

MARTINREA INTERNATIONAL INC.



ANNUAL INFORMATION FORM

For the fiscal year ended

December 31, 2016

March 2, 2017

TABLE OF CONTENTS

ITEM 1 – INCORPORATION	3
ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS	3
ITEM 3– NARRATIVE DESCRIPTION OF THE BUSINESS AND TRENDS	8
ITEM 4 – DIVIDENDS	31
ITEM 5 – CAPITAL STRUCTURE	31
ITEM 6 – MARKET FOR SECURITIES	32
ITEM 7 – ESCROWED SECURITIES	32
ITEM 8 – DIRECTORS AND OFFICERS	32
ITEM 9 – RISK FACTORS	35
ITEM 10 – PROMOTERS.....	43
ITEM 11 – LEGAL PROCEEDINGS	43
ITEM 12 – INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	44
ITEM 13 – TRANSFER AGENT AND REGISTRAR.....	44
ITEM 14 – MATERIAL CONTRACTS	44
ITEM 15 – INTERESTS OF EXPERTS	44
ITEM 16 - ADDITIONAL INFORMATION.....	44
APPENDIX “A”	46
APPENDIX “B”	48

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 (including who will build them), connectivity and shared vehicles, electric vehicles, the launching of new programs, pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, government (and including environmental) regulation and the impact of governmental trade policy (including NAFTA and the TPP), 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, the increased reliance on forming, sustainability and environmentally focused technologies, and the importance of lightweighting, future investments in leading edge technology, equipment and processes, the benefits of flexible manufacturing lines, opportunities to increase sales, expand the customer base and otherwise growth of the Company and pursuit of its strategies, successful integration of acquisitions, broad geographic presence and penetration, increased relationships with suppliers, statements on industry trends, and market growth and the Company's belief of the Brazil tax assessment claims referenced under *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;
- 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;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation and regulatory compliance and investigations;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other 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; and
- cybersecurity threats.

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.

ITEM 1 – INCORPORATION

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, 2016 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.

ITEM 2 – GENERAL DEVELOPMENT OF THE BUSINESS

Overview

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. (See “*Narrative Descriptions of the Business and Trends: Automotive Industry – General*”.)

The Company, led by Pat D’Eramo (CEO and President), Rob Wildeboer (Executive Chairman) and the rest of the executive management team, is focused on innovation and also using its lightweighting expertise in metal forming and aluminum casting to help automakers curb vehicle weight, while at the same time improving a vehicle’s overall strength, safety and efficiency. (See “*Narrative Descriptions of the Business and Trends: The Company’s Vision, Mission and Business Strategy*”.)

To continue to propel the Company forward, the Company has focused over the last several years on applying its Vision, Mission and Ten Guiding Principles (see “*Narrative Descriptions of the Business and Trends: The Company’s Vision, Mission 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 “*Narrative Descriptions of the Business and Trends: Human Resources*”). 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 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, 2016, Martinrea employed approximately 15,000 skilled and motivated people in 44 operating facilities in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

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. For a detailed history, please refer to the Company's annual information form for the year ended December 31, 2015 dated March 3, 2016 located on www.sedar.com.

History (2001 to 2013)

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 "*Narrative 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: Fred Jaekel, as President and Chief Executive Officer; Nick Orlando, as Executive Vice President and Chief Financial Officer; and Rob Wildeboer, as Executive Chairman. They were the co-founders of the business of the Company.

From 2001 to 2013, 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 \$3.2 billion in 2013. 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, all the 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 that expanded 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) (See "*Significant Acquisitions and Significant Dispositions*".)

Martinrea experienced increasing success and recognition from its largest customers General Motors, Ford and DaimlerChrysler (now FCA or Chrysler), 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.

Developments in the Company's Business over the Last Three Financial Years (2014 to 2016)

In 2014, the North American automotive industry experienced continued increases in production and sales, while European production and sales remained relatively flat year over year. The Company again experienced record revenues, of approximately \$3.6 billion. Adjusted net income¹ was approximately \$83.4 million, a new record for the Company at the time. The Company continued to expand its operations, with 44 facilities in operation or in the process of being built by year end, and over 14,000 employees. In 2014, the Company announced it would conduct a search for a new President and Chief Executive Officer, to replace Nick Orlando who was stepping down, and in November, Pat D'Eramo was appointed President and Chief Executive Officer. In August, the Company purchased the minority interest of Martinrea Honsel it did not own, so that it now fully owns the aluminum casting and machining operations of Martinrea Honsel.

Overall launch activity in 2014, while still extensive, was less robust than in the previous two years, allowing the Company to focus on operational improvements at many of its plants, including in particular those that had experienced significant growth over the past few years. A number of the Company's plants experienced record volumes in 2014. The Company commenced the building of several new facilities, including aluminum casting plants in Spain, Mexico and China, and an assembly facility in Riverside, Missouri (all of which are currently operational). The Company continued to quote and win incremental new business in 2014, including exterior trim, fluid systems and metallic business for Chrysler; additional engine blocks for Daimler; fluid systems and metallic work for Ford; fluid systems work for GM; one of the largest metallic awards ever for work on the new Equinox and related programs for GM; as well as other incremental and renewal business. The Company has built a footprint in each of its business areas from which to service its customer base.

In 2015, the Company experienced record financial results, with revenues of approximately \$3.9 billion and adjusted net earnings 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 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. Program awards included an engine block program from Ford for its 2.0L engine, to be produced in Spain and Germany; a new program for aluminum knuckles and control arms across various vehicle platforms from Jaguar Land Rover, to be produced in Spain and China; an engine block for Volvo to be produced in Germany; metallic and fluid systems work for GM on a variety of programs to be produced in many different facilities throughout North America; and a number of other incremental awards and replacement business from a variety of customers. In 2015 throughout the year the Company announced over \$500 million in new product awards launching over the next several years, one of the best years for quoting work in the Company's history.

