive industry remains one of North America's and the world's largest and most competitive industries, and has faced many challenges (for example, the automotive recession of 2008 and 2009), and continues to face similar and different challenges. The global automotive industry is a complex and increasingly high-tech industry, sensitive to a broad range of macro-economic and political factors. A number of general trends have been impacting the automotive sector in the recent past and possibly could continue for the near future, including trends relating to the reduction of carbon footprint. Some of these trends are discussed below.

The Company believes it is well positioned to capitalize on the opportunity these challenges bring due to its geographical footprint, lightweighting and engineering capabilities and focus on innovation. (See "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*".)

The Position of an OEM Supplier in the Automotive Industry

The automotive industry is and remains one of the largest and most competitive industries in the world. Several developments in the automotive industry substantially affect the business environment for independent suppliers, including: (i) ongoing pressure on suppliers to reduce prices; (ii) the continually increasing participation by suppliers in the design and engineering of automotive components and complete vehicle subsystems at an early stage of the design process; (iii) the continuing consolidation of the OEMs' supplier base; (iv) the outsourcing of components, assemblies and complete systems from OEMs to sophisticated, independent suppliers; (v) the expansion of foreign-owned OEMs in North America and their increased emphasis on North American-sourced content; (vi) platform consolidation; (vii) the increased focus on fuel efficiency and emission reduction; and (viii) the growth of automotive production in emerging markets along with an emphasis on global platforms. In addition to increased supplier dependency, OEMs have come under substantial regulatory and competitive pressure to simultaneously improve vehicle safety and reduce vehicle weight, which leads to lower fuel consumption and reduced emissions. Substantive weight reduction is expected to ensue as OEMs continuously develop uses for higher strength-to-weight materials and improved manufacturing processes including hydroforming, hot stamping and laser cutting for steel applications and an increased emphasis on lighter weight materials such as aluminum in response to the aforementioned pressures.

Pricing Pressure

Automotive suppliers consistently face a major challenge through continuing pressure by their customers to lower prices. OEMs have placed and continue to place significant downward pricing pressure on the supply chain. Such pricing pressure has manifested itself in various forms, including: one-time price reductions requested by OEMs; long-term supply agreements containing pre-determined price reductions at specified intervals; and the assumption of design, engineering, prototype, warranty and tooling costs by suppliers. This downward pressure on the price of automotive parts has been coupled with increased production, labour, materials and overhead costs. Automotive suppliers have, as a consequence of lower per part margins, been forced to consolidate operations or to combine with each other in order to leverage economies of scale and operating synergies. Many automotive suppliers have experienced financial distress resulting from customer pricing pressures and other automotive related factors, such as higher input costs, legacy costs and volume reductions (see "*Risk Factors*"). Supplier bankruptcies have occurred in the past, and further bankruptcies may occur in the future. Pricing pressure continues and will continue to be a feature of the automotive supply base.

Outsourcing

Pricing pressures experienced by OEMs have led them to accelerate in many cases the outsourcing of automotive parts and systems. The extent of outsourcing is dependent upon a number of factors. It depends principally upon the cost, quality and timeliness of external production relative to in-house production by OEMs, but it is also influenced by other factors such as the degree of unutilized capacity in the manufacturing facilities of the OEMs and collective bargaining agreements (lower labour, pension and benefit costs may lead to less outsourcing in certain areas and even some insourcing where cost effective). However, given the declining capacity and the increased capacity

utilization at many of the OEMs, and the increased specialization and efficiency of many automotive parts suppliers, insourcing may be limited in scope and to certain areas, such as module assembly.

Historically, virtually all automotive suppliers manufactured and shipped parts to OEMs in accordance with design and engineering specifications supplied by OEMs. OEMs generally purchased the same or similar parts from several suppliers, obtained a substantial number of parts from their affiliated parts manufacturers and performed a significant portion of sub-assembly in-house. In addition, design and quality control testing was generally performed by OEMs themselves. OEMs now generally expect their suppliers to participate in the design and engineering of parts and to assume even greater responsibility for total quality management and warranty. Companies that supply components, assemblies, modules or systems directly to OEMs, and which design, engineer, manufacture and conduct performance validation and quality control testing, are referred to in the automotive industry as “Tier One” suppliers. Tier One suppliers generally have the capability to supply these components, assemblies, modules or systems to OEMs on a just-in-time sequential basis, which enables OEMs to reduce inventory levels. In producing components, assemblies, modules or systems for OEMs, Tier One suppliers may rely on other suppliers (referred to as “Tier Two” suppliers), for the supply of input components or parts. Tier Two suppliers and their suppliers (referred to as “Tier Three” suppliers) generally have specific technical or engineering skills or a niche product that the Tier One supplier would purchase for inclusion in an overall product for sale to an OEM. Tier Two and Tier Three suppliers are generally not a competitive threat to Tier One suppliers and they often partner together on contracts as their skills are complementary.

The North American market for outsourcing of automotive parts, components and assemblies has traditionally been over US\$250 billion per year.

Engineering Design and Development

Engineering Design and Development (“ED&D”) is the process of designing, analyzing, prototyping and validating a component, assembly or module in an iterative manner until it meets all targets regarding performance, weight, quality and functionality. Often OEMs and Tier One suppliers will develop a component for a number of years before it is ultimately included in the mass production of vehicles. With the ever-increasing need to update changes in styling and design, OEMs need to constantly reduce the design and development cycle time to ensure ultimate market success. The cost of ED&D including component prototyping and validation for OEMs can be a substantial part of the overall vehicle cost. From the perspective of OEMs cost may be reduced if Tier One and other relevant suppliers are involved in the development of components, particularly in global programs where dissimilar or unique regional requirements often cause a proliferation of variants within a single platform. From the suppliers’ perspective, early involvement can assist in the award of longer term contracts and greater attention paid to commonality and design for manufacturing (which results in cost savings). Suppliers such as the Company now provide significant simultaneous engineering support, up to and including complete design responsibility.

Consolidation of Suppliers

Consolidation among automotive suppliers has occurred, is continuing, and is likely to continue as OEMs have increasingly entered into long-term supply contracts with the most capable and financially viable suppliers, and appoint them as the single source supplier for a particular part or component throughout the duration of the program. Increasingly, the OEMs’ criteria for selection include not only price, quality, reliability and responsiveness, but also certain full service capabilities, including design, engineering and project management support. Suppliers who receive superior ratings from an OEM customer are considered for new business, whereas those who do not obtain such ratings may continue their existing contracts, but are unlikely to be considered for future new business. The long-term single supplier arrangements with OEMs often provide for, among other things, price concessions over the supply term. The competitive environment has caused these pricing pressures to intensify and Tier One suppliers are under increasing pressure to absorb more engineering costs. A Tier One supplier that is competent and effective in ED&D often has an advantage in being awarded contracts for large volume manufacturing.

Virtually all North American operations of foreign-owned OEMs currently purchase a significant number of parts from their foreign-based suppliers. Foreign-owned OEM production in North America has increased and is expected to increase in relation to vehicle importation, as facilities reach production capacity and new facilities have commenced production. With increased emphasis on North American content provided in trade agreements, and in

particular the USMCA, foreign-owned OEMs are expected to rely on increased out-sourcing to increase the North American content of their vehicles.

Consolidation of Vehicle Platforms

In recent years, OEMs have focused on consolidation of vehicle platforms. Platform consolidation occurs when the same vehicle platform or structure is utilized for multiple models. If the same basic structure is utilized for multiple models, the cost of setting up platforms can be shared over a broader base, thus leveraging economies of scale, reducing overall cost to the OEM, allowing them to remain competitive, differentiate their vehicles for different markets; expand the number of market segments in which they compete; respond to lifestyle trends; and meet the tastes of consumers. The prevalence of global vehicle platforms provides Tier One automotive suppliers increased opportunities to supply larger volumes of products which may be common across multiple vehicles built from the same platform. However, the consolidation of platforms to fewer global platforms may increase warranty/recall risks and amplify the impact on suppliers of failing to win programs built from global platforms. Furthermore, there may be an increasing trend to localization of content.

Emerging Markets

Much of the growth in the automotive industry in the recent past and likely in coming years is anticipated to be in emerging markets outside of North America and Western Europe, in particular, in Asia. The Chinese and Indian markets have experienced rapid growth in recent years, and automotive production has increased substantially and is generally expected to continue to increase, albeit at a reduced pace, over time, although current challenges such as the coronavirus issue makes any projections uncertain. This trend is anticipated to continue, and these markets are expected to be a growing market for consumers and producers. Similar growth is occurring in other areas such as India and Eastern Europe. Anticipated growth in Brazil has not materialized as that country faces a variety of economic and other challenges, although some growth has occurred recently. Along with the new internationalization of the automotive industry, OEMs are developing world-wide platform strategies, to maximize commonality and to achieve efficiencies. Tier One suppliers are developing strategies to deal with the opportunities and challenges relating to emerging markets, either with a view to setting up plants in certain regions strictly to produce for those regions; to build plants locally in order to service OEMs on a world-wide platform basis; to establish strategic relationships with international sources for more cost-competitive components; to develop North American strategies that build products that are less likely to be threatened by international competition; or to build strategic relationships with suitable international partners.

Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles

The automotive industry is influenced by a number of trends, including trends relating to the reduction of the carbon footprint of vehicles and the enhancement of passenger safety.

Because of government regulatory requirements in North America, Europe and Asia, consumer demands and increases in fuel costs over the years OEMs have increasingly focused on fuel efficiency. Often, this focus is on alternative fuels, the development of hydrogen fuel cells, “hybrid” vehicles, diesel requirements based technology, battery-assisted devices, or more efficient internal combustion engines. Utilization of lighter weight products reducing overall vehicle weight can increase fuel efficiency and lower the cost of driving a vehicle. Participants in the automotive industry are constantly searching for ways to reduce vehicle weight, through lighter or alternative materials (such as aluminum) or better processes. Lightweighting of the vehicle is a significant trend in the industry. Methods such as hydroforming or hot stamping can be used to manufacture parts and assemblies from steel which are lighter than those produced by other methods of production such as conventional stampings, while maintaining or even improving strength. The same goes for advanced casting processes, which can produce lighter castings by gauge reduction or more complex shapes with an integration for additional functionalities. This trend is also manifesting itself in the increased use of materials such as aluminum, plastic, advanced high-strength steels and other materials which are designed to reduce vehicle weight and increase fuel efficiency. Industry participants, such as Martinrea, that can capitalize on this trend can enjoy significant competitive advantage. Martinrea believes that its lightweighting strategy makes it a market leader in this area.

Along with fuel efficiency, the automotive industry is increasingly focused on emission reductions. New clean air regulations are passed frequently and automotive products are continuously tested for durability and

emissions. Guidelines have become increasingly stringent as governments and consumers have become more focused on issues such as climate change, greenhouse gas emissions, and pollution, and automotive suppliers that can produce products that reduce emissions can have a significant competitive advantage.

The aforementioned technology areas and lightweight materials are synergistic with clean and sustainable development and are a key facet of the Company's technology cadre with green technology developments such as capless refueling systems, increased use of AHSS/Ultra High Strength Steel stampings, Infinicote®, and AluThinFer®.

These stricter emission regulations, electric vehicle requirements, lower battery costs, more widely available charging infrastructure, and increasing consumer acceptance may create new and strong momentum for penetration of electrified vehicles in the coming years. As a result, automobile manufacturers are becoming increasingly focused on the development and manufacture of hybrid, electric and other alternative-energy vehicles, as well as increasing the efficiency of the internal combustion engine.

The speed of adoption will be determined by the interaction of consumer demand (partially driven by total cost of ownership) and regulatory push (at the regional and local level), and may vary depending on consumer location. For example, sales penetration may be slower in small towns and rural areas with lower levels of charging infrastructure and higher dependency on driving range. Through continuous improvements in battery technology and cost, those local differences will likely become less pronounced, and electrified vehicles are expected to gain increasing market share from conventional vehicles over time. With battery costs potentially decreasing over the next decade, electrified vehicles may achieve cost competitiveness with conventional vehicles, creating one of the most significant catalysts for market penetration, based on economical alternatives. At the same time, it is important to note that this trend could take a long time to materialize in a meaningful way and electrified vehicles include a large portion of hybrid electrics, which means that the internal-combustion engine will likely remain very relevant well beyond the next decade.

Other government regulation that impacts the automotive industry includes greater governmental regulation seeking to improve vehicle safety and increase vehicle recyclability, as well as government enforcement of antitrust and competition laws, particularly by the United States Department of Justice and the European Commission.

While the Company believes that governmental environmental regulation and policy will still be a factor for the foreseeable future on the development of automobiles, and resulting technological change, the Company believes that a major shift to any particular technology, such as electric vehicles, will not happen in a meaningful way until the infrastructure has been put in place to support such change. While increased regulation generally presents new challenges, it may also provide new revenue opportunities for automotive suppliers that produce and market new products and technologies.

The Company believes it is well positioned to capitalize on these trends given its expertise in lightweighting and propulsion systems which will enable it to have content on vehicles, including electric vehicles. (See "*Description of the Business and Trends: Automotive Industry General - Metal Forming (Steel and Aluminum), Machining and Assemblies*" and "*Sustainable Business*".)

Sustainability

Sustainability is a trend that has been influencing the automotive industry. Sustainability can be defined as the social, environmental and governance policies governing how an organization contributes, or aims to contribute in the future, to the improvement of economic, environmental and social conditions, developments, and trends at the local, regional or global level. While this is a trend in general, customers, employees and investors are increasingly interested in working with companies that are implementing sustainable business strategies. The Company believes that Making Lives Better by being positive contributors to our communities is a key aspect of the Company's Vision and Mission and at the heart of its business strategy. See "*Description of the Business and Trends: Sustainable Business*".

Autonomous Vehicles

In recent years, the automotive industry faced some uncertainty due to speculation of the impact of autonomous vehicles on the industry, for example who would be making the vehicles: the traditional OEMs or software giants such as Google and Apple, and the resulting impact on OEMs and parts suppliers; as well as what would be the demand for autonomous vehicles and the timing of when fully autonomous vehicles would be available to the market (which would be impacted by industry and governmental regulation). Advanced driver-assistance systems (ADAS) will likely play a role in paving the way for driverless vehicles. Regulation, given the safety issues raised, and consumer acceptance will also represent additional hurdles for autonomous vehicles. However, once these challenges are addressed, autonomous vehicles may offer tremendous value for consumers and certain segments of the population (for example, the ability to work while commuting). While the Company believes that it will be the traditional OEMs who will continue to build automobiles due to their complexity, and that it has the capabilities that will allow it to continue to compete, these factors may affect the industry for some time until more is known.

The Company believes its product offerings are critical to all vehicles, autonomous, semi-autonomous or not.

Connectivity and Shared Mobility

Connectivity (the way we connect with the outside world) is expected to increasingly play a role in the automotive industry, as the car becomes a vehicle for drivers and passengers to use their time in ways other than driving and for personal activities. There is speculation on the extent of the impact on vehicle demand given shared vehicles: growth is expected to continue, but potentially at a slower, similar or higher rate. Further, while there may be more demand in densely populated areas for shared vehicles, which might result in a decline in private-vehicle sales, a decline may be offset by increased sales due to wear and tear on shared vehicles.

Trade Policies and Resulting Impact (USMCA, NAFTA , Brexit and the CPTPP)

Government trade policy affects the industry and the automotive supply chain, including in recent years the ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”) by Canada without the United States, the renegotiation of NAFTA resulting in the USMCA (which has now been ratified by Mexico and the United States and is anticipated to be ratified by Canada in 2020), the imposition of steel and aluminum tariffs as a result of the renegotiation of NAFTA (imposed in 2018 and repealed in 2019), global trade issues between the United States, Canada and China, and Brexit (which have, in some cases, resulted in or may result in tariffs, border adjustment taxes or changes to rules of origin). Global trade issues have created uncertainty in the automotive industry, which have affected valuations for some companies (see “*Risk Factors*” and “*Changes in Law and Government Relations*”).

Trade policy and increasingly the use of international tariffs in regard to automobiles and automotive parts have become a major area of negotiation in the past three years and are anticipated to continue to be so in 2020 and in future.

Production Volumes

At the industry macro level, despite concerns in the markets about the impacts of Brexit, trade policies, geopolitical issues, electric and autonomous vehicles and other matters, the Company believes that the automotive industry remains healthy in North America, with some challenges in Europe, China and Brazil, generating fairly strong sales and production volumes overall (albeit with some inventory adjustments from some customers and general seasonality).

Automotive production levels have a significant impact on the Company’s results. In 2019, light vehicle production volumes for North America were approximately 17.0 million, which was relatively flat year-over-year, compared to 2018. Automotive production levels in North America are generally expected to remain relatively stable for the next few years, although there is no assurance that production levels will be maintained in any year. Globally, automotive production is forecasted to grow over time. Growth has slowed and sales have even declined somewhat in China in the recent past. There is some uncertainty about short term production levels; however automotive production is forecasted to continue to grow over time.

Fluid Management Systems

The fluid management systems area is characterized by the design, engineering and production of products necessary to store and transport fluids for various automotive and non-automotive markets. The primary groups of automotive fluid systems are fuel storage and delivery, engine cooling and HVAC, engine oil and hydraulics (for example, brakes, power steering, transmission).

Of these systems the fuel storage and delivery system is the largest and one of the most complex. In broad terms, the fuel system consists of the fuel filler, tank assembly, fuel vapour management system, chassis lines and fuel rail. In the past, these components have been sourced individually, but in a bid to shift more of the engineering, design and supply chain management costs to suppliers, it is now common for automotive manufacturers to source the entire system to a single supplier.

Two major issues specifically impacting fuel system suppliers are next generation clean air regulations and increased durability requirements. Leading suppliers will have to focus on products meeting or exceeding increasingly stringent guidelines; regulations dictating further emissions reductions are anticipated. Thus, fluid systems manufacturers are being required to produce increasingly durable products and systems.

