



**MARTINREA INTERNATIONAL INC.**

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**REPORT TO SHAREHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

## MESSAGE TO SHAREHOLDERS

Welcome to 2022! A year of renewed optimism and, we hope, the year we finally put lingering pandemic-related headwinds in the rear-view mirror.

Our Company and industry continued to navigate our way through some significant challenges in 2021, most of which were related to the ongoing fallout from the COVID-19 Pandemic, including:

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

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

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

As we head into 2022, we know there will be challenges, some continuing and some new. Already this year, we dealt with border closures resulting from protests against COVID-19 pandemic restrictions which affected our industry. These seem to have been resolved. There is conflict in Ukraine casting a cloud over Europe, global financial markets, and the automotive market, especially in Europe. Undoubtedly, there will be more challenges. We live in a troubled world.

However, as we look forward, we believe there are reasons to be positive. Our fourth quarter results were better than our third-quarter results, and we are off to a good start in the early part of 2022. We believe our results will continue to improve throughout the year as supply chain conditions normalize and industry volumes stabilize and recover. Our launch activity is also expected to normalize later this year, resulting in higher sales at better margins as volumes on these programs ramp up. We are also addressing cost inflation through commercial negotiations with our customers and other offsets.

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

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

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

Here are some of the key highlights of 2021—the full range are found in our Annual Information Form and year end releases:

- We celebrated our 20<sup>th</sup> anniversary as an auto parts manufacturer, a significant milestone for our Company. In that time, a relatively short time in the industry, we have been one of the fastest-growing companies in the world.
- We continued to deliver industry-leading safety metrics, with a Total Recordable Injury Frequency (TRIF) of 1.37, representing a 46% improvement over last year, and a 91% improvement since 2014. This is significantly better than the industry average of 3.0 and is an accomplishment to be proud of. Our goal is to be the industry leader.
- In light of the ongoing semiconductor shortage and other headwinds we are currently facing, and as a proactive measure, we reached an agreement with our banking syndicate to provide enhanced covenant flexibility. Under the terms of the amended agreement, the calculation of our net debt to trailing twelve-month EBITDA ratio for covenant purposes now excludes EBITDA from the third and fourth quarters of 2021, and, instead, is based on the annualized total of the remaining quarters in the period. Additionally, the maximum net debt to trailing twelve-month EBITDA ratio covenant has been increased for the first, second, and third quarters of 2022. We have excellent relationships with our lenders, and we thank them for their ongoing support.
- We increased our investment in NanoXplore Inc. by purchasing one million shares in February 2021, representing an approximate 22.2% interest in NanoXplore Inc. (the decrease in ownership percentage was as a result of dilution). NanoXplore is a world leader in graphene production, and we are very excited about its future. Also in 2021, we have been producing the world’s first graphene-enhanced brake lines for customers – a technological first.
- We entered a 50/50 joint venture with NanoXplore called VoltaXplore Inc., aimed at commercializing the development of graphene-enhanced lithium-ion batteries for electric vehicles. A one gigawatt-hour demonstration facility is being commissioned and is currently ramping up. Assuming the demonstration is successful, we will be in a position to decide whether to construct

a larger 10 gigawatt-hour facility (likely in two phases). We expect to make a go/no go decision by mid-year. We are excited about this potential game-changing technology.

- We formally established our Martinrea Innovation Development (MiND) initiative, with the purpose of incubating, developing, and funding innovative technologies that can be directly applied to Martinrea's operations, or grow independently. Martinrea currently holds three equity investments, including its 22.2% stake in NanoXplore, its VoltaXplore 50/50 joint venture with NanoXplore, and a minority equity position in AlumaPower, a private company developing aluminum air battery technology for a variety of end markets, including automotive. Martinrea is also evaluating a number of other initiatives within MiND, including additive manufacturing, robotics, and software.

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

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

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

We thank you for your ongoing support! We have a great future together.

(Signed) "*Rob Wildeboer*"

Rob Wildeboer  
Executive Chairman

(Signed) "*Pat D'Eramo*"

Pat D'Eramo  
President and Chief Executive Officer

# MANAGEMENT DISCUSSION AND ANALYSIS

## OF OPERATING RESULTS AND FINANCIAL POSITION

For the Year ended December 31, 2021

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The following management discussion and analysis (“MD&A”) was prepared as of March 3, 2022 and should be read in conjunction with the Company’s audited consolidated financial statements (“consolidated financial statements”) for the year ended December 31, 2021 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company’s Annual Information Form (“AIF”) for the year ended December 31, 2021, can be found at [www.sedar.com](http://www.sedar.com).

### **OVERVIEW**

Martinrea International Inc. (TSX: MRE) (“Martinrea” or the “Company”) is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs over 16,000 skilled and motivated people in 57 locations (including sales and engineering centres) in Canada, the United States, Mexico, Brazil, Germany, Spain, South Africa, Slovakia, China, and Japan.

Martinrea’s vision is to make people’s lives better by being the best supplier we can be in the products we make and the services we provide. The Company’s mission is to make people’s lives better by: delivering outstanding quality products and services to our customers; providing meaningful opportunity, job satisfaction, and job security for our people; providing superior long-term investment returns to our stakeholders; and being positive contributors to our communities.

### **RECENT DEVELOPMENTS**

#### **COVID-19 PANDEMIC AND SEMICONDUCTOR CHIP SHORTAGE**

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company’s OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February 2020, but resumed in March 2020. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company’s business, results of operations, cash flows and financial position during the second half of March 2020 and for the second quarter ended June 30, 2020. A phased restart of the Company’s manufacturing facilities and dependent functions commenced in May and June 2020 and continued into the second half of 2020 as OEMs began producing vehicles again.

The Company’s response to the COVID-19 pandemic has been measured, prudent and decisive with an emphasis on safety, cash conservation and liquidity. The health and safety of our employees, their families, our customers and our communities is, and will continue to be, our top priority. The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational remote work schedules, where possible; and restricting travel.

Despite increasing vaccination levels, the development and spread of highly transmissible COVID-19 variants creates continued risk of further disruptions to the automotive industry. The ultimate business and economic impacts of COVID-19 will depend on various factors,

including the possibility of future shutdowns, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lockdowns (including due to any future wave of COVID-19), the potential for a recession in key markets due to the effect of the pandemic, the impact on customers and suppliers, including inflationary cost increases for wages, materials, energy, and other costs, as overall economic activity rebounds, and the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic, which had a negative impact on OEM light vehicle production levels globally in 2021, or any other supply chain disruptions.

OEM customers have taken a number of actions in response to the semiconductor chip shortage, such as: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. Such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including: lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; and premium freight costs to expedite shipments. Additionally, Tier 1 suppliers have faced price increases from sub-suppliers that have been negatively impacted by production inefficiencies and/or other costs related to the semiconductor chip shortage and other supply chain issues. While the Company expects to recover some of the lost production volumes, it remains unclear when supply and demand for automotive semiconductor chips will rebalance and it continues to be difficult to predict the full impact of the chip shortage and any other supply chain disruptions.

As a result of the uncertain economic and business impacts of the COVID-19 pandemic, semiconductor chip shortage, and other supply chain disruptions, management has reviewed the estimates, judgments and assumptions used in the preparation of the consolidated financial statements, including the determination of whether indications of any asset impairment exist. As a result, asset impairment charges were recognized during the second quarter of 2020. No such charges were recognized during the third and fourth quarters of 2020 or in 2021. Further revisions may be required in future periods depending on the extent of the negative impacts on the business arising from the COVID-19 pandemic, semiconductor chip shortage, or any other supply chain disruptions, as they continue to evolve. Any such revisions may result in, among other things, further asset impairments, restructuring costs, and/or adjustments to the carrying amount of trade and other receivables and/or inventories, or to the valuation of deferred tax assets and/or pension assets or obligations, any of which could have a material impact on the Company's results of operations and financial position.

The Company expects to be able to continue to respond to the COVID-19 pandemic, semiconductor chip shortage, and other supply chain issues in a measured, prudent and decisive manner with continued emphasis on health and safety, cash conservation and the maintenance of its liquidity position.

The Company continues to work with all of its stakeholders to address the challenges, including:

- our supply base to deal with their challenges, including maintaining production and safety protocols;
- our customers to assist with meeting production requirements, as well as the development of new programs and products;
- our governmental and regulatory authorities to ensure the safety and the economic well-being of our industry;
- our capital providers to ensure liquidity; and
- our employees to minimize the impacts of the pandemic, including a safe and healthy work environment.

As the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration. A prolonged pandemic would likely:

- deteriorate economic conditions, resulting in lower consumer confidence, which typically translates into lower vehicle sales and production levels;
- reduce our customers' production volume levels, including as a result of intermittent facility shutdowns due to the industry-wide shortage of semiconductor chips or other such material shortages;
- elevate the financial pressure on our customers, which would likely increase pricing pressure on the Company; and
- reduce our production levels, including as a result of intermittent shutdowns of our manufacturing facilities.

Additionally, a prolonged pandemic could:

- cause potential shortages of employees to staff our facilities, or the facilities of our customers or suppliers;

- lead to prolonged disruptions of critical components, including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or
- result in governmental regulation adversely impacting our business.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on our business, financial condition and results of operations. See also Description of the Business and Trends and Risk Factors in the Company's AIF and Risk and Uncertainties in this MD&A.

## ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A. de C.V. ("Metalsa"). The Company acquired certain assets and liabilities in Mexico and 100% of the outstanding shares of entities in the other jurisdictions. The operations acquired by the Company specialize in a wide variety of metal forming technologies, including chassis components such as cradles, control arms, and trailing arms; body components such as side rails, A and B pillars, door beams, wheel housings and bumpers; and several other components such as fuel tanks. The operations also have some leading-edge technologies in multi-material joining further promoting Martinrea's lightweighting strategies. The acquisition added six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The purchase price for the transaction was US \$19.9 million (\$26.5 million), inclusive of working capital less cash on hand, and on a debt-free basis.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020. As a result of the acquisition, year-over-year financial results may not be directly comparable.

## OVERALL RESULTS

Results of operations may include certain items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. In addition to International Financial Reporting Standards ("IFRS") measures, management uses non-IFRS measures in the Company's disclosures that it believes provide the most appropriate basis on which to evaluate the Company's results.

The following tables set out certain highlights of the Company's performance for the three months and years ended December 31, 2021 and 2020. Refer to the Company's consolidated financial statements for the year ended December 31, 2021 for a detailed account of the Company's performance for the periods presented in the tables below.

	Year ended December 31, 2021		Year ended December 31, 2020		\$ Change	% Change
Sales	\$	3,783,953	\$	3,375,286	408,667	12.1%
Gross Margin		345,624		415,097	(69,473)	(16.7%)
Operating Income		62,917		27,538	35,379	128.5%
Net Income (Loss) for the year		35,880		(27,317)	63,197	231.3%
Net Earnings (Loss) per Share - Basic and Diluted	\$	0.45	\$	(0.34)	0.79	232.4%
<b>Non-IFRS Measures*</b>						
Adjusted Operating Income	\$	68,390	\$	123,980	(55,590)	(44.8%)
<i>% of Sales</i>		1.8 %		3.7 %		
Adjusted EBITDA		317,570		365,503	(47,933)	(13.1%)
<i>% of Sales</i>		8.4 %		10.8 %		
Adjusted Net Income		32,884		46,856	(13,972)	(29.8%)
Adjusted Net Earnings per Share - Basic and Diluted	\$	0.41	\$	0.58	(0.17)	(29.3%)

	Three months ended December 31, 2021		Three months ended December 31, 2020		\$ Change	% Change
Sales	\$	1,053,440	\$	1,070,956	(17,516)	(1.6%)
Cost of sales (excluding depreciation)		(932,049)		(858,124)	(73,925)	(8.6%)
Depreciation of property, plant and equipment and right-of-use assets (production)		(58,359)		(56,991)	(1,368)	(2.4%)
Gross Margin		63,032		155,841	(92,809)	(59.6%)
Research and development costs		(8,250)		(7,340)	(910)	(12.4%)
Selling, general and administrative		(53,113)		(76,885)	23,772	30.9%
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(3,775)		(4,303)	528	12.3%
Loss on disposal of property, plant and equipment		(794)		(306)	(488)	(159.5%)
Amortization of customer contracts and relationships		—		(871)	871	100.0%
Operating Income (Loss)	\$	(2,900)	\$	66,136	(69,036)	(104.4%)
Share of loss of equity investments		(1,144)		(429)	(715)	(166.7%)
Gain on dilution of equity investments		—		866	(866)	(100.0%)
Finance expense		(8,714)		(8,885)	171	1.9%
Other finance income (expense)		(305)		(625)	320	51.2%
Income (Loss) before taxes	\$	(13,063)	\$	57,063	(70,126)	(122.9%)
Income tax recovery (expense)		3,410		(12,093)	15,503	128.2%
Net Income (Loss) for the period		(9,653)		44,970	(54,623)	(121.5%)
Net Earnings (Loss) per Share - Basic and Diluted	\$	(0.12)	\$	0.56	(0.68)	(121.4%)
<b>Non-IFRS Measures*</b>						
Adjusted Operating Income (Loss)	\$	(2,900)	\$	66,136	(69,036)	(104.4%)
% of Sales		(0.3)%		6.2 %		
Adjusted EBITDA		63,239		131,724	(68,485)	(52.0%)
% of Sales		6.0 %		12.3 %		
Adjusted Net Income (Loss)		(9,653)		44,212	(53,865)	(121.8%)
Adjusted Net Earnings (Loss) per Share - Basic and Diluted	\$	(0.12)	\$	0.55	(0.67)	(121.8%)

#### **\*Non-IFRS Measures**

The Company prepares its consolidated financial statements in accordance with 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 (Loss)", "Adjusted Net Earnings (Loss) per Share (on a basic and diluted basis)", "Adjusted Operating Income (Loss)", "Adjusted EBITDA", "Free Cash Flow", and "Net Debt".

The following tables provide a reconciliation of IFRS "Net Income (Loss)" to non-IFRS "Adjusted Net Income (Loss)", "Adjusted Operating Income (Loss)" and "Adjusted EBITDA".

