



May 9, 2018

Dear Fellow Shareholders,

Martinrea International Inc. (“Martinrea” or the “Company”) is pleased to announce its annual meeting of the shareholders of Martinrea (the “Meeting”) to be held at Paramount Conference and Event Centre, Eastwood Room, 222 Rowntree Dairy Road, Vaughan, Ontario at 10:00 a.m. on Tuesday, June 12, 2018. We invite all shareholders to attend and vote your shares.

You can read about each item of business in the management proxy circular provided with this letter.

The circular also provides important information about voting your shares, the nominated directors, our governance practices and director and executive compensation.

Many positive things have happened since our shareholder meeting last year, when you supported us as your directors to guide this Company through the balance of 2017 and through to this year’s Meeting. It has been a year full of achievements for Martinrea, and I would like to outline some highlights for you in advance of the Meeting. Indeed, it was a record year in many ways, a year in which we exceeded our operating margin and net debt : adjusted ebitda targets, as promised. Further, 2018 is off to a great start.

### **Our Vision, our Mission and our Principles**

Every day we focus on our vision for the future and we have updated it at our recent Martinrea Accelerate 2.0 leadership conference: Making lives better by being the best supplier we can be in the products we make and the services we provide. Every day we strive to deliver on our mission, making lives better by providing outstanding quality products and services to our customers; meaningful opportunity, job satisfaction and job security for our people through competitiveness and prudent growth; superior long term returns to our stakeholders; and positive contributions to our communities as good corporate citizens. Every day we focus on our culture, driving it through the organization, as we apply our Ten Guiding Principles:

1. We make great, high quality products
2. Every location must be a centre of excellence
3. Be disciplined. 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 – show dignity and respect
10. Our leadership team has to drive these messages consistently and simply

At Martinrea, we are spending a lot of time on culture. Because culture matters. It drives operational and financial performance over time. We believe that the improvements in our financial metrics go hand in hand with driving our culture as expressed in our vision, mission and Ten Guiding Principles. People don't come to work just to hit a margin percentage, or make a part, or fix a machine, or to get a paycheque. In most cases at least. People need to believe in something bigger than their job. They want to make people's lives better, and that is more true of today's workforce than ever before. People come to work, and perform well, when they are treated with dignity and respect, when they can see that they are part of a team, when they are provided with a safe work environment both physically and psychologically, and when they can see how they help make people's lives better. Study after study shows that commitment firms that operate this way outperform over time. They tend to have higher profitability ratios, tend to be leaner, tend to have fewer middle managers, tend to have engaged employees, tend to have less employee turnover, tend to have more employee satisfaction, and tend to "own" their work.

We are seeing the results of our focus on corporate culture in our improving performance. We remember that Martinrea was built in part through acquisitions of distressed assets, where more than operating performance was weak; where morale and culture also needed some improvement. Our One Martinrea culture and focus is driving results, and we believe will drive performance that our people have not yet seen.

Looking forward to 2018 we anticipate another record year of financial performance. We anticipate continuing margin improvement in 2018 and the years beyond. We will continue to drive quality, entrepreneurship, lean thinking and safety. And yes we will continue to embrace our culture of making people's lives better, by being the best supplier of products and services we

can be, fulfilling our mission and driving a principles based company, built to last and thrive. You can count on that.

## **Leading Edge Lightweighting and Fluids Management**

We produce structural parts and assemblies and, in so doing, are a lightweighting company. We believe that our lightweighting initiatives, in both steel and aluminum products, are bearing fruit and will continue to do so. We are continuously working on the development and evolution of core metallic products to reduce vehicle weight and CO<sub>2</sub> contribution, improving overall vehicle efficiency in terms of miles per gallon or distance per electrical charge. Lightweighting is here to stay, being driven by regulation, but also by market trends and consumer preference. Lightweighting means increasing the use of aluminum in a vehicle. We make engine blocks and structural parts, hollow and solid, to satisfy this growing need. Lightweighting means increasing the use of high strength steels, or of techniques that help to lighten the vehicle while maintaining safety standards. That is one of our manufacturing strengths. Lightweighting means working on structures and assemblies that can combine the use of different materials in various combinations. Our assembly expertise positions us in the sweet spot of specializing in this area. So, whether we are working on B Pillars, cross members, control arms, battery trays, engine cradles or steel and aluminum hybrid components, we are positioned in the lightweighting sweet spot. Frankly, whether the future vehicles are gasoline-powered, hybrid, plug in hybrid, electric, fuel cell, with driver or not, structures will still matter and lightweighted structures, yet strong and durable, will matter more. We are a market leader in this area. Our recent announcements of many new product wins in these areas are testimony to our strong positioning.

We are also a fluid management systems company, and a very successful one. We have taken two companies, acquired in 2002, and developed a business that is leading edge in its field, producing environmentally friendly fluid systems, which reduce pollution and have environmentally friendly coatings. We have grown to be one of the market leaders, not just in North America, but worldwide with our expansions in Europe and China with both greenfield operations profitable. Our products will remain in demand for a very long time, as we provide fluid systems to internal combustion engine, electric and hybrid vehicles.

## **Highlights of the Year Just Past**

### ***Record Financial Results***

Martinrea had a great year under the guidance of your Board, CEO Pat D'Eramo and executive team since our last meeting. To use a hockey analogy, we are putting pucks in the net.