Significant pressure on OEMs to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility are fostering the introduction of many alternative fuel system technologies. The use of unleaded gasoline has been the standard since the early 1970's in North America, and both unleaded and diesel fuel are common in Europe. However, in recent years the use of alternative fuels (alcohol based gasoline, E-85, biodiesel fuel) and advanced powertrain technologies (high pressure direct fuel injection systems, hybrid electric and fuel cells) are mandating wholesale changes to the traditional fuel system status quo. In general, legislation has intensified OEM focus on fuel saving initiatives, which not only increase the challenges, but also the opportunities, for the industry. Fuel saving initiatives remain a top focus of consumers, regulators and the industry.

Electrification is an emerging area of opportunity for the Company to offer design solutions, such as engine cooling lines, for fuel management systems supporting new technology. At the same time, any changes in current technology may in future shift the demand for the Company's existing product offerings. However, the Company believes it is well positioned to take advantage of any opportunity new or emerging technologies bring. The Company believes the need for current fuel systems will continue until or unless there is a major shift in technology. (See "*Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles*" (above).)

Metal Forming (Steel and Aluminum), Machining and Assemblies

Metal forming in the automotive industry (whether from steel or aluminum) is characterized by a broad range of products and services, including metal body and chassis modules, assemblies and parts. Metal forming parts and assemblies include chassis systems, stampings, engine blocks, transmission and body systems and finishing products. Many of these products may be stamped, cast or formed. Automotive stamped, cast or pressed parts and assemblies include body-in-white products; closures; cradles, cross-members and engine blocks; suspension links, swivel bearings and subframes and transmission housings; and a variety of other parts including bumpers, control arms, knuckles, heat shields, oil pans, exhaust systems, fuel tanks and other miscellaneous parts. The metal forming market is extremely large, and has traditionally experienced an increasing trend to outsourcing parts, assemblies and modules.

Metal stampings, roll formed and hydroformed products are the largest group of metal formed products in the automotive industry. In broad terms, many parts and systems may consist of stamped and/or hydroformed components, the production of which may include welding, laser cutting and other assembly operations before a product is finalized for the customer. In the past, components have often been sourced individually, but in a bid to shift more of the engineering, design and supply chain management cost to suppliers, automotive manufacturers are increasingly sourcing larger systems and modules to single suppliers, who in turn may outsource specific components to Tier Two or Tier Three suppliers.

Parts made from aluminum alloys have primarily one thing in common: they are lightweight. Whenever a component must be light weight, light metals are the preferred choice if they can be produced at a competitive cost. The processing of aluminum may involve a variety of technologies: casting, rolling, machining, extrusion and assembly.

Metal products contribute to the weight of the vehicle, and OEMs have come under increasing regulatory and competitive pressure to reduce vehicle weight and enhance safety through the use of more efficient and higher performing structures. OEMs and their suppliers are continuously focused on engineering component designs of lower weight, developing uses for advanced materials and creating and improving design and manufacturing processes, including hydroforming and hot stamping. Thus, OEMs are focusing on increasing use of alternative metals with higher strength-to-weight ratios such as Advanced Ultra-High Strength Steels (AHSS/UHSS), stainless steel and aluminum in the manufacturing of lighter weight components and systems. Many body-in-white, suspension and chassis parts, such as engine cradles and control arms, can be and are being manufactured with aluminum as well as steel.

The Company believes the need for the aforementioned forming and casting technologies will continue to trend upwards as vehicle performance requirements continue to rise and the trend to lightweighting vehicles continues. A hydroformed product has enhanced structural strength and torsional rigidity, at a reduced weight. There is also less waste in the manufacturing process as compared to stampings, resulting in cost savings which can be passed on to customers. Hot stamped product utilizes the highest strength steels available for automotive mass production and enables unmatched crashworthiness performance to meet the growing safety and regulatory industry requirements. Aluminum products are lighter than steel. The Company has positioned itself to exploit the lightweighting trends in all of its metal-forming operations.

Industrial Applications

Consistent with the automotive industry trend to outsourcing, industrial companies (especially transportation related) are continuously outsourcing parts production to key suppliers. Many equipment manufacturers have established that their core competencies do not include the manufacture of parts and accordingly they will no longer make parts. Equipment manufacturers, including those in the bus, farm appliance, general appliance, railroads, energy, computer, construction, forestry, mining and aerospace sectors, often will simply assemble parts into finished products and sell them. Outsourcing opportunities for parts manufacturers, especially those with efficient and technologically up-to-date operations, are substantial.

OEMs often no longer wish to invest in the substantial tooling costs historically required in the development of their parts and even assemblies. They expect to be able to prototype and “test” new parts extensively and to make various revisions to parts before final approval. Larger industrial manufacturers often expect a supplier capable of prototyping will have capabilities in forming, laser cutting, welding, bending, grinding, polishing and painting, and various parts engineering and development skills. The use of industrial laser technology to prototype parts and to make many low cost revisions to parts has grown substantially. This growth is largely the result of cost efficiencies arising from computer programming combined with laser cutting as compared to the more traditional use of tooling.

As a participant in the automotive industry, the Company, along with its operating subsidiaries, addresses these factors and trends in its strategy and operations.

The Company’s Vision, Mission, Culture and Business Strategy

Vision, Mission and Business Strategy

The Company’s vision for the future is: Making lives better by being the best supplier we can be in the products we make and the services we provide. The Company’s mission is Making People’s Lives Better by: (i) delivering outstanding quality products and services to our customers; (ii) providing meaningful opportunity, job satisfaction and job security for our people; (iii) providing superior long term investment returns to our stakeholders; and; (iv) being positive contributors to our communities. The Company’s vision and mission is based on four key pillars: having a high performance culture, operational excellence, superior financial management and customer satisfaction. This has internally become known as Martinrea 2.0: a four pillar strategy to create a framework to become a great company with diverse people and groups working together to be One Company.

Martinrea's Ten Guiding Principles

In pursuing our vision and mission, we developed, on a collaborative basis, a set of guiding principles, to be communicated, reinforced and adopted throughout the Company on a consistent basis as follows:

1. We make great, high quality products
2. Every location must be a center of excellence
3. Discipline is key
4. We attract, train and work with excellent people, and we motivate our people to perform well
5. We are a team
6. Challenges make us better
7. Think differently
8. Work hard, play hard
9. The Golden Rule – Treat everyone with dignity and respect
10. Our leadership has to drive these messages consistently.

The Martinrea Culture

The Company believes a great culture is core to a sustainable business and successful company.

The Company's culture of entrepreneurship, lean manufacturing principles, and the Golden Rule philosophy can be represented as follows:



This picture is at the core of Martinrea culture and its people.

The Company has been entrepreneurial in nature since inception, a company embracing characteristics of encouraging executives, general managers and all employees to act and think like an owner with a stake in the enterprise; supporting a can do attitude; promoting an ability and willingness to urgently get things done; acting to avoid unnecessary bureaucracy; developing an ability to learn from mistakes openly and constructively; with the trust of working in a team. As a Company, we embrace new initiatives every day, and we focus on new products, new technologies, new locations and new ways of doing things consistently.

The Company embraces lean thinking as part of its culture too. Simply stated, the lean thinking way is a focus on eliminating waste in all aspects of the Company's business and operations. The elimination of waste allows us to take out unnecessary cost, thereby making us competitive. It enables us to see problems we can fix in our

operations more easily. It allows us to simplify processes to have safer, cleaner, more efficient and more sustainable workplaces. It is a culture of continuous improvement in whatever we do.

At the core of our One Martinrea culture is a Golden Rule philosophy, based on treating others the way we want to be treated, with dignity and respect, but more also. It means following our Ten Guiding Principles in our business and operations, and in how we deal with our customers, suppliers, stakeholders (lenders and shareholders) and our communities. Being lean or being entrepreneurial is not enough. These cultural elements overlap but are tied together with our Golden Rule approach. We make people's lives better in what we do, and we can only do that with a service oriented approach to our work and our colleagues at work, and all those who we deal with in our work. At Martinrea, we believe 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 over the past several years.

Elements of Business Strategy

Key elements of Martinrea's strategic focus include the following:

Enhance Quality

The Company's operations have always focused on quality, and the Company continues to drive this as the basis of its strategy. Martinrea has adopted as its key strategic principle that quality processes and procedures will continue to be improved and streamlined to maintain world class status. The goal is that each division within the Company has zero product or process defects and flawless launches, to establish a standard for Tier One suppliers. The Company has received multiple product and plant quality awards over the years, including top supplier quality awards from General Motors, Ford, Chrysler, Nissan, Honda, Jaguar Land Rover, Volvo, Autoliv, Delphi and John Deere.

Develop Key Human Resources

The Company is led by entrepreneurial management who expect the Company to achieve consistently high economic returns through investment in technology, equipment, manufacturing processes and people. A growing, successful company needs strong management to support and maintain growth. The Company has assembled an excellent automotive executive management team. The Company also embraces diversity within its organization and the different perspectives diverse thinking can bring that can give the Company a competitive advantage. The Company will continue to develop and add to its team and human resources as required, including focusing on developing and promoting from within.

Further Integration of World-Class Core Technologies

The Company embraces new technologies, and has invested and will continue to invest heavily in leading edge technology, equipment and manufacturing processes. The Company maintains leading edge research and design, testing, and advanced product and process development operations. The Company has consistently developed more efficient and effective ways to utilize technology, consistent with its leadership in lightweighting of the vehicle. The Company will constantly seek to adopt and utilize new technologies, processes and equipment to assist in the development of its businesses, as it integrates world-class technologies in hydroforming, fluid systems, lasers, stamping and welding, and aluminum casting, rolling and machining and investigates and develops new technologies.

Organizational Structure

The Company's operations are organized on a generally decentralized basis with common principles (goals, objectives and processes). Each product area and manufacturing facility operates on a separate, autonomous basis from an operational perspective, geared to becoming a centre of excellence in a product area. This system empowers and provides incentives to management and employees at each facility. Each facility is run by a general manager with manufacturing and production experience who has discretion, within a framework established by the Company's directors and officers, to make operational decisions relating to employment matters (including scheduling, rates of pay, hours of work, etc.), suppliers, contracts and logistics. The Company's head office and functions, located in Vaughan, Ontario and Auburn Hills, Michigan, support each facility by providing expert financial, information systems, human resources, legal, sales and marketing, business development, engineering, project management, and purchasing services. The Company also has a manufacturing system focusing on operational excellence and lean thinking to develop and utilize best practices for all its divisions on a consistent basis that is continuously updated and improved. Operating profits vary among the various facilities due in part to a number of facility-specific factors, which include but are not limited to: geographic location, labour costs, products produced, capacity utilization, production efficiency and logistics.

Expand Customer Base

The Company has significantly increased its customer base, both organically and by acquisition, and intends to continue to expand it. The Pilot, Rea International, Corydon (Icon), Depco, TKB, SKD and Honsel acquisitions have assisted in the expansion of the Company's customer base both in scope and geographically. The Metalsa Body and Chassis operations added in 2020 will have the same effect. The hiring of senior and experienced automotive executives has also fostered business growth. The Company's technological skills and efficient production methods are especially well-suited to the outsourcing and OEM supply business. The Company believes there are substantial opportunities to develop applications for its engineering and production skills. The Company has also provided custom parts and assemblies production for lower volume assembly lines such as bus, recreational vehicles, air conditioning systems, military applications and farm appliance manufacturing, and will continue to do so where prudent and profitable.

Expand Sales to Existing Customer Base and Geographic Footprint

The Company continues to increase sales to its existing customer base, as evidenced by its increasing revenues. Given the magnitude and scope of the Company's manufacturing capabilities, the Company believes it is in a very good position to service existing customers with whom it has strong sales penetration and relationships but where the Company's historical production capacity limited its ability to increase organic sales growth. The Company believes it has substantial selling opportunities and, with increases in its production capacity (both organically derived and through acquisitions), it can continue to increase sales, prudently, to its existing OEM customer base over time through an increase in the number, size and scope of contracts.

The Company has manufacturing capacity throughout North America, Europe and Brazil to better service its customers, and is building up its presence in China and Japan. The Company will continue to assess prudent growth and its geographic footprint over time. The Company's direct sales force will continue to target automotive OEM customers along with certain Tier One suppliers. The Company has the ability to work collaboratively across its product areas to provide solutions to its customers. (See "Sales, Marketing and Customers".)

Pursue Growth Opportunities and Complementary Investments

The Company has the requisite production and design skills necessary to foster prudent and profitable growth through internally generated expansion. The Company also has available production capacity for takeover business from other suppliers, awarded by OEMs. Acquisition opportunities have been and will also be considered where the target has complementary and quality products or which may provide increased geographic penetration. The Company will also seek acquisition targets when prudent where it can add value by improving profitability with its skills, technology or decentralized approach to operations and lean management, or by rationalizing operations. The Pilot, Rea International, Corydon (Icon), Depco, TKB, SKD, Honsel and Metalsa complementary acquisitions are a testament to the Company's prudent, profitable growth strategy where acquisitions have been involved; and the Company has opened or expanded or is opening facilities in each of Canada, the U.S., Mexico, Europe and China. The TKB acquisition met three key acquisition objectives: an expanded geographic presence, particularly in the

southern and central United States; greater engineering and manufacturing capability, with the acquisition of the Company's first Class A facility, hot stamping operations and module assembly business; and an expanded customer base, as the Company acquired significant metal forming business from Nissan and additional business from General Motors, Ford and Chrysler. The SKD acquisitions added geographic presence in Mexico and further capabilities in Michigan, and resulted in new and expanded customer relationships with Honda, Chrysler, GM and Ford. The Honsel acquisition also achieved three key goals: it expanded the Company's geographic footprint, particularly in Europe and South America with operations in Germany, Spain, and Brazil; it added new complementary technologies which include low pressure and high pressure aluminum casting, rolling and machining capabilities; and it expanded the customer base to include more Daimler, Jaguar Land Rover, Volvo, Volkswagen, BMW, PSA, Scania and ZF work, as well as more work from the Company's existing large customers Ford and Chrysler.

The Company is also pursuing growth opportunities through other strategic relationships. For example, it is collaborating on a worldwide platform for engine cradle and rear cross member assemblies for General Motors with Shanghai Huizhong Automotive Manufacturing Company (SHAC) and as noted above under General Development of the Business, it entered into a strategic relationship with Millison Die Casting, a Chinese manufacturer and distributor of aluminum casting products for the automotive and telecommunications industries to further expand its capabilities as a global supplier of aluminum castings, with the ability to work together with Millison in the Chinese market. The Company anticipates that such relationships may provide opportunities for broader geographic penetration (e.g. in China) and product capability in the future.

The development of the elements of the Company's strategy is based upon four pillars: the development of a high performance culture; emphasis on operational excellence; superior financial management; and customer satisfaction.

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Products

The Company manufactures a wide array of products, assemblies and systems in the automotive sector, including the parts and assemblies referred to in the text, which accompanies the graphic below:

Engine and Transmission

Engine Blocks, Transmissions, Cases, Housings, and Ladder Frames
Engine/Transmission: Oil Coolers, Hoses, Tube Assemblies
Engine/Transmission: Oil Fillers, Tubes, Indicators
Oil Pick-Up Screen/Pipe
Heater Hose Inlet/Outlet
Electric Motor Housings

Modules

Front Horizontal
Rear Suspension
Front Vertical

Exhaust

Mufflers
DPS Lines
EGR Tubes
Air-injection Tubes
Exhaust Manifold Tubes

Fuel

Fuel Filler Necks
Capless Refueling Systems
Fuel Tank/Sender Assemblies
Vapor Assemblies/Canister Hoses
Fuel Line Feed/Return Assembly Systems
Fuel Lines/Hoses

Body & Chassis

Frame Rail Assemblies
Class A Surface Stampings
Structural BIW Components
Suspension Arms & Links
Engine Cradles
Centre/Rear Crossmembers
Suspension Twist Axles
Roof Assemblies
Door Intrusion Beams
Bumpers
Radiator Support Assemblies
Trailer Hitches
Dash/Plenum Assemblies
Wheelhouse Assemblies
Roll-Formed Rockers/Headers
Appliqués
Belt, Upper Reveal, Roof Ditch, D-Line & Other Exterior Decorative Molding
Battery Trays/Housings
Aluminum/Steel Shock Towers, Control Arms and Knuckles

HVAC

Air-Conditioning Lines
Heater Core Inlet/Outlet Assemblies

Power Steering & Brakes

Brake Lines/Assemblies
Power Steering Lines/Assemblies
Power Steering Oil Filler, Tubes/Indicators



Operations

General

The Company is an automotive assemblies, systems and parts supplier, and is primarily a Tier One supplier to the automotive industry. It also produces products for transit, recreation and military vehicles (as well as other industrial applications). For a general description of the Company's operations, on a plant by plant basis, see "Facilities" as set out in the attached Appendix "B". The Company's design, engineering and production capabilities produce high-quality products and solutions, including lightweight structures and propulsion systems.

The Company believes its operating strengths stem from its ability:

- to provide customers with complete services including conceptual product design and development, prototype, validation and production capabilities to produce assemblies, systems and products according to requested specifications;
- to utilize a prudently lean management style to create production efficiency and the ability to offer products at competitive cost;
- to satisfy the manufacturing requirements of just-in-time customers who have extremely tight production schedules requiring immediate delivery of products; and
- to be innovative with production and manufacturing techniques and products.