	Three months ended December 31, 2021		Three months ended December 31, 2020	
Net Income (Loss)	\$	(9,653)	\$	44,970
Adjustments, after tax*		—		(758)
Adjusted Net Income (Loss)	\$	(9,653)	\$	44,212



	Year ended December 31, 2021		Year ended December 31, 2020	
Net Income (Loss)	\$	35,880	\$	(27,317)
Adjustments, after tax*		(2,996)		74,173
Adjusted Net Income	\$	32,884	\$	46,856

\*Adjustments are explained in the "Adjustments to Net Income (Loss)" section of this MD&A

	Three months ended December 31, 2021		Three months ended December 31, 2020	
Net Income (Loss)	\$	(9,653)	\$	44,970
Income tax expense (recovery)		(3,410)		12,093
Other finance expense		305		625
Share of loss of equity investments		1,144		429
Finance expense		8,714		8,885
Adjustments, before tax*		—		(866)
Adjusted Operating Income (Loss)	\$	(2,900)	\$	66,136
Depreciation of property, plant and equipment and right-of-use assets		62,134		61,294
Amortization of intangible assets		3,211		3,988
Loss on disposal of property, plant and equipment		794		306
Adjusted EBITDA	\$	63,239	\$	131,724

	Year ended December 31, 2021		Year ended December 31, 2020	
Net Income (Loss)	\$	35,880	\$	(27,317)
Income tax expense		11,381		12,007
Other finance expense (income)		(13,386)		5,633
Share of loss of equity investments		3,924		2,310
Finance expense		32,918		35,771
Adjustments, before tax*		(2,327)		95,576
Adjusted Operating Income	\$	68,390	\$	123,980
Depreciation of property, plant and equipment and right-of-use assets		235,434		227,338
Amortization of intangible assets		12,788		13,642
Loss on disposal of property, plant and equipment		958		543
Adjusted EBITDA	\$	317,570	\$	365,503

\*Adjustments are explained in the "Adjustments to Net Income (Loss)" section of this MD&A

## **SALES**

### ***Three months ended December 31, 2021 to three months ended December 31, 2020 comparison***

	Three months ended December 31, 2021		Three months ended December 31, 2020		\$ Change	% Change
North America	\$	772,196	\$	792,069	(19,873)	(2.5%)
Europe		239,141		234,625	4,516	1.9%
Rest of the World		47,149		48,113	(964)	(2.0%)
Eliminations		(5,046)		(3,851)	(1,195)	(31.0%)
Total Sales	\$	1,053,440	\$	1,070,956	(17,516)	(1.6%)

The Company's consolidated sales for the fourth quarter of 2021 decreased by \$17.5 million or 1.6% to \$1,053.4 million as compared to \$1,071.0 million for the fourth quarter of 2020. The total decrease in sales was driven by year-over-year decreases in the North America and Rest of the World operating segments, partially offset by a year-over-year increase in Europe.

Sales for the fourth quarter of 2021 in the Company's North America operating segment decreased by \$19.9 million or 2.5% to \$772.2 million from \$792.1 million for the fourth quarter of 2020. The decrease was due to overall lower industry volumes, primarily as a result

of the impact the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic had on OEM production of certain light vehicle platforms; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a negative impact on overall sales for the fourth quarter of 2021 of \$24.8 million as compared to the fourth quarter of 2020. These negative factors were partially offset by the launch of new programs during or subsequent to the fourth quarter of 2020, including the new Jeep Grand Cherokee and Wagoneer, Ford Mach E Mustang, and a six-cylinder aluminum engine block for Ford; and an increase in tooling sales of \$89.0 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. Overall fourth quarter OEM light vehicle production volumes in North America decreased by approximately 17% year-over-year, with the industry-wide shortage of semiconductor chips negatively impacting current year volumes.

Sales for the fourth quarter of 2021 in the Company's Europe operating segment increased by \$4.5 million or 1.9% to \$239.1 million from \$234.6 million for the fourth quarter of 2020. The increase can be attributed to a \$20.4 million increase in tooling sales and the launch of new programs during or subsequent to the fourth quarter of 2020, mainly with Daimler, Ford, Volvo, and Lucid Motors. These positive factors were partially offset by the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the fourth quarter of 2021 of \$13.4 million as compared to the fourth quarter of 2020; and overall lower OEM light vehicle production volumes, which decreased in Europe by approximately 27% year-over-year, primarily as a result of the industry-wide shortage of semiconductor chips.

Sales for the fourth quarter of 2021 in the Company's Rest of the World operating segment decreased by \$1.0 million or 2.0% to \$47.1 million from \$48.1 million in the fourth quarter of 2020. The decrease was largely driven by lower year-over-year production volumes, including a program that came with from the operations acquired from Metalsa that ended production during or subsequent to the fourth quarter of 2020; and a \$0.3 million negative foreign exchange impact from the translation of foreign denominated production sales as compared to the fourth quarter of 2020. These negative factors were partially offset by the launch of new programs during or subsequent to the fourth quarter of 2020, namely with Geely; and a \$5.6 million increase in tooling sales.

Overall tooling sales increased by \$115.0 million to \$203.6 million for the fourth quarter of 2021 from \$88.6 million for the fourth quarter of 2020.

***Year ended December 31, 2021 to year ended December 31, 2020 comparison***

	Year ended December 31, 2021	Year ended December 31, 2020	\$ Change	% Change
North America	\$ 2,737,488	\$ 2,537,220	200,268	7.9%
Europe	899,972	683,876	216,096	31.6%
Rest of the World	172,915	168,778	4,137	2.5%
Eliminations	(26,422)	(14,588)	(11,834)	(81.1%)
<b>Total Sales</b>	<b>\$ 3,783,953</b>	<b>\$ 3,375,286</b>	<b>408,667</b>	<b>12.1%</b>

The Company's consolidated sales for the year ended December 31, 2021 increased by \$408.7 million or 12.1% to \$3,784.0 million as compared to \$3,375.3 million for the year ended December 31, 2020. Sales for the year ended December 31, 2021 increased year-over-year across all operating segments.

Sales for the year ended December 31, 2021 in the Company's North America operating segment increased by \$200.3 million or 7.9% to \$2,737.5 million from \$2,537.2 million for the year ended December 31, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for \$27.2 million of the year-over-year increase in sales (including a \$4.8 million increase in tooling sales). Excluding the acquired operations, sales for the year ended December 31, 2021 in North America increased year-over-year by \$173.1 million or 7.0%. The increase was due generally to the launch of new programs during or subsequent to the year ended December 31, 2020, including the new Jeep Grand Cherokee and Wagoneer, Ford Mach E Mustang, Nissan Rogue and Pathfinder, and a six-cylinder aluminum engine block for Ford; and an increase in tooling sales of \$133.1 million, which are typically dependent on the timing of tooling construction and final acceptance by the customer. These positive factors were partially offset by the impact of foreign exchange on the translation of U.S.-denominated production sales, which had a negative impact on overall sales for the year ended December 31, 2021 of approximately \$153.7 million as compared to the corresponding period of 2020; and lower OEM production volumes on specific light vehicle platforms as a result of the industry-wide shortage of semiconductor chips, including the GM Equinox / Terrain and Ford's Edge and Escape.

Sales for the year ended December 31, 2021 in the Company's Europe operating segment increased by \$216.1 million or 31.6% to \$900.0 million from \$683.9 million for the year ended December 31, 2020. The operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, accounted for \$87.2 million of the year-over-year increase in sales (including a \$27.5 million increase in tooling sales). Excluding the acquired operations, sales for the year ended December 31, 2021 in Europe increased year-over-year by \$128.9 million or 24.3%. The increase can be attributed to the launch of new programs during or subsequent to the year ended December 31, 2020, mainly with Daimler, Ford, Volvo, and Lucid Motors, and higher OEM production volumes on specific light vehicle and powertrain platforms, largely with Daimler. These positive factors were partially offset by the impact of foreign exchange on the translation of Euro denominated production sales, which had a negative impact on overall sales for the year ended December 31, 2021 of \$14.2 million as compared to the corresponding period of 2020; and a \$9.7 million decrease in tooling sales.

Sales for the year ended December 31, 2021 in the Company's Rest of the World operating segment increased by \$4.1 million or 2.5% to \$172.9 million from \$168.8 million for the year ended December 31, 2020. Sales from the operations acquired from Metalsa, results for which were consolidated with those of the Company effective March 2, 2020, decreased by \$6.5 million year-over-year due to a program that ended production during 2021. Excluding the acquired operations, sales for the year ended December 31, 2021 in the Rest of the World increased year-over-year by \$10.6 million or 10.8%. The increase was largely driven by higher year-over-year OEM production volumes, mainly in Brazil; and the launch of new programs during or subsequent to the year ended December 31, 2020, namely with Geely. These positive factors were partially offset by a \$4.9 million negative foreign exchange impact from the translation of foreign-denominated production sales as compared to the corresponding period of 2020 and a \$0.2 million decrease in tooling sales.

Overall tooling sales, inclusive of the operations acquired from Metalsa, increased by \$155.5 million to \$373.9 million for the year ended December 31, 2021 from \$218.4 million for the year ended December 31, 2020.

## **GROSS MARGIN**

### ***Three months ended December 31, 2021 to three months ended December 31, 2020 comparison***

	<b>Three months ended December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>\$ Change</b>	<b>% Change</b>
Gross margin	\$ 63,032	\$ 155,841	(92,809)	(59.6)%
% of Sales	6.0 %	14.6 %		

The gross margin percentage for the fourth quarter of 2021 of 6.0% decreased as a percentage of sales by 8.6% as compared to the gross margin percentage for the fourth quarter of 2020 of 14.6%. The decrease in gross margin as a percentage of sales was generally due to:

- overall lower production sales volume and corresponding lower utilization of assets, driven primarily by the industry-wide shortage of semiconductor chips;
- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEMs' production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities, including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in tooling sales, which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by productivity and efficiency improvements at certain operating facilities.

**Year ended December 31, 2021 to year ended December 31, 2020 comparison**

	Year ended December 31, 2021		Year ended December 31, 2020		\$ Change	% Change
Gross margin	\$	345,624	\$	415,097	(69,473)	(16.7%)
% of Sales		9.1 %		12.3 %		

The gross margin percentage for the year ended December 31, 2021 of 9.1% decreased as a percentage of sales by 3.2% as compared to the gross margin percentage for the year ended December 31, 2020 of 12.3%. The decrease in gross margin as a percentage of sales was generally due to:

- a negative sales mix;
- production inefficiencies related to the semiconductor chip shortage driven by production lines being stopped/restarted unexpectedly based on OEMs' production priorities;
- generally higher labour, material and energy costs;
- other operational inefficiencies at certain operating facilities, including launch related costs and upfront costs incurred in preparation of upcoming new programs;
- an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021;
- an increase in tooling sales, which typically earn low margins for the Company; and
- a decrease in COVID-related government subsidies.

These factors were partially offset by contribution from higher sales volume, as previously explained, and productivity and efficiency improvements at certain operating facilities.

**SELLING, GENERAL & ADMINISTRATIVE ("SG&A")**

**Three months ended December 31, 2021 to three months ended December 31, 2020 comparison**

	Three months ended December 31, 2021		Three months ended December 31, 2020		\$ Change	% Change
Selling, general & administrative	\$	53,113	\$	76,885	(23,772)	(30.9)%
% of Sales		5.0 %		7.2 %		

SG&A expense for the fourth quarter of 2021 decreased by \$23.8 million to \$53.1 million as compared to SG&A expense for the fourth quarter of 2020 of \$76.9 million. The decrease in SG&A expense can largely be attributed to a decrease in overall variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units, and actions taken by the Company to manage costs in response to the volatile OEM production volume environment driven by the industry-wide shortage of semiconductor chips.

SG&A expense as a percentage of sales decreased to 5.0% for the fourth quarter of 2021 compared to 7.2% for the fourth quarter of 2020 for the factors noted above.

**Year ended December 31, 2021 to year ended December 31, 2020 comparison**

	Year ended December 31, 2021		Year ended December 31, 2020		\$ Change	% Change
Selling, general & administrative	\$	228,346	\$	246,364	(18,018)	(7.3%)
% of Sales		6.0 %		7.3 %		

SG&A expense for the year ended December 31, 2021 decreased by \$18.0 million to \$228.3 million as compared to SG&A expense, before adjustments, for the year ended December 31, 2020 of \$246.4 million.

Excluding transaction costs related to operations acquired from Metalsa expensed as SG&A during the year ended December 31, 2020, as explained in Table B under "Adjustments to Net Income (Loss)", SG&A expense for the year ended December 31, 2021 decreased

by \$15.5 million year-over-year. The decrease can largely be attributed to a decrease in overall variable compensation expense, including equity-based compensation expense related to deferred, restricted, and performance share units, and stock options, and actions taken by the Company to manage costs in response to the volatile OEM production volume environment driven by the industry-wide shortage of semiconductor chips.

Excluding adjustments, SG&A expense as a percentage of sales decreased from 7.2% for the year ended December 31, 2020 to 6.0% for the year ended December 31, 2021 for the factors noted above and in light of higher year-over-year sales.

## **DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT ("PP&E"), RIGHT-OF-USE ASSETS AND AMORTIZATION OF INTANGIBLE ASSETS**

### ***Three months ended December 31, 2021 to three months ended December 31, 2020 comparison***

	Three months ended December 31, 2021	Three months ended December 31, 2020	\$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	\$ 58,359	\$ 56,991	1,368	2.4%
Depreciation of PP&E and right-of-use assets (non-production)	3,775	4,303	(528)	(12.3%)
Amortization of development costs	3,211	3,117	94	3.0%
Amortization of customer contracts and relationships	—	871	(871)	(100.0%)
<b>Total depreciation and amortization</b>	<b>\$ 65,345</b>	<b>\$ 65,282</b>	<b>63</b>	<b>0.1%</b>

Total depreciation and amortization expense for the fourth quarter of 2021 was generally consistent with total depreciation and amortization expense for the fourth quarter of 2020. An increase in depreciation expense resulting from a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the fourth quarter of 2020, was essentially offset by a decrease in depreciation and amortization expense resulting from impairment charges recorded in the second quarter of 2020, as explained in the "Adjustments to Net Income (Loss)" section of this MD&A, and previously acquired customer contracts and relationships being fully amortized in 2020.

A significant portion of the Company's recent investments relates to various new programs that commenced during or subsequent to the fourth quarter of 2020 and new and replacement programs scheduled to launch over the next two to three years in all of the Company's various product offerings. The Company continues to make significant investments in the operations of the Company in light of its growing backlog of business and growing global footprint.

Depreciation of PP&E and right-of-use assets (production) as a percentage of sales increased slightly year-over-over to 5.5% for the fourth quarter of 2021 from 5.3% for the fourth quarter of 2020.

### ***Year ended December 31, 2021 to year ended December 31, 2020 comparison***

	Year ended December 31, 2021	Year ended December 31, 2020	\$ Change	% Change
Depreciation of PP&E and right-of-use assets (production)	\$ 220,126	\$ 211,385	8,741	4.1 %
Depreciation of PP&E and right-of-use assets (non-production)	15,308	15,953	(645)	(4.0)%
Amortization of development costs	12,788	11,807	981	8.3%
Amortization of customer contracts and relationships	—	1,835	(1,835)	(100.0%)
<b>Total depreciation and amortization</b>	<b>\$ 248,222</b>	<b>\$ 240,980</b>	<b>7,242</b>	<b>3.0 %</b>

Total depreciation and amortization expense for the year ended December 31, 2021 increased by \$7.2 million to \$248.2 million as compared to \$241.0 million for the year ended December 31, 2020. The increase in total depreciation and amortization expense for the year ended December 31, 2021 was primarily due to additional depreciation on a larger PP&E asset base relating to new and replacement business that commenced during or subsequent to the year ended December 31, 2020; partially offset by a decrease in depreciation and amortization expense resulting from impairment charges recorded in the second quarter of 2020, as explained in the

"Adjustments to Net Income (Loss)" section of this MD&A, and previously acquired customer contracts and relationships being fully amortized in 2020.

Depreciation of PP&E and right-of-use assets (production) as a percentage of sales decreased year-over-year to 5.8% for the year ended December 31, 2021 from 6.3% for the year ended December 31, 2020 due mainly to higher overall sales volume.