2016 was another good year for the Company, as it strives to continuously improve and deliver results and value to its shareholders and customers. Over the last several years the Company, led by Pat D'Eramo, Rob Wildeboer and the rest of the executive management team, has focused on refreshing and applying its Vision, Mission and Ten Guiding Principles (see "*Narrative Descriptions of the Business and Trends: The Company's Vision, Mission 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. To emphasize this focus,

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". A full reconciliation of IFRS "Adjusted Net Income" is contained in the company's management discussion and analysis of operating results and financial condition for the year ended December 31, 2014 under the heading "Adjustments to Net Income", a copy of which is available on www.sedar.com.

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). All these pillars experienced improvements throughout 2015 and 2016, as the management team continued to develop, along with some outside hirings and internal promotions; 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, with revenues of approximately \$3.97 billion and adjusted net income of approximately \$130.1 million.²

While the Company's operational footprint remains 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 that 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 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 US 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 in opening four new plants, in Spain, Mexico, Riverside, US and China. The Company won business (both new and incremental) for programs launching in 2017, 2018 and 2019, including fluids systems work for FCA on the Dodge Ram and Jeep Wrangler; metal forming work for Daimler on a compact sedan in Mexico; metal-forming work on GM's pick-up and SUV platform; metal forming work for BMW on its 3 and 4 series platform; and fluids systems work for GM on certain engine and transmission programs. The Company was also 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 2016 Year. 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.

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 made no new acquisitions, and for the most part, has grown its historical business organically. In 2014, the Company did acquire the minority interest of Martinrea Honsel it did not own, and the full description of the Honsel acquisition is described below. The Company has made no "significant acquisitions" within the meaning of securities laws within the reporting period.

Acquisition of Certain Assets of Honsel AG

On July 29, 2011, the Company, in partnership with Anchorage, purchased most of the assets of Honsel AG, a German supplier of aluminum components for the automotive and industrial sectors, to form Martinrea Honsel. Initially Martinrea owned 55% of the Martinrea Honsel Group, with Anchorage owning the remaining 45%. Anchorage is a registered investment adviser with offices in New York and London.

² 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". A full reconciliation of IFRS "Adjusted Net Income" is contained in the company's management discussion and analysis of operating results and financial condition for the year ended December 31, 2016 under the heading "Adjustments to Net Income", a copy of which is available on www.sedar.com.

The Martinrea Honsel Group develops and manufactures complex aluminum products using state-of-the-art production technologies including high pressure die-casting, permanent mold and sand casting as well as rolling. The Martinrea Honsel Group produces four major product lines: engine products such as engine blocks, cylinder heads and oil pans; transmission products, such as housings and control parts; structural products, such as subframes and swivel bearings; and body parts, such as front boards.

Initially, the purchase transaction envisaged the purchase of all of Honsel's operations, which included plants in Germany located in Meschede, Nuremberg, Soest and Nuttlar, as well as Madrid, Spain; Queretaro, Mexico and Monte Mor, Brazil. The Nuremberg facility, primarily specializing in transmission parts, was acquired by ZF Friedrichshafen AG ("ZF"), the primary customer of the facility; Martinrea Honsel comprises the remaining facilities, including the sales and engineering office in Meschede. The plants that comprised the Martinrea Honsel Group, net of the Nuremberg operations, generated revenues of approximately €500 million (\$680 million) during the twelve months prior to the acquisition, and employed approximately 3,200 people. The Nuremberg operations generated revenues of approximately €120 million (\$163 million) during the twelve months prior to the acquisition, and employed approximately 800 people.

After factoring in the Nuremberg transaction, where ZF acquired the Nuremberg facility along with related liabilities, the purchase price for the acquisition of the plants that comprised the Martinrea Honsel Group was €62 million (\$85 million) in cash consideration.

As part of the transaction, the Company granted Anchorage a put option, which, if exercised, would have required the Company to purchase Anchorage's 45% interest in Martinrea Honsel Holdings B.V. The put option was exercisable during the period beginning on April 1, 2015 and ending on October 1, 2017. The Company would be required to purchase the shares held by Anchorage no later than 90 days after exercise of the put option. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option was exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

In August, 2014, the Company acquired Anchorage's 45% interest in Martinrea Honsel for a purchase price of €160 million, or approximately \$233 million, thereby creating Martinrea Honsel as a wholly owned subsidiary. Payment of the purchase price was financed through loans arranged with the Company's banking syndicate. The put option no longer exists.

This acquisition of the aluminum business of Honsel and its development has transformed the Company into a market leader, with a significant presence in Europe and the Americas, in the aluminum automotive parts market, and broadened its metal forming product capabilities and offerings. Martinrea Honsel introduced the Company to a market-leading position in engine blocks and specialized aluminum products, and also aluminum structural and body part products, areas where the Company is an expert with its classic steel-based product offerings. The Company now has a more significant geographic presence, which it intends to grow over time. The Company's customer base has been expanded, as key Martinrea Honsel customers include Jaguar Land Rover, Daimler, Volvo Truck, Volvo Car, Volkswagen, Audi, BMW, ZF and PSA, as well as the Company's existing large customers Ford and Chrysler. The Company believes there is good opportunity over time to expand Martinrea Honsel in the Company's traditional North American market also, and this expansion has commenced with new business for the Mexico facility. With a high degree of innovation power and know-how the Company will continue to build on the already strong relationships with its customers and continue to pursue new projects given the continued global lightweight trend in automotive components.