Research and Development (Innovation) and Intellectual Property Rights

Management believes the Company's ability to develop new technology, products and manufacturing processes and its engineering and design capabilities will be key factors in continuing to successfully pursue future business opportunities and in differentiating itself. The Company's research and development activities are closely tied to both customer-driven developments and solution-generating activities through improved design developments and manufacturing processes. In pursuing these objectives, the Company believes it has developed considerable expertise, which includes technical knowledge, design experience, a leading engineering team, a leading research and development group and advanced computing tools. The Company employs computer programmers, research and development personnel and engineers who constantly update products and manufacturing systems and processes. To help drive innovation, in 2017 Martinrea moved to a new 108,200 sq. ft. technical center in Auburn Hills, Michigan to combine its U.S. based sales, product engineering, purchasing and growing vehicle lightweighting research and development activity into a single, state-of-the-art facility in the Detroit area.

The Company's prior development activities have resulted in a variety of new or improved components, assemblies, equipment, tools, operating processes and proprietary technologies. Examples of the Company's proprietary technologies include: capless refueling systems and the tubing product families of P-CAP® (Pilot Conductive Anti-Permeation), E-P-CAP® (Elastomeric Pilot Conductive Anti-Permeation), RE-P-CAP® (Reinforced E-P-CAP®), X-PERM® (low cost, high performance 5 layer construction); and P-TEC®; ZLT® (Zero Leak Technology high pressure fittings); Infinicote®/Martincote® (a range of environmentally friendly, low cost, corrosion resistant coating for steel, and stainless steel, which was nominated for a PACE award); the development of AluThinFer®, a thermal coating of cylinder linings in aluminum engine blocks, allowing the pistons of a combustion engine to run directly in the aluminum cylinder housing without cylinder holdings of cast iron needed to be cast into the engine block; the use of microspray to enhance the life of aluminum moulds; and certain approaches to metal joining techniques, hydroforming, space frame manufacturing and the combination of steel and aluminum products in assemblies.

The Company has been actively investigating integrating graphene into its current product portfolio as well as new products. There are multiple R&D projects in various stages of development, and some of our customers have expressed interest in the new graphene technology. The Company believes that the use of graphene products will improve the Company's efforts to make lighter and stronger products.

The Company holds certain intellectual property rights such as patents, trademarks and copyrights, and uses them in the course of its business. The Company also licenses technologies to third parties and is licensed to use technologies owned by third parties. While, in the aggregate, rights which are licensed to or by the Company are considered important, the Company does not believe that loss or termination of any particular right would have a material adverse effect on its business.

An ongoing focus of Martinrea's metallics operations is to reduce the high capital requirements common to the Company's industry, specifically through building capital which is flexible enough to be easily and inexpensively re-deployed at the end of a product life cycle. By investing now in welding and assembly lines with common footprints, simplified architectures, and fast tool-change capability, the investment requirements for both new and replacement business can be reduced over time. This focused activity will lead Martinrea to be more competitive for future business awards, streamline its plants with common equipment, and reduce the cash flow requirements for launching new business as its metallics plants are converted to the flexible welding architecture over time.

The Company is intensively pursuing aluminum structure parts in HPDC for body-in-white applications. The potential exists to develop single piece structural components as opposed to the conventional multi piece steel assemblies used in the market today.

The trend towards electro-mobility is also reinforcing the need for lightweight design, as the very high weight of batteries and electric motors needs to be compensated for. Furthermore, electric motor housings and battery and electrical/electronics boxes offer new opportunities for castings and aluminum components, as they are sometimes very complex with internal cooling ducts which require specialist casting and core production know how. These trends are opening up prospects for Martinrea to capture additional market potential with trendsetting ideas.

Commitment to Quality

Quality is a lynchpin of the Company's strategy and a fundamental principle. The Company recognizes product quality is essential to remain competitive and achieve customer satisfaction. In this regard, efforts are focused on reducing manufacturing process quality variation through various techniques, including review of engineering processes, statistical analysis of quality variances and quality control best practices. These steps assist in ensuring quality of production, which is essential to the success of the Company, remains high. The Company has received numerous quality awards from a wide variety of customers.

Capabilities

In addition to its research and development capabilities, the Company has the capability to provide a full array of services for its customers. The Company's broad range of capabilities can be summarized as follows:

Engineering - Martinrea has a talented advanced engineering group with an extensive range of skills in the design and engineering of new products and lightweight structures or propulsion systems. Large engineering centers are located in Auburn Hills, Michigan and Meschede, Germany along with significant engineering which occurs at the facility level. The Company has mechanical and design engineering capabilities, with the ability to design both tools and parts and the capability to work with various CAD and CAE systems. The Company is able to communicate electronically with the customers' engineering departments to relay and receive data in a real time environment. Through all of these capabilities the Company is able to provide customers with a broad range of engineering skills.

Prototyping - Martinrea has prototyping proficiency over a broad range of automotive and industrial products. This diversity enables the creation of high quality samples for products ranging from simple parts to complex assemblies. Expertise in prototyping includes automotive and bus frame assemblies, hot stamping products, capless fuel fillers, metal gas tanks, various seat assemblies, hydroformed products such as tube rails and engine cradles, engine blocks, aluminum parts and a variety of fluid management systems.

Testing - Martinrea has ISO9001 and ISO17025 A2LA accredited in-house testing services. Its broad range of capabilities include fatigue, metallurgical, mechanical, fuel application, environmental, coatings, corrosion, chemical, electrical and drop tower testing. The engineering and technical centres engage in other activities to ensure world class operations within Martinrea including product, process and equipment standardization, failure analysis and research and development.

Materials - Martinrea is continually developing new material technologies to meet both customer and government requirements. Developments in environmentally friendly coatings to replace traditional material technologies with unique cost effective solutions have strengthened the Company's advantage in the market. Combined with advanced analytical testing and a broad range of expertise, the Company is able to address the needs of the market on a timely basis. The Company has deep expertise in many materials, including steel, aluminum, plastics and special materials such as carbon fiber and graphene, through its ownership interest in NanoXplore Inc.

Fluid Management - Martinrea has developed advanced technological solutions to maximize the free space within the cavity of the frame, cross members and supports. A leader in fluid management systems, Martinrea delivers complete solutions including engine and transmission, fuel storage and delivery, power steering and brakes, exhaust and emissions control, and HVAC (heating, ventilation and air conditioning).

Steel Metal Forming - Martinrea employs the latest technologically advanced machines and processes for steel metal forming. Automated processes are implemented to reduce variation, increase production volumes, and satisfy the growing demand for products. Specialized teams in all disciplines work to meet the customers' requirements for design, verification, tooling, stamping, hot stamping, forming and automated robotic welding, assembly or surface finishing. Martinrea's metal forming capabilities include roll-forming; tube mills; end forming of tubes; swaging of connectors; blanking dies, progressive dies, stage dies, transfer dies; stamping of pre-painted material; and high pressure hydroforming processes.

Hydroforming - Martinrea has hydroform presses that have the versatility to manufacture a wide range of parts for the automotive and industrial sectors, including one of the largest hydroform production presses in the automotive industry in North America (8,500 tons). The Company has also produced a hydroformed chassis for General Motors, and has hydroforming capability at plants in Canada and the United States. The Company is committed to finding new applications for this technology and is working with customers to find ways to incorporate hydroforming technology into the fabrication of both existing and new parts.

Stamping and Hot Stamping/Hot Forming - With a focus on delivering quality products, Martinrea offers a complete range of high-end stamping machinery. Martinrea's state-of-the-art stamping facilities can cater to any required automotive and industrial stamping requirements. In its automotive operations, the Company has a full range of stamping capabilities in the 100 ton to 3,000 ton range, in multiple locations. Martinrea's stamping capabilities span a variety of metals including low strength, HSLA, Dual Phase and coated steels as well as aluminum and tailor-welded product. The Company also has two facilities with expertise in hot stamping or hot forming, a process which stamps the metal while in a heated state, which is then cooled when in the press. The hot stamping process enables the use of higher strength steels for products particularly critical in occupant safety such as pillars, roof rails, door beams and bumpers. The Ultra High Strength Steel (UHSS) used in the hot stamping process is of benefit to an industry so focused on weight reduction and under constant pressure for increased crashworthiness performance. The high strength-to-weight ratio of the UHSS used in hot stamping enables better crashworthiness performance ratings while often decreasing or maintaining weight neutrality.

Laser Cutting - With a long history of recognized leadership in the use of laser technologies, Martinrea integrates both flat cutting laser technology and multi-axis laser machines. Multi-axis lasers are used for both prototyping and large volume production for automotive, aerospace and industrial consumption. In addition to cutting flat metal, Martinrea provides trimming and hole piercing services for three-dimensional parts, and has tubular laser-cutting capability. Martinrea lasers have the versatility to cut a variety of metals with varying thickness and degrees of complexity.

High Pressure Die Casting ("HPDC") - Martinrea is at the forefront of die casting technology. In the process of HPDC, molten metal is forced at high speed and pressure into a steel die, subsequently cooled, resulting in a raw casting. Given the short die-filling times, this procedure allows the production of large-volume, thin-walled components in mass serial production. In general, HPDC is used to produce engine blocks, transmission housings, structured parts or other components with weights between 0.5kg up to 50kg in aluminum. Additionally, a vacuum casting process allows the production of heat treatable and weldable suspension and body parts.

Permanent Mold Casting (“PMC”) - Martinrea has the capability to provide three different methods of the permanent mold process: (i) the gravity PMC, (ii) the gravity tilt PMC and (iii) the low pressure PMC (also sometimes called low pressure die casting (“LPDC”). In comparison with the gravity process, in the gravity tilt process, the die is tilted towards the side of the pouring opening and then slowly moved back into the upright position as the pouring progresses. In the low-pressure process, the molten metal is subjected to pneumatic pressure in the casting furnace and enters the die opposite the force of gravity through a rise pipe. The advantages of the low pressure PMC are good filling-ability for thin-walled and large area parts and hollow and pressure tight structures for air or fluid containment.

Sand Casting (“SC”) - In SC, molten metal enters a sand mold either by means of gravity or low pressure. This technology is generally employed for smaller and mid-sized series components due to the ability to produce finer and more complex structures. Martinrea has expertise in inorganic sand cores, which are also environmentally friendly. There are two types of mold forming processes, including (i) manual molding and (ii) machine molding. In the manual molding process, the molds are assembled manually, for small to medium volume jobs, and in machine moldings the assembly is automated. The patterns can be used repeatedly, whereas each mold is destroyed after the solidification to release the cast part. This process is very cost efficient for certain applications and small to medium volume jobs.

Aluminum Rolling (“RO”) - As part of its aluminum roll forming capabilities, Martinrea manufactures coiled and flat metal sheets for automotive parts, predominately interior trim, and non-automotive applications, such as frame components for mechanical engineering, suitcase shells, kitchen doors or containers used in the cosmetic industry. Martinrea intends to expand its rolling presence in the automotive sector (exterior parts as well as body parts).

Machining - Martinrea has significant machining capability in its operations in order to provide a fully machined part, such as an engine block, to a customer. Martinrea has leading capabilities in machining to final dimensions, bending, jointing, testing and cleaning. Deep process know-how is utilized to ensure that the components and modules delivered straight to the line also satisfy the tightest tolerances. The Company’s industrial operation also utilizes and is expanding its machining capabilities.

Assembly - The Company has assembly capabilities in all of its plants specializing in full suspension assemblies and chassis modules. Martinrea has expertise ranging from the completion of prototype jobs to high volume robotic assemblies. Capitalizing on the trend of automotive OEMs to outsource complete modular assemblies, where efficient and competitive to do so, Martinrea integrates the expertise of its various facilities to partner with customers in the delivery of complete manufacturing solutions.

Tooling and Die Making - Martinrea’s proficiency in the conversion of various parts into finished modules includes: robotic welding, staking, swage-locking, clip insertion and installation of quick connecting components. Martinrea has significant tooling expertise and capacity which assists it in obtaining and preparing for manufacturing operations. Martinrea has internal toolmaking capabilities which assist in improving tooling and processing throughout the Company and, where appropriate, produces tooling itself. Martinrea Honsel has its own tool shops in Germany and Mexico. Martinrea Honsel’s die making centre operates across the Company and ensures know-how transfers across departments and ensures consistent quality in die making. Die makers, foundry specialists, engineers and process technicians work hand in hand to make process-secure large moulds for die and permanent mould casting. The die shop is certified to all customary standards. In development, the die making centre relies on standard tools, such as CATIA and WorkNC, thus keeping the engineering and manufacturing data consistent from the CAD workstation to the machine in production. Among other things, the shop operates several 5-axis, high-speed machining centres, milling machines, drilling systems, a deep-hole boring machine, lathes, eroding machines and a spotting press. Unmanned production monitored by radio is standard.

Program Management - Martinrea has a complete range of program management expertise that is necessary to satisfy the increasing demands OEMs are putting on automotive suppliers, and this area of expertise is being continuously refined and strengthened. In addition to managing many sophisticated and large metal forming products, castings, and assemblies, Martinrea also manages some of the largest fluid management systems and complex chassis modules in the automotive industry.

Sales, Marketing and Customers

Key components of the Company's business strategy include expanding its customer base. In addition, expansion initiatives will focus on filling capacity with profitable and complementary business. In general, the Company's organic sales have grown primarily because of customer satisfaction as a result of direct sales efforts, a strategic global footprint and overall cost competitiveness. Management believes the Company's success or growth is not dependent on any single customer.

The Company's markets are not limited geographically. The Company has focused on establishing, and has succeeded in establishing, a significant metal (steel) forming and a fluid system presence in each of Canada, the United States and Mexico. The Company has a European manufacturing presence, having opened a plant in Slovakia, and is operating its first fluid systems plant in China. Martinrea's aluminum operations are focused on Europe and the Americas, and it opened its first facility in China, which became operational in 2016. The Company's acquisition of the Metalsa assets in Europe gives it a steel metal forming presence there commencing in 2020.

In 2018, the Company renewed its sales and marketing strategy to take advantage of opportunities created because of current lightweighting and electrification trends and also its capabilities to build systems (see "*Description of the Business and Trends: Automotive Industry Highlights and Trends*" above). The new commercial strategy was launched in January, 2019. In addition to its historical portfolio of products and capabilities, the Company will be delivering lightweight structures and propulsion systems using advanced materials in steel, aluminum, or a combination of both, as well as other materials. The goal of this focused strategy is to present not just product, but systems, solutions to customers, utilizing the Company's strengths in metal fabrication, both of steel and aluminum, and in fluid systems.

The Company's North American sales primarily represent products manufactured in Canada, the United States and Mexico. The Company's primary customers in North America are the various North American operating divisions and subsidiaries of OEMs such as General Motors Corporation ("General Motors"), Ford Motor Company ("Ford"), FCA Group, LLC ("Chrysler" or "FCA") and Nissan Motor Company ("Nissan"). The Company also has North American product mandates from other OEMs as well, including Volkswagen, BMW, Daimler, American Honda Motor Co., Inc. ("Honda") and Toyota. The Company's non-automobile customers include John Deere, Caterpillar, Thermo King and Sunfolding. Martinrea Honsel's customers globally include car and truck OEMs (e.g. Audi, BMW, Daimler, Ford, Jaguar Land Rover, PSA, Volvo Cars and VW), Tier One suppliers (e.g. Eaton, ZF) and selected non-automotive customers.

Based on product sales, over 88% of the Company's customers in Europe are operating in the automotive area, of which over 80% are customers in the light vehicle segment. Martinrea Honsel's light vehicle customers comprise mainly premium OEMs followed by Tier One and Tier Two suppliers and others. Martinrea Honsel supplies approximately three quarters of Europe's premium car lines and the majority of Europe's heavy truck manufacturers.

The Company sells products and services to other Tier One suppliers both in North America and in other automotive markets, however it focuses its efforts on being the Tier One Supplier to the OEM customer. To the extent the Company supplies to such intermediary suppliers, it considers itself a Tier Two supplier. The Company believes Tier One sourcing opportunities will be generally limited in nature to strategic alliances and to joint product development opportunities. The Company has determined significant business growth opportunities exist as a result of the continuing trend for OEMs to outsource a great proportion of the supply of components, assemblies, systems and modules within the fluid management systems and metalforming markets.

The Company's sales are coordinated out of its corporate head office in Vaughan, Ontario, its Sales and Engineering Technical Center office in Auburn Hills, Michigan and its offices in Meschede, Germany. Regional and product-specific sales efforts are coordinated locally as appropriate. In 2018, the Company established a sales office in Japan. The Company's sales efforts are closely integrated with the Company's R&D, engineering, and prototyping personnel, and are closely coordinated with the facilities that may produce the relevant product.

Purchase Orders

The Company's sales are generated through customer requests to quote for parts/assemblies and the tools and dies to produce the parts. Purchase orders are issued per model type and are generally issued for the life of the program (unless terminated earlier). Typically, the life of the program is four to seven years, although some aluminum platforms have a life cycle of up to 10 years (or longer). Purchase orders in the industry typically do not specify a specific or minimum quantity of products the customer must buy. Customers generally order product by issuing what is called a "release" under the purchase orders covering a one to four month period which specifies the quantities to be ordered and delivery dates. Releases allow the supplier to plan for raw material and production to meet the requested quantities and delivery dates. Volume and revenue within a year can fluctuate depending on the actual customer demand for product, including for planned and unplanned customer shutdowns.

While the OEM could cease sourcing their production requirements for certain platforms (for example lack of consumer demand for a vehicle or the Company's refusal to give further price concessions), it has generally been the Company's experience once it has been awarded purchase orders for products, the Company usually continues to supply those products for the life of the model or program.

Suppliers and Sourcing

The Company has purchased and continues to purchase its tooling, equipment and production materials from a variety of sources. Given its growth over the years, the Company has expanded the scope of its supplier base for raw materials, production supplies and services. The Company does not anticipate difficulties in obtaining tooling, new equipment, raw materials or other supplies, which would result in a material adverse effect on the Company's business. Approximately 90% of the Company's metallic raw material purchases (steel and aluminum) are either bought through OEM resale programs (that is, the OEM purchases the steel from the steel suppliers and sells it to the Company at a fixed price, with the OEM bearing the risk of price fluctuations) or adjusted based on an index (which the customers support on a pass-through basis). The Company has some limited exposure to price fluctuations on low carbon steel, stainless steel and resin mainly for the fluid management systems area (see "*Risk Factors*").