### **ADJUSTMENTS TO NET INCOME (LOSS)**

Adjusted Net Income (Loss) excludes certain items as set out in the following tables and described in the notes thereto. Management uses Adjusted Net Income (Loss) as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

### **TABLE A**

#### *Three months ended December 31, 2021 to three months ended December 31, 2020 comparison*

	Three months ended December 31, 2021	Three months ended December 31, 2020	\$ Change
<b>NET INCOME (LOSS)</b>	<b>\$ (9,653)</b>	<b>\$ 44,970</b>	<b>\$ (54,623)</b>
Adjustments:			
Gain on dilution of equity investments (2)	—	(866)	866
<b>ADJUSTMENTS, BEFORE TAX</b>	<b>\$ —</b>	<b>\$ (866)</b>	<b>\$ 866</b>
Tax impact of above items	—	108	(108)
<b>ADJUSTMENTS, AFTER TAX</b>	<b>\$ —</b>	<b>\$ (758)</b>	<b>\$ 758</b>
<b>ADJUSTED NET INCOME (LOSS)</b>	<b>\$ (9,653)</b>	<b>\$ 44,212</b>	<b>\$ (53,865)</b>
Number of Shares Outstanding – Basic ('000)	80,367	80,294	
Adjusted Basic Net Earnings (Loss) Per Share	\$ (0.12)	\$ 0.55	
Number of Shares Outstanding – Diluted ('000)	80,367	80,382	
Adjusted Diluted Net Earnings (Loss) Per Share	\$ (0.12)	\$ 0.55	

**TABLE B***Year ended December 31, 2021 to year ended December 31, 2020 comparison*

	Year ended December 31, 2021	Year ended December 31, 2020	\$ Change
<b>NET INCOME (LOSS)</b>	<b>\$ 35,880</b>	<b>\$ (27,317)</b>	<b>\$ 63,197</b>
Adjustments:			
Restructuring costs (1)	5,473	8,170	(2,697)
Gain on dilution of equity investments (2)	(7,800)	(866)	(6,934)
Impairment of assets (3)	—	85,783	(85,783)
Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A) (4)	—	2,489	(2,489)
<b>ADJUSTMENTS, BEFORE TAX</b>	<b>\$ (2,327)</b>	<b>\$ 95,576</b>	<b>\$ (97,903)</b>
Tax impact of above items	(669)	(21,403)	20,734
<b>ADJUSTMENTS, AFTER TAX</b>	<b>\$ (2,996)</b>	<b>\$ 74,173</b>	<b>\$ (77,169)</b>
<b>ADJUSTED NET INCOME</b>	<b>\$ 32,884</b>	<b>\$ 46,856</b>	<b>\$ (13,972)</b>
Number of Shares Outstanding – Basic ('000)	80,337	80,142	
Adjusted Basic Net Earnings (Loss) Per Share	\$ 0.41	\$ 0.58	
Number of Shares Outstanding – Diluted ('000)	80,408	80,142	
Adjusted Diluted Net Earnings (Loss) Per Share	\$ 0.41	\$ 0.58	

**(1) Restructuring costs**

Additions to the restructuring provision for the year ended December 31, 2021, recognized during the first and second quarters of 2021, totaled \$5.5 million and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision for the year ended December 31, 2020, recognized during the second quarter of 2020, totaled \$8.2 million and represent employee-related severance resulting from a reduction in the Company's workforce globally in response to the COVID-19 global pandemic. Of the total addition to the restructuring provision, \$6.6 million relates to North America, \$1.0 million to Europe and \$0.6 million to the Rest of the World.

**(2) Gain on dilution of equity investments**

As at December 31, 2020, the Company held 34,045,954 common shares of NanoXplore Inc. ("NanoXplore") representing a 23.3% equity interest in NanoXplore (on a non-diluted basis). On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of \$46.0 million. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of \$4.0 million. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$7.8 million in the first quarter of 2021.

During the fourth quarter of 2020, NanoXplore converted an aggregate principal amount of \$10.0 million of convertible unsecured subordinated debentures into common shares. Consequently, the Company's net ownership interest decreased to 23.3% from 24.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$0.9 million in the fourth quarter of 2020.

**(3) Impairment of assets**

The significant reduction in volumes and industry production projections as a result of the COVID-19 global pandemic negatively impacted the recoverable amount of certain of the Company's production-related assets and also changed the expected usage of

certain other assets. As a result, during the second quarter of 2020, the Company completed an analysis of its asset base and concluded there existed certain indicators of impairment for specific assets and cash-generating units ("CGU"). Accordingly, the Company tested these assets and CGUs for recoverability using projected sales and cash flows modelled from industry production projections. Based on the results of this testing, during the second quarter of 2020, the Company recorded impairment charges on property, plant and equipment, right-of-use assets, intangible assets and inventories across its three operating segments totaling \$85.8 million, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company's segments, including the United States, Slovakia, China and Brazil. Of the total impairment charge, \$72.2 million was recognized in North America, \$1.3 million in Europe, and \$12.3 million in the Rest of the World. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

#### (4) Transaction costs associated with the operations acquired from Metalsa (recorded as SG&A)

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. Included in SG&A expense are transaction costs related to the acquisition totaling \$2.5 million in the first quarter of 2020.

### **NET INCOME (LOSS)**

#### *Three months ended December 31, 2021 to three months ended December 31, 2020 comparison*

	Three months ended December 31, 2021	Three months ended December 31, 2020	\$ Change	% Change
Net Income (Loss)	\$ (9,653)	\$ 44,970	(54,623)	(121.5%)
Adjusted Net Income (Loss)	\$ (9,653)	\$ 44,212	(53,865)	(121.8%)
Net Earnings (Loss) per Share				
Basic and Diluted	\$ (0.12)	\$ 0.56		
Adjusted Net Earnings (Loss) per Share				
Basic and Diluted	\$ (0.12)	\$ 0.55		

Net Income (Loss), before adjustments, for the fourth quarter of 2021 decreased by \$54.6 million to a Net Loss of \$9.7 million or (\$0.12) per share, on a basic and diluted basis, from a Net Income of \$45.0 million or \$0.56 per share, on a basic and diluted basis, for the fourth quarter of 2020. Excluding the adjustments explained in Table A under "Adjustments to Net Income (Loss)", Adjusted Net Income (Loss) for the fourth quarter of 2021 decreased by \$53.9 million to an Adjusted Net Loss of \$9.7 million or (\$0.12) per share, on a basic and diluted basis, from Adjusted Net Income of \$44.2 million or \$0.55 per share, on a basic and diluted basis, for the fourth quarter of 2020.

The Net Loss and Adjusted Net Loss for the fourth quarter of 2021, as compared to Net Income and Adjusted Net Income for the fourth quarter of 2020, were negatively impacted by lower gross margin on lower year-over-year sales volume; partially offset by a year-over-year decrease in SG&A expense, as previously explained.

#### *Year ended December 31, 2021 to year ended December 31, 2020 comparison*

	Year ended December 31, 2021	Year ended December 31, 2020	\$ Change	% Change
Net Income (Loss)	\$ 35,880	\$ (27,317)	63,197	231.3%
Adjusted Net Income	32,884	46,856	(13,972)	(29.8%)
Net Earnings (Loss) per Share				
Basic and Diluted	\$ 0.45	\$ (0.34)		
Adjusted Net Earnings per Share				
Basic and Diluted	\$ 0.41	\$ 0.58		



Net Income (Loss), before adjustments, for the year ended December 31, 2021 increased by \$63.2 million to Net Income of \$35.9 million from a Net Loss of \$27.3 million for the year ended December 31, 2020 due largely to certain items incurred during the years ended December 31, 2021 and 2020 as explained in Table B under "Adjustments to Net Income (Loss)". Excluding these adjustments, Adjusted Net Income for the year ended December 31, 2021 decreased to \$32.9 million or \$0.41 per share, on a basic and diluted basis, from \$46.9 million or \$0.58 per share, on a basic and diluted basis, for the year ended December 31, 2020.

Adjusted Net Income for the year ended December 31, 2021, as compared to the year ended December 31, 2020, was negatively impacted by the following:

- lower gross margin on higher year-over-year sales volume, as previously explained;
- a year-over-year increase in research and development costs; and
- an increase in the Company's share of loss of equity investments.

These factors were partially offset by the following:

- a net unrealized foreign exchange gain of \$12.6 million for the year ended December 31, 2021 compared to a loss of \$6.1 million for the year ended December 31, 2020;
- a year-over-year decrease in SG&A expense, as previously discussed;
- a year-over-year decrease in finance expense; and
- a lower effective tax rate on adjusted income (26.8% for the year ended December 31, 2021 compared to 41.6% for the year ended December 31, 2020).

## **ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

### ***Three months ended December 31, 2021 to three months ended December 31, 2020 comparison***

	<b>Three months ended December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>\$ Change</b>	<b>% Change</b>
Additions to PP&E	\$ 117,121	\$ 121,940	(4,819)	(4.0)%

Additions to PP&E remained largely consistent year-over-year, ending the fourth quarter of 2021 at \$117.1 million or 11.1% of sales compared to \$121.9 million or 11.4% of sales in the fourth quarter of 2020. Capital additions include new program capital and incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches. The Company continues to make investments in the business including in various sales and margin growth projects and in new and replacement business in all its various product offerings, while continuing to apply a measured and prudent approach to capital investment.

### ***Year ended December 31, 2021 to year ended December 31, 2020 comparison***

	<b>Year ended December 31, 2021</b>	<b>Year ended December 31, 2020</b>	<b>\$ Change</b>	<b>% Change</b>
Additions to PP&E	\$ 346,648	\$ 303,393	43,255	14.3%

Additions to PP&E increased by \$43.3 million to \$346.6 million or 9.2% of sales for the year ended December 31, 2021 compared to \$303.4 million or 9.0% of sales for the year ended December 31, 2020. Certain new program additions, previously delayed during the COVID-related shutdowns in the second quarter of 2020, moved into the back half of 2020 and 2021, as preparations for upcoming new program launches resumed and continue. Capital additions also include incremental investments required in equipment related to several customer-driven engineering changes on upcoming new program launches.

## **SEGMENT ANALYSIS**

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, which is the Chief Executive Officer. Given the differences between the regions in which the Company operates, Martinrea's operations are segmented and aggregated on a geographic basis

among North America, Europe and the Rest of the World. The Company measures segment operating performance based on operating income (loss).

**Three months ended December 31, 2021 to three months ended December 31, 2020 comparison**

	SALES		OPERATING INCOME (LOSS)	
	Three months ended December 31, 2021	Three months ended December 31, 2020	Three months ended December 31, 2021	Three months ended December 31, 2020
North America	\$ 772,196	\$ 792,069	\$ (6,595)	\$ 55,455
Europe	239,141	234,625	(1,145)	4,497
Rest of the World	47,149	48,113	4,840	6,184
Eliminations	(5,046)	(3,851)	—	—
Total	\$ 1,053,440	\$ 1,070,956	\$ (2,900)	\$ 66,136

**North America**

Operating Income (Loss) in North America decreased by \$62.1 million to an Operating Loss of \$6.6 million or (0.9%) of sales for the fourth quarter of 2021 from Operating Income of \$55.5 million or 7.0% for the fourth quarter of 2020. The decrease in Operating Income (Loss) as a percentage of sales was generally due to overall lower production sales volume and corresponding lower utilization of assets, driven primarily by the industry-wide shortage of semiconductor chips; a negative sales mix; production related inefficiencies related to the semiconductor chip shortage and other supply chain disruptions driven by production lines being stopped/restarted unexpectedly based on OEMs' production priorities; higher labour and material costs; other operational inefficiencies at certain operating facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in tooling sales which typically earn low margins to the Company; and a decrease in COVID-related government subsidies. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales.

**Europe**

Operating Income (Loss) in Europe decreased by \$5.6 million to an Operating Loss of \$1.1 million or (0.5%) of sales for the fourth quarter of 2021 from Operating Income of \$4.5 million or 1.9% of sales for the fourth quarter of 2020. The decrease in Operating Income (Loss) as a percentage of sales was generally due to higher material and energy costs; and launch related costs. These negative factors were partially offset by productivity and efficiency improvements at certain operating facilities.

**Rest of the World**

Operating Income in the Rest of the World decreased by \$1.3 million to \$4.8 million or 10.3% of sales for the fourth quarter of 2021 from \$6.2 million or 12.9% of sales for the fourth quarter of 2020, due generally to lower year-over-year production sales volume and launch related costs.

**Year ended December 31, 2021 to year ended December 31, 2020 comparison**

	SALES		OPERATING INCOME (LOSS)*	
	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
North America	\$ 2,737,488	\$ 2,537,220	\$ 64,978	\$ 141,543
Europe	899,972	683,876	(11,123)	(35,923)
Rest of the World	172,915	168,778	14,535	18,360
Eliminations	(26,422)	(14,588)	—	—
Adjusted Operating Income	—	—	\$ 68,390	\$ 123,980
Adjustments*	—	—	(5,473)	(96,442)
Total	\$ 3,783,953	\$ 3,375,286	\$ 62,917	\$ 27,538

\* Operating Income (Loss) for the operating segments has been adjusted for certain items as explained in Table B under "Adjustments to Net Income (Loss)". The \$5.5 million adjustment for the year ended December 31, 2021 was recognized in Europe. Of the \$96.4 million of adjustments for the year ended December 31, 2020, \$81.2 million was incurred in North America, \$2.3 million in Europe and \$12.9 million in the Rest of the World.

### North America

Adjusted Operating Income in North America decreased by \$76.6 million to \$65.0 million or 2.4% of sales for the year ended December 31, 2021 from \$141.5 million or 5.6% of sales for the year ended December 31, 2020. The decrease in adjusted operating income as a percentage of sales was generally due to a negative sales mix; production inefficiencies related to the semiconductor chip shortage and other supply chain disruptions driven by production lines being stopped/restarted unexpectedly based on OEMs' production priorities; higher labour and material costs; other operational inefficiencies at certain facilities including launch related costs and upfront costs incurred in preparation of upcoming new programs; an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021; an increase in tooling sales which typically earn low margins for the Company; and a decrease in COVID-related government subsidies. These negative factors were partially offset by contribution from higher sales volume; productivity and efficiency improvements at certain operating facilities; and lower SG&A expense as a percentage of sales.

### Europe

Adjusted Operating Loss in Europe improved by \$24.8 million to a loss of \$11.1 million or (1.2%) of sales for the year ended December 31, 2021 from \$35.9 million or (5.3%) for the year ended December 31, 2020. The decrease in Adjusted Operating Loss was generally due to incremental contribution from the higher year-over-year sales; and productivity and efficiency improvements at certain operating facilities. These factors were partially offset by an increase in the cost of aluminum raw material in conjunction with a temporary lag in the offsetting contractual increase in selling prices to the Company's customers, largely in the first quarter of 2021; and higher other material and energy costs.

### Rest of the World

Adjusted Operating Income in the Rest of the World decreased by \$3.8 million to \$14.5 million or 8.4% of sales for the year ended December 31, 2021 from \$18.4 million or 10.9% of sales for the year ended December 31, 2020 due generally to launch related costs.