- **Strong Revenues.** We continue to enjoy strong revenues. Our organic revenue growth over the past decade has been great. Growing revenues over time is a strong signal of the fact we have good customers who provide us with the business to grow and achieve our goals. As stated previously, while we anticipate that our revenue growth over the next several years will not be as fast as the annual growth rate since 2009, this accords with our

plan, as we continue to focus on operational improvements, margin improvement, profitable product wins and allocating capital funds to their most profitable uses. We have built our footprint rapidly, as we needed to, in order to become a go-to supplier to our key customers; now that the footprint is in place, growth will be more incremental and yet we will see profit and margin growth, as we have seen. At the same time, in 2017 and in 2018 to date we announced significant new product wins from key traditional and newer customers such as GM, Ford, FCA, Jaguar Land Rover, Volkswagen, Daimler, Geely and others, all great customers for us.

- **Best Year Ever for Earnings.** As promised, 2017 was the best year for earnings in our history, as was 2016 when we wrote to you last year, and as for the years before that. In 2017 we met our adjusted operating income margin target of 6%; in fact, our year end number was 6.4%, a clear “beat”! Subject to the usual forward-looking disclaimers used for forecasts in our recent public filings, we can give our view of the future. 2018 will be better than 2017, and is off to a great start given our first quarter results and guidance for our second quarter. Our first quarter results, with record profits, were the best quarterly results in the history of the Company. Frankly, we believe 2019 will be better than 2018, and we are optimistic about the years ahead too. We stated publicly late last year that we believe our operating margins will increase 50% from the 6% range in 2017 to 9% plus by 2020. We intend to meet our target.
- **Our capital structure is strong, and keeps getting better.** Our relationships with our lenders, who we view as stakeholders and partners, are terrific. Currently, our Net Debt/Adjusted EBITDA ratio is approximately 1.4 times which demonstrates a very strong balance sheet. This ratio is supported by increasing cash flow; our EBITDA in the first quarter of 2018 was \$120 million, a record for us, as was last year’s EBITDA of \$401 million. We indicated publicly a target Net Debt/Adjusted EBITDA ratio of 1.5 times by the end of 2017, and we met our target, as promised. We are stronger today.
- **Improved Share Price.** We have always believed that improving operational and financial performance would translate over time into an improved share price. In 2017, we saw our share price rise over 85%. Our share price remains strong today, and we believe it will increase over time as we continue to put pucks in the net.
- **Raised Dividend.** In view of our increased financial strength, we have increased our dividend by 50% for the coming year.

Last year we stated we want to delight our shareholders. Based on very positive feedback from many of you, it seems we have been doing that.

## Governance

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

- Scott Balfour brings financial, operational, M&A and public company chief executive and chief financial officer and director experience.
- Roman Doroniuk brings financial and audit expertise and a strong understanding of strategy and risk, garnered through a variety of senior internal and external roles with many large companies.
- Terry Lyons brings a broad range of operational, financial and governance experience.
- Frank Macher brings a deep knowledge of the automotive and automotive supplier industry, having had vast international experience as a senior executive and director at several major automotive supplier companies during a career spanning over 45 years.
- Fred Olson brings a deep knowledge of the automotive and automotive supplier industry, having been a senior executive and director of a major automotive parts supplier as well as having roles at various suppliers and OEMs during his automotive career.
- Sandra Papatello brings tremendous international experience, having led investment and trade missions to industrial capitals on five continents and, as the former Minister of Economic Development for Ontario with oversight of the automotive portfolio, has strong connections with many automotive OEMs.

We are an automotive parts company, for the most part, as we have an industrial group also, and our directors as a group have significant expertise in this challenging industry, from a variety of perspectives. We address corporate strategy and risk oversight, which are critical aspects of our responsibility. Our Board members are dedicated, knowledgeable and all focused on the best interests of Martinrea. I note that no director missed a single board or committee meeting in 2017, yet another year of perfect attendance. All the independent directors sat on the three standing committees—Audit, Human Resources and Compensation, and Corporate Governance and Nominating, to ensure the Board had full independent director input. Their commitment to our Company is tremendous.

We conduct board assessments to increase the effectiveness of our board, committees and directors, and we spend a lot of time educating our directors on industry, company and other relevant developments. We are all stakeholders, and will continue to build our equity ownership. In 2016, we introduced an annual retainer for compensating directors, with a minimum of half the amount payable in DSUs, to increase director ownership. There were no changes in 2017. We

also introduced a new Performance and Restricted Share Unit Plan for senior executives in 2017, to provide that executive compensation contains a greater percentage of equity based participation. Some units were granted in 2017, but the Plan is being more fully rolled out in 2018. This is in addition to a strong and effective employee share ownership plan and minimum share ownership guidelines for corporate officers. In sum, we are trying to continuously improve our governance as a board to represent you to the best of our abilities.

In addition to the independent directors, Pat D'Eramo and I will be nominees. Pat D'Eramo is leading our team in developing and fulfilling our strategy, and driving operational excellence throughout the Company. I have been with Martinrea since it was formed. We are both proud to serve on this Board and for this Company and our 15,000 people that work hard for us all every day.

To close, Martinrea continues to have a great future, and we are seeing it unfold every day. Our One Martinrea culture, making people's lives better, is taking hold. It is driving operational and financial performance, which in turn reinforces the culture. It is becoming a sustainable competitive advantage for us. And we are just getting started. We have a highly experienced and dedicated management team and a strong independent board of directors, dedicated to creating shareholder value for years to come. On behalf of the Board, we would like to thank our shareholders for your ongoing support as we move forward together to building a stronger Martinrea.

Please help us continue with this positive momentum.

Sincerely,



Rob Wildeboer

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



**North America Toll Free**

**1-877-452-7184**

**Collect Calls Outside North America**

**416-304-0211**

**Email: [assistance@laurehill.com](mailto:assistance@laurehill.com)**