Current Financial Year

The Company expects to continue to develop as a leading automotive supplier in 2017 and beyond, focusing on lightweighting and innovation, 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, 2016. (See "*Additional Information*".)

ITEM 3– NARRATIVE DESCRIPTION OF THE BUSINESS AND TRENDS

Overview

As noted above under “*General Developments of the Business*”, 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.

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 2016 and 2015 were as follows:

Reporting Segment	2016 (Cdn \$ in thousands)	2015 (Cdn \$ in thousands)
North America	3,212,128	3,094,463
Europe	633,290	684,215
Rest of the World	122,989	88,093
Total	3,968,407	3,866,771

Automotive Industry - General

Automotive Industry Highlights and Trends

Martinrea operates in a business that 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. A number of general trends have been impacting the automotive sector in the recent past and possibly could continue for the near future. Some of these trends are discussed below.

Notwithstanding, the Company believes it is well positioned to capitalize on the opportunity that these challenges bring due to its geographical footprint, lightweighting capabilities and focus on innovation. (See “*Business of the Company*” and “*The Company’s Vision, Mission 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) 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) 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 will 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 been common in the past decade, and many suppliers such as Delphi Corporation, Tower Automotive, Dana Corporation, Cooper Standard and Collins & Aikman were forced to seek bankruptcy protection either to restructure or close operations. 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.

Product Design and Development

Product Design and Development (“PD&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 PD&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 support, up to and including complete design responsibility.

Consolidation of the 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 pursuant to which the applicable supplier is appointed as the OEM's single source supplier for a particular part or component throughout the duration of the program in which the part or component is utilized. 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 PD&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. Over the next several years, foreign owned OEM production in North America is expected to increase in relation to vehicle importation as existing facilities reach production capacity and facilities now in the planning and construction phases commence production. At the same time, a number of factors, including the improving quality and cost effectiveness of North American auto parts suppliers, NAFTA, the free trade agreement between the US, Canada and Mexico, exchange rate risk and risk to the offshore supply chain from events such as natural disasters, are expected to result in foreign-owned OEMs relying on increased out-sourcing to increase the North American content of their vehicles. The North American market for outsourcing of automotive parts, components and assemblies has traditionally been over US\$250 billion per year. It is unknown at this stage the impact of the views of the new U.S. administration on NAFTA and any effects on the North American automotive industry from any changes to NAFTA. (See "*Trade Policies and Resulting Impact (NAFTA and the TPP)*" and "*Changes in Law and Government Regulation*".)

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 and, in particular, Asia. The Chinese market has experienced rapid growth in recent years, and its automotive production has increased substantially and is expected to continue to increase, albeit at a reduced pace. OEMs and Tier One suppliers, both domestic to China and foreign based, have expanded operations in these emerging markets. This trend is anticipated to continue, and China is expected to be a growing market for consumers and producers. Similar growth, although not likely to the same extent as China, 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. 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 jurisdictions such as China to produce in such areas for

such areas; to build plants locally in order to service OEMs on a world-wide platform basis; to establish strategic relationships with Chinese or other international sources for cheaper components; to develop North American strategies that build products that are less likely to be threatened by Chinese or other international competition; or to build strategic relationships with suitable international partners.

Environmental Regulation and Government Regulation – Lightweighting and Electric Vehicles

Because of CAFE (corporate average fuel economy) requirements in North America, 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 that reduce overall vehicle weight can increase fuel efficiency and lower the cost of driving a vehicle. In that regard, 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 that are lighter than those produced by other methods of production such as conventional stampings, while maintaining or even improving strength. 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 that can capitalize on this trend can enjoy significant competitive advantage.

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 Martinrea Honsel AluThinFer®.

These stricter emission regulations, 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.

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 is expected to 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 that 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 given its expertise in lightweighting which

will enable it to have content on vehicles, including electric. (See “*Automotive Industry General - Metal Forming (Steel and Aluminum), Machining and Assemblies*”.)

Autonomous Vehicles

In 2016, 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). Some analysts predict that, once technological and regulatory issues have been resolved, up to 15 percent of new cars sold in 2030 could be fully autonomous, although fully autonomous vehicles are unlikely to be commercially available before 2020. 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 (NAFTA and the TPP)

Government trade policy affects the industry, including the potential enactment of the Trans-Pacific Partnership (TPP) agreement and the impact of the new U.S. administration’s views on NAFTA and the automotive supply chain (and including any resulting tariffs, border adjustment taxes or rules of origin). There is concern about governmental views on the auto industry and more particularly NAFTA. The automotive industry is probably one of the most integrated industries in North America. For example, the average auto part crosses NAFTA borders six times, as parts move from single components, to parts of larger subsystems, engines, transmissions, to complete vehicles that are shipped across borders. Concerns about NAFTA and how the automotive industry will cope with the potential changes have created uncertainty about what is going to happen, especially to those with significant operations in Mexico, and in Canada, which have affected valuations. There are many who believe that NAFTA will not be cancelled or changed substantially, and one of the continent’s most important industries, automotive, is the last industry to target negatively. There may be an element of re-negotiation to NAFTA – the agreement is over 20 years old, and each member country has some concerns with some of the provisions. Amendments may impact the North American auto industry, or parts of it, negatively or positively.

Another free trade agreement issue in 2016 related to the TPP and the concern that unduly low domestic content rules would lead to an influx of foreign car parts, produced by cheaper labour that would displace auto-parts jobs in North America. In early 2017, the United States indicated it would not ratify the TPP.