### **SUMMARY OF QUARTERLY RESULTS** **(unaudited)**

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	\$1,053,440	\$ 848,497	\$ 884,866	\$ 997,150	\$1,070,956	\$ 971,060	\$ 460,564	\$ 872,706
Gross Margin	63,032	50,007	111,728	120,857	155,841	151,478	(12,459)	120,237
Net Income (Loss) for the period	(9,653)	(17,120)	23,952	38,701	44,970	45,636	(146,886)	28,963
Adjusted Net Income (Loss)	(9,653)	(17,120)	27,026	32,631	44,212	45,636	(73,115)	30,123
Basic and Diluted Net Earnings (Loss) per Share	(0.12)	(0.21)	0.30	0.48	0.56	0.57	(1.84)	0.36
Adjusted Basic and Diluted Net Earnings (Loss) per Share	(0.12)	(0.21)	0.34	0.41	0.55	0.57	(0.91)	0.38

## **LIQUIDITY AND CAPITAL RESOURCES**

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended banking facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum Net Debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of \$500 million and US \$520 million (up from \$370 million and US \$420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- available asset based financing capacity of \$300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US \$300 million (up from US \$200 million);
- pricing terms at market rates and consistent with pre-COVID levels (effective in the third quarter of 2021);
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

In light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, on November 25, 2021, the Company amended its lending agreements with its banking syndicate to provide enhanced financial covenant flexibility on a present and go forward basis. The amendment provides that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA ratio, for the four quarters up to and including the third quarter of 2022, would exclude EBITDA from the third and fourth quarters of 2021 and instead be based on the annualized total of the remaining quarters in the relevant trailing twelve month period. As a result, the impact the industry-wide shortage of semiconductor chips has had on the Company, prevalent during the third and fourth quarters of 2021, would be largely ignored for the purpose of financial covenant calculations under the Company's lending arrangements. The amendment also increased the maximum net debt to trailing twelve months EBITDA ratio for the financial covenant purposes to 4.0x, 4.5x, and 3.75x for the first, second, and third quarters of 2022, respectively, and returning to 3.0x thereafter.

As at December 31, 2021, the Company had drawn US \$466 million (December 31, 2020 – US \$336 million) on the U.S. revolving credit line and \$360 million (December 31, 2020 - \$348 million) on the Canadian revolving credit line. As at December 31, 2021, the Company had total liquidity of \$354 million, including cash and cash equivalents and availability under the Company's revolving credit lines. In addition, the Company's amended credit facility includes a \$300 million allowance for asset based financing that the Company can use for additional financing, of which approximately \$235 million was available as at December 31, 2021. At December 31, 2021, the weighted average effective interest rate of the banking facility credit lines was 2.8% (December 31, 2020 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2021.

On August 11, 2021, the Company finalized a five-year equipment loan in the amount of \$25.0 million repayable in quarterly instalments commencing in 2021 at a fixed annual interest rate of 2.54%.

On July 2, 2020, the Company finalized an eight-year equipment loan in the amount of €1.0 million (\$1.5 million) repayable in bi-annual instalments commencing in 2024 at a fixed annual interest rate of 0.0%.

On April 30, 2020, the Company finalized a three-year equipment loan in the amount of €6.6 million (\$10.0 million) repayable in monthly instalments commencing in 2021 at a fixed annual interest rate of 2.0%. On May 19, 2021, the equipment loan was amended to extend its maturity date from 2023 to 2026, postpone the commencement of monthly instalments from 2021 to 2022, and increase the fixed annual interest rate from 2.00% to 2.46%.

Effective December 20, 2021, the Company finalized a six-year manufacturing equipment lease agreement with quarterly payments of US \$1.7 million commencing in 2022, adding US \$37.4 million (\$47.2 million) to lease liabilities during 2021.

The principal sources of liquidity available for the Company's future cash requirements are expected to be cash flow from operations, cash and cash equivalents, borrowings from its revolving credit lines, and asset based financing. Management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital

expenditures, working capital, debt obligations and other commitments, despite the challenges presented by the COVID-19 pandemic, industry-wide shortage of semiconductor chips, and related supply chain disruptions. The Company's ability to fund its anticipated cash requirements, and to comply with financial covenants under the Company's banking facility, depend on the Company's future operating performance and cash flows and many factors outside of its control, including the cost of material and other input costs, the state of the overall automotive industry and financial and economic conditions, including the impact of COVID-19, the semiconductor chip shortage and related supply chain disruptions, and other factors.

**Debt leverage ratios:**

<b>Excluding the impact of IFRS 16:</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Long-term debt	\$ 1,010,990	\$ 1,016,890	\$ 921,077	\$ 873,322	\$ 835,222
Less: Cash and cash equivalents	(153,291)	(157,324)	(127,664)	(145,348)	(152,786)
<b>Net Debt</b>	<b>\$ 857,699</b>	<b>\$ 859,566</b>	<b>\$ 793,413</b>	<b>\$ 727,974</b>	<b>\$ 682,436</b>
Trailing 12-month Adjusted EBITDA	\$ 276,165	\$ 343,690	\$ 432,369	\$ 324,752	\$ 323,797
<b>Net Debt to Adjusted EBITDA ratio</b>	<b>3.11x</b>	<b>2.50x</b>	<b>1.84x</b>	<b>2.24x</b>	<b>2.11x</b>

<b>Including the impact of IFRS 16:</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Long-term debt	\$ 1,010,990	\$ 1,016,890	\$ 921,077	\$ 873,322	\$ 835,222
Lease liabilities	239,777	187,584	195,450	201,526	211,813
	1,250,767	1,204,474	1,116,527	1,074,848	1,047,035
Less: Cash and cash equivalents	(153,291)	(157,324)	(127,664)	(145,348)	(152,786)
<b>Net Debt</b>	<b>\$ 1,097,476</b>	<b>\$ 1,047,150</b>	<b>\$ 988,863</b>	<b>\$ 929,500</b>	<b>\$ 894,249</b>
Trailing 12-month Adjusted EBITDA	\$ 317,570	\$ 386,055	\$ 475,389	\$ 367,594	\$ 365,503
<b>Net Debt to Adjusted EBITDA ratio</b>	<b>3.46x</b>	<b>2.71x</b>	<b>2.08x</b>	<b>2.53x</b>	<b>2.45x</b>

The following table provides a reconciliation of Trailing 12-month Adjusted EBITDA including the impact of IFRS 16 to Trailing 12-month Adjusted EBITDA excluding the impact of IFRS 16.

	<b>December 31, 2021</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Trailing 12-month Adjusted EBITDA - including the impact of IFRS 16	\$ 317,570	\$ 386,055	\$ 475,389	\$ 367,594	\$ 365,503
Principal payments of lease liabilities	(33,753)	(34,387)	(34,689)	(34,194)	(32,966)
Interest on lease liabilities	(7,652)	(7,978)	(8,331)	(8,648)	(8,740)
<b>Trailing 12-month Adjusted EBITDA - excluding the impact of IFRS 16</b>	<b>\$ 276,165</b>	<b>\$ 343,690</b>	<b>\$ 432,369</b>	<b>\$ 324,752</b>	<b>\$ 323,797</b>

The Company's Net Debt (excluding the impact of IFRS 16) remained essentially flat during the fourth quarter of 2021 ending the period at \$857.7 million compared to \$859.6 million at the end of the third quarter of 2021. As a result of a quarter-over-quarter decrease in trailing 12-month Adjusted EBITDA, the Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of IFRS 16) increased during the quarter to 3.11x from 2.50x at the end of the third quarter of 2021.

The Company's Net Debt (excluding the impact of IFRS 16) increased by \$175.3 million during the year ended December 31, 2021 to \$857.7 million from \$682.4 million at December 31, 2020. The Company's Net Debt to Adjusted EBITDA ratio (excluding the impact of adopting IFRS 16 and as outlined above) increased during the year to 3.11x from 2.11x at the end of 2020 due largely to the impact the COVID-19 pandemic, industry-wide shortage of semiconductor chips, and other supply chain disruptions have had on the Company's cash flows, as well as operational inefficiencies at certain operating facilities including launch related costs.

The Company was in compliance with its debt covenants as at December 31, 2021. The Company's debt covenants are based on leverage ratios excluding the impact of IFRS 16 and, for the four quarters up to and including the third quarter of 2022, excludes EBITDA from the third and fourth quarters of 2021, as described above.

## Dividends

In the second quarter of 2013, Martinrea's Board of Directors (the "Board") approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends were \$0.12 per share, paid in four quarterly payments of \$0.03 per share. The first quarterly dividend payment of \$0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter.

In 2018, in view of the Company's financial performance, and its future outlook and cash needs at the time, the Board decided to increase the annual dividends by 50% to \$0.18 per share, to be paid in four quarterly payments of \$0.045 per share, commencing with the release of the first quarter results of 2018. The first such increased dividend was paid on July 15, 2018.

On March 5, 2020, in view of the Company's financial performance, and its future outlook and cash needs at that time, the Board decided to increase the annual dividends by another 11% to \$0.20 per share, to be paid in four quarterly payments of \$0.05 per share commencing at the beginning of 2020. The first such increased dividend was paid on April 14, 2020. The Company has maintained its dividend throughout the pandemic period. The Board will assess future dividend payment levels from time to time, in light of market conditions, the current COVID-19 situation, the Company's financial performance and anticipated needs at that time.

## Cash flow

	Three months ended December 31, 2021	Three months ended December 31, 2020	\$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	\$ 58,105	\$ 137,173	(79,068)	(57.6%)
Change in non-cash working capital items	52,804	(7,069)	59,873	847.0%
	110,909	130,104	(19,195)	(14.8%)
Interest paid	(9,887)	(9,476)	(411)	(4.3%)
Income taxes paid	(3,560)	(13,800)	10,240	74.2%
Cash provided by operating activities	97,462	106,828	(9,366)	(8.8%)
Cash used in financing activities	(18,840)	(43,913)	25,073	57.1%
Cash used in investing activities	(81,533)	(119,964)	38,431	32.0%
Effect of foreign exchange rate changes on cash and cash equivalents	(1,122)	(4,214)	3,092	73.4%
Decrease in cash and cash equivalents	\$ (4,033)	\$ (61,263)	\$ 57,230	93.4%

Cash provided by operating activities during the fourth quarter of 2021 was \$97.5 million, compared to \$106.8 million in the corresponding period of 2020. The components for the fourth quarter of 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$58.1 million;
- working capital items source of cash of \$52.8 million comprised of a decrease in inventories of \$81.0 million; a decrease in trade and other receivables of \$46.1 million, and a decrease in prepaid expenses and deposits of \$3.3 million; partially offset by a decrease in trade, other payables and provisions of \$77.6 million;
- interest paid of \$9.9 million; and
- income taxes paid of \$3.6 million.

Cash used by financing activities during the fourth quarter of 2021 was \$18.8 million, compared to \$43.9 million in the corresponding period of 2020. The components for the fourth quarter of 2021 primarily include the following:

- a \$6.4 million net decrease in long-term debt;
- principal payments of lease liabilities of \$8.4 million; and
- \$4.0 million in dividends paid.

Cash used in investing activities during the fourth quarter of 2021 was \$81.5 million, compared to \$120.0 million in the corresponding period of 2020. The components for the fourth quarter of 2021 primarily include the following:

- cash additions to PP&E of \$79.3 million; and
- capitalized development costs relating to upcoming new program launches of \$2.4 million.

Taking into account the opening cash balance of \$157.3 million at the beginning of the fourth quarter of 2021, and the activities described above, the cash and cash equivalents balance at December 31, 2021 was \$153.3 million.

	Year ended December 31, 2021	Year ended December 31, 2020	\$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	\$ 321,431	\$ 358,098	(36,667)	(10.2%)
Change in non-cash working capital items	(69,729)	72,048	(141,777)	(196.8%)
	251,702	430,146	(178,444)	(41.5%)
Interest paid	(35,042)	(36,851)	1,809	4.9%
Income taxes paid	(36,628)	(38,273)	1,645	4.3%
Cash provided by operating activities	180,032	355,022	(174,990)	(49.3%)
Cash provided by financing activities	129,928	10,560	119,368	1,130.4%
Cash used in investing activities	(305,855)	(331,949)	26,094	7.9%
Effect of foreign exchange rate changes on cash and cash equivalents	(3,600)	180	(3,780)	(2,100.0%)
Increase in cash and cash equivalents	\$ 505	\$ 33,813	(33,308)	(98.5%)

Cash provided by operating activities during the year ended December 31, 2021 was \$180.0 million, compared to \$355.0 million in the corresponding period of 2020. The components for the year ended December 31, 2021 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of \$321.4 million;
- working capital use of cash of \$69.7 million comprised of an increase in inventory of \$109.5 million, an increase in trade and other receivables of \$57.1 million, and an increase in prepaid expenses and deposits of \$3.3 million; partially offset by an increase in trade, other payables and provisions of \$100.2 million;
- interest paid of \$35.0 million; and
- income taxes paid of \$36.6 million.

Cash provided by financing activities during the year ended December 31, 2021 was \$129.9 million, compared to \$10.6 million in the corresponding period of 2020. The components for the year ended December 31, 2021 primarily include the following:

- a \$179.0 million net increase in long-term debt (reflecting drawdowns on the Company's revolving banking facility and additions to equipment loans; partially offset by repayments of existing equipment loans);
- principal payments of lease liabilities of \$33.8 million; and
- \$16.1 million in dividends paid.

Cash used in investing activities during the year ended December 31, 2021 was \$305.9 million, compared to \$331.9 million in the corresponding period of 2020. The components for the year ended December 31, 2021 primarily include the following:

- cash additions to PP&E of \$290.2 million;
- capitalized development costs relating to upcoming new program launches of \$8.5 million; and
- Investments in VoltaXplore Inc. ("VoltaXplore") and NanoXplore of \$8.0 million.

Taking into account the opening cash balance of \$152.8 million at the beginning of 2021, and the activities described above, the cash and cash equivalents balance at December 31, 2021 was \$153.3 million.

### **Free Cash Flow**

	<b>Three months ended December 31, 2021</b>	<b>Three months ended December 31, 2020</b>	<b>\$ Change</b>
Adjusted EBITDA	\$ 63,239	\$ 131,724	(68,485)
Add (deduct):			
Change in non-cash working capital items	52,804	(7,069)	59,873
Purchase of property, plant and equipment (excluding capitalized interest)	(79,276)	(100,357)	21,081
Proceeds on disposal of property, plant and equipment	98	168	(70)
Capitalized development costs	(2,355)	(3,747)	1,392
Interest paid	(9,887)	(9,476)	(411)
Income taxes paid	(3,560)	(13,800)	10,240
Free cash flow	21,063	(2,557)	23,620

Free cash flow for the fourth quarter of 2021 increased year-over-year due primarily to a positive year-over-year change in non-cash working capital items, driven largely by a reduction in tooling-related working capital, a decrease in cash purchases of property, plant and equipment, and lower income taxes paid; partially offset by a decrease in Adjusted EBITDA.

All tooling-related working capital accounts, including inventory, trade and other receivables, and trade and other payables on a net basis, decreased to (\$25.6) million as at December 31, 2021, from \$54.3 million as at September 30, 2021 and \$13.3 million as at December 31, 2020.

Reconciliation of IFRS "Cash provided by operating activities" to non-IFRS "Free Cash Flow" for the three months ended December 31, 2021 and 2020:

	<b>Three months ended December 31, 2021</b>	<b>Three months ended December 31, 2020</b>
Cash provided by operating activities	\$ 97,462	\$ 106,828
Add (deduct):		
Purchase of property, plant and equipment (excluding capitalized interest)	(79,276)	(100,357)
Proceeds on disposal of property, plant and equipment	98	168
Capitalized development costs	(2,355)	(3,747)
Unrealized loss on foreign exchange contracts	5,603	3,180
Deferred and restricted share units expense	(112)	(8,362)
Stock options expense	(290)	(604)
Pension and other post-employment benefits expense	(987)	(562)
Contributions made to pension and other post-retirement benefits expense	615	274
Net unrealized foreign exchange loss and other expense	305	625
Free cash flow	\$ 21,063	\$ (2,557)



	Year ended		Year ended		\$ Change
	December 31, 2021		December 31, 2020		
Adjusted EBITDA	\$	317,570	\$	365,503	(47,933)
Add (deduct):					
Change in non-cash working capital items		(69,729)		72,048	(141,777)
Purchase of property, plant and equipment (excluding capitalized interest)		(290,230)		(288,590)	(1,640)
Proceeds on disposal of property, plant and equipment		944		476	468
Capitalized development costs		(8,533)		(12,304)	3,771
Interest paid		(35,042)		(36,851)	1,809
Income taxes paid		(36,628)		(38,273)	1,645
Free cash flow		(121,648)		62,009	(183,657)

Free cash flow decreased by \$183.7 million for the year ended December 31, 2021 compared to the corresponding period in 2020 due primarily to increases in non-cash working capital and lower year-over-year Adjusted EBITDA.