Competition

The markets for the Company's products and services are competitive and rapidly changing. The basis on which automobile manufacturers select automotive suppliers is determined by a number of factors, which may include: price; quality; proprietary technologies; ability to supply products from multiple manufacturing sites in support of global production programs; scope of in-house tooling, manufacturing and engineering capabilities; existing agreements; historical performance; timeliness of delivery; the supplier's overall relationship with the automobile manufacturer, including service, quality and responsiveness to the customer; financial strength; and other factors. Competition has also intensified as automobile manufacturers continue to increase the number and range of vehicles built from high-volume global platforms. The number of competitors that are asked by automobile manufacturers to bid on any individual product has been reduced in many cases. The Company expects further reductions as a result of the increasing preference of automobile manufacturers to deal with fewer suppliers and reward those suppliers with earlier and deeper involvement.

The Company faces numerous competitors in its markets, which compete with the Company on a limited or broad geographic, product-specific or application-specific basis. A number of Tier 1 Suppliers can produce some or many of the same types of components, assemblies, modules and systems that the Company currently produces. Some of the Company's competitors may have greater technical or other resources than the Company and some may be stronger in markets. The Company's key competitors include Cooper Standard, TI Automotive, Stant and Fluid Routing Systems (FRS) in the fluid systems area; Cosma (Magna), Tower (Autokiniton Global Group), Benteler, Gestamp, Flex-N-Gate and others in the metal forming market; various different competitors for industrial related customers; and, in the aluminum market, competitors include the "captive" OEM casters, as a significant share of aluminum castings are still done in house by the OEMs. In-house casters are OEMs such as BMW, GM, FCA, Daimler, PSA and VW. OEMs continue to view specific and critical components such as engine blocks, cylinder heads and suspension parts as a strategic cornerstone and as such are expected to retain casting operations in-house; however, no significant new investments are expected. The non-captive caster segment remains a fragmented market worldwide, with a very limited number of global, full-service suppliers. Varying degrees of geographic reach and technological competence exist. There is a differentiation between (i) broad technology casters, such as the Company,

which cover the entire range of casting processes and offer an extensive range of automotive applications and (ii) specialized niche companies, concentrating on specific product groups. As OEMs are increasingly focused on “one-stop-shop” suppliers, which cover the entire casting process on a global scale, niche companies are only a limited competitive threat to companies such as Martinrea’s aluminum operations. Non-captive caster competitors to Martinrea include Ryobi, Nematik, Georg Fischer, KSM, Linamar, Aludyne, Shipston and the Cosma Casting Group.

The Company believes its ability to compete successfully depends primarily on its continued investment in technology, its continued emphasis on production efficiency and quality and its ability to attract and retain valuable employees. The Company believes it has the technology, production efficiencies and financial strength to continue to compete successfully in all of its current areas of strategic focus.

Human Resources

As at December 31, 2019, the Company employed approximately 15,000 employees, including approximately 2,400 in Canada; approximately 4,100 in the United States; approximately 5,400 in Mexico; approximately 300 in South America; approximately 500 in Asia; and approximately 2,300 in Europe.

Facilities

The Company maintains approximately 10,000,000 square feet of manufacturing space with expansion potential. A summary of the Company’s and its subsidiaries’ owned and leased manufacturing facilities as at December 31, 2019 is attached as Appendix “B”. Some additional warehouse space is utilized from time to time but not listed. Each manufacturing facility strives to be a centre of excellence for the products produced there; accordingly, each facility’s principal business activity is described below.

Information Technology and Cybersecurity

The Company relies heavily on information technology in its operations, and may be vulnerable to cybersecurity attacks committed by criminals, hacktivists (motivation for political or ideological viewpoints) or nation-states or terrorist organizations (for example from distributed denial of service, viruses, phishing, malware, cyberespionage). For that reason, the Company is committed to ensuring that it has appropriate measures in place (including educational campaigns to educate users on safe computing practices) to reduce the likelihood of cybersecurity attacks and loss from any attack. The Company has a Cybersecurity Risk Steering Committee in place to oversee and manage these risks. The Cybersecurity Committee relies on third party experts where it determines it is necessary, for example for its cybersecurity strategy, that is designed to prevent, detect and respond to cybersecurity threats or to remediate prior or future cyber-attacks. The Board of Directors receives regular updates from the Company’s Cybersecurity Risk Committee. The Company has in place cybersecurity controls, such as a disaster recovery plan and controls over unauthorized access. While the Company has controls in place to manage cybersecurity risk, given the frequency and sophistication of cybersecurity attacks, the Company may not be able to stop all cybersecurity attacks, and any failure in the Company’s controls could have a material adverse effect on the Company. The Company currently does not have any special cybersecurity insurance. (See “*Risk Factors*”.)

Sustainable Business

Making lives better by being positive contributors to our communities. This is a key aspect of the Company’s Vision and Mission.

The Company is built on strong values and the Company’s goal is to run its business in a socially responsible and ethical manner, by respecting the environment, respecting the law, supporting universal human rights and contributing to communities around the world.

Since the Company’s inception, the Company has implemented labour and environmental policies and practices that address these important matters, including policies promoting fair compensation and work hours, freedom of association and collective bargaining, anti-harassment and discrimination, health and safety, community engagement, respect for the environment and policies prohibiting bribery and corruption, and child and forced labour (including from its supply base). The Company assesses and updates its sustainability strategies and environmental policies where possible to meet its own goals for an environmentally and socially responsible company.

The Company's approach to health and safety, diversity, sustainability and the like is not formulaic in response to popular trends: it is at the core of Martinrea's culture to make people's lives better. It is a given that people are to be treated the way we wish to be treated, with dignity and respect. It is foundational that a person has to be safe in our Company, physically or emotionally, that prejudice in any form is unacceptable, that opportunity is provided equally to all, and the Company strives to do that every day. It is also foundational that we as a company promote sustainability in all we do in our communities, by respecting and improving the environment (indeed, our lightweighting business focuses on reducing emissions and saving energy), by supporting good causes in communities, and by being an employer of choice. That is what sustainability means to us.

The Company's sustainability policies can be summarized as falling under five general areas which overlap in some respects:

- Culture and Ethics
- Respect for People
- Environmental Sustainability
- Supply Chain Responsibility
- Making People's Lives Better

Culture and Ethics

Culture

As described above under "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*", the Company's culture is founded upon principles that are core to its beliefs for a sustainable business, and are reinforced continuously.

Ethics and Legal Compliance

The Company's most important assets are its people and its reputation for integrity, in its products and in how they are made. The Company believes it must be clear on what it stands for, and honour its commitment to its people, customers, owners, lenders and communities. Martinrea is committed to doing business in a legal, ethical, honest and responsible manner.

The Board of Directors of Martinrea has adopted a code of conduct (our Code). The Code sets out the Company's expectations of its employees to:

- Act honestly and ethically and in the best interests of the Company
- Comply with all applicable laws, rules and regulations
- Not use or disclose any confidential information acquired as a result of a person's role with the Company
- Avoid all actual or apparent conflicts of interest between personal and professional relationships, ethically handling such actual or apparent conflicts of interest
- Not take any opportunity that belongs to the Company or is discovered through the use of corporate property, information or position; or use any corporate property, information or position for personal gain
- Not compete with any business activity of the Company
- Promptly and accurately provide all necessary information to assure that the Company's public reports, documents, filings and communication are full, fair, accurate, timely and understandable and that the Company's public disclosure requirements are fully met
- Promptly report any known violations of this Code to the Audit Committee Chairman
- Not permit retaliation of any kind against good faith reports or complaints of violations of this Code or other illegal or unethical conduct.

The Code is an integral part of Martinrea's ethical backbone. In today's world, with Martinrea operating in various countries, the expectations for responsible business conduct are higher than ever. The Company's customers, partners and shareholders trust Martinrea will maintain and uphold the law and the highest possible standards of conduct. The Code of Conduct is reviewed at least annually. The Company has implemented training to help its

people understand and apply key rules to help ensure all business activities are conducted with the highest level of fairness, honesty, integrity, and ethical standards and to know where they can go for guidance if ever unclear about the right course of action. The Company has also in place policies for employees to safely communicate suspected violations of the Code, such as the Employee Bill of Rights. The Company also maintains a confidential and anonymous whistle-blowing line, which is administered by a third party. The Company has adopted a Vision and Mission Statement and a set of Ten Guiding Principles to help the Company achieve its goals and to provide guidance to employees on acceptable behaviour and how to apply these principles to their jobs.

Respect for People

Human Resources Principles and Policies

The Company's Ten Guiding Principles are the foundation for its approach to dealing with all aspects of its business, including our people – See “*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*”.

The Company is committed to the fair treatment of employees, a safe, healthy and diverse workplace, competitiveness of wages and open communication. The Company believes that providing employees with a safe and pleasant working environment, based on dignity and respect, is an important factor in maintaining labour productivity and goodwill in order to produce quality products. The Company believes that it has a strong relationship with its employees. The future success of the Company depends in part on its ability to attract and retain qualified people.

In addition to its Ten Guiding Principles, the Company adopted an Employee Bill of Rights in 2001, still relevant today, as follows:

Job Security

Every employee is an important member of the Martinrea team. Together we build our future and protect our job security by exceeding customer expectations while remaining competitive within our industry.

Health and Safety

Our employees work in a safe, healthy environment and an ergonomically friendly workplace.

Fair Treatment

Our employees shall be treated with dignity and respect. Accordingly, we provide equal opportunities in a workplace free from discrimination and harassment.

Compensation

Our wages and benefit programs are reviewed annually to ensure that employees receive fair compensation for the industry in which we work and the communities in which we live.

Coaching

Regular feedback will be provided so our employees know where they stand at all times and can build on their strengths.

Training

Employees shall be provided the opportunity to develop to their full potential through ongoing training and continuous learning.

Communication

We believe in open, honest two-way communication supported by visible, responsible action in a timely manner.

Open Door Policy

If an employee feels that his or her rights under the Martinrea Employee Bill of Rights are not being met or if they have any questions, concerns, or suggestions, they are encouraged to approach any member of the management team up to and including the CEO. Our doors are always open. We promise to listen and respond appropriately without reprisal or retaliation.

In furtherance of the Company's commitment to fairness, as demonstrated in its Employee Bill of Rights, the Company has established a variety of employee communication programs.

Human Rights

Martinrea respects the dignity of every human being and supports the compliance with internationally recognized human rights. The Company rejects all forms of physical, sexual, psychological or verbal abuse of its employees. Martinrea respects the freedom of opinion and expression and freedom of association.

The Company condemns child labour and respects the rights of children. The Company complies with the applicable laws and regulations regarding the minimum age for admission to employment or work.

Martinrea compensates employees to enable them to meet at least their basic needs and provide the opportunity to improve their skill and capability in order to raise their social and economic opportunities.

Diversity

The Company believes in creating a diverse culture, based on its Golden Rule culture, with treating people the way we want to be treated, with dignity and respect, which is foundational. We believe a great work environment allows everyone to reach their full potential. The Company's objective is to encourage diversity and inclusion within the Company, including in its Board and senior management and to not discriminate on the basis of gender or on any other basis.

The Company believes diversity and inclusion is important to a well-functioning team to ensure the Company has the necessary range of perspectives, experience and expertise required to achieve the Company's objectives, including effective stewardship and management.

As noted above, fair treatment and dignity and respect are core principles in the Company's Employee Bill of Rights and in the Company's Ten Guiding Principles. These principles, which are discussed and reinforced through employee meetings, conferences, training and in daily life, also encourage diversity. Any employee who believes he or she is not being treated fairly, has an open line of communication up to the CEO and the Executive Chairman.

In an increasingly complex global marketplace, the ability to draw on a wide range of viewpoints, backgrounds, skills, and experience is critical to the Company's success. The Company's global growth plans assume cultural nimbleness and, competitively, the Company needs to continue to develop a brand and environment that appeals to the breadth of talent that will help the Company be successful.

The Company recognizes gender diversity is a significant aspect of diversity and believes leadership from women is critical to executing on the Company's strategy. This belief forms an important part of the focus of management in the appointment and recruitment of officers and the Board in the search and selection of nominee directors. The Company participates in activities promoting automotive as a career for women, such as sponsoring student and university co-op programs, and supports the development of the next generation of talent in Science, Technology, Engineering and Mathematics (STEM), including programs engaging and encouraging young women to enter into STEM such as First Robotics. Currently, 14% of the Company's senior executive officers are female.

Labour Matters

The Company maintains a strong relationship with its employees and the unions that represent them where collective bargaining agreements are in place. The Company's operations in Canada and the U.S. are generally non-unionized; however, the Company does have certain facilities in the U.S. and Canada which are unionized, as are the plants in other jurisdictions. From time to time, various unions seek to represent certain of the Company's employees and, consequently, the Company may become party to additional collective bargaining agreements at some future time.

Management Incentive Compensation

To attract and retain key management employees, the Company compensates these individuals by various means. Senior executives are paid a base salary plus bonuses based on pre-tax profits and may receive options to purchase the Company's common shares or other equity-based compensation, such as units under the Company's performance and restricted share unit program. The Company has in place share ownership guidelines for executives and has geared certain bonus payments to the purchase of the Company's common shares by the executives. The Company's employee compensation principles are determined by the Human Resources and Compensation Committee and administered by each facility's human resources department with the assistance of the Company's Executive Vice President Human Resources, if necessary.

Health and Safety

Martinrea has a strong commitment to workplace health and safety and the prevention of occupational injury and illness. Martinrea's objective is to continuously improve its health and safety performance, and to meet or exceed industry standards and health and safety legislation. A safe and healthy workplace is created through the combined effort and participation of leadership and employees.

Leadership is responsible for establishing and maintaining health and safety policies, programs, safe-work practices and resources, and employees are responsible for maintaining safe and healthy work conditions and following the safety standards and training provided. Prevention is the goal and all parties will continue to work together to ensure a safe and healthy workplace.

Protection for employee health and safety is a core principle in the Company's Employee Bill of Rights. The Company is committed to giving people a healthy and safe work environment, including free from harassment and violence.

The Company has a health and safety management system ensuring the laws in each country are followed. The Company's goal is to be better than industry standards and it has achieved that based on key safety performance indicators.

The Company routinely discusses health and safety issues and ensures best practices are adopted throughout its operations, with focus on identifying and eliminating health and safety risks, industrial-hygiene, ergonomics and emergency preparedness. The Company incorporates legislative changes, learnings from near misses and accidents, and changes to industry standards into its global safety management system.

The Company has an emergency preparedness and response plan in place at each facility to ensure timely response and communication in the event of an emergency, and incident investigation procedures to ensure incidents are investigated and corrective action implemented to prevent recurrence.

The Company has a Joint Health and Safety Committee at each plant and office, and ensures compliance with local and global standards by auditing and inspecting compliance with both routine and unscheduled audits. Audits are designed to address documentation requirements, assess physical conditions at the plant and compliance to legal requirements. Audits and inspections are conducted on-site and followed with a report requiring the facility to develop an action plan to address deficiencies or best practices that is reviewed by the leadership team. Health and safety issues are encouraged to be corrected as they arise. Executive leadership reviews and discusses health and safety issues and compliance monthly and presentations are made to the Company's Board of Directors on a quarterly basis.

The health and safety management system incorporates international and regional standards, including: OHSAS 18001, Canadian Standards Association (CSA), American National Standards Institute (ANSI), as well as country-specific safety regulations. Audits and inspections are conducted by specialists with knowledge of Martinrea's standards and country-specific requirements.

The Company's health and safety committees hold regular conferences with representatives of its manufacturing facilities to reinforce its commitment to providing a safe and healthy work environment and share best practices with respect to occupational health and safety. Any employee who believes he or she is not being treated fairly, has an open line of communication up to the CEO.

Environmental Sustainability

Environmental Sustainability

Martinrea's goal for its business operations is to ensure the responsible use of natural resources and the prevention and reduction of negative environmental impacts like emissions, energy and water consumption, or waste generation, and not to endanger the environment.

The Company aspires to be an environmentally responsible company and has corporate strategies and risk management procedures in place to reduce its impact on the environment.

The Company has a global environmental compliance program, which requires that its manufacturing facilities receive where required, ISO 14001 or functionally equivalent environmental certification. ISO 14001 specifies requirements of an environmental management system and is a systematic approach to handling environmental issues within an organization. The Company monitors its operations to ensure compliance with environmental requirements and standards, and takes action to prevent and correct problems if needed. Third party and internal audits or inspections are conducted at its plants.

The Company has a disaster response and recovery plan in place at each facility to protect the health and safety of the employees and to ensure disruption to the Company's operations are minimized in the event of an environmental issue. The Company's customers are becoming increasingly focused on supply chain sustainability in manufacturing, which could impact future sourcing decisions.

The Company is subject to environmental regulation by the federal, provincial and municipal authorities in Canada, the United States, Mexico, Slovakia, Germany, Spain, Brazil and China. The Company's operations involve the use of equipment and products, which are subject to regulatory guidelines and must be controlled in accordance with applicable standards. The Company's operations also produce various wastes, which must be handled, stored, transported and disposed of in accordance with applicable environmental laws and regulations. To date, the aggregate costs incurred in complying with environmental laws and regulations have not had a material adverse effect on the Company.

Climate Change

Climate change can be described as the alteration of long-term weather patterns and increasing frequency of extreme weather events.