Production Volumes

At the industry macro level, despite concerns in the markets about the impacts of Brexit, the new U.S. administration’s views on trade policies, geopolitical issues, electric and autonomous vehicles and other matters, the Company believes that the automotive industry remains healthy generating fairly strong sales and production volumes overall (albeit with some inventory adjustments from some customers and general seasonality), especially in North America.

Automotive production levels have a significant impact on the Company's results. In 2016, light vehicle production volumes for North America were 17.85 million, which was relatively flat year-over-year, but a record year nonetheless. 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 be at over 105 million by the year 2022 which shows worldwide growth. Growth has slowed somewhat in China in the recent past, however automotive production is forecasted to continue to grow. The European Union is also forecasted to grow vehicle production, to a modest extent, by 2022.

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 (brakes, power steering, transmission, etc.).

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 that specifically impact fuel system suppliers are next generation clean air regulations and increased durability requirements. Known as LEV III, the latest clean air regulations being introduced in the United States which commenced in 2014, mandate further reductions in vehicle evaporative hydrocarbon emissions from the LEV II requirement of 0.5g/day to 0.3/day, using a more aggressive fuel with 10% ethanol. Leading suppliers will have to focus on products that will meet or exceed increasingly stringent guidelines; regulations dictating further emissions reductions are anticipated. In addition, California (generally viewed as the leading North American jurisdiction in the automotive industry for environmental standards) emission related durability requirements are increasing from 10 year/100,000 miles to 15 year/150,000 miles. Similar increases are the trend through the rest of North America and Europe, as well as China. 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. The U.S. *Energy Independence and Security Act of 2007* significantly increased 2025 CAFE standards with a goal of 54.5 mpg and thereby has intensified OEM focus on fuel saving initiatives, which not only increase the challenges, but also the opportunities, for the industry.

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, engine blocks and cylinder heads; 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 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 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 that 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 that 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 and Business Strategy

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

Martinrea's Ten Guiding Principles

In pursuing its vision to be the best, preferred and most valued parts supplier in the world in the products and services we provide our customers and in developing the key elements of its business strategy, the Company has gone through an internal exercise to develop, on a collaborative basis, a set of guiding principles, to be communicated and integrated into internal presentations and employee training programs throughout the Company. The result was the following list:

1. We make great, high quality products
2. Every plant/division 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 different
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. Leadership means having the will to ensure we get the right things done the right way.

Key elements of the Company's business strategy are as follows:

Enhance Quality

The Company's operations have always focused on quality, and the Company continues to drive this as the base 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 of 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, 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 and manufacturing processes. 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. 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 supports 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

Over time, 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 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 that 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

Over time, the Company has increased 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 that it has substantial selling opportunities and, with increases in its production capacity (both organically derived and through acquisitions (such as the Honsel acquisition)), 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 now has manufacturing capacity throughout North America, Europe and Brazil to better service its customers, and is building up its presence in China. The Company's direct sales force will continue to target automotive OEM customers along with certain Tier One suppliers. (See "*Sales, Marketing and Customers*".)

Pursue Growth Opportunities and Complementary Investments

The Company has the requisite production and design skills that are 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 and Honsel 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. Finally, 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). 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; strong financial management; and a recognition that customer is king.

Ethics and Legal Compliance

The Company's most precious asset is 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), 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 that Martinrea will maintain and uphold the law and the highest possible standards of ethical conduct. The Code of Conduct is reviewed at least annually. The Company has implemented training, on-line and in person formats, 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 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.

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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
Engine/Transmission: Oil Coolers, Hoses, Tube Assemblies
Engine/Transmission: Oil Fillers, Tubes, Indicators
Oil Pick-Up Screen/Pipe
Heater Hose Inlet/Outlet

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 Moldings

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, system 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". The Company's design, engineering and production capabilities produce high-quality products and solutions.

The Company believes that 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 that require 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 that 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 2016 Martinrea announced the construction of a new 108,200 sq. ft. technical center in Auburn Hills, Michigan (which is expected to be complete in 2017) to combine its US 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; and certain approaches to metal joining techniques, hydroforming, space frame manufacturing and the combination of steel and aluminum products in assemblies.

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 the 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 focus 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 the next three to five years.

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. The Company recognizes that 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 that quality of production, which is essential to the success of the Company, remains high. All manufacturing facilities have received ISO/TS 16949 registration and are now transitioning to ISO9001:2016 and IATF16949:2016, with the exception of certain recent plant expansions, which are just becoming operational. Our Troy Sales and Engineering office is registered to ISO 9001 standard for design and is expanding its scope to include all corporate functions and operations in 2017 under the new standards.

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. Large engineering centers are located in Troy, Michigan (which will move to Auburn Hills, Michigan in 2017) and Meschede, Germany but significant engineering 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.

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 a facility specializing 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.

Aluminum Die Casting (High Pressure Die Casting) - Martinrea Honsel is at the forefront of die casting technology. In the process of high pressure die casting ("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 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 Honsel 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 mouldings 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 Honsel 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 Honsel intends to expand its rolling presence in the automotive sector (exterior parts as well as body parts).

Machining - Martinrea Honsel has significant machining capability in its operations in order to provide a fully machined part, such as an engine block, to a customer. Martinrea Honsel 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 that ranges 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. In 2010, Martinrea commenced operations of Martinrea Tech Tool and Die, a tool shop which is 50% owned by Martinrea and 50% owned by Arpad Takacs, a consultant to Martinrea and a leading expert in tooling. This operation assists in improving tooling and processing throughout the Company and, where appropriate, produces tooling itself. Martinrea Honsel has its own tool shop in Nuttlar, Germany. Martinrea Honsel’s die making center 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 that 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 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 Honsel operations are focused on Europe and the Americas, and it has opened its first facility in China, which became operational in 2016.