Reconciliation of IFRS “Cash provided by operating activities” to non-IFRS “Free Cash Flow” for the years ended December 31, 2021 and 2020:

	Year ended		Year ended	
	December 31, 2021		December 31, 2020	
Cash provided by operating activities	\$	180,032	\$	355,022
Add (deduct):				
Purchase of property, plant and equipment (excluding capitalized interest)		(290,230)		(288,590)
Transaction costs associated with the acquisition of Metalsa		—		2,489
Proceeds on disposal of property, plant and equipment		944		476
Capitalized development costs		(8,533)		(12,304)
Restructuring costs		5,473		8,170
Unrealized gain on foreign exchange contracts		4,744		647
Deferred and restricted share units benefit (expense)		1,172		(8,588)
Stock options expense		(1,224)		(2,416)
Pension and other post-employment benefits expense		(3,993)		(4,132)
Contributions made to pension and other post-retirement benefits		3,353		5,602
Net unrealized foreign exchange loss (gain) and other expense (income)		(13,386)		5,633
Free cash flow	\$	(121,648)	\$	62,009

## **RISKS AND UNCERTAINTIES**

The following risk factors, as well as the other information contained in this MD&A, the AIF (of which the section entitled “Automotive Industry Highlights and Trends” contained in the AIF is incorporated by reference herein) or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company’s future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

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

### **North American and Global Economic and Political Conditions and Consumer Confidence**

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, inflation, foreign exchange, fuel prices, employment, real estate values, trade issues, international or domestic conflicts or

political crises, developments in global markets, inflation and epidemics or pandemics, such as the Covid-19 Pandemic, and other factors.

The Company operates in the midst of a volatile industry, which in the past decade has experienced a significant recession, particularly severe in North America and Europe. Although there has been stabilization or growth in North America for the past decade, current conditions (including as a result of the COVID-19 Pandemic or any variants, political and civil unrest, inflation, supply chain issues and the global semi-conductor shortage) 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 what the impact will be of the COVID-19 Pandemic (including any variant and the global semi-conductor shortage and any resulting supply chain issues noted herein or political or civil unrest), and global trade issues on the automotive industry, including resulting from any changes to trade agreements, tariffs or trade disputes. (See "*Trade Policies and Resulting Impact (USMCA, Brexit and the CPTPP)*" above under "*Automotive Industry General*" and "*Changes in Law and Governmental Regulation*" and "*COVID-19 Pandemic*" and "*Financial Viability of Suppliers and Key Suppliers*" below.)

The above and other factors may result in lower consumer confidence. 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 and our financial condition. An economic downturn or other adverse industry conditions that result in even a relatively modest decline in vehicle production levels could reduce the Company's sales and thereby adversely affect the Company's financial condition, results of operations and cash flows. The automotive industry is subject to rapid technological change, vigorous competition, short product life cycles and cyclical consumer demand patterns. When the Company's customers are adversely affected by these factors, the Company may be similarly affected to the extent that the Company's customers reduce the volume of orders for and sales of the Company's products.

### **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 in our key North American, European and Asian markets are anticipated to be higher in 2022 and beyond relative to 2020 and 2021 levels, though uncertainty remains, and volume levels can potentially decrease at any time. 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. 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 what impact the COVID-19 Pandemic (or any variants), any pandemic-related events such as the global semi-conductor chip shortage, supply chain challenges, inflation or global trade issues will have on the automotive industry, including resulting from any changes to trade agreements, tariffs or trade disputes.

### **Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest, and Other Outbreaks**

Global pandemics, epidemics or disease outbreaks in North America or globally, as well as hurricanes, earthquakes, tsunamis, snowstorms, or other natural disasters, acts of God or force majeure, could disrupt the Company's business operations, reduce or restrict the Company's supply of materials and services, result in significant costs to protect the Company's employees and facilities, or result in regional or global economic distress, which may materially and adversely affect the Company's business, financial condition, and results of operations. Actual or threatened war, terrorist activities, political unrest, civil strife, and other geopolitical uncertainty could have a similar adverse effect on the Company's business, financial condition, and results of operations. Any one or more of these events may impede the Company's production and delivery efforts and adversely affect the Company's sales results, possibly for a prolonged period of time, which could materially and adversely affect the Company's business, financial condition, and results of operations.

The current COVID-19 Pandemic adversely affected many aspects of the Company's business, including production, supply chain (including the global semi-conductor chip shortage), and sales and delivery, as well as financial results in 2020 and 2021.

The Company has implemented various protocols throughout its global footprint to ensure a safe work environment, including: the use of personal protection equipment; reworking processes to provide social distancing; restricting access to facilities; enhancing cleaning and disinfecting protocols; using rotational and/or remote work schedules, where possible; and restricting travel.

The COVID-19 Pandemic (including any variant) has had and may continue to have an adverse effect on the Company's business, results of operations, cash flows and financial position. The ultimate extent of the impact will depend on various factors, including the possibility of future shutdowns, impact on customers and suppliers, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders, including border closures or lockdowns due to any wave of COVID-19 and the potential for a recession in key markets due to the effect of the pandemic. Since the pandemic and public response to it continue to evolve, it is difficult to accurately assess COVID-19's continued magnitude, outcome and duration.

Impacts of COVID-19 and/or its resurgence or as a result of any variants, and/or prolonged pandemic would likely deteriorate economic conditions, resulting in lower consumer confidence, which typically translates into lower vehicle sales and production levels, increased costs and inflation; reduce the Company's customers' production volume levels, including as a result of intermittent facility shutdowns and/or temporary shut-downs or slowdowns of one or more of the production lines of the Company or one or more of its customers or suppliers; elevate the financial pressure on or deteriorate the financial condition of the Company's customers or suppliers, which could lead to an OEM insolvency, and would likely increase pricing pressure on the Company; and reduce the Company's production levels, including as a result of intermittent shutdowns of our manufacturing facilities. Additionally, a prolonged pandemic could cause potential shortages of employees to staff the Company's facilities, or the facilities of the Company's customers or suppliers; lead to prolonged disruptions or shortages of critical components (such as the global semi-conductor chip shortage) and other supply shortages or disruptions, and could deteriorate the financial condition of the Company's suppliers including as a result of the bankruptcy/insolvency of one or more suppliers due to worsening economic conditions; or result in governmental regulation adversely impacting our business or from civil unrest. In addition, certain events may prevent the Company from supplying products to its customers or prevent its customers from being supplied with products necessary for production of vehicles which our products are on, which could result in a range of potential adverse consequences, including business interruption, loss of business and reputational damage. Previous production stoppages related to COVID-19 have resulted in, and may in the future result in, supply disruptions and shortages globally. A prolonged supply disruption or supply shortage could have a material adverse effect on the Company's business, financial condition, and results of operations.

Any or all of the above impacts of a prolonged pandemic could have a rapid, unexpected and material adverse effect on the Company's business, financial condition and results of operations. Irrespective of whether the pandemic is prolonged, the significant global economic impact and job losses to date are likely to affect household income and wealth beyond 2021, which would likely directly affect vehicle sales and thus production. Future sales and production volumes are anticipated to rebound from the economic slowdown caused by the COVID-19 Pandemic and to grow in North America over the next several years, but growth rates are uncertain and volume levels can decrease at any time. There can be no assurance that North America, Chinese or European automotive production overall or on specific platforms will not decline in the future.

### **Dependence Upon Key Customers**

North America, Europe, Brazil and China are key auto producing regions for us and operating results are primarily dependent on car and light vehicle production in these regions by the Company's 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 termination or discontinuation of such customer's programs without replacement or new business wins or the insolvency of any such customers, reduced sales of automotive platforms of such customers, or shift in market share on vehicles on which the Company has significant content, or inability to increase its market share with existing customers, or a significant or sustained decline in vehicle production volumes in geographic areas in which the Company operates, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition and results of operations. Although the Company continues to diversify its business, including its product offerings and programs with existing

customers, there is no assurance that it will be successful. A loss of any or all of the Company's top customers' business would be expected to have a material adverse effect on the Company's business financial condition.

In addition, a work disruption at one or more of the Company's customers, including resulting from labour stoppages at, an inability to get critical components or supplies from or insolvencies of key suppliers to such customers or an extended customer shutdown (scheduled or unscheduled, including as a result of a pandemic or epidemic, such as the COVID-19 Pandemic, including from any variant, or other supply chain disruption) could have a significant impact on the Company's revenue and/or profitability. The Company's 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 difficulties experienced by any major customer could have a material adverse effect on the Company if such customer were unable to pay for the products the Company provides or the Company experiences a loss of, or material reduction in, business from such customer. As a result of such difficulties, even where the Company is considered a key or critical supplier, the Company could experience lost revenues, significant write-offs of accounts receivable, significant impairment charges or additional restructurings, sometimes significantly, from year-to-year, which, in turn, causes fluctuations in the demand for the Company's products.

The Company is dependent on the continued growth, viability and financial stability of its OEM customers. Demand for the Company's products is directly related to consumer demand for new vehicles containing the Company's products and production levels of the Company's OEM customers. The level of new vehicle purchases is affected by factors such as consumer preferences, consumer spending patterns, used car pricing relative to new car pricing and the vehicle replacement cycle. The Company's OEM customers continually adjust their production of new vehicles in response to such conditions. The mix of vehicle offerings by the Company's OEM customers impacts the Company's sales. A decrease in consumer demand for specific types of vehicles where the Company has traditionally provided significant components could have a significant effect on the Company's business and financial condition. For example, a decrease in market demand for light trucks, or a decrease in OEM customer offerings in this vehicle segment, could adversely impact the Company's ability to maintain or increase its revenues. In addition, the Company's sales of products in the regions in which its customers operate also depend on the success of such customers in those regions. The Company's North American business is currently highly leveraged toward SUVs, CUVs and pick-up trucks; therefore, a change in consumer preferences or a decrease in consumer demand for these vehicles in North America, resulting from factors such as increases in energy and fuel prices, legislative changes or changes in environmental emission standards or other regulations, may cause a related decrease in OEM production volumes. A decrease in the Company's OEM customers' production volumes for these vehicles, as a result of any one or more of these factors or any other factors, could have a material adverse effect on the Company's business, profitability, financial condition and/or results of operations. If the Company is unsuccessful or is less successful than its competitors in adjusting to its customers' needs when responding to such conditions, the Company may be placed at a competitive disadvantage, which could have a material adverse effect on the Company's business, profitability, financial condition and/or results of operations.

### **Financial Viability of Suppliers and Key Suppliers and Supply Disruptions**

The Company relies on a number of suppliers to supply a wide range of products and components required in connection with the business. Economic conditions, including trade volatility, production volume cuts, intense pricing pressures, increased commodity prices, labour availability and a number of other factors including acts of God (including fires, hurricanes, earthquakes, snowstorms, whether as a result of climate change or otherwise, pandemics or epidemics such as the COVID-19 Pandemic) and scarcity of raw materials or other critical components (such as the global semi-conductor chip shortage or driven by the increased demand associated with the growth of innovative products, such as lithium in batteries) or supplies required by the Company's OEM customers or anything that results in supply disruption can result in many automotive suppliers experiencing varying degrees of financial distress. In addition, pandemics or epidemics such as the COVID-19 Pandemic (including from any variant), any political or civil unrest or supply shortage, such as the global semi-conductor chip shortage or disruption may have a material adverse impact on automotive suppliers and the supply chain. The continued financial distress or the insolvency or bankruptcy of any supplier, or reduction or change in the supply of critical or key components of any such supplier or inflationary price increases or other difficulties 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 or result in a loss of or decrease in production volume. Martinrea has experienced supply disruptions of varying natures in the past (including in cases where an equipment supplier has gone out of business, the Covid-19 Pandemic, including resulting semi-conductor chip shortages) or an act of God which has resulted in the shortage of a key commodity, supply or service.

There is a risk some suppliers or sub-suppliers may not have adequate capacity to timely accommodate increases in demand for their products which could lead to production disruption for the customer. Some of the Company's suppliers or sub-suppliers may not be able to handle the commodity cost volatility and/or sharply changing volumes and/or labour disruption while still performing as expected. To the extent the Company's suppliers or sub-suppliers experience supply disruptions, there is a risk for delivery delays, production delays, production issues or delivery of non-conforming products by suppliers. To the extent the Company's customers experience supply chain disruptions, there is a risk for production delays or production issues which could result in production slowdowns, adjustments to customers' production plans and/or prioritization of certain vehicle models and a reduction of demand for the Company's products. Even where these risks do not materialize, the Company may incur costs as it tries to make contingency plans for such risks. Any prolonged disruption in the supply of critical components, to the Company, its suppliers, customers or within the industry generally, the inability to re-source production of a critical component from a distressed automotive components sub-supplier, or any temporary shut-down of production lines or the production lines of a customer, could have a material adverse effect on operations or profitability or financial condition.

Additionally, the insolvency, bankruptcy, financial restructuring or force majeure event or events which do not qualify as force majeure events but lead to potential supply chain disruptions or delays, of any critical suppliers of the Company or its customers could result in the Company incurring unrecoverable costs related to the financial work-out or resourcing costs of such suppliers, the expedited freight costs 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. Although the Company is generally able to substitute suppliers for raw materials and components without incurring material short term costs, in some cases, it could be difficult and expensive and take significant time or cause significant delays for the Company to change suppliers. If any of the Company's suppliers are acquired by its competitors, consolidate with other suppliers or are acquired by other companies with whom the Company does not have existing or longstanding relationships, the Company may have less alternatives for suppliers and could experience even greater pricing pressure on certain components and raw materials required in the Company's products, lose the ability to source components and raw materials from certain suppliers or lose its status as a critical or preferred customer of such suppliers, each of which could have an adverse effect on the Company's profitability. The loss of or damage to the Company's relationships with its suppliers or any delay in receiving raw materials and components could impair the Company's ability to timely deliver good quality products to its customers, require the Company to incur additional expenses and delays to complete revalidation of a substitute supplier and result in the loss of or damage to the Company's relationships with its customers, and, accordingly, could have a material adverse effect on the Company's business, financial condition and results of operations. Also see *"Risks: Dependence Upon Key Customers"* and *"Environmental Regulation"*.