Environmental laws, regulations and permits, and the enforcement thereof, change frequently and have tended to become more stringent over time. In particular, more rigorous greenhouse gas ("GHG") emission requirements are in various stages of development. In addition to legislation, climate change has resulted in trends (as described above under "*Description of the Business and Trends*") which present opportunities and challenges for the automotive industry. The Company strives to realize on the opportunities and address these risks in numerous ways, including with sustainability-focused innovation, minimizing the impact of operations, including through lean manufacturing principles, which also indirectly results in CO₂ reductions.

Any regulation of GHG emissions, including through a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could subject the Company to significant costs, including those relating

to emission credits, pollution control equipment, monitoring and reporting, as well as increased energy and raw material prices. In addition, OEM customers may seek price reductions from the Company to account for their increased costs resulting from GHG regulations. Further, growing pressure to reduce GHG emissions could reduce or change the mix of automobile sales, thereby impacting the demand for the Company's products and ultimately the Company's revenues. The Company's operations are not major GHG emitters. Accordingly, the Company does not currently anticipate that current or future regulatory targets for GHG reduction or future GHG emission caps would have a material impact on the Company. However, there is still significant uncertainty surrounding the scope, timing and effect of future GHG regulation, therefore, any such regulation could have a material adverse impact on the Company's business, financial condition, results of operations, reputation, product demand and liquidity. (See also "Automotive Industry General".)

Lightweighting Structures and Propulsion Systems Strategy

Changes in environmental regulation have presented an opportunity for the Company as a manufacturer of lightweight structures and propulsion products and systems, which are in demand from its customers to meet their regulatory requirements and consumer demand for goods that have less of an impact on the environment. No matter what propels the vehicle, the Company will be able to manufacture the light weight structure or to provide products or systems to propel the vehicle (see "Description of the Business and Trends: Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles"). The Company develops technologies that help its customers produce vehicles which meet or exceed consumer expectations regarding fuel consumption and greenhouse gas (GHG) emissions, for example through:

- use of advanced and lightweight materials;
- components and systems with reduced mass, through use of advanced/lightweight materials, innovative multi-material joining processes and reduced number of parts; and
- solutions to help optimize internal combustion engines. (See also "Description of the Business and Trends: Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles")

Reducing CO₂ Footprint through Lean Manufacturing

The Company uses lean manufacturing principles in its operations, which has a positive effect of reducing the Company's environmental impact as it results in a reduction of materials, equipment, CO₂ emissions, energy use and waste in its operations.

The Company strives to improve the efficiency of its manufacturing operations, including through energy, water and waste reduction efforts.

Reporting

Martinrea provides sustainability reporting directly to customers where required by its customers.

The Company also supports its customers, where required, with Conflict Minerals reporting to help ensure that conflict minerals such as gold, tantalum, tungsten and tin which are sourced from mines under the control of armed groups in the Democratic Republic of Congo and certain neighbouring countries, are not used in automotive parts and assemblies.

Hazardous Waste and Industrial Emissions

The Company operates a number of manufacturing facilities using environmentally-sensitive processes and hazardous materials. The Company believes all of these operations meet, in all material respects, applicable governmental standards for waste handling and emissions. Some of its facilities have in the past and may in the future receive a notice of violation or similar communication from local regulators during routine reviews. The Company has in the past and will continue in the future to address any such notices promptly.

Energy Efficiency, Water and Waste Reduction

The Company aims to achieve efficiencies in and minimize waste from its manufacturing operations and has activities in place at various divisions to increase energy efficiency, reduce water consumption (including through recycling efforts where applicable) and reduce waste generation.

Waste reduction and scrap elimination are important considerations in our manufacturing activities. In many areas the Company manufactures its own racking and storage systems that are reusable.

Supply Chain Responsibility

Suppliers to Martinrea are considered valuable business partners. Suppliers help the Company meet and exceed the expectations of Martinrea's customers. Suppliers help to keep the Company competitive through world class manufacturing and cutting edge innovations. Through the rigorous supplier selection process, Martinrea strives to ensure the Company's culture and values cascade to the supply base.

Martinrea evaluates suppliers for the following policies and procedures using Martinrea Supplier Quality Guidelines and Supplier Assessments:

- Product Safety and Quality Assurance
- Social Responsibility
 - Respect for Basic Human Rights and Working Conditions and the promotion of Health and Safety in the workplace
- Environmental Sustainability
 - Energy reduction programs, water purification programs, use of renewable resources
 - Suppliers are encouraged to become ISO 14001 certified
 - Recyclability and End of Vehicle programs: IMDS / ELV
- Code of Conduct and Ethics
 - Anti-Trust and Competition
 - Anti-Corruption and Anti-Bribery
 - Compliance with Laws and Regulations
- Promotion of Diversity and Inclusion within their operation and their supply base
 - Joining Supply Chain Security programs such as CTPAT, PIP, FAST

Supplier Diversity

To Martinrea, our vision of "Making people's lives better . . ." includes supporting diverse owned businesses in the communities in which we operate. As such, Martinrea's Supplier Diversity program has expanded to include purchases in excess of \$200 million annually from over 150 diverse companies. In addition, we are corporate members of several industry-recognized supplier diversity organizations, and sponsor a variety of supplier diversity events, conferences, and procurement fairs. We are proud to have received awards for our supplier diversity efforts from many of our customers over the years.

Making Lives Better

As described in detail throughout this Annual Information Form, Martinrea's vision and culture is based on making people's lives better. In the context of sustainability and working with communities, core to Martinrea's mission is to be a positive contributor, both globally and by supporting the communities in which Martinrea operates with involvement in local clubs, events and charities. Making lives better in communities has been a foundational belief of the Company from the beginning and is directly reflected in the Company's Vision, Mission, Principles, as well as in the Company's culture. (See "*Description of the Business and Trends: The Company's Vision, Mission, Culture and Business Strategy*").

Martinrea rebranded and unified its charitable initiatives in 2018 under a global charitable giving program called "Making People's Lives Better." The Company's charitable goals include sponsoring tangible projects inside a

charity, impacting people's lives and making lives better (both in the communities in which we work and support and those in need anywhere in the world), providing donations for sponsored projects, and encouraging one another to volunteer our devoted time to those in need.

Acquisitions

The pursuit of growth opportunities and complementary investments, including through acquisition, has been a key element of the Company's business strategy. In 2002, the Company acquired all of the shares of Rea International Inc., Pilot Industries, Inc. and their affiliated companies. In 2005, the Company acquired the assets of Corydon Manufacturing LLC. In 2006, the Company acquired the assets of Depco International and completed the TKB Acquisition. In 2009, the Company acquired certain assets of SKD pursuant to various separate purchase transactions. In 2011, the Company acquired certain assets of Honsel AG and in 2014 the Company acquired Anchorage's 45% interest in Martinrea Honsel. The Company also announced in late 2019 an agreement to purchase the structural components for passenger cars division of Metalsa S.A. de C.V. for a purchase price of approximately USD \$19.5 million in cash, inclusive of working capital and on a debt free basis. Completion of the transaction occurred on March 2, 2020, once regulatory approvals and closing conditions had been obtained or met. See "*History*".

5. DIVIDENDS

Dividend Policy

Other than restrictions which may be imposed by the Company's credit facility based on loan-related covenants, there are no restrictions on the Company that would prevent it from paying a dividend. In 2013, the Company implemented quarterly dividend payments with the first dividend declared in June, 2013. In 2017, the Company declared approximately \$10,388,470 in dividends (\$0.12 per share). In 2018, the Company raised its quarterly dividend by 50% to \$0.045 per share commencing with the release of the first quarter results of 2018 and declared approximately \$14,213,000 in dividends (\$0.165 per share). In 2019, the Company declared approximately \$14,738,000 in dividends (\$0.18 per share). The board of directors reviews its dividend policy quarterly in the context of the Company's earnings, financial condition and other relevant factors. The Company's dividend policy is located on its website at www.martinrea.com.

6. CAPITAL STRUCTURE

The Company's authorized capital consists of an unlimited number of Common Shares and no other classes of shares.

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company, to attend such meetings and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive rateably such dividends, if any, as and when declared by the board of directors at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive rateably the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or rateably with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

During 2018, the Company received approval from the Toronto Stock Exchange ("TSX") to acquire for cancellation, by way of normal course issuer bid ("NCIB"), up to 4,348,479 common shares of the Company. The bid commenced on August 31, 2018 and spanned a 12-month period.

During 2018, after the commencement of the NCIB, the Company purchased for cancellation an aggregate of 2,150,400 common shares for an aggregate purchase price of approximately \$25.5 million, resulting in a decrease to stated capital of approximately \$17.7 million and a decrease to retained earnings of approximately \$7.8 million. The shares were purchased and canceled directly under the NCIB.

At the end of 2018, the Company entered into an Automatic Share Repurchase Plan (“ASRP”) with a broker that allowed the purchase of common shares for cancellation under the NCIB at any time during the predetermined trading blackout period. During the three months ended March 31, 2019, the Company purchased the 2,198,079 common shares under the ASRP for an aggregate purchase price of approximately \$26.3 million, resulting in a decrease to stated capital of approximately \$18.1 million and a decrease to retained earnings of approximately \$8.2 million. The shares were purchased and canceled directly under the NCIB.

During the third quarter of 2019, the Company renewed the NCIB, receiving approval from the TSX to acquire for cancellation up to an additional 8,000,000 common shares of the Company. The renewed bid commenced on August 31, 2019 and spans a 12-month period.

During the third and fourth quarters of 2019, the Company purchased for cancellation an aggregate of 2,600,025 common shares for an aggregate purchase price of approximately \$31.5 million, resulting in a decrease to stated capital of approximately \$21.4 million and a decrease to retained earnings of approximately \$10.1 million. The shares were purchased for cancellation directly under the NCIB.

As of the date hereof, there are 80,162,883 common shares issued and outstanding.

7. MARKET FOR SECURITIES

The Company’s Common Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “MRE”. The volume of trading and price ranges of the Company’s common shares for the periods indicated in 2019 are set out in the following table:

	High	Low	Volume
January	\$12.87	\$10.56	5,252,867
February	\$12.71	\$11.68	3,732,154
March	\$14.24	\$11.75	5,135,786
April	\$13.88	12.23	2,903,157
May	\$13.63	\$9.67	4,621,259
June	\$10.88	\$9.33	6,106,251
July	\$11.05	\$10.11	3,776,177
August	\$10.78	\$9.45	3,259,770
September	\$11.86	\$9.85	4,829,464
October	\$11.68	\$9.82	3,999,078
November	\$12.58	\$10.75	4,607,526
December	\$14.75	\$12.03	6,086,639

The closing price of the Common Shares was \$14.31 as of December 31, 2019.

8. ESCROWED SECURITIES

To the Company’s knowledge, no Common Shares of the Company are currently held in escrow.

9. DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

As of the date hereof, the names, municipalities of residence, all major positions and offices with the Company and its significant affiliates and the principal occupations of the directors and executive officers of the Company, and the year they became directors (as applicable) are set forth in the table below.

Name and Municipality of Residence	Position with the Company	Principal Occupation	Year Became Director
Pat D'Eramo Caryville, Tennessee	President and Chief Executive Officer, Director	President and Chief Executive Officer of the Company	2015
Rob Wildeboer Burlington, Ontario	Executive Chairman of the Board, Director	Executive Chairman of the Company's Board of Directors	1996
Scott Balfour ⁽¹⁾ Halifax, Nova Scotia	Director	President and Chief Executive Officer, Emera Inc.	2013
Roman Doroniuk ^{(1),(2)} Toronto, Ontario	Director	Independent Consultant, Financial and Strategic Advisory Services	2014
Terry Lyons ^{(2),(3)} Vancouver, British Columbia	Director	Corporate Director Lead Director, Canaccord Genuity Group Inc.	2014
Fred Olson ^{(1),(2),(3),(4)} Rochester, Michigan	Lead Director	President and CEO, Webasto Product North America (Retired)	2002
Sandra Papatello ⁽³⁾ Windsor, Ontario	Director	President, Canadian International Avenues Ltd.	2014
Dave Schoch ⁽²⁾ Farmington Hills, Michigan	Director	Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China (Retired)	2018
Molly Shoichet Toronto, Ontario	Director	University Professor and Canada Research Chair, Tissue Engineering, Chemical Engineering & Applied Chemistry, University of Toronto	2019
Fred Di Tosto Vaughan, Ontario	Chief Financial Officer	Chief Financial Officer of the Company	-
Alfredo Alonso Rochester, Michigan	Executive Vice President, Fluids	Executive Vice President, Fluids of the Company	-
Peter Cirulis Novi, Michigan	Executive Vice President, Aluminum	Executive Vice President, Aluminum of the Company	-

Name and Municipality of Residence	Position with the Company	Principal Occupation	Year Became Director
Robert Fairchild Troy, Michigan	Executive Vice President, Sales and Engineering	Executive Vice President, Sales and Engineering of the Company	-
Megan Hunter Livonia, Michigan	Executive Vice President, Procurement and Supply Chain Operations	Executive Vice President, Procurement and Supply Chain Operations of the Company	-
Ganesh Iyer Rochester, Michigan	Chief Technology Officer	Chief Technology Officer of the Company	-
Bruce Johnson Aurora, Ontario	Executive Vice President, Metallics	Executive Vice President, Metallics of the Company	-
Mike Leal Lexington, Kentucky	Vice President, Lean Manufacturing	Vice President, Lean Manufacturing of the Company	-
Hany Morsy Oakville, Ontario	Chief Internal Auditor	Chief Internal Auditor of the Company	-
Armando Pagliari Milton, Ontario	Executive Vice President, Human Resources	Executive Vice President, Human Resources of the Company	-
Larry Paine Oro-Medonte, Ontario	Vice President, Flexible Manufacturing Group	Vice President, Flexible Manufacturing Group of the Company	-
Kerri Pope Vaughan, Ontario	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of the Company	-

- (1) Member of the Human Resources and Compensation Committee. Mr. Doroniuk is chair of this committee.
(2) Member of the Audit Committee. Mr. Lyons is chair of this committee.
(3) Member of the Corporate Governance and Nominating Committee. Ms. Papatello is chair of this committee.
(4) Lead Director.

The term of office of each director expires at the next annual meeting of shareholders or when his successor is elected or appointed.

Each of the directors and officers of the Company has held the principal occupation set forth above or other positions with the same organization for the past five (5) years except for (i) Alfredo Alonso, who, prior to joining the Company on January 2, 2018, was Vice President, Dana Incorporated, Light Vehicle Division, North American Operations from January 2014 to December 2017, and prior to that he was Managing Director for Dana Mexico for all Dana groups from April 2012 to December 2013; (ii) Dave Schoch, who prior to joining the Board in August, 2018, was Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China until his retirement in 2017; (iii) Peter Cirulis, who, prior to joining the Company on September 24, 2018 was Vice President, Customer Experience, Strategy and Product Planning, Global Aftermarket at Dana Incorporated from September 2016 to September 2018, and prior to that was Vice President, Finance and Operational Excellence, Commercial Vehicle Division from January 2014 to August 2016 and Vice President, Global Business Development, Light Vehicle Division from January 2013 to December 2013; (iv) Mike Leal, who most recently was Director, Lean Manufacturing of the Company before his appointment as Vice President, Lean Manufacturing, and prior to joining the Company in April 2015 was Project General Manager of the Organizational Management and Development Division with Toyota Product System, a division of Toyota; and (v) Molly Shoichet, who prior to joining the Board in June 2019, served as Ontario's first Chief Scientist in 2018 where she worked to enhance the culture of science. Since 2014, Dr. Shoichet has been a University Professor and Canada Research Chair, Tissue Engineering, Chemical

Engineering & Applied Chemistry at the University of Toronto. Dr. Shoichet is currently serving as a Director of the Ontario Science Centre and of MaRS, and is currently Director and co-Founder of AmacaThera Inc.

As at the date hereof, the directors and executive officers of the Company as a group, directly and indirectly, beneficially own or exercise control or direction over approximately 1.1 million Common Shares, representing approximately 1.4% of the issued and outstanding common shares of the Company. In addition, members of this group hold other equity-based interests in the Company. The information as to Common Shares beneficially owned or over which control is exercised, not being within the knowledge of the Company, has been furnished by the respective directors and officers.

Cease Trade Orders

Other than as set out below, none of the directors or executive officers:

- a) is, as at the date of the Annual Information Form, or was within 10 years before the date of the Annual Information Form, a director or chief executive officer or chief financial officer of any company (including Martinrea) that:
 - i) was the subject of an order (as defined in National Instrument 51-102F2) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
 - ii) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer, or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer, or chief financial officer.

None of the directors, executive officers or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company,

- b) is at the date hereof, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including Martinrea) that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- c) has, within the 10 years before this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Lyons was a director of Royal Oak Ventures Inc. (“Royal Oak”) at the request of Brookfield Asset Management Inc. which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Ontario and Quebec due to the failure of Royal Oak to file financial statements since the financial year ended December 31, 2003. After restructuring, the cease trade orders were lifted on July 4, 2012. Effective January 1, 2014, Brookfield took Royal Oak private and Mr. Lyons resigned as a director. Mr. Lyons was elected to the board of directors of Royal Oak and FT because of his valuable experience and expertise in financial restructuring in the insolvency context.

Roman Doroniuk was appointed as a director of Old PSG Wind-down Ltd. (formerly Performance Sports Group Ltd.) and its subsidiaries on August 7, 2017 during its joint restructuring proceedings under Chapter 11 of the United States Bankruptcy Code in the United States and the Companies’ Creditors Arrangement Act in Canada, which commenced on October 31, 2016. On December 21, 2017, following the approval and effectiveness of a plan of liquidation filed by the company and its affiliated debtors, Mr. Doroniuk resigned as a director of Old PSG Wind-down Ltd. and its subsidiaries in accordance with the terms of the plan.

The information as to cease trade orders and bankruptcies, not being within the knowledge of the Company, has been furnished by the directors and executive officers, respectively.