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"), American Honda Motor Co., Inc. ("Honda") and Nissan Motor Company ("Nissan"). The Company has also won North American product mandates from other OEMs as well, including Volkswagen, BMW, Mercedes, Hyundai, and Toyota. The Company's non-automobile customers include John Deere and Lennox. Approximately 90% of the Company's North American revenues are derived from four customers (Chrysler, Ford, General Motors and Nissan). 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 90% of the Company's customers in Europe are operating in the automotive area, of which over 80% are customers in the passenger car segment. Martinrea Honsel's passenger car 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. From an overall perspective, Martinrea Honsel's top 7 customers account for over 85% of its sales.

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 that the Company supplies to such intermediary suppliers, it considers itself a Tier Two supplier. The Company believes that Tier One sourcing opportunities will be generally limited in nature to strategic alliances and to joint product development opportunities. The Company has determined that 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 North American sales are co-ordinated out of its corporate head office in Vaughan, Ontario and its sales and engineering office in Troy, Michigan. The Company's sales efforts are closely integrated with the Company's R&D, engineering, and prototyping personnel, and are closely co-coordinated with the facilities that may produce the relevant product.

Martinrea Honsel's sales organization is globally focused through the senior executive team with a Sales Director for each unit, generally based in Meschede, Germany where the global projects are coordinated in conjunction with local sales units for the respective production plants. Local sales teams, especially in the international markets, deal with projects and customers which need direct local contact to work through operational issues.

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 that 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 that 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 that 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 and stainless steel mainly for the fluid management systems area. Every effort is made to manage and minimize any adverse exposure. In addition, the Company continues to be vigilant in monitoring the financial health of all of its suppliers.

Competition

The markets for the Company's products and services are competitive and rapidly changing. 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. The Company's key competitors include Cooper Standard, TI Automotive, Stant and Fluid Routing Systems (FRS) in the fluid systems area and it competes with Cosma (Magna), Tower, Metalsa, Benteler, Gestamp and others in the metal forming market. The Company competes with various different competitors for industrial related customers.

Martinrea Honsel's 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 Martinrea Honsel, 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 Honsel. Non-captive caster competitors to Martinrea Honsel include Ryobi, Nematik, Georg Fischer, KSM and Linamar.

The Company believes that 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 that 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, 2016, the Company employed approximately 15,000 employees, including approximately 2,500 in Canada; approximately 4,600 in the United States; approximately 4,800 in Mexico; approximately 200 in South America; approximately 600 in Asia; and approximately 2,300 in Europe.

Human Resources Principles and Policies

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 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.

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

In addition, Martinrea is committed to an operating philosophy based on fairness and concern and respect for people, as well as fostering our diverse culture. Accordingly, 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.

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 Mexican operations are unionized as are several facilities in the United States and Canada. 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. Martinrea Honsel's operations are unionized.

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. In 2013, the Company adopted share ownership guidelines for executives and geared certain bonus payments to the purchase of the Company's common shares. The Company's employee compensation principles are determined by the board of directors' 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.

Facilities

The Company maintains over 9,000,000 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, 2016. 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, 2016.

Facility	Square Footage (approximate)	Principal Uses
Hydroform Solutions Brampton, Ontario Etobicoke, Ontario	271,000	Specializing in hydroforming, medium and large stampings and welded assemblies. Two buildings.
Icon Metal Forming Corydon, Indiana	215,000	Specializing in medium and large stampings and assemblies.
MJ Manufacturing Mississauga, Ontario	103,000	Industrial products, specializing in military, heavy truck and other industrial stamping and assemblies. This facility was sold in February 2017 and is leased from the new owner.
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.

Facility	Square Footage (approximate)	Principal Uses
Martinrea Dresden Dresden, Ontario	90,000	Specializing in tube bending, flow drill and tapping, spot and MIG weld automated assemblies.
Martinrea Hot Stampings Detroit, Michigan	173,000	Closed in 2016.
Martinrea Ridgetown Ridgetown, Ontario	114,000	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	648,000	Specializing in medium and large stampings and assemblies.
Martinrea Automotive Structures Springfield Springfield, Tennessee	199,000	Specializing in medium to large stampings and assemblies, including hot stamping capabilities.
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, 2016.

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.
Martinrea Automotive Systems Ajax Ajax, Ontario	128,000	Front horizontal, front vertical and rear suspension systems.
Martinrea Automotive Systems London London, Ontario Ingersoll, Ontario	105,000	Specializing in the assembly of suspension modules.
Martinrea Tech Tool and Die Newmarket, Ontario	36,000	Tool and die shop.
Martinrea Automotive Systems Columbia Columbia, Tennessee	56,000	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	203,000	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	265,000	Specializing in medium and large stampings and assemblies.

Facility	Square Footage (approximate)	Principal Uses
MJ Mexico 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.
Troy Engineering Troy, Michigan	24,000	Engineering, research and development, sales, IT, accounting, and purchasing. New facility being built in Auburn Hills in 2017.
Troy Engineering Technical Center Auburn Hills, Michigan	36,000	Structural fatigue, fastener, material, coating and fuel system validation. Research and development of chassis and fuel systems.
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. The square footage includes an expansion of the facility.
Martinrea Automotive Parts (Shanghai) Co. Ltd. Anting Town, Shanghai, China	220,000	Specializing in fuel filler assemblies, fuel, brake and vapor bundle assemblies and transmission oil cooling lines.
Saltillo 2 Arteaga, Mexico	204,000	Specializing in fuel, brake and vapor bundle assemblies, turbo tubes and transmission oil cooling lines. The square footage includes an expansion of the facility in 2014.
Martinrea Hot Stampings Warren, Michigan	53,000	Specializing in welded assemblies.
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.