The Company currently depends on key machinery and tooling used to manufacture components and as such its manufacturing processes are vulnerable to operational problems and installation delays that can impair its ability to manufacture its products in a timely manner. The Company's facilities contain sophisticated machinery and tooling that are used in its manufacturing processes that are complex, cannot be easily replicated, have a long lead-time to manufacture and assemble, and require experienced tradespersons and operators. If there is a breakdown in such machinery and tooling, and the Company or its service providers are unable to repair in a timely fashion, obtaining replacement machinery or rebuilding tooling could involve significant delays and costs, and may not be available to the Company on reasonable terms. If the Company or its service providers are unable to repair the Company's equipment or tooling, in some cases, it could take several months, or longer, for a supplier to begin providing machinery and tooling to specification. Any disruption of machinery and tooling supply chain, or the Company's ability to service or repair key machinery and tooling, could result in lost or deferred sales and customer charges or cause the Company to incur significant costs and / or delays, which could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Competition**

The automotive supply industry is highly competitive. Some of the Company's competitors have substantially greater financial, marketing and other resources and higher market share than the Company in certain products or geographic areas. The Company's competitors include a number of domestic and international suppliers, some of which have established strong relationships with OEMs. The Company's competitors may develop products that are superior to those of the Company, establish manufacturing facilities that are more logistically competitive than the Company's locations, produce similar products at a lower cost or adapt more quickly than the Company does to new technologies or evolving customer requirements. Competition can lead to price reductions, reduced margins, losses, and an inability to gain or hold market share. 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 and Risk Absorption and Purchase Orders**

Given the current trends in the automotive industry, the Company faces ongoing pricing pressure from OEMs, including through: quoting pre-requirements; long-term supply agreements with mutually agreed price reductions over the life of the agreement; non-contractual annual price concession demands; continuing pressure to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling; and OEM refusal to fully offset inflationary or material price increases 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. OEMs possess significant leverage over their suppliers due to their purchasing power, continuing industry consolidation, and the highly competitive nature of the automotive supply industry. OEM customers may be able to exert greater leverage over the Company as compared to its competitors. The Company attempts to offset price concessions and costs in a number of ways, including through negotiations with OEM customers, improved operating efficiencies and cost reduction efforts. The Company's inability to fully offset price concessions, absorb design, engineering and tooling costs, and / or fully recover such costs over the life of production, could have a material adverse effect on its profitability. 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 or other issues, often without any compensation to the supplier by its OEM customer. Typical purchase orders issued by customers do not require they purchase a minimum number of the Company's products. For programs currently under production, the Company is generally unable to request price changes when volumes differ significantly from production estimates used during the quotation stage or for material changes in market conditions. 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 or the Company could cease doing business with a customer for unreasonable contracts.

### **Quote/Pricing Assumptions**

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

The realization of incremental revenues from awarded business is inherently subject to a number of risks and uncertainties, including estimates with respect to vehicle production levels on new and replacement programs, customer price reductions, currency exchange rates and the timing of program launches (which may be delayed by the customer). There is typically a lead time, which can be significant, from the time an OEM customer awards the Company a program until the program is launched and the Company begins production of vehicles within such program. In many cases, the Company must commit substantial resources in preparation for production under awarded business well in advance of the customer's production start date. Furthermore, the Company relies on longer-term forecasts from its customers to plan its capital expenditures. If these forecasts prove to be inaccurate, either the Company may have spent too much on capacity growth for unrealized production demand, which could require the Company to consolidate facilities and leave the Company unable to recover pre production costs, or the Company may have invested too little on capital expenditures for capacity growth, in which case the Company may be unable to satisfy customer demand, either of which could have a material adverse effect on the Company's business. The Company typically enters into agreements for its customers' purchasing requirements for the entire production life of the program (and the vehicles forming part of the program). However, industry standard terms typically contain certain provisions that allow the customer to cancel the contract for convenience. The Company's ability to

obtain compensation from its customers for such cancellation, if the cancellation is through no fault of the Company, is generally limited to the direct costs it has incurred for raw materials and work-in-process and, in certain instances, unamortized investment costs. In addition, industry conditions and competition could lead the Company's customers to attempt to reduce fixed costs, including through facility closures or relocations. Facility closures or relocations relating to vehicle models for which the Company is a significant supplier could reduce the Company's sales and result in losses and impairments with respect to certain of the Company's Products and programs. If the Company does not realize all of the sales expected from awarded business, it could have a material adverse effect on its business, financial condition and results of operations.

OEM contracts are one sided as many OEMs seek to shift risk and cost to the supplier base, and it is increasingly difficult to pass on higher costs arising due to inflation or other unforeseen events that did not exist at the time of the quote.

### **Launch and Operational Costs and Cost Structure**

There are many factors that could affect the Company's ability to manage its cost structure that the Company is not able to control, including the need for unexpected significant capital expenditures and unexpected changes in commodity or component pricing that the Company is unable to pass on to its suppliers or customers. As a result, the Company may be unable to manage its operations to profitably meet current and expected market demand. Further, the Company operates in a capital-intensive industry. The Company's inability to maintain its cost structure could adversely impact the Company's operating margins and results of operations.

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

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

From time to time, the Company may have some operating divisions which are not performing at expected levels of profitability. The complexity of automotive manufacturing operations often makes it difficult to achieve a quick turnaround of underperforming divisions. Significant underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations. To compete effectively in the automotive supply industry, the Company must be able to launch new products to meet its customers' demands in a timely manner. The Company cannot ensure, however, that it will be able to install and validate the equipment needed to produce products for new customer programs in time for the start of production or that the transitioning of its manufacturing facilities and resources to full production under new product programs will not impact production rates or other operational efficiency measures at its facilities. In addition, the Company cannot ensure that its customers will execute on schedule the launch of their new product programs, for which the Company might supply products. The Company may fail to successfully launch or be affected by its customers' delay in introducing new programs, and its customers may fail to successfully launch new programs, which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Material Prices and Volatility**

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. The costs of these raw materials are subject to inflationary and market pricing pressures and, as such, have fluctuated over the past several years. Such additional commodity costs could have a material adverse effect on profitability. These pricing pressures put significant operational and financial burdens on the Company and its suppliers. A supplier's inability to manage raw material cost increases may lead to delivery delays, additional costs, production issues or quality issues. In 2018, 2019 and 2020, the Company and the industry has experienced steel and aluminum tariffs imposed by the U.S. and Canada, among others, in the context of trade negotiations. Martinrea has attempted to mitigate its exposure to price changes of key commodities, particularly steel, aluminum and scrap (including through participation in steel resale programs or price adjustment mechanisms and, in the case of tariffs, largely through obtaining tariff relief in most cases); however, to the extent the

Company is unable to fully do so through engineering products with reduced commodity content, by passing commodity price increases to customers, by avoiding tariffs or otherwise, such additional commodity costs could have a material adverse effect on profitability. Increased energy prices also have an impact on production or transportation costs which in turn could affect competitiveness.

### **Fluctuations in Operating Results**

The Company's operating results have been and are expected to continue to be subject to quarterly and other fluctuations due to a variety of factors including changes in purchasing patterns, production schedules of customers (which tend to include a shutdown period in each of July and December), pricing policies, launch costs, or operational (or equipment or systems) failures, or product introductions by competitors. This could affect the Company's ability to finance future activities. Operations could also be adversely affected by general economic downturns, an economic shock not contemplated in our business plan, a rapid deterioration of conditions or limitations on spending. The occurrence of or a prolonged recession could result in the depletion of our cash resources, which could have a material adverse effect on our operations and financial condition.

### **Outsourcing and Insourcing Trends**

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

### **Product Warranty, Recall, Product Liability and Liability Risk**

Historically, there have been significant product recalls by some of the world's largest vehicle manufacturers. Recalls may result in decreased vehicle production because of a manufacturer focusing its efforts on the problems underlying the recall rather than generating new sales volume. In addition, reputational damage with consumers may occur and consumers may elect not to purchase vehicles manufactured by the vehicle manufacturer initiating the recall, or by vehicle manufacturers in general, while the recalls persist. Any reduction in vehicle production volumes, especially by the Company's OEM customers, could have a material adverse effect on the Company's business, financial condition and results of operations. Automobile manufacturers are increasingly requesting that each of their suppliers bear costs of the repair and replacement of defective products which are either covered under an automobile manufacturer's warranty or are the subject of a recall by the automobile manufacturer and which were improperly designed, manufactured or assembled by their suppliers. The Company does not maintain insurance for product recall matters; as such insurance is not generally available on acceptable terms. The obligation to repair or replace such parts under warranty or recall, or a requirement to participate in a product recall, even where the Company disputes the need for a recall or the responsibility for any alleged defect, could have a material adverse effect on the Company's operations and financial condition. Actual warranty experience which results in costs that exceed the Company's warranty provisions could have a material adverse effect on the Company's profitability. Furthermore, if the Company experienced a product recall, such product recall may harm the Company's relationship with its customers and/or the Company may face reputational damage.

The Company cannot guarantee that the design, engineering, testing, validation and manufacturing measures it employs to ensure high-quality products will be completely effective, particularly as product complexity increases. In the event that its products fail to perform as expected and such failure results in, or is alleged to result in, bodily injury and / or property damage or other losses, product liability claims may be brought against the Company. The defense of product liability claims, particularly class action claims in North America, may be costly and judgments against the Company could impair its reputation and have a material adverse effect on profitability.



## **Product Development and Technological Change**

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

## **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, however, the automotive industry is experiencing rapid technological change and significant disruption. Changes in legislative, regulatory or industry requirements or in competitive technologies, including manufacturing processes, may render certain of the Company's products obsolete or less attractive or may result in the Company's operations not being cost-competitive. The Company's ability to anticipate changes in technology and trends and to successfully develop and introduce new and enhanced products and/or manufacturing processes on a timely basis will be a significant factor in its ability to remain competitive. If the Company is unsuccessful or is less successful than its competitors in consistently developing innovative products, processes and / or use of materials, the Company may be placed at a competitive disadvantage, which could have a material adverse effect on the Company's business, financial condition and results of operations. If there is a shift away from the use of technologies in which the Company is investing, or a change in trends its costs may not be fully recovered. In addition, the Company may be placed at a competitive disadvantage if other technologies in which the investment is not as great, or the Company's expertise is not as developed, emerge as the industry-leading technologies. This could have a material adverse effect on the Company's profitability and financial condition.

## **Dependence Upon Key Personnel**

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

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

Additionally, effective succession planning programs and practices are a critical element of the Company's overall talent management strategy. The Company maintains a leadership development and succession program that has facilitated seamless leadership transitions to date. However, the failure to ensure effective knowledge transfers and seamless leadership transitions involving key professionals and leaders could also impact the Company's ability to profitably conduct business and/or effectively implement the Company's strategy.

## **Limited Financial Resources/Uncertainty of Future Financing/Banking**

The Company is engaged in a capital-intensive business and its financial resources are less than the financial resources of some of its competitors. There can be no assurance that, if, as and when the Company seeks additional equity or debt financing, or other forms of 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.

The Company's existing debt facilities must be renewed on a periodic basis. There is no assurance the Company will be able to renew such facilities on competitive terms or at all. These facilities may contain restrictions on the Company's ability to, among other things, pay dividends, sell or transfer assets, incur additional debt, repay other debt, make certain investments or acquisitions, repurchase or redeem shares and engage in alternate business activities. Interest rate fluctuations, financial market volatility and global credit market disruptions have made, and may continue to make, it difficult for companies to raise and maintain necessary operating liquidity. While the Company believes it has sufficient liquidity to operate, there can be no assurance that the Company will continue to have such ability.

The Company's working capital requirements can vary significantly depending, in part, on the level, variability and timing of the worldwide vehicle production of its OEM customers and the payment terms with customers and suppliers. The Company's liquidity could be adversely impacted if circumstances arose causing its suppliers to suspend trade credit terms and require payment in advance or payment upon delivery. If sufficient funds are not otherwise available to the Company from its credit facilities, the Company may need to seek additional capital, through debt or equity financings, to fund its business. Conditions in the credit markets (such as availability of finance and fluctuations in interest rates) may make it difficult for the Company to obtain such financing on attractive terms or even at all. Additional debt financing that the Company may undertake may be expensive and might impose on it covenants that restrict the Company's operations and strategic initiatives, including limitations on its ability to incur liens or additional debt, pay dividends, repurchase its capital stock, make investments and engage in merger, consolidation and asset sale transactions. Many of the Company's customers and suppliers require significant financing to operate their businesses. Longer-term disruptions in the credit markets could further adversely affect the Company's customers by making it increasingly difficult for them to obtain financing for their businesses or for consumers to obtain financing for vehicle purchases. If capital is not available to the Company's customers and suppliers, or if its cost is prohibitively high, their businesses would be negatively impacted, which could result in their restructuring or even reorganization or liquidation under applicable bankruptcy laws. As a result, the need of the Company's customers for, and their ability to purchase, the Company's products may decrease, and the Company's suppliers may increase their prices, reduce their output or change their terms of sale. Any inability of the Company's customers to pay for the Company's products and services, or any demands by suppliers for different payment terms, could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Cybersecurity Threats**

The Company relies upon IT networks and systems to process, transmit and store electronic information, and to manage or support a variety of business processes or activities. Additionally, the Company and certain of its third-party vendors collect and store personal information in connection with human resources operations and other aspects of the Company's business. The secure operation of these IT networks and systems and the proper processing and maintenance of this information are critical to the Company's business operations. 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 and the Company's IT systems are at risk to damages from computer viruses, unauthorized access, cyber-attack and other similar disruptions. The occurrence of any of these events could compromise the Company's networks, and the information stored there could be accessed, publicly disclosed or lost. A significant breach of the Company's IT systems could, among other things, cause disruptions in the Company's manufacturing operations (such as operational delays from production downtime, inability to manage the supply chain or produce product for customers, disruptions in inventory management), lead to the loss, destruction, corruption or inappropriate use of sensitive data, including employee information, result in lost revenues due to theft of funds or due to a disruption of activities, including remediation costs, or from litigation, fines and liability or higher insurance premiums, the costs of maintaining security and effective IT systems, which could negatively affect results of operations and the potential adverse impact of changing laws and regulations related to cybersecurity or result in theft of the Company's, its customers' or suppliers'

intellectual property or confidential information. If any of the foregoing events (or other events related to cybersecurity) occurs, the Company may be subject to a number of consequences, including reputational damage, a diminished competitive advantage and negative impacts on future opportunities which could have a material adverse effect on the Company. In addition, any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, the disruption of the Company's operations or damage to the Company's reputation. The Company may also be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future. Any of these issues could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any failure, disruption or breach of the Company's IT networks and systems could compromise the integrity or confidentiality of the Company's customers' information. Any actual or perceived failure, disruption or breach of the Company's IT networks and systems could materially impair our reputation and cause the Company to lose customers or revenue, or become subject to litigation, necessitate customer service or repair work that would involve substantial costs and distract management from operating our business. Any failure or perceived failure to protect the Company's customers' information could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Acquisitions**

The Company may grow through acquisitions of complementary businesses, products or technologies, or by entering into joint ventures. The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products, at competitive prices. The Company intends to continue to pursue acquisitions in those product areas which we have identified as key to the Company's long-term business strategy. However, as a result of intense competition in these strategic areas, the Company may not be able to acquire the targets needed to achieve its strategic objectives or certain of its suppliers or sub-suppliers could be acquired, including by the Company's key competitors, which could have a negative impact on the Company's business and strategy.