10. RISK FACTORS

The following risk factors, as well as the other information contained in this Annual Information Form, the Company's Management Discussion and Analysis for the year ended December 31, 2019 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The Company's success is primarily dependent upon the levels of car and light truck production by its customers and the relative amount of content the Company has on their various vehicle programs. OEM production volumes may be impacted by many factors including general economic and political conditions, interest rates, credit availability, energy and fuel prices, international conflicts, labour relations issues, regulatory requirements, trade agreements, infrastructure considerations, legislative changes, and environmental emissions standards and safety issues.

North American and Global Economic and Political Conditions and Epidemics or Pandemics

The automotive industry is global, and is cyclical in the fact that it is sensitive to changes in economic and political conditions, including interest rates, currency issues, energy prices, trade issues, international or domestic conflicts or political crises, and epidemics or pandemics, such as the strain of coronavirus that surfaced in December 2019 in Wuhan, China, and which has spread to other countries, with reports of confirmed cases in the several other countries. At this point, the extent to which the coronavirus may impact our results is uncertain but it may have an effect or disrupt our supply chain.

The Company operates in the midst of a volatile industry, which in the past decade has experienced a significant recession, particularly severe in North America and Europe. Although there has been stabilization or growth in North America for the past decade, current conditions continue to cause economic uncertainty about the future in different regions. It is uncertain what the Company's prospects will be in the future. While the Company believes it has sufficient liquidity and a strong balance sheet to deal with present economic conditions, lower sales and production volumes in certain areas may occur. It is unknown at this stage the impact of global trade issues on the automotive industry, including resulting from any changes to trade agreements, tariffs or trade disputes. (See "*Trade Policies and Resulting Impact (USMCA, NAFTA, Brexit and the CPTPP)*" above under "*Automotive Industry General*" and "*Changes in Law and Governmental Regulation*" below.)

Consumer confidence has a significant impact on consumer demand for vehicles, which in turn impacts vehicle production. A significant decline in vehicle production volumes from current levels could have a material adverse effect on profitability.

Automotive Industry Risks

The automotive industry is generally viewed as highly cyclical. It is dependent on, among other factors, consumer spending and general economic conditions in North America and elsewhere. Future sales and production volumes are anticipated to be relatively flat or stable in North America over the next several years, but volume levels are uncertain, and volume levels can decrease at any time. In Europe, the automotive industry has significant overcapacity as well as reduced sales and production levels, which can lead to downsizing and restructuring costs, or costs associated with overcapacity. Increased emphasis on the reduction of fuel consumption, fuel emissions and greenhouse gas emissions could also reduce demand for automobiles overall or specific platforms on which the Company has product, especially in the light truck segment. There can be no assurance that North American or European automotive production overall or on specific platforms will not decline in the future or that the Company will be able to utilize any existing unused capacity or any additional capacity it adds in the future. A continued or a substantial additional decline in the production of new automobiles overall or by customer or by customer platform may have a material adverse effect on the Company's financial condition and results of operations and ability to meet existing financial covenants. It is unknown at this stage the impact of global trade issues on the automotive industry,

including resulting from any changes to trade agreements, tariffs or trade disputes. See “*Description of the Business and Trends: Trade Policies and Resulting Impact (USMCA, NAFTA, Brexit and the CPTPP)*” above and “*Changes in Law and Governmental Regulation*” below.

Dependence Upon Key Customers

North America, Europe, Brazil and China are key auto producing regions for us and operating results are primarily dependent on car and light truck production in these regions by our customers. Due to the nature of the Company’s business, it is dependent upon several large customers such that cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, reduced sales of automotive platforms of such customers, or shift in market share on vehicles on which we have significant content, or a significant or sustained decline in vehicle production volumes in geographic areas in which the Company operates, could significantly reduce the Company’s ongoing revenue and/or profitability, and could materially and adversely affect the Company’s financial condition. Although the Company continues to diversify its business, there is no assurance that it will be successful. In addition, a work disruption at one or more of the Company’s customers, including resulting from labour stoppages at or insolvencies of key suppliers to such customers or an extended customer shutdown (scheduled or unscheduled, including as a result of coronavirus) could have a significant impact on the Company’s revenue and/or profitability. Our largest North American customers typically halt production for approximately two weeks in July and one week in December. These typically seasonal shutdowns could cause fluctuations in the Company’s quarterly results.

Financial Viability of Suppliers

The Company relies on a number of suppliers to supply a wide range of products and components required in connection with the business. Economic conditions, including trade volatility, production volume cuts, intense pricing pressures, increased commodity prices and a number of other factors including acts of God (including fires, hurricanes, earthquakes, whether as a result of climate change or otherwise, pandemics or epidemics) and scarcity of raw materials can result in many automotive suppliers experiencing varying degrees of financial distress. In addition, pandemics or epidemics can also cause suppliers to experience financial distress, such as the strain of coronavirus that surfaced in December 2019 in Wuhan, China, and which has spread to other countries, with reports of confirmed cases in the several other countries. At this point, the extent to which the coronavirus may impact our results is uncertain but it may have an effect or disrupt our supply chain. The continued financial distress or the insolvency or bankruptcy of any such supplier could disrupt the supply of products, materials or components to Martinrea or to customers, potentially causing the temporary shut-down of the Company’s or customers’ production lines. Martinrea has experienced supply disruptions of varying natures in the past, including in cases where an equipment supplier has gone out of business, or an act of God resulted in the shortage of a key commodity. There is a risk some suppliers may not have adequate capacity to timely accommodate increases in demand for their products which could lead to production disruption for the customer. Any prolonged disruption in the supply of critical components, the inability to re-source production of a critical component from a distressed automotive components sub-supplier, or any temporary shut-down of production lines or the production lines of a customer, could have a material adverse effect on operations or profitability. Additionally, the insolvency, bankruptcy, financial restructuring or force majeure event of any critical suppliers could result in the Company incurring unrecoverable costs related to the financial work-out or resourcing costs of such suppliers and/or increased exposure for product liability, warranty or recall costs relating to the components supplied by such suppliers to the extent such supplier is not able to assume responsibility for such amounts, each of which could have an adverse effect on the Company’s profitability. Also see “*Risks: Dependence Upon Key Customers*” and “*Environmental Regulation*”.

Competition

The markets for fluid management systems, cast aluminum products and fabricated metal products, assemblies and systems for automotive and industrial customers are highly competitive. Some of the Company's competitors have substantially greater financial, marketing and other resources and higher market share than the Company in certain products or geographic areas. As the markets for the Company's products and other services expand, additional competition may emerge and competitors may commit more resources to products which directly compete with the Company's products. There can be no assurance that the Company will be able to compete successfully with existing competitors or that its business will not be adversely affected by increased competition or by new competitors.

Cost Absorption and Purchase Orders

Given the current trends in the automotive industry, the Company is under continuing pressure to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling in addition to items previously paid for directly by OEMs. In particular, OEMs are requesting that suppliers pay for the above costs and recover these costs through the piece price of the applicable component. Contract volumes for customer programs not yet in production are based on the Company's customers' estimates of their own future production levels. However, actual production volumes may vary significantly from these estimates due to a reduction in consumer demand or new product launch delays, often without any compensation to the supplier by its OEM customer. Typical purchase orders issued by customers do not require they purchase a minimum number of the Company's products. For programs currently under production, the Company is generally unable to request price changes when volumes differ significantly from production estimates used during the quotation stage. If estimated production volumes are not achieved, the product development, design, engineering, prototype and validation costs incurred by the Company may not be fully recovered. Similarly, future pricing pressure or volume reductions by the Company's customers may also reduce the amount of amortized costs otherwise recoverable in the piece price of the Company's products. Either of these factors could have an adverse effect on the Company's profitability. While it is generally the case that once the Company receives a purchase order for products of a particular vehicle program it would continue to supply those products until the end of such program, customers could cease to source their production requirements from the Company for a variety of reasons, including the Company's refusal to accept demands for price reductions or other concessions.

Material Prices

Prices for key raw materials and commodities used in parts production, particularly aluminum, steel, resin, paints, chemicals and other raw materials, as well as energy prices, have proven to be volatile at certain times. In 2018 and 2019, the Company and the industry has experienced steel and aluminum tariffs imposed by the U.S. and Canada, among others, in the context of trade negotiations. Martinrea has attempted to mitigate its exposure to price changes of key commodities, particularly steel, aluminum and scrap (including through participation in steel resale programs or price adjustment mechanisms and, in the case of tariffs, largely through obtaining tariff relief in most cases); however, to the extent the Company is unable to fully do so through engineering products with reduced commodity content, by passing commodity price increases to customers, by avoiding tariffs or otherwise, such additional commodity costs could have a material adverse effect on profitability. Increased energy prices also have an impact on production or transportation costs which in turn could affect competitiveness.

Outsourcing and Insourcing Trends

The Company is dependent on the outsourcing of components, modules and assemblies by OEMs. The extent of OEM outsourcing is influenced by a number of factors, including relative cost, quality and timeliness of production by suppliers as compared to OEMs, capacity utilization, and labour relations among OEMs, their employees and unions. As a result of any favourable terms in collective bargaining agreements that may lower cost structures, OEMs may insource some production which had previously been outsourced, or not outsource production which may otherwise be outsourced at some point. Outsourcing of some assembly is particularly dependent on the degree of unutilized capacity at the OEMs' own assembly facilities, in addition to the foregoing factors. A reduction in outsourcing by OEMs, or the loss of any material production or assembly programs coupled with the failure to secure alternative programs with sufficient volumes and margins, could have a material adverse effect on profitability.

Product Warranty, Recall and Liability Risk

Automobile manufacturers are increasingly requesting that each of their suppliers bear costs of the repair and replacement of defective products which are either covered under an automobile manufacturer's warranty or are the subject of a recall by the automobile manufacturer and which were improperly designed, manufactured or assembled by their suppliers. The obligation to repair or replace such parts, or a requirement to participate in a product recall, could have a material adverse effect on the Company's operations and financial condition.

Product Development and Technological Change

The automotive industry is characterized by rapid technological change and frequent new product introductions. Price pressure downward by customers and unavoidable price increases from suppliers can have an adverse effect on the Company's profitability. Accordingly, the Company believes that its future success depends upon its ability to enhance manufacturing techniques offering enhanced performance and functionality at competitive prices, and delivering lightweighting and other products or systems that will enable it to continue to have content on the cars of the future (including for example, electric and autonomous vehicles). The Company's inability, for technological or other reasons, to enhance operations in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent workforce and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards and protocols. There can be no assurance that the Company will be successful in its efforts in these respects.

Dependence Upon Key Personnel

The success of the Company is dependent on the services of a number of the members of its senior management, who set the culture, hire the talent, provide strategic direction, oversee operational excellence and drive financial discipline of the Company. The experience and talents of these individuals has been and will be a significant factor in the Company's continued success and growth. The loss of one or more of these individuals without adequate replacement measures could have a material adverse effect on the Company's operations and business prospects. The Company does not currently maintain key man insurance.

The Company's business depends on its ability to attract, develop and retain experienced and highly skilled personnel. Such personnel are in high demand in the areas in which we compete, and competition for their services is intense. As a result of the rapid changes and the intense competition in the automotive industry, the Company has a growing need for skilled people and the Company may face substantial competition for such personnel, from traditional and less traditional sources. The inability to attract and retain highly-skilled personnel could have an adverse effect on the Company's operations and its ability to fully implement its business strategy.

Limited Financial Resources/Uncertainty of Future Financing/Banking

The Company is engaged in a capital-intensive business and its financial resources are less than the financial resources of some of its competitors. There can be no assurance that, if, as and when the Company seeks additional equity or debt financing, the Company will be able to obtain the additional financial resources required to successfully compete in its markets on favourable commercial terms or at all. Additional equity financings may result in substantial dilution to existing shareholders.

Acquisitions

The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products, at competitive prices. The Company intends to continue to pursue acquisitions in those product areas which we have identified as key to the Company's long-term business strategy. However, as a result of intense competition in these strategic areas, the Company may not be able to acquire the targets needed to achieve our strategic objectives.

The completion of such transactions poses additional risks to the Company's business. Acquisitions are subject to a range of inherent risks, including the assumption of incremental regulatory/compliance, pricing, supply chain,

commodities, labour relations, litigation, environmental, pensions, warranty, recall, IT, tax or other risks. Although the Company seeks to conduct appropriate levels of due diligence on acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of: limited access to information; time constraints for conducting due diligence; inability to access target company facilities and/or personnel; or other limitations in the due diligence process. Additionally, the Company may identify risks and liabilities that cannot be sufficiently mitigated through appropriate contractual or other protections. The realization of any such risks could have a material adverse effect on the Company's operations or profitability.

The benefit to the Company of previous and future acquisitions is highly dependent on the Company's ability to integrate the acquired businesses and their technologies, employees and products into the Company, and the Company may incur costs associated with integrating and rationalizing the facilities (some of which may need to be closed in the future). The Company cannot be certain that it will successfully integrate acquired businesses or that acquisitions will ultimately benefit the Company. Any failure to successfully integrate businesses or failure of the businesses to benefit the Company could have a material adverse effect on its business and results of operations. Such transactions may also result in additional dilution to the Company's shareholders or increased debt. Such transactions may involve partners, and the formula for determining contractual sale provisions may be subject to a variety of factors that may not be easily quantified or estimated until the time of sale (such as market conditions and determining fair market value).

Private or Public Equity Investments in Technology Companies

In addition to the Company's development activities, the Company has invested approximately \$37 million in NanoXplore Inc. and other technology companies. Such investments are an important element of the Company's long-term strategy and the Company may make further private equity investments in such companies. Investing in such companies involves a high degree of risk, including the potential loss of some or all of the investment value. In addition, where there is no public market for the shares of the investments in start-ups, the Company may be unable to monetize its equity investments in the future. The materialization of such investment-related risks could have an adverse effect on our profitability and financial condition.

Joint Ventures

The Company has in the past and may from time to time conduct certain of its operations through joint ventures under contractual arrangements under which it shares management responsibilities with one or more partners. Joint venture operations carry a range of risks, including those relating to: failure of a joint venture partner to satisfy contractual obligations; potential conflicts between the Company and the joint venture partner; strategic objectives of joint venture partner(s) that may differ from the Company's; potential delays in decision-making; a more limited ability to control legal and regulatory compliance within the joint venture(s); and other risks inherent to non-wholly-owned operations. The likelihood of such occurrences and potential effect on the Company may vary depending on the joint venture arrangement; however, the occurrence of any such risks could have an adverse effect on the Company's operations, profitability and reputation;

Potential Rationalization Costs and Turnaround Costs

The Company has incurred restructuring costs over the past several years, sometimes in conjunction with the cancelation of a customer program or the closing of a customer plant. In response to the increasingly competitive automotive industry conditions, it is likely that the Company will continue to rationalize some production facilities. In the course of such rationalization, restructuring costs related to plant closings or alterations, relocations and employee severance costs will be incurred. Such costs could have an adverse effect on short-term profitability. In addition, while the Company's goal is for every plant to be profitable, there is no assurance this will occur, which will likely result in a rationalizing or closing of the plant. Martinrea is working to turn around any financially underperforming divisions, however, there is no guarantee that it will be successful in doing so with respect to some or all such divisions. The continued underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations.

Launch and Operational Costs

The launch of new business, in an existing or new facility, is a complex process, the success of which depends on a wide range of factors, including the production readiness of the Company and its suppliers, as well as factors related to tooling, equipment, employees, initial product quality and other factors. A failure to successfully launch material new or takeover business could have an adverse effect on profitability. Significant launch costs were incurred by the Company in recent years.

The Company's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products in a timely manner, or which may not be performing at expected levels of profitability. The Company's facilities contain complex and sophisticated machines that are used in its manufacturing processes. The Company has in the past experienced equipment failures and could experience equipment failure in the future due to wear and tear, design error or operator error, among other things, which could have an adverse effect on profitability.

From time to time, the Company may have some operating divisions which are not performing at expected levels of profitability. The complexity of automotive manufacturing operations often makes it difficult to achieve a quick turnaround of underperforming divisions. Significant underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations.

Labour Relations Matters

The Company has a significant number of its employees subject to collective bargaining agreements, as do many of the Company's customers and suppliers. To date, the Company has had no material labour relations disputes. However, production may be affected by work stoppages and labour-related disputes (including labour disputes of the Company's customers and suppliers), whether in the context of potential restructuring or in connection with negotiations undertaken to ensure a division's competitiveness, or otherwise, which may not be resolved in the Company's favour and which may have a material adverse effect on the Company's operations. The Company cannot predict whether and when any labour disruption may arise or how long such disruption could last. A significant labour disruption could lead to a lengthy shutdown of the Company or its customers' or suppliers' facilities or production lines, which could have a material adverse effect on the Company's operations and profitability.

Trade Restrictions

The global growth of the automotive industry has been aided by the free movement of goods, services, people and capital through bilateral and regional trade agreements, particularly in North America and Europe. In Europe, for example, uncertainty remains regarding the impact of Brexit – the United Kingdom's decision to withdraw from the European Union – and the nature of any trade agreements or arrangements that may result. Introduction of measures which impede free trade, including new or increased tariffs and other trade barriers, could have a material adverse effect on the Company's operations and profitability. (See also "*Changes in Laws and Governmental Regulations*").

Current international trade disputes could, among other things, reduce demand for and production of vehicles, disrupt global supply chains, distort commodity pricing, impair the ability of automotive suppliers and vehicle manufacturers to make efficient long-term investment decisions, create volatility in relative foreign exchange rates, and contribute to stock market volatility.

Changes in Laws and Governmental Regulations

A significant change in the regulatory environment in which the Company currently carries on business could adversely affect the Company's operations.