Facility	Square Footage (approximate)	Principal Uses
Martinrea Automotive Structures Hermosillo San Luis, Potosi	190,000	Specializing in welded assemblies.

Environmental Matters, Sustainability and Supply Chain Responsibility

Environmental and Sustainability

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. The Company is currently in compliance in all material respects with all environmental legislation and regulations to which its operations are subject. All manufacturing facilities have received, or are in the process of receiving, ISO 14001 or functionally equivalent environmental certification, where required.

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. For example, the Province of Ontario established a cap-and-trade system for GHGs. 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 from mobile sources could reduce or change the mix of automobile sales, thereby impacting the demand for the Company’s products and ultimately the Company’s revenues. Although there is still significant uncertainty surrounding the scope, timing and effect of future GHG regulation, 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*” and “*The Position of an OEM Supplier in the Automotive Industry*”.)

Supply Chain Responsibility

Social responsibility is an increasing focus of the Company’s customers, governments and the end user. Martinrea’s contracts require that suppliers comply with certain legal requirements, including the Company’s Code of Conduct, compliance with laws, environmental responsibility and customer requirements and a failure to comply with these requirements could result in termination of the contractual relationship. The Company also supports its customers 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 neighboring countries, are not used in automotive parts and assemblies. The Company also expects similar reporting from its suppliers, where required.

Supplier Diversity

Martinrea values supplier diversity and supports diversity through many purchasing initiatives, including to help support its customers meet their requirements for supplier diversity. 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 2016 Year. 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. Martinrea was also honoured in 2016 by GM as being one of the three companies to receive its Supplier Impact Diamond Award for Top Diversity Performance and by Ford Motor Company receiving a Certificate of Achievement for Outstanding Performance in Tier Two Sourcing.

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*".)

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. See "*History*".

ITEM 4 – 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 2016, the Company declared approximately \$10,369,000 in dividends (\$0.12 per share) and paid out approximately \$10,336,000 in dividends (\$0.12 per share) (the 2015 fourth quarter dividend of approximately \$2,591,000 (\$0.03 per share) was paid in January, 2016 and the 2016 fourth quarter of approximately \$2,594,500 (\$0.03 per share) was paid in January, 2017). 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.

ITEM 5 – 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.

ITEM 6 – 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 2016 are set out in the following table:

	High	Low	Volume
January	\$11.09	\$8.67	5,506,507
February	\$9.45	\$8.07	5,252,459
March	\$10.75	\$8.87	4,397,537
April	\$10.47	\$9.35	2,696,113
May	\$9.50	\$8.73	3,424,511
June	\$9.35	\$7.54	7,364,249
July	\$9.16	\$7.56	4,670,556
August	\$8.95	\$8.10	4,712,245
September	\$8.55	\$7.86	2,743,540
October	\$8.48	\$7.78	2,163,458
November	\$7.97	\$6.70	8,989,380
December	\$8.86	\$7.58	7,883,446

The closing price of the Common Shares was \$8.59 as of December 31, 2016.

ITEM 7 – ESCROWED SECURITIES

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

ITEM 8 – 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 Toledo, Ohio	President and Chief Executive Officer	President and Chief Executive Officer of the Company	2015
Rob Wildeboer Burlington, Ontario	Executive Chairman of the Board, Director and Chairman, Martinrea Honsel Group	Executive Chairman of the Company's Board of Directors	1996
Scott Balfour ^{(1), (2), (3)} Halifax, Nova Scotia	Director	Chief Operating Officer, Emera Inc.	2013

Name and Municipality of Residence	Position with the Company	Principal Occupation	Year Became Director
Roman Droniuk ^{(1), (2), (3)} Toronto, Ontario	Director	Independent Consultant, Financial and Strategic Advisory Services	2014
Terry Lyons ^{(1), (2), (3)} Vancouver, British Columbia	Director	Corporate Director Lead Director, Canaccord Genuity Group Inc.	2014
Frank Macher ^{(1), (2), (3)} Naples, Florida	Director	Chief Executive Officer, Continental Structural Plastics	2014
Fred Olson ^{(1), (2), (3), (4)} Rochester, Michigan	Director	President and CEO, Webasto Product North America (Retired)	2002
Sandra Papatello ^{(1), (2), (3)} Windsor, Ontario	Director	Strategic Advisor: Industry, Global Markets and Public Sector, PWC	2014
Fred Di Tosto Vaughan, Ontario	Chief Financial Officer	Chief Financial Officer of the Company	-
Robert Fairchild Troy, Michigan	Executive Vice President, Sales and Engineering	Executive Vice President, Sales and Engineering of the Company	-
Bruce Johnson Aurora, Ontario	Executive Vice President, Metallics	Executive Vice President, Metallics of the Company	-
Andre La Rosa Toronto, Ontario	Chief Information Officer	Chief Information Officer of the Company	-
Rocco Marinaccio Mississauga, Ontario	Vice President, Flexible Manufacturing Group	Vice President, Flexible Manufacturing Group of the Company	-
Hany Morsy Oakville, Ontario	Chief Internal Auditor	Chief Internal Auditor of the Company	-
Juan Nardiz Queretaro, Mexico	President, Martinrea Honsel	President, Martinrea Honsel division of the Company	-
Armando Pagliari Milton, Ontario	Executive Vice President, Human Resources	Executive Vice President, Human Resources of the Company	-
Kerri Pope Toronto, Ontario	Vice President, Legal and Corporate Secretary	Vice President, Legal and Corporate Secretary of the Company	-
David Rashid Saltillo, Mexico	Executive Vice President, Fluids	Executive Vice President, Fluids of the Company	-