The completion of such transactions poses additional risks to the Company's business. Acquisitions or strategic alliances are subject to a range of inherent risks, including the difficulties in the integration of the acquired businesses or incorporating joint ventures; uncertainties in assessing the value, strengths and potential profitability of, and identifying the extent of all weaknesses of, acquisition candidates; the assumption of unknown liabilities, including assumption of incremental regulatory/compliance, pricing, supply chain, commodities, labour relations, litigation, environmental, pensions, warranty, recall, IT, tax or other risks and undisclosed risks impacting the target; adverse effects on existing customer and supplier relationships; integration of internal controls; entry into markets in which the Company has little or no direct prior experience; the potential loss of key customers, management and employees of an acquired business; potential integration or restructuring costs; the ability to achieve operating and financial synergies; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the Company's rationale for pursuing the acquisition or joint venture. Although the Company seeks to conduct appropriate levels of due diligence on acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of: limited access to information; time constraints for conducting due diligence; inability to access target company facilities and/or personnel; or other limitations in the due diligence process. Additionally, the Company may identify risks and liabilities that cannot be sufficiently mitigated through appropriate contractual or other protections. The realization of any such risks could have a material adverse effect on the Company's operations or profitability.

The occurrence of any one or more of these factors could cause the Company not to realize the benefits anticipated to result from an acquisition or a joint venture, which could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Potential Tax Exposures**

The Company may incur losses in some countries, which it may not be able to fully or partially offset against income the Company has earned in those countries. In some cases, the Company may not be able to utilize these losses at all if the Company cannot generate profits in those countries and/or if the Company has ceased conducting business in those countries altogether. The Company's inability to utilize material tax losses could materially adversely affect its profitability. At any given time, the Company may face other tax exposures arising out of changes in tax laws, tax reassessments or otherwise. The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or

practices, could have a significant adverse effect on the Company's financial results, the manner in which it conducts its business or the marketability of any of its products. The geographic scope of the Company's business requires the Company to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if the Company were to inadvertently fail to comply. In the event the Company was to inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

The taxation system and regulatory environment in some of the jurisdictions in which the Company operates are characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various regulatory authorities and jurisdictions that are empowered to impose significant fines, penalties and interest charges. The Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain historical value added tax credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessment (see Note 25 to the Company's consolidated financial statements for the year ended December 31, 2021). 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. (See "Legal Proceedings".)

### **Potential Rationalization Costs, Turnaround Costs and Impairment Charges**

The Company has incurred restructuring costs over the past several years, sometimes in conjunction with the cancelation of a customer program or the closing of a customer plant. In response to the increasingly competitive automotive industry conditions, it is likely that the Company will continue to rationalize some production facilities and close high cost or less efficient manufacturing facilities from time to time. 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.

In certain locations where the Company's facilities are subject to leases, it may continue to incur significant challenges and costs if it were to attempt to relocate, restructure or downsize its business, including the inability to sublease any of the leased premises, in accordance with the terms of its existing leases. The Company may be unsuccessful in renegotiating these leases or it may need to make large settlements or take other actions to terminate its leases. The Company attempts to align production capacity with demand; however, the Company cannot provide any assurance that it will not close or relocate manufacturing facilities in the future, which could result in adverse publicity and have a material adverse effect on the Company's business, financial condition and results of operations.

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.

### **Labour Relations Matters**

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

disruption could lead to a lengthy shutdown of the Company or its customers' or suppliers' facilities or production lines, which could have a material adverse effect on the Company's operations and profitability.

### **Trade Restrictions**

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

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

### **Changes in Laws and Governmental Regulations**

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

The Company's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to the USMCA (formerly NAFTA), the CPTPP or Brexit, the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States or China (such as increased tariffs or investigations relating to anti-dumping) or positive or negative changes in tax or other legislation. The Company's operations could also be adversely impacted by changes in rules relating to the movement of goods and people across borders, or changes in labour laws and regimes in the jurisdictions in which it operates, including immigration policies, which prevent the movement or recruitment of key Company employees and skilled tradespersons. In addition, the Company could be exposed to increased customs audits due to governmental policy, which could lead to additional administrative burden and costs and also carry the potential of a material fine or significant reputational risk. Changes in legislation or regulation could lead to additional administrative burden and costs in general, and also carry the potential of a material fine or significant reputational risk. Changes in laws or regulations could also result in the Company shifting its operations to more favourable jurisdictions

### **Environmental Regulation and Climate Change**

The Company is subject to a variety of environmental regulations by the federal, provincial and municipal authorities in Canada, the United States, Mexico, South America, Europe, China and Japan that govern, among other things: activities or operations that may have an adverse environmental effect; 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 or obligations to investigate or remediate existing or potential contamination, third-party property damage claims, personal injury claims, or modification or revocation of operating permits and may lead to temporary or permanent business interruptions. 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 or may require changes of production processes. Environmental regulation in any one jurisdiction in which the Company operates may impact the business of the Company to the extent that jurisdiction becomes less competitive. Compliance with the requirements of laws and regulations affect ongoing operations and may increase capital costs and operating expenses, particularly if the applicable laws and regulations become increasingly stringent or more stringently enforced in the future. The Company may be required to use different materials in its production due to changing environmental restrictions or due to customer specifications. Material substitution may cause the Company to incur additional capital and operating costs. In addition to the foregoing, the Company may also incur costs and expenses resulting from environmental compliance, contamination or incidents, such as any changes to facilities to address physical, health and safety or regulatory constraints, repair or rebuilding facilities impacted by adverse

weather events, or research and development activities related to more environmentally efficient operations and processes, as well as other potential costs. (See also “*Financial Viability of Suppliers*”.)

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

The Company’s operations may also be impacted by environmental policies at any of its customers or suppliers to the extent that it affects production or volumes. The Company and its customers are also under pressure to meet tighter emissions regulations, reduce fuel consumption and act with more environmental responsibility, which may impact the Company’s business and operations. Foreign, federal, state, provincial and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating greenhouse gas emissions and energy policies, including, without limitation, CAFE standards and California’s agreement with major OEMs to increase fuel efficiency. The Company endeavours to be environmentally responsible and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with sound sustainability management, including environmental stewardship. The Company has adopted sourcing and other business practices to address environmental concerns of its customers. Despite these efforts, evolving customer concerns could negatively affect the Company’s reputation and financial performance. Due to the uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, the Company cannot currently determine the effect such legislation and regulation may have on its operations or on the production of, or demand for, vehicles, including light trucks.

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

The Company requires compliance with its policies both internally and, where relevant, for its suppliers. Although the Company requires its suppliers to comply with these guidelines, there is no guarantee that these suppliers will not take actions that hurt the Company’s reputation, as they are independent third parties that the Company does not control. However, if there is a lack of apparent compliance, it may lead the Company to search for alternative suppliers. This may have an adverse effect on the Company’s financial results, by increasing costs, potentially causing shortages in products, delays in delivery or other disruptions in operations. While the Company evaluates its supply base, given the number of suppliers globally, the ability to conduct on-site assessments is not possible for all suppliers. Further, the ability to conduct on-site assessments has been impacted because of the COVID-19 Pandemic. A violation of the Company’s policies could impact the ability of suppliers to work with the Company.

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

In addition, the physical occurrence of severe weather conditions or one or more natural disasters, whether due to climate change or naturally occurring, such as, floods, wild fires, tornadoes, hurricanes and windstorms, snowstorms and other natural disasters such as earthquakes, tsunamis or hurricanes, including extreme weather caused by climate change, in a country in which the Company operates or in which its suppliers or customers are located, could cause catastrophic destruction to some of the Company’s or the Company’s suppliers’ or customers’ facilities, which could have a material impact on the availability of a product, disrupt the Company’s production and/or prevent the Company from supplying products to its customers which could have a material adverse effect on its business, financial condition and results of operations. Such events could result in physical damage to and complete or partial closure of one or more of the Company’s or its customers’ manufacturing facilities; temporary or long-term disruption in the supply of raw materials from the Company’s suppliers; disruptions to the Company’s production or ability of the Company’s employees to work efficiently; and / or disruptions or delays in the transport of the Company’s products to its customers or their vehicles to their customers. The Company has policies and procedures in place to mitigate such risk and to obtain alternate supply, where practical, however it may not be possible in all cases or for a critical component. Physical risks related to extreme weather events or natural disasters cannot be predicted and the frequency and severity of any such event can vary including by region. Any interruption to the Company’s supply of

product or resulting changes in price to the Company could lower the Company's revenues, increase its operating costs and impact its financial results. A catastrophic destruction of the Company's or the Company's suppliers' facilities could have a material adverse effect on the Company's operations and profitability. (See also "*Financial Viability of Suppliers*".)

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

### **Litigation and Regulatory Compliance and Investigations**

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

### **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 Mexico, Europe, China and Brazil. International operations, including Mexico, are subject to certain risks inherent in doing business abroad, including:

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

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

### **Currency Risk - Hedging**

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

### **Currency Risk - Competitiveness in Certain Jurisdictions**

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

### **Internal Controls Over Financial Reporting and Disclosure Controls and Procedures**

Inadequate disclosure controls or ineffective internal controls over financial reporting could result in an increased risk of material misstatements in the financial reporting and public disclosure record of the Company. Inadequate controls could also result in system downtime, give rise to litigation or regulatory investigation, fraud or the inability of the Company to continue its business as presently constituted. The Company has designed and implemented a system of internal controls and a variety of policies and procedures to provide reasonable assurance that material misstatements in the financial reporting and public disclosures are prevented and detected and corrected on a timely basis and other business risks are mitigated. In accordance with the guidelines adopted in Canada, the Company assesses the effectiveness of its internal and disclosure controls using a top-down, risk-based approach in which both qualitative and quantitative measures are considered. An internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the Board regarding achievement of intended results. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. Changes in internal controls due to remote work arrangements adopted in response to the COVID-19 Pandemic may result in control deficiencies and impact the Company's financial reporting systems, which may also be material. 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.

### **Loss of Use of Key Manufacturing Facilities**

While the Company manufactures its products in several facilities and maintains insurance covering its facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of one of the Company's manufacturing facilities due to accident, weather conditions, acts of war, political unrest, terrorist activity, natural disaster, labour issues or otherwise, whether short-term or long-term, could have a material adverse effect on the Company's business, financial condition and results of operations.

### **Intellectual Property**

The Company relies upon trademarks, copyrights, patents and contractual restrictions to protect its know-how, trade secrets and other intellectual property. Failure to protect the Company's intellectual property rights may undermine its competitive position and protecting



its rights or defending against third-party allegations of infringement may be costly, which could have a material adverse effect on the Company's business, financial condition and results of operations. Protection of proprietary processes, designs, moldings, know-how, trade secrets, documentation and other technology is critical to the Company's business. Failure to protect, monitor and control the use of the Company's existing designs, know-how, trade secrets and other intellectual property rights could cause the Company to lose its competitive advantage and incur significant expenses. However, the measures the Company takes to protect its know-how, trade secrets and other intellectual property rights may be insufficient. While the Company enters into confidentiality and proprietary rights agreements and agreements for assignment of invention with its employees and third parties to protect its know-how, trade secrets and intellectual property rights, such agreements and assignments could be breached and may not provide meaningful protection. Also, others may independently develop technologies or products that are similar to the Company's. In such case, the Company's know-how and trade secrets would not prevent competition from third-parties. Third-parties may seek to oppose, cancel or invalidate the Company's intellectual property rights, which could have a material adverse effect on the Company's business, financial condition and results of operations. The costs associated with the protection of the Company's know-how, trade secrets, intellectual property and the Company's proprietary rights and technology are ongoing. Third-parties or employees may infringe or misappropriate the Company's proprietary technologies or other intellectual property rights, which could harm the Company's business and operating results. Policing unauthorized use of intellectual property rights can be difficult and expensive, and adequate remedies may not be available. Failure to protect or enforce the Company's intellectual property rights may undermine its competitive position and protecting its rights or defending against third-party allegations of infringement may be costly, which could have a material adverse effect on the Company's business, financial condition and results of operations. If the Company's technology infringes on the proprietary rights of others, its ability to compete may be impaired. Third-parties may bring legal claims, or threaten to bring legal claims, against the Company that their intellectual property rights are being infringed or violated by the Company's use of intellectual property. Litigation or threatened litigation, regardless of merit, could be costly, time consuming to defend, require the Company to redesign its products or manufacturing processes, if feasible, distract senior management from operating the Company's business and / or require the Company to enter into royalty or licensing agreements in order to obtain the right to use a third party's intellectual property. Any such royalty or licensing agreements, if required, may not be available to the Company on acceptable terms or at all. If the Company were to be found liable for any such infringement, the Company could be required to pay substantial damages and could be subject to injunctions preventing further infringement. In addition, any payments the Company is required to make and any injunctions with which the Company is required to comply as a result of infringement claims could be costly. Any legal claims or litigation could have a material adverse effect on the Company's business, financial condition and results of operations. If a third-party claims to have licensing rights with respect to components the Company purchased from a vendor, the Company may be obligated to cease using these components, incur associated costs if the vendor is unwilling or unable to reimburse the Company and be subject to liability under various civil and criminal causes of action, including damages and injunctions. Additionally, the Company will be required to purchase new components to replace any it has purchased and are unable to use. Any such events could have a material adverse effect on the Company's business, financial condition and results of operations.

#### **Availability of Consumer Credit or Cost of Borrowing**

Declines in the availability of consumer credit and increases in consumer borrowing costs have negatively impacted global automotive sales and resulted in lower production volumes in the past. Substantial declines in automotive sales and production by our OEM customers could have a material adverse effect on the Company's business, results of operations and financial condition.

#### **Competition with Low Cost Countries**

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

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

Many of the Company's customers have sought, and will likely continue to seek to take advantage of lower operating costs and/or other advantages in Mexico, China, India, Brazil, Russia, South Korea 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. The loss of any significant production contract to a competitor in a lower-cost market or the significant costs and risks incurred to follow a customer into and carry on business in these growing markets could have an 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, 2021, based on an actuarial estimate for financial reporting. The unfunded liability at December 31, 2021, 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 2022 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 15 ("Pension and Other Post Retirement Benefits") to the Company's consolidated financial statements for the year ended December 31, 2021, which reflects the financial position of the Company's defined benefit pension plan and other post-employment benefit plans at December 31, 2021.

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, 2021, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2022 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 15 ("Pension and Other Post Retirement Benefits") to the Company's consolidated financial statements for the year ended December 31, 2021, which reflect the financial position of the Company's post-employment benefits other than pension plans at December 31, 2021.

#### **Potential Volatility of Share Prices**

The market price of the Company's common shares has been, and will likely continue to be, subject to significant fluctuations in response to a variety of factors, many of which are beyond the Company's control. These fluctuations may be exaggerated if the trading volume of the common shares is low. In addition, due to the evolving nature of its business, the market price of the common shares may fall dramatically in response to a variety of factors, including quarter-to-quarter variations in operating results, the gain or loss of significant contracts, announcements of technological or competitive developments by the Company or its competitors, acquisitions or entry into strategic alliances by the Company or its competitors, the gain or loss of a significant customer or strategic relationship, changes in estimates of the Company's financial performance, changes in recommendations from securities analysts regarding the Company, the industry or its customers' industries, litigation involving the Company or its officers and general market or economic conditions.

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

## **Dividends**

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

## **Private or Public Equity Investments in Technology Companies**

In addition to the Company's development activities, the Company has invested approximately \$40 million in NanoXplore Inc., \$5 million in VoltaXplore Inc. and other technology companies. Such investments are an important element of the Company's long-term strategy and the Company may make further private equity investments in such companies. Investing in such companies involves a high degree of risk, including the potential loss of some or all of the investment value. In addition, where there is no public market for the shares of the investments in start-ups, the Company may be unable to monetize its equity investments in the future. The materialization of such investment-related risks could have an adverse effect on our profitability and financial condition.