The Company's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to NAFTA (now USMCA), the CPTPP or Brexit, the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States or China (such as increased tariffs or investigations relating to anti-dumping) or positive or negative changes in tax or other legislation. In addition, the Company could be exposed to increased customs audits due to governmental policy which could lead to additional administrative burden and costs. Changes in legislation or regulation could lead to additional administrative burden and costs in general, and also carry the potential of a material fine or significant reputational

risk. Changes in laws or regulations could also result in the Company shifting its operations to more favourable jurisdictions (see “*Litigation and Regulatory Compliance and Investigations*”, “*Potential Rationalization and Turnaround Costs*” and “*Currency Risk - Competitiveness in Certain Jurisdictions*”).

Litigation and Regulatory Compliance and Investigations

The Company has been and is involved in litigation from time to time and has received, in the past, letters from third parties alleging claims and claims have been made against it including those described under “Legal Proceedings”. Although litigation claims may ultimately prove to be without merit, they can be time-consuming and expensive to defend. There can be no assurance that third parties will not assert claims against the Company in the future or that any such assertion will not result in costly litigation, or a requirement that the Company enter into costly settlement arrangements. There can be no assurance that such arrangements will be available on reasonable terms, or at all. Due to the inherent uncertainties of litigation, it is not possible to predict the outcome or determine the amount of any potential losses or the success of any claim or of any law suit referenced under “Legal Proceedings” and any other claims to which the Company may be subject. In addition, there is no assurance that the Company will be successful in a litigation matter. Any of these events may have a material adverse effect on the Company’s business, financial condition and results of operations. See “*Legal Proceedings*”. The Company’s policy is to comply with all applicable laws. However, the Company or its directors and officers may also be subject to regulatory risk in the markets in which it operates (for example, antitrust and competition regulatory authorities, tax authorities, anti-bribery and corruption authorities, cybersecurity risk and privacy legislation such as GDPR). Regulatory investigations, if any, can continue for several years, and depending on the jurisdiction and type of proceeding can result in administrative or civil or criminal penalties that could have a material adverse effect on the Company’s profitability or operations (even where the Company or any of its officers or directors is innocent, investigations can be expensive to defend). Additionally, the Company could be subject to other consequences including reputational damage, which could have a material adverse effect on the Company.

Quote/Pricing Assumptions

The time between award of new production business and start of production typically ranges between two and four years. Since product pricing is typically determined at the time of award, the Company is subject to significant pricing risk due to changes in input costs and quote assumptions between the time of award and start of production. The inability to quote effectively, or the occurrence of a material change in input cost or other quote assumptions between program award and production, could have an adverse effect on the Company’s profitability.

Currency Risk - Hedging

A substantial portion of the Company’s revenues are now, and are expected to continue to be, realized in currencies other than Canadian dollars, primarily the U.S. dollar. Fluctuations in the exchange rate between the Canadian dollar and such other currencies may have a material effect on the Company’s results of operations. To date, the Company has engaged in some hedging activities to mitigate the risk of identified exchange rate exposures. To the extent the Company may seek to implement more substantial hedging techniques in the future with respect to its foreign currency transactions, there can be no assurance that the Company will be successful in such hedging activities.

Currency Risk - Competitiveness in Certain Jurisdictions

Currency fluctuations may negatively or positively affect the competitiveness of the Company’s operations in a particular jurisdiction. As a result, the Company may move some existing work to another country, or may source work to different divisions, in order for the Company to remain or become competitive. Any work shifts may entail significant restructuring and other costs as work is shifted, as plants are consolidated, downsized or closed, or as plants in other jurisdictions are expanded.

Fluctuations in Operating Results

The Company’s operating results have been and are expected to continue to be subject to quarterly and other fluctuations due to a variety of factors including changes in purchasing patterns, production schedules of customers (which tend to include a shutdown period in each of July and December), pricing policies, launch costs, or operational

(or equipment or systems) failures, or product introductions by competitors. This could affect the Company's ability to finance future activities. Operations could also be adversely affected by general economic downturns, an economic shock not contemplated in our business plan, a rapid deterioration of conditions or limitations on spending. The occurrence of or a prolonged recession could result in the depletion of our cash resources, which could have a material adverse effect on our operations and financial condition.

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of the Company. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of the Company to continue its business as presently constituted. The Company has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected and corrected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, the Company assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the Board regarding achievement of intended results. The Company's current system of internal and disclosure controls also places reliance on key personnel across the Company to perform a variety of control functions including key reviews, analysis, reconciliations and monitoring. The failure of individuals to perform such functions or properly implement the controls as designed could adversely impact results.

Environmental Regulation and Climate Change

The Company is subject to a variety of environmental regulations by the federal, provincial and municipal authorities in Canada, the United States, Mexico, South America, Europe, China and Japan that govern, among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. If the Company fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators or become subject to litigation. Environmental and pollution control laws, regulations and permits, and the enforcement thereof, change frequently, have tended to become more stringent over time and may necessitate substantial capital expenditures or operating costs. Environmental regulation in any one jurisdiction in which the Company operates may impact the business of the Company to the extent that jurisdiction becomes less competitive. In addition to the foregoing, the Company may also incur costs and expenses resulting from environmental compliance, contamination or incidents, such as any changes to facilities to address physical, health and safety or regulatory constraints, repair or rebuilding facilities impacted by adverse weather events, or research and development activities related to more environmentally efficient operations and processes, as well as other potential costs. (See also "*Financial Viability of Suppliers*".)

Under certain environmental requirements, the Company could be responsible for costs relating to any contamination at the Company's or a predecessor entity's current or former owned or operated properties or third-party waste-disposal sites, even if the Company was not at fault. In addition to potentially significant investigation and cleanup costs, contamination can give rise to third-party claims for fines or penalties, natural resource damages, personal injury or property damage.

The Company and its customers are also under pressure to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility, which may impact the Company's business and operations. The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address environmental concerns of its customers. Despite these efforts, evolving customer concerns could negatively affect the Company's reputation and financial performance.

The Company requires compliance with its policies both internally and, where relevant, for its suppliers. Although the Company requires its suppliers to comply with these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company's reputation, as they are independent third parties that the Company does

not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company's financial results, by increasing costs, potentially causing shortages in products, delays in delivery or other disruptions in operations. (See "*Supply Chain Responsibility*".)

The Company's operations may also be impacted by any environmental policies or incidents at any of its customers or suppliers to the extent that it affects production or volumes.

Extreme weather events such as floods and windstorms and other natural disasters such as earthquakes, tsunamis or hurricanes, including extreme weather caused by climate change, could cause catastrophic destruction to some of the Company's or the Company's suppliers' facilities, which could have a material impact on the availability of a product, disrupt the Company's production and/or prevent the Company from supplying products to its customers. The Company has policies and procedures in place to mitigate such risk and to obtain alternate supply, where practical, however it may not be possible in all cases or for a critical component. Physical risks related to extreme weather events or natural disasters cannot be predicted and the frequency and severity of any such event can vary including by region. Any interruption to the Company's supply of product or resulting changes in price to the Company could lower the Company's revenues, increase its operating costs and impact its financial results. A catastrophic destruction of the Company's or the Company's suppliers' facilities could have a material adverse effect on the Company's operations and profitability. (See also "*Financial Viability of Suppliers*".)

The Company cannot provide assurances that the Company's costs, liabilities and obligations or any resulting impact on its revenues due to customer requirements or changes in supply chain requirements relating to environmental matters (or any issues that may arise as a result of its customers' or suppliers' own environmental compliance or incidents, including any environmental compliance or incidents or trends that may impact their businesses) or from environmental matters in general, including any arising from climate change, will not have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

A Shift Away from Technologies in Which the Company is Investing

The Company continues to invest in technology and innovation which the Company believes will be critical to its long-term growth. The Company's ability to anticipate changes in technology and trends and to successfully develop and introduce new and enhanced products and/or manufacturing processes on a timely basis will be a significant factor in its ability to remain competitive. If there is a shift away from the use of technologies in which the Company is investing, or a change in trends its costs may not be fully recovered. In addition, the Company may be placed at a competitive disadvantage if other technologies in which the investment is not as great, or the Company's expertise is not as developed, emerge as the industry-leading technologies. This could have a material adverse effect on the Company's profitability and financial condition.

Competition with Low Cost Countries

The competitive environment in the automotive industry has intensified as customers seek to take advantage of low wage costs in China, Korea, Thailand, India and other low-cost countries. As a result, there is potentially increased competition from suppliers that have manufacturing operations in low-cost countries. The loss of any significant production contract to a competitor in low cost countries or significant costs and risks incurred to enter and carry on business in these countries could have an adverse effect on profitability.

The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets

Many of the Company's customers have sought, and will likely continue to seek to take advantage of lower operating costs and/or other advantages in China, India, Brazil, Russia and other growing markets. While the Company continues to expand its manufacturing footprint with a view to taking advantage of manufacturing opportunities in some of these markets, the Company cannot guarantee that it will be able to fully realize such opportunities. The inability to quickly adjust its manufacturing footprint to take advantage of manufacturing opportunities in these markets could harm its ability to compete with other suppliers operating in or from such markets, which could have an adverse effect on its profitability.

Risks of conducting business in foreign countries, including China, Brazil and other growing markets

The Company has or may establish foreign manufacturing, assembly, product development, engineering and research and development operations in foreign countries, including in Europe, China and Brazil. International operations are subject to certain risks inherent in doing business abroad, including:

- political, civil and economic instability;
- corruption risks;
- trade, customs and tax risks;
- currency exchange rates and currency controls;
- limitations on the repatriation of funds;
- insufficient infrastructure;
- restrictions on exports, imports and foreign investment;
- environmental risk;
- increases in working capital requirements related to long supply chains;
- difficulty in protecting intellectual property rights; and
- different and challenging legal systems.

Expanding the Company's business in growing markets is an important element of its strategy and, as a result, the Company's exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable, however any such occurrences could have an adverse effect on the Company's profitability. Current relations, trade and otherwise, between China, the U.S. and Canada have increased some of the risks of operating in China and dealing with Chinese operations.

Potential Tax Exposures

The Company may incur losses in some countries which it may not be able to fully or partially offset against income the Company has earned in those countries. In some cases, the Company may not be able to utilize these losses at all if the Company cannot generate profits in those countries and/or if the Company has ceased conducting business in those countries altogether. The Company's inability to utilize material tax losses could materially adversely affect its profitability. At any given time, the Company may face other tax exposures arising out of changes in tax laws, tax reassessments or otherwise. The taxation system and regulatory environment in some of the jurisdictions in which the Company operates are characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various regulatory authorities and jurisdictions that are empowered to impose significant fines, penalties and interest charges. The Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain historical value added tax credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessment (see Note 23 to the Company's consolidated financial statements for the year ended December 31, 2019). To the extent the Company cannot implement measures to offset this and other tax exposures, it may have a material adverse effect on the Company's profitability.

Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates.

The Company's effective tax rate varies in each country in which it conducts business. Changes in its mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on the Company's profitability.

Pension Plans and other post employment benefits

The Company's pension plans acquired as a result of the acquisition of the North American body and chassis business of ThyssenKrupp Budd in 2006 (the "TKB Acquisition") had an aggregate funding deficiency as at the latest measurement date of December 31, 2019, based on an actuarial estimate for financial reporting. The unfunded liability

at December 31, 2019, on a solvency basis which currently represents the basis for annual pension funding, is significant. Based on current interest rates, benefits and projected investment returns, the Company is obligated to fund some amounts in 2020 and beyond. A significant portion of the estimated funding is expected to be a payment towards the reduction of the unfunded liabilities. The unfunded liability could increase due to a decline in interest rates, investment returns at less than the actuarial assumptions, or changes to the governmental regulations governing funding and other factors. The Company could be adversely affected by the resulting increases in annual funding obligations. See also Note 14 (“Pension and Other Post Retirement Benefits”) to the Company’s consolidated financial statements for the year ended December 31, 2019, which reflects the financial position of the Company’s defined benefit pension plan and other post-employment benefit plans at December 31, 2019.

The Company provides certain post-employment benefits to certain of its retirees acquired as a result of the TKB Acquisition. These benefits include drug and hospitalization coverage. The Company does not pre-fund these obligations. At December 31, 2019, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2020 and beyond are significant. The Company’s obligation for these benefits could increase in the future due to a number of factors including changes in interest rates, changes to the collective bargaining agreements, increasing costs for these benefits, particularly drugs, and any transfer of costs currently borne by government to the Company. The Company has in the past negotiated changes to its post-employment benefits package in several of its facilities with its employees, in conjunction with the applicable union for the facility, setting maximum limits on future post-employment benefits payments. The Company may negotiate similar arrangements in future in respect of such benefits at other facilities, as applicable. See also Note 14 (“Pension and Other Post Retirement Benefits”) to the Company’s consolidated financial statements for the year ended December 31, 2019, which reflect the financial position of the Company’s post-employment benefits other than pension plans at December 31, 2019.

Impairment Charges

The Company may take, in the future, significant impairment charges, including charges related to long-lived assets. The early termination, loss, renegotiation of the terms of, or delay in the implementation of, any significant production contract could be indicators of impairment. In addition, to the extent that forward-looking assumptions regarding: the impact of turnaround plans on underperforming operations; new business opportunities; program price and cost assumptions on current and future business; the timing and success of new program launches; and forecast production volumes, are not met, any resulting impairment loss could have a material adverse effect on the Company’s profitability.

Cybersecurity Threats

The reliability and security of the Company’s information technology (IT) systems is important to the Company’s business and operations. Although the Company has established and continues to enhance security controls intended to protect the Company’s IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber-attacks. A significant breach of the Company’s IT systems could, among other things, cause disruptions in the Company’s manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company’s, its customers’ or suppliers’ intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company.

Potential Volatility of Share Prices

The market price of the Company’s common shares has been, and will likely continue to be, subject to significant fluctuations in response to a variety of factors, many of which are beyond the Company’s control. These fluctuations may be exaggerated if the trading volume of the common shares is low. In addition, due to the evolving

nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating results, the gain or loss of significant contracts, announcements of technological or competitive developments by the Company or its competitors, acquisitions or entry into strategic alliances by the Company or its competitors, the gain or loss of a significant customer or strategic relationship, changes in estimates of the Company's financial performance, changes in recommendations from securities analysts regarding the Company, the industry or its customers' industries, litigation involving the Company or its officers and general market or economic conditions.

In certain circumstances that the Company determines that its share price is undervalued, the Company may use funds that would otherwise be available for its operations or other uses, to repurchase its own shares as an investment. However, there can be no assurances that any such repurchase of shares will have a positive impact on the Company's share price.

Dividends

The declaration and payment of dividends, including the dividend rate, is subject to the Board's discretion taking into account the Company's cash flow, capital requirements, financial condition and other factors the Board considers relevant. These factors are, in turn, subject to various risks, including the risk factors set out above. While the Company aims to pay a consistent dividend and may increase the dividend over time, the Company's Board may in certain circumstances determine that it is in the best interests of the Company to reduce or suspend the dividend. In such event, the trading price of the Common Shares of the Company may be materially affected.

11. PROMOTERS

No individual or business meets the definition of promoter over the prior three year period.

12. LEGAL PROCEEDINGS

The Company is from time to time subject to various litigation proceedings none of which, in management's opinion, are material to the Company.

As described under "*Potential Tax Exposures*", the Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain value added tax credits claimed, which are in the administrative process in Brazil, which may or are proceeding to the litigation process. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessment (see Note 23 ("*Commitments and Contingencies*") to the Company's consolidated financial statements for the year ended December 31, 2019).

13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Rob Wildeboer, the Executive Chairman of the Company, was a founding partner with the law firm Wildeboer Dellelce LLP, which acts as outside legal counsel for the Company on a variety of matters. Although Wildeboer Dellelce LLP from time to time receives compensation from the Company for legal services rendered, Mr. Wildeboer does not receive any such compensation personally from Wildeboer Dellelce LLP, whether directly or indirectly. He is a full-time employee of the Company, has been so for over 18 years, and is no longer a partner and has no current equity interest or profit participation in the law firm.

14. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc., Toronto, Ontario.

15. MATERIAL CONTRACTS

The Company has not entered into any material contracts, other than contracts entered into in the ordinary course of business, on or after December 31, 2018 or that before December 31, 2019 remains in effect, which have been disclosed on the Company's public record at www.sedar.com.

16. INTERESTS OF EXPERTS

KPMG LLP has provided an auditor's report in respect of the consolidated financial statements of the Company for the year ended December 31, 2019. KPMG LLP has confirmed that they are independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

17. ADDITIONAL INFORMATION

Additional information regarding the Company can be found on SEDAR at www.sedar.com.

Management's Discussion and Analysis of Operating Results and Financial Position and the Company's audited consolidated financial statements for the year ended December 31, 2019 can be found on SEDAR and are set out in the Company's Report to Shareholders for the year ended December 31, 2019. Additional information is provided about the Company in these documents.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase the Company's securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated May 6, 2019, furnished in connection with the Company's annual meeting of shareholders held on June 11, 2019, or in its most recent Management Information Circular filed on www.sedar.com.