- (1) Member of the Human Resources and Compensation Committee.
(2) Member of the Audit Committee.
(3) Member of the Corporate Governance and Nominating 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) Pat D'Eramo, who prior to November, 2014 was President of Dana Corporation's Commercial Vehicle Technology Group; previously, he was the Chief Manufacturing Officer, Asia Pacific, North America and South America and President North America for Benteler Automotive, a world leading automotive metalforming company. As President, Mr. D'Eramo was responsible for manufacturing, engineering, purchasing, logistics, sales and business development. From 2001 to 2009, Mr. D'Eramo worked for Toyota, serving as a Vice President of manufacturing after holding several roles previously; (ii) Scott Balfour, who from March 2016 to November 2016 was Chief Operating Officer of NorthEast and Carrabean, Emera Inc., and from April 2012 to March 1, 2016 was Executive Vice President and Chief Financial Officer of Emera Inc. and Executive Vice President and Chief Financial Officer of Nova Scotia Power Inc. Prior to April, 2012, he was a private consultant, and prior to January, 2011 was President and Chief Financial Officer of Aecon Group Inc.; (iii) Robert Fairchild who joined Martinrea as Vice President, Sales in February, 2015. From 2013 to 2015, Mr. Fairchild was Vice President, Sales, Estimating and Business Development at Valiant Machine & Tool Co., and from 2009 to 2012 was Vice President, Sales and Business Development at Benteler Automotive Corporation; and (iv) Sandra Papatello, who prior to being Strategic Advisor (Industry, Global Markets and Public Sector) for PricewaterhouseCoopers Canada, was Chair of Hydro One from 2014 to 2015, prior to which she served as a member of the provincial parliament of the Province of Ontario for 16 years, including leadership roles as a Member of the Premier's Executive of Cabinet. She was the Ontario Minister of Economic Development & Trade from 2006 to 2011 and Ontario's Chief Investment Officer.

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 907,198 Common Shares, representing approximately 1.05% of the issued and outstanding common shares of 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. Terry Lyons was the President and a director of FT Capital Ltd. (“FT”), which was subject to cease trade orders in each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Quebec for failure to file financial statements for the financial years ended December 31, 2001 and subsequent periods. At the request of Brascan Financial Corporation (now Brookfield Asset Management Inc. (“Brookfield”)), Mr. Lyons joined the board of FT and was appointed its President in 1990 in order to assist in its financial restructuring. In June 2009, FT was wound up and Mr. Lyons resigned as a director. Mr. Lyons was also a director of Royal Oak Ventures Inc. (“Royal Oak”) at the request of Brookfield 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.

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.

ITEM 9 – 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, 2016 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

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 and international or domestic conflicts or political crises.

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 more recently Europe. Although there has been stabilization or growth in North America, 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 the views of the new U.S. administration on NAFTA and any effects on the automotive industry. (See “*Trade Policies and Resulting Impact (NAFTA and the TPP)*” and “*Changes in Law and Governmental Regulation*”.)

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 grow modestly or stabilize in North America over the next several years, and have grown in the past several years, but growth rates 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 the views of the new U.S. administration on NAFTA and any effects on the automotive industry. See "*Trade Policies and Resulting Impact (NAFTA and the TPP)*" and "*Changes in Law and Governmental Regulation*".

Dependence Upon Key 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, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition. In addition, a work disruption at one or more of the Company's customers resulting from labour stoppages at or insolvencies of key suppliers to such customers or an extended customer shutdown (scheduled or unscheduled) 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, production volume cuts, intense pricing pressures, increased commodity prices and a number of other factors including acts of God (fires, hurricanes, earthquakes) can result in many automotive suppliers experiencing varying degrees of financial distress. 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 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 "*Dependence Upon Key Customers*".

Competition

The markets for fluid management systems, cast aluminum products and fabricated metal products and assemblies for automotive and industrial customers are highly competitive. Some of the Company's competitors have substantially greater financial, marketing and other resources than the Company. 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. Purchase orders issued by customers typically 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. Martinrea has attempted to mitigate its exposure to price increases of key commodities, particularly steel and aluminum (through participation in steel resale programs or price adjustment mechanisms); 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 or otherwise, such additional commodity costs could have a material adverse effect on profitability. Increased energy prices also 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 which may lower cost structures, the Detroit 3 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 the 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 an 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 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. The experience and talents of these individuals 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.

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. The completion of such transactions poses additional risks to the Company's business. 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).

Potential Rationalization Costs and Turnaround Costs

The Company has incurred restructuring costs over the past several years. 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. 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.

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.

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 the North American Free Trade Agreement, the TPP, or the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States.

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.

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 of any claim 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 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). 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 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.

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

The appreciation of the Canadian dollar against the U.S. dollar (and other currencies) may negatively affect the competitiveness of the Company’s Canadian operations in this respect against the operations in the U.S. and Mexico, as well as other jurisdictions, of competitors and the operations of the Company in those jurisdictions. As a result of a Canadian dollar appreciation the Company may move some existing work to the U.S. or Mexico, or may source work to U.S. or Mexican divisions as opposed to Canadian 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 Canadian plants are consolidated, downsized or closed, or as plants in the U.S. or Mexico 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 or limitations on spending.

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 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

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 and China 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.