## **Joint Ventures**

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

## **Lease Obligations**

The Company leases much of its manufacturing facilities and some of its capital equipment. A failure to pay the Company's lease obligations may constitute a default allowing the applicable landlord or lessor to pursue remedies available to it under the Company's leases and applicable law, which could include taking possession of property that the Company utilizes in its business resulting in the Company's failure to supply customers and, in the case of facility leases, evicting the Company, which could have a material adverse effect on the Company's business, financial condition and results of operations. The terms and restrictions of certain of the Company's facilities leases, may present significant challenges and costs to the Company if it were to attempt to restructure or downsize its business, including the inability to sublease any of the leased premises or relocate certain of its manufacturing facilities.

## **DISCLOSURE OF OUTSTANDING SHARE DATA**

As at March 3, 2022, the Company had 80,367,095 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at March 3, 2022, options to acquire 2,622,500 common shares were outstanding.

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of \$3.4 million, resulting in a decrease to stated capital of \$2.5 million and a decrease to retained earnings of \$0.9 million. The shares were purchased for cancellation directly under the Company's normal course issuer bid ("NCIB").

In light of the COVID-19 pandemic, the Company suspended the repurchase of common shares under the NCIB, which expired at the end of August 2020.

## **CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING**

At December 31, 2021, the Company had contractual obligations requiring annual payments as follows (all figures in thousands):

	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>4-5 years</b>	<b>Thereafter</b>	<b>Total</b>
Purchase obligations (i)	\$ 464,019	\$ 6,372	\$ 117	\$ 100	\$ 100	\$ —	\$ 470,708
Long-term debt	20,173	14,554	11,010	959,659	5,594	—	1,010,990
Contractual lease obligations	47,171	44,048	38,717	35,026	30,799	77,198	272,959
Total Contractual obligations	\$ 531,363	\$ 64,974	\$ 49,844	\$ 994,785	\$ 36,493	\$ 77,198	\$ 1,754,657

(i) Purchase obligations consist of those related to inventory, services, tooling and fixed assets in the ordinary course of business.

### **Guarantees**

The Company has negotiated tool financing facilities that provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At December 31, 2021, the amount of the off balance sheet program financing was \$18.6 million (2020 - \$42.8 million) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. No such defaults occurred during 2020 or 2021. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically range up to twenty-four months.

### **Hedge Accounting**

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

#### *Cash flow hedges*

The Company hedges variability in certain cash flows of forecasted foreign currency sales due to fluctuations in foreign exchange rates.

The Company has designated these foreign currency sales as a cash flow hedge. In such hedges, to the extent that the changes in fair value of the hedging instrument offset the changes in the fair value of the hedged item, they are recorded in other comprehensive income (loss) until the hedged item affects profit or loss (i.e. when settled or otherwise derecognized). Any excess of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item is recorded in profit or loss.

When a cash flow hedge relationship is discontinued, any subsequent change in fair value of the hedging instrument is recognized in profit or loss.

If the hedge is discontinued before the end of the original hedge term, then any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in profit or loss, at the earlier of when the hedged item affects profit or loss, or when the forecasted item is no longer expected to occur.

### Net investment hedges

The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

The change in fair value of the hedging US debt is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts will be recognized in profit or loss as and when the corresponding accumulated other comprehensive income from the hedged foreign operations is recognized in profit or loss. The Company has not identified any ineffectiveness in these hedge relationships as at December 31, 2021.

### Financial Instruments

The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures. It is the Company's policy to not utilize financial instruments for trading or speculative purposes.

At December 31, 2021, the Company had committed to the following foreign exchange contracts:

#### Foreign exchange forward contracts not accounted for as hedges and fair valued through profit or loss

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	\$ 54,732	21.9250	1

The aggregate value of these forward contracts as at December 31, 2021 was a pre-tax gain of \$4.7 million and was recorded in trade and other receivables (December 31, 2020 – pre-tax gain of \$0.6 million recorded in trade and other receivables).

#### Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income

The Company previously entered into foreign exchange forward contracts to buy Canadian dollars in order to hedge the variability in certain cash flows of forecasted U.S. dollars sales due to fluctuations in foreign exchange rates. As at June 30, 2021, it was determined that the U.S. dollar sales transactions could no longer be forecasted with high probability, and accordingly the Company de-designated the hedging relationship and terminated certain forward contracts. The Company had no foreign exchange contracts accounted for as hedges and fair valued through other comprehensive income as at December 31, 2021 (December 31, 2020 - pre-tax gain of \$1.8 million recorded in trade and other receivables).

### INVESTMENTS

	December 31, 2021	December 31, 2020
Investment in common shares of NanoXplore Inc.	\$ 48,748	\$ 40,557
Investment in common shares of VoltaXplore Inc.	3,925	—
Investment in common shares and convertible debentures of AlumaPower Corp.	2,542	—
	\$ 55,215	\$ 40,557

As at December 31, 2021, the Company held 35,045,954 common shares of NanoXplore representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

On April 2, 2020, the Company acquired an additional 3,846,200 common shares in NanoXplore pursuant to a private placement offering at a price of \$1.30 per common share for an aggregate purchase price of \$5.0 million.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of \$46.0 million. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and

Chief Executive Officer for consideration of \$4.0 million. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$7.8 million during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore, to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested approximately \$4.0 million into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional \$6.0 million in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers, will support the business case for the construction of a battery production facility in Canada.

On January 14, 2022, each of Martinrea and NanoXplore invested an additional \$1.0 million in development funding into VoltaXplore by acquiring 1,000,000 common shares in VoltaXplore at \$1.00 per share.

On February 24, 2022 NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of \$4.60 per common share for aggregate gross proceeds of \$30.0 million. Consequently, the Company's ownership interest decreased to 21.3%.

In the fourth quarter of 2018, the Company acquired 14,952 of each class A and class C shares of AlumaPower Corporation ("AlumaPower") for a total of US \$1.0 million through a private placement offering, representing a 12.5% equity interest in AlumaPower. AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive. The Company also acquired convertible debentures in the amount of US \$0.25 million, US \$0.5 million, and US \$0.216 million during the fourth quarter of 2019, and the first and fourth quarters of 2021, respectively.

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore based on their most recently available financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date, which represents a reasonable estimate of the change in the Company's interest. The common shares and convertible debentures in AlumaPower have been classified as fair value through other comprehensive income and amortized cost, respectively. Accordingly, the common shares are recorded at their fair value at the end of each reporting period, with the change in fair value recorded in other comprehensive income, while the convertible debentures are recorded at amortized cost using the effective interest rate method, less any impairment losses.

Investment in common shares and convertible debentures of AlumaPower was previously included in prepaid expenses and deposits.

Movement in equity-accounted investments is summarized as follows:

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net balance as of December 31, 2019	\$ 37,080	\$ —
Additions to equity investments	5,000	—
Gain on dilution of equity investments	866	—
Share of loss for the year	(2,310)	—
Share of other comprehensive loss for the year	(79)	—
Net balance as of December 31, 2020	\$ 40,557	\$ —
Additions to equity investments	4,000	4,036
Gain on dilution of equity investments	7,800	—
Share of loss for the year	(3,813)	(111)
Share of other comprehensive income for the year	204	—
Net balance as of December 31, 2021	\$ 48,748	\$ 3,925

As at December 31, 2021, the stock market value of the shares held in NanoXplore by the Company was \$228,850.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be publicly disclosed by a public company is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), on a timely basis so that appropriate decisions can be made regarding public disclosure. An evaluation of the effectiveness of the Company’s disclosure controls and procedures was conducted as of December 31, 2021, based on the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) by and under the supervision of the Company’s management, including the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that the Company’s disclosure controls and procedures (as defined in National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings of the Canadian Securities Administrators) are effective in providing reasonable assurance that material information relating to the Company is made known to them and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in such legislation.

Under the supervision of the CEO and CFO, the Company has designed internal controls over financial reporting (as defined in National Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s management team used COSO to design the Company’s internal controls over financial reporting.

The CEO and CFO have caused an evaluation of the effectiveness of the Company’s internal controls over financial reporting as of December 31, 2021. This evaluation included documentation activities, management inquiries, tests of controls and other reviews as deemed appropriate by management in consideration of the size and nature of the Company’s business including those matters described above. Based on that evaluation the CEO and the CFO concluded that the design and operating effectiveness of internal controls over financial reporting was effective as at December 31, 2021 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

It is important to understand that there are inherent limitations of internal controls as stated within COSO. Internal controls no matter how well designed and operated can only provide reasonable assurance to management and the Board of Directors regarding achievement of an entity’s objectives. A system of controls, no matter how well designed, has inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that an organization’s disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud. Even disclosure controls and procedures and internal control over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives.

## **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There have been no changes in the Company’s internal controls over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Company’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. The discussion below describes the Company’s significant policies and procedures for the year ended December 31, 2021.

The Company’s management bases its estimates on historical experience and various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenue and expenses that are not readily apparent from other sources. On an ongoing basis, management evaluates these estimates. However, actual results may differ from these estimates under different assumptions or conditions. In making and evaluating its estimates, management also considers economic conditions generally and in the automotive industry in particular, which have more recently been very different from historical patterns, as well as industry trends and the risks and uncertainties involved in its business

that could materially affect the reported amounts of assets, liabilities, revenue and expenses that are not readily apparent from other sources. See “Automotive Industry Highlights and Trends” in the Company’s AIF and “Risks and Uncertainties” above.

Management believes that the accounting estimates discussed below are critical to the Company’s business operations and an understanding of its results of operations or may involve additional management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. Management has discussed the development and selection of the following critical accounting estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed its disclosure relating to critical accounting estimates in this MD&A.

### **Impairment of Non-financial Assets**

The carrying amounts of the Company’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (“CGU”) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Management believes that accounting estimates related to the impairment of non-financial assets and potential reversal are critical accounting estimates because: (i) they are subject to significant measurement uncertainty and are susceptible to change as management is required to make forward-looking assumptions regarding the impact of improvement plans on current operations, in-sourcing and other new business opportunities, program price and cost assumptions on current and future business, the timing of new program launches and future forecasted production volumes; and (ii) any resulting impairment loss could have a material impact on consolidated net income (loss) and on the amount of assets reported on the Company’s consolidated balance sheet.

### **Income Tax Estimates**

The Company is subject to income taxes in numerous jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Company is required to estimate the tax basis of assets and liabilities. The assessment for the recognition of a deferred tax asset requires significant judgment. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period of changes. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.



At December 31, 2021, the Company had recorded a net deferred income tax asset in respect of pensions and other post-retirement benefits, loss carry-forwards and other temporary differences of \$124.0 million (2020 - \$109.4 million). Deferred tax assets in respect of loss carry-forwards relate to legal entities in Canada, the United States, Mexico and Europe. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The factors used to assess the probability of realization are the Company's forecast of future taxable income, the pattern and timing of reversals of taxable temporary differences that give rise to deferred tax liabilities and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits.

### **Revenue Recognition**

The Company recognizes sales from two categories of goods: production (including finished production parts, assemblies and modules), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

Control of finished production parts, assemblies and modules transfers when the goods are shipped from the Company's manufacturing facilities to the customer. Control of tooling transfers when the tool has been accepted by the customer. For certain tooling contracts for which the customer makes progress payments in advance of obtaining control of the tool, the Company recognizes a liability for the progress payments until the performance obligation is complete. Such payments from the customer generally do not contain a financing component.

Revenue and cost of sales from tooling contracts are presented on a gross basis in the consolidated statements of operations. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. Judgment is required in determining the appropriateness of costs included in tooling work in progress inventory. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost overruns, non-reimbursable costs, change orders and potential price changes.

### **Employee Future Benefits**

The Company provides pensions and other post-employment benefits including health care, dental care and life insurance to certain employees. The determination of the obligation and expense for defined benefit pension plans and post-employment benefits is dependent on the selection of certain assumptions used by the Company's actuaries in calculating such amounts. Those assumptions are disclosed in Note 15 to the Company's consolidated financial statements for the year ended December 31, 2021 the most significant of which are the discount rate, and the rate of increase in the cost of health care. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses which are recognized in other comprehensive income (loss) as they arise. The significant actuarial assumptions adopted are internally consistent and reflect the long-term nature of employee future benefits. Significant changes in assumptions could materially affect the Company's employee benefit obligations and future expense.

### **Intangible Assets**

The Company's intangible assets are comprised of customer contracts and relationships acquired in acquisitions and development costs.

Customer contracts and relationships are amortized over their estimated economic life of up to 10 years on a straight line basis, which approximates a basis consistent with the contract value initially established upon acquisition.

Development costs are capitalized when the Company can demonstrate that:

- it has the intention and the technical and financial resources to complete the development;
- the intangible asset will generate future economic benefits; and
- the cost of the intangible asset can be measured reliably.

Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in research and development costs in the consolidated statement of operations.

Expenditure on research activities, including costs of market research and new product prototyping during the marketing stage, is recognized in profit or loss when incurred.

## **RECENTLY ISSUED ACCOUNTING STANDARDS AND POLICIES**

### **Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract**

On May 14, 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendment specifies that the 'costs of fulfilling a contract' comprise both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and is to be applied prospectively. The adoption of amendments to IAS 37 is not expected to have a material impact on the consolidated financial statements.

### **Amendments to IAS 8, Definition of Accounting Estimates**

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 8 is not expected to have a material impact on the consolidated financial statements.

### **Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure Initiative – Accounting Policies**

On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments help companies provide useful accounting policy disclosures by requiring companies to disclose their material accounting policies rather than their significant accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 1 and IFRS Practice Statement 2 is not expected to have a material impact on the consolidated financial statements.

## **Selected Annual Information**

The following table sets forth selected information from the Company's consolidated financial statements for the years ended December 31, 2021, December 31, 2020 and December 31, 2019.

	2021	2020	2019
Sales	\$ 3,783,953	\$ 3,375,286	\$ 3,863,659
Gross Margin	345,624	415,097	586,101
Operating Income	62,917	27,538	265,837
Net Income (Loss) for the year	35,880	(27,317)	181,221
Net Earnings (Loss) per Share - Basic	\$ 0.45	\$ (0.34)	\$ 2.20
Net Earnings (Loss) per Share - Diluted	\$ 0.45	\$ (0.34)	\$ 2.19
<b><u>Non-IFRS Measures*</u></b>			
Adjusted Operating Income	\$ 68,390	\$ 123,980	\$ 288,305
% of Sales	1.8 %	3.7 %	7.5 %
Adjusted EBITDA	317,570	365,503	504,555
% of Sales	8.4 %	10.8 %	13.1 %
Adjusted Net Income	\$ 32,884	\$ 48,856	\$ 187,687
Adjusted Net Earnings per Share - Basic	\$ 0.41	\$ 0.58	\$ 2.28
Adjusted Net Earnings per Share - Diluted	\$ 0.41	\$ 0.58	\$ 2.27
Total Assets	\$ 3,613,244	\$ 3,368,403	\$ 3,094,295
Cash and Cash Equivalents	\$ 153,291	\$ 152,786	\$ 118,973
Total Long-term Debt	\$ 1,010,990	\$ 835,222	\$ 781,573
Dividends Declared	\$ 16,070	\$ 16,030	\$ 14,738

The year-over-year trends in the selected information above have been discussed previously in this MD&A, as well as the MD&A from December 31, 2020, including adjustments in Table B under "Adjustments to Net Income".

### **\*Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful additional information in measuring the financial performance and condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income (Loss)", "Adjusted Net Earnings (Loss) per Share (on a basic and diluted basis)", "Adjusted Operating Income (Loss)", "Adjusted EBITDA", "Free