Additional Information Prescribed By Form 52-110F1

1. ***Audit Committee Charter*** – See Appendix “C” attached hereto.
2. ***Composition of Audit Committee*** – For 2019, the Audit Committee was composed of Terry Lyons (Chair), Roman Doroniuk, Fred Olson and Dave Schoch, each of whom is independent and, based on such individual's education and experience, is financially literate. (i) Mr. Lyons is a Civil Engineer (UBC) with an MBA from the University of Western Ontario and has over 40 years of experience in the development, financing and management of natural resource, manufacturing, real estate and merchant banking companies. He successfully completed the Directors Education Program from the Institute of Corporate Directors which is provided by the Rotman School of Management at the University of Toronto. (ii) Mr. Doroniuk is a Chartered Professional Accountant with over 30 years of business experience and is a recognized expert in restructurings and financial advisory work. (iii) Mr. Olson is an experienced automotive executive at the most senior levels, with in-depth understanding of the automotive industry and the economics related to it at the company and plant level. As a past president of a Tier One automotive parts supplier, he was responsible for the financial performance of his company and worked continuously with financial results and reporting. He successfully completed the Directors Education Program from the Institute of Corporate Directors which is provided by the Rotman School of Management at the University of Toronto in 2011. (iv) Mr. Schoch is a recognized leader in the automotive industry. Over his 40-year career, Mr. Schoch served in global business and finance leadership positions at Ford Motor Company in Asia Pacific, Europe, Africa, Central/South America and North America. Recently, he served as Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China. He retired in late 2017. He has extensive board experience serving with many Ford subsidiaries and joint ventures. Mr. Schoch was the Chief Financial Officer of Ford in the Americas from 2009-2011. He served as Executive Director for Ford's operations in Canada, Mexico and South America, and was Chief Financial Officer and VP Finance and Strategic Planning for Ford Europe.
3. ***Reliance on Certain Exemptions*** – None.
4. ***Pre-approval Policy*** – The Company has implemented a policy whereby services provided by the external auditor will require specific pre-approval by the Audit Committee or its delegate.
5. ***External Auditor Service Fees*** – KPMG LLP provides professional services for audits relating to statutory and regulatory requirements. The Company retains a broad range of professional advisors from time to time

for professional services, and has used and may use KPMG LLP for limited tax services such as tax compliance, planning and tax advice.

The following table sets forth the various services provided by KPMG LLP and its affiliates to the Company during each of the Company's last two fiscal years, together with the fees billed for such services:

Fees	Fees Billed During the Year Ended December 31, 2019	Fees Billed During the Year Ended December 31, 2018	Description of Services (see below)
Audit Fees	\$1,850,000	\$1,655,000	The audit services relate to professional services rendered for audits of the Company's annual consolidated financial statements and certain subsidiaries (including statutory audits and interim reviews).
Audit-related Fees	\$6,000	\$5,000	The audit-related services relate principally to advice pertaining to accounting and due diligence-related matters in connection with acquisitions, financial accounting and reporting standards, and other regulatory audits and filings for pension plans and services related to internal controls.
Tax Fees	\$625,000	\$368,000	The tax services related to services for tax compliance, tax planning, VAT and tax advice.
Other Fees	\$115,000	\$18,000	Advisory services in connection with cybersecurity-related matters and training.
Total	\$2,596,000	\$2,046,000	

APPENDIX “A”
LIST OF SUBSIDIARIES AS AT DECEMBER 31, 2019

A list of our principal subsidiaries and each of their jurisdictions of incorporation as of December 31, 2019 is set out below. The Company’s legal structure (including that of our subsidiaries) is not necessarily indicative of our operational structure.

Subsidiary	Location of Incorporation	Ownership Interest
Martinrea Metallic Canada Inc.	Ontario, Canada	100%
Martinrea Automotive Systems Canada Ltd.	Ontario, Canada	100%
Martinrea Automotive Inc.	Ontario, Canada	100%
2008788 Ontario Ltd.	Ontario, Canada	100%
Royal Automotive Group Ltd.	Ontario, Canada	100%
Martinrea Metal Holdings (USA), Inc.	Delaware, USA	100%
Martinrea Holdings (USA), Inc.	Delaware, USA	100%
Martinrea of America, Inc.	Delaware, USA	100%
Martinrea Industries, Inc.	Delaware, USA	100%
ICON Metal Forming, LLC	Michigan, USA	100%
Martinrea Riverside LLC	Delaware, USA	100%
Martinrea Metals of America, Inc.	Delaware, USA	100%
Martinrea Metal Industries, Inc.	Delaware, USA	100%
Martinrea Heavy Stampings Inc.	Delaware, USA	100%
Martinrea Automotive Structures (USA), Inc.	Michigan, USA	100%
Martinrea Automotive Systems (USA) LLC	Michigan, USA	100%
Martinrea Hot Stampings Inc.	Pennsylvania, USA	100%
Martinrea Hopkinsville LLC	Michigan, USA	100%
Martinrea Jonesville LLC	Michigan, USA	100%
Martinrea Pilot Acquisition, Inc.	Ontario, Canada	100%
2146826 Ontario Limited	Ontario, Canada	100%
Martinrea Developments de Mexico, S.A. de C.V.	Mexico	100%
Industrias Martinrea de Mexico, S.A. de C.V.	Mexico	100%
Martinrea Automotive Structures S. de R.L. de C.V	Mexico	100%
Martinrea Pilot Acquisition II, LLC	Delaware, USA	100%
Martinrea Industries (IHC) Ltd.	United Kingdom	100%
Martinrea Europe B.V.	Netherlands	100%
Martinrea Automotive GmbH	Germany	100%
Martinrea Fluid Systems B.V.	Netherlands	100%
Martinrea International US Holdings Inc.	Delaware, USA	100%
Martinrea International US Inc.	Delaware, USA	100%
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%

Subsidiary	Location of Incorporation	Ownership Interest
Martinrea Honsel Holdings B.V.	Netherlands	100%
Martinrea Honsel Brasil Fundição e Comércio de Peças em Alumínio Ltda	Brazil	100%
Martinrea Honsel Germany GmbH	Germany	100%
Martinrea Honsel Germany Developments GmbH	Germany	100%
Martinrea Honsel Spain S.L.U.	Spain	100%
Martinrea Honsel Mexico S.A. de C.V.	Mexico	100%
Martinrea Honsel Aluminum Parts (Holdings) Co. Ltd.	China	100%
Martinrea Honsel Aluminum Parts (Yuyao) Co. Ltd.	China	100%
Martinrea China Holdings Inc.	Ontario, Canada	100%
Martinrea Automotive Parts (Shanghai) Co. Ltd.	Shanghai	100%
Martinrea Automotive Japan Inc.	Japan	100%

Notes:

- (1) The table shows the percentages of the votes attached to all voting securities and of each class of non-voting securities, owned by the Company or over which control or direction is exercised by the Company.
- (2) Parent/subsidiary relationships are identified by indentations. Percentages represent the total equity interest in a subsidiary (direct, or indirect), which is not necessarily indicative of percentage voting control.
- (3) Subsidiaries not shown each represent less than 10% of the Company's total consolidated revenues and total consolidated assets (although not all subsidiaries shown necessarily each represent more than 10% of the Company's total consolidated assets and total consolidated sales) and, if considered in aggregate as a single subsidiary, represent less than 20% of the Company's total consolidated revenues and total consolidated assets.

APPENDIX “B”

FACILITIES

The Company maintains approximately 10,000,000 square feet of manufacturing space with expansion potential. The following is a summary of the Company’s and its subsidiaries’ owned and leased manufacturing facilities as at December 31, 2019. Some additional warehouse space is utilized from time to time but not listed. Each manufacturing facility strives to be a centre of excellence for the products produced there; accordingly, each facility’s principal business activity is described below.

Owned Facilities

The Company or its affiliates own the real estate listed in the table immediately below as at December 31, 2019.

Facility	Square Footage (approximate)	Principal Uses
Icon Metal Forming Corydon, Indiana	215,000	Specializing in medium and large stampings and assemblies.
Bishop Circle Assembly Manchester, Michigan	225,000	Specializing in automotive fuel, brake and vapor bundle assemblies, nylon and rubber extrusion, and capless unit assembly.
Martinrea Automotive Structures Hermosillo Hermosillo, Mexico	140,000	Assembly lines for engine cradles including stampings and welded chassis assemblies and e-coating.
Martinrea Dresden Dresden, Ontario	90,000	Specializing in tube bending, flow drill and tapping, spot and MIG weld automated assemblies.
Martinrea Ridgetown Ridgetown, Ontario	144,000	Specializing in stampings and welded assemblies.
Martinrea Heavy Stampings Shelbyville, Kentucky	835,000	Stamping, Class A facility. Produces body parts (e.g. side frames, fenders, door frames, doors, hatches, loading areas, floor panels, roofs, lift gates). Specializing in blanking, stampings and large welded assemblies.
Martinrea Hopkinsville Hopkinsville, Kentucky	402,000	Specializing in stampings and welded assemblies and e-coating.
Mexico Fluid Facility (Martinrea Developments de Mexico) Saltillo, Coahuila	219,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies. This facility is leased to Industrias Martinrea de Mexico, S.A. de C.V.
Martinrea Jonesville Jonesville, Michigan North Adams, MI	657,000	Specializing in medium and large stampings and assemblies.
Martinrea Automotive Structures Springfield Springfield, Tennessee	256,000	Specializing in medium to large stampings and assemblies, including hot stamping capabilities.

Facility	Square Footage (approximate)	Principal Uses
Martinrea Honsel Germany Nuttlar, Germany	20,000	Tool and die making facility.
Martinrea Honsel Germany Meschede, Germany	1,530,000	High pressure die-casting, permanent mold and sand casting facility, and rolling facility. Products include engine components, transmission housings and structural parts.
Martinrea Honsel Mexico Queretaro, Mexico	323,000	High pressure die-casting facility and machining of engine and transmission components.
Martinrea Honsel Brasil Monte Mor, Brazil	355,000	High pressure die-casting facility and machining of engine, transmission and axle components.

Leased Facilities

The following table sets out the operating facilities leased by the Company or its affiliates as at December 31, 2019.

Facility	Square Footage (approximate)	Principal Uses
Corporate Headquarters Vaughan, Ontario	31,000	Corporate headquarters.
Alfield Industries Vaughan, Ontario	241,000	Specializing in small, medium and large stampings and complex welded assemblies.
Atlas Fluid Systems Brampton, Ontario	88,000	Specializing in fuel, brake and vapor bundle assemblies, turbo tubes and powertrain assemblies.
Caledon Tubing St. Mary's, Ontario	44,000	Specializing in fuel and brake tube manufacturing.
Hydroform Solutions Brampton, Ontario Etobicoke, Ontario	271,000	Specializing in hydroforming, medium and large stampings and welded assemblies. Two buildings.
Martinrea Industrial Canada Vaughan, Ontario	84,000	Industrial products, specializing in military, heavy truck and other industrial stamping and assemblies. This facility was moved to this location in 2018.
Martinrea Automotive Systems Ajax Ajax, Ontario	128,000	Front horizontal, front vertical and rear suspension systems.
Martinrea Automotive Systems London Ingersoll, Ontario	65,000	Specializing in the assembly of suspension modules.

Facility	Square Footage (approximate)	Principal Uses
Martinrea Automotive Systems Columbia Columbia, Tennessee	30,000	Specializing in the assembly of suspension modules.
Martinrea Developments de Mexico Hermosillo, Mexico	36,000	Specializing in fuel bundles, vapor and brake line assemblies.
Martinrea Developments de Mexico Silao, GTO, Mexico	450,000	Specializing in light to heavy stampings and complex welded assemblies.
Martinrea Automotive Structures Tupelo Tupelo, Mississippi	197,000	Metal parts and assemblies, such as trailer hitches, cross members and assemblies.
Martinrea Estampados Ramos Arizpe, Mexico	330,000	Specializing in medium and large stampings and assemblies.
Martinrea Ramos Ramos Arizpe, Mexico	183,000	Metal stampings and industrial products including agricultural, recreational components and assemblies. Also specializes in the assembly of suspension modules for automotive applications.
Tillsonburg Tillsonburg, Ontario	155,000	Specializing in welded assemblies.
Martinrea Slovakia Fluid Systems Svaty Jur, Slovakia	112,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies.
North Vernon Division North Vernon, Indiana	141,000	Specializing in fuel filler assemblies, fuel and vapour bundle assemblies, stainless steel and cold-rolled steel tubing.
Rollstar Metal Forming Brampton, Ontario	201,000	Specializing in roll forming, stretch bending, stampings, extrusions, co-extrusions, injection moldings and modular assemblies.
Martinrea Tech Center Auburn Hills, Michigan	108,000	Engineering, research and development, sales, IT, accounting, and purchasing. New facility constructed in Auburn Hills in 2017.
Martinrea Honsel Spain Madrid, Spain	490,000	High Pressure and low pressure aluminum die-casting including machining and assembly of engine, transmission, suspension and structural components. Products include engine components, transmission housings, suspension carriers, swivel bearing control arms and non-automotive products.
Martinrea Automotive Parts (Shanghai) Co. Ltd. Anting Town, Shanghai, China	183,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies and transmission oil cooling lines.
Mexico Fluids Facility Arteaga, Mexico	204,000	Specializing in fuel, brake and vapor bundle assemblies, turbo tubes and transmission oil cooling lines.

Facility	Square Footage (approximate)	Principal Uses
Martinrea Riverside Riverside, Missouri	276,000	Specializing in the welding of front and rear sub frames, e-coating, and assembly of suspension modules (hub and spoke).
Martinrea Honsel Aluminum Parts Yuyao, China	209,000	Low pressure die-casting and machining of structural components.
Martinrea Honsel Mexico Queretaro, Mexico	156,000	Low pressure die-casting and machining of structural components.
Martinrea Automotive Structures Hermosillo San Luis, Potosi	190,000	Specializing in welded assemblies.
Martinrea Automotive Japan Inc. Tokyo, Japan	2,000	Commercial and engineering office.
Martinrea Automotive GmbH Hofheim, Germany	3,000	Commercial and engineering office.
Martinrea Automotive Structures Canton Canton, Mississippi	22,500	Specializing in welded assemblies.

APPENDIX “C”

MARTINREA INTERNATIONAL INC.

AUDIT COMMITTEE MANDATE

1. PURPOSE OF THE AUDIT COMMITTEE

1.1 The Audit Committee will assist the Board of Directors in fulfilling its responsibilities to the Company’s Shareholders, potential Shareholders and the investment community. The Audit Committee’s primary responsibilities and duties are to:

- (a) identify and monitor the management of the principal risks that could impact the financial reporting of the Company;
- (b) monitor the integrity of the Company’s financial reporting process and system of internal controls regarding financial reporting and accounting compliance;
- (c) monitor the independence and performance of the Company’s external auditors and internal auditing department;
- (d) provide an avenue of communication among the external auditors, management, the internal auditing department and the Board of Directors;
- (e) require management to develop policies, procedures and practices to manage principal risks;
- (f) monitor compliance with legal and regulatory requirements and ensuring that management creates a culture of honesty and ethical behaviour, including setting the proper tone and placing a strong emphasis on fraud prevention; and
- (g) report to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, subject to approval of the Board of Directors. The external auditors shall report to the Audit Committee and the Audit Committee shall have direct access to anyone in the organization.

2. COMPOSITION AND MEETINGS

2.1 The Audit Committee shall meet all requirements of the *Business Corporations Act* (Ontario), *Securities Act* (Ontario) and The Toronto Stock Exchange. The Audit Committee shall be comprised of at least three Directors, each of whom shall be an outside director who is unrelated and free of any relationship that, in the opinion of the Board of Directors, would interfere with his or her exercise of independent judgment as a committee member.

2.2 An outside Director is a Director who is not a member of management. An unrelated Director is a Director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

2.3 All members of the Audit Committee shall be financially literate and able to read and understand basic financial statements. In addition, at least one member of the Audit Committee shall have accounting or related financial management experience.

2.4 The Audit Committee will have a Chairperson nominated or approved by the Board of Directors from time to time as the Board of Directors sees fit.

2.5 A quorum for any meeting of the Audit Committee shall be a majority of its members.

2.6 The Audit Committee shall meet quarterly or more frequently as circumstances may dictate. The Chairperson shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee should meet privately in executive session at least annually with management, the Chief Internal Auditor, the external auditors and, as a committee, to discuss any matters that the Audit Committee or each of the foregoing groups believe should be discussed.

2.7 In addition, the Audit Committee should communicate with management and the external auditors on an at least a semi-annual basis to review the Company's interim financial statements and significant findings based upon the auditors' review procedures.

3. RESPONSIBILITIES AND DUTIES

3.1 In carrying out its responsibilities, the Audit Committee's policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of the highest quality.

3.2 In particular, the Audit Committee shall:

- (a) review and reassess the adequacy of this Mandate at least annually and submit any changes to the Board of Directors for review;
- (b) review generally the Company's financial statements and related documents prior to filing or distribution, which review should include discussion with management of significant issues regarding accounting principles, practices and significant management estimates and judgments;
- (c) annually, in consultation with management, external auditors and internal auditors, consider the integrity of the Company's financial reporting processes and controls; discuss significant financial risk exposures and the steps that management has taken to monitor, control and report such exposures; and review significant findings prepared by the external auditors and the internal auditing department together with management's responses;
- (d) review with the external auditors, the internal auditors and financial accounting personnel the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;
- (e) meet with the external auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof, review such audit; and review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Company that could impair the external auditors' independence;
- (f) review the effectiveness of the overall process for identifying the principal risks affecting financial reporting and provide the Audit Committee's views to the Board of Directors;
- (g) review the independence and performance of, and recommend to the Directors, the external auditors to be selected to audit the financial statements of the Company and its divisions and subsidiaries, including ensuring that the Company has not hired and will not hire individuals for positions that would impair auditor independence;
- (h) approve the fees and other significant compensation to be paid to the external auditors;
- (i) pre-approve all non-audit services to be provided to the Company or its subsidiaries by its external auditors;
- (j) review the mandate, budget, staffing, plan, changes in plan, activities, organizational structure and qualifications of the internal audit function, as needed;

- (k) review, on an annual basis, with the Company's legal counsel any legal matters that could have a significant impact on the Company's financial statements, compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies;
- (l) review accounting and financial human resources and succession planning related thereto with the Company, to the extent such matters are not dealt with by another committee;
- (m) prepare and disclose a summary of this Mandate to shareholders;
- (n) establish and oversee a corporate whistleblower policy, establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and
- (o) submit minutes of all meetings of the Audit Committee to, or discuss matters discussed at each committee meeting with, the Board of Directors on an appropriate basis.