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's customers are also under pressure to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility.

The Company cannot provide assurances that the Company's costs, liabilities and obligations relating to environmental matters (or any issues that may arise as a result of its customers' own environmental compliance) 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 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, 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, Brazil 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;
- increases in working capital requirements related to long supply chains; and
- difficulty in protecting intellectual property rights.

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.

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 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 value added tax credits claimed. 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 21 to the Company's consolidated financial statements for the year ended December 31, 2016). 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, 2016, based on an actuarial estimate for financial reporting. The unfunded liability at December 31, 2016, 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 2017 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 12 (“Pension and Other Post Retirement Benefits”) to the Company’s annual consolidated financial statements for the year ended December 31, 2016, which reflects the financial position of the Company’s defined benefit pension plan and other post-employment benefit plans at December 31, 2016.

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, 2016, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2017 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 12 (“Pension and Other Post Retirement Benefits”) to the Company’s annual consolidated financial statements for the year ended December 31, 2016, which reflect the financial position of the Company’s post-employment benefits other than pension plans at December 31, 2016.

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: 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 information technology 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 or its customers’ intellectual property or confidential information. If any of the foregoing events 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.

ITEM 10 – PROMOTERS

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

ITEM 11 – 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 previously disclosed, the Company and certain of its directors and officers were served with a statement of claim that was filed originally on September 26, 2013 in the Ontario Superior Court of Justice by Nat Rea, Rea

Holdings Inc. and one other person which made certain allegations against the Company, certain directors and officers and two suppliers of the Company. As previously disclosed in 2015, the plaintiffs in this litigation discontinued their action. The Company and the other defendants have filed a statement of defence and counterclaim against Mr. Rea and his holding company seeking damages for abuse of process, which remains in place.

ITEM 12 – 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 ten years, and is no longer a partner and has no current equity interest or profit participation in the law firm.

ITEM 13 – TRANSFER AGENT AND REGISTRAR

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

ITEM 14 – 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, 2015 or that before December 31, 2016 remains in effect, which have been disclosed on the Company's public record at www.sedar.com.

ITEM 15 – 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, 2016. 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.

ITEM 16 - 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, 2016 can be found on SEDAR and are set out in the Company's Report to Shareholders for the year ended December 31, 2016. 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 9, 2016, furnished in connection with the Company's annual meeting of shareholders held on June 9, 2016.

Additional Information Prescribed By Form 52-110F1

1. **Audit Committee Charter** – See Appendix "B" attached hereto.
2. **Composition of Audit Committee** – For 2016, the Audit Committee was composed of Scott Balfour (Chair), Roman Droniuk, Terry Lyons, Frank Macher, Fred Olson and Sandra Pupatello, each of whom is independent and, based on such individual's education and experience, is financially literate. (i) Mr. Balfour has an MBA from the University of Western Ontario, and 22 years of experience as a senior executive of Canadian-based public companies including 20 years in the capacity of Chief Financial Officer. (ii) Mr. Droniuk 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. 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. (iv) Mr. Macher holds a BSME from Kettering University, and an MBA from Michigan State University. He has a deep, intimate knowledge of the automotive and automotive supplier industry, having had vast experience as a senior executive and director at several major automotive supplier companies, some of the largest in the industry, and at Ford, one of the Company's largest customers. (v) 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. (vi) Ms. Papatello holds a B.A. (Hons) from the University of Windsor, has an Honourary Doctorate of Laws from the University of Windsor and has won multiple awards for her public service and leadership. She has also 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. Ms. Papatello is a Strategic Advisor (Industry, Global Markets and Public Sector) for PricewaterhouseCoopers Canada. Previously, she sat on the Board of Hydro One of which she was Chair from April 2014 to April 2015. She was Chief Executive Officer of the Economic Development Corporation of Windsor and Essex County from May 2013 to July 2015. She previously served as a member of the provincial parliament of the Province of Ontario for 16 years, including leadership roles as a Member of the Premier's Executive of Cabinet. She was the Ontario Minister of Economic Development & Trade from 2006 to 2011 and Ontario's Chief Investment Officer.

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, 2016	Fees Billed During the Year Ended December 31, 2015	Description of Services (see below)
Audit Fees	\$1,655,000	\$1,984,000	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	\$32,000	\$26,000	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	\$338,000	\$267,000	The tax services related to services for tax compliance, tax planning, VAT and tax advice.
Other Fees	\$83,000	--	Advisory services in connection with cybersecurity-related matters.
Total	\$2,108,000	\$2,277,000	

APPENDIX “A”

LIST OF SUBSIDIARIES

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 Automotive Structures S. de R.L. de C.V. (2)	Mexico	100%
Martinrea Pilot Acquisition, Inc.	Ontario, Canada	100%
2146826 Ontario Limited	Ontario, Canada	100%
Martinrea Developments de Mexico, S.A. de C.V. (1)	Mexico	100%
Industrias Martinrea de Mexico, S.A. de C.V. (1)	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 Internacional de Mexico, S.A. de C.V. (4)	Mexico	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%
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%

Subsidiary	Location of Incorporation	Ownership Interest
Martinrea Honsel Mexico S.A. de C.V. (3)	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%

Notes:

- (1) 0.01% is owned by Martinrea Pilot Acquisition II, LLC
- (2) 1% is owned by Martinrea Metals of America, Inc.
- (3) 0.000000005% of Martinrea Honsel Mexico S.A. de C.V. is held by Martinrea Honsel Spain S.L.U.
- (4) 0.02% is owned by Martinrea Developments de Mexico S.A. de C.V.

APPENDIX “B”

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 create 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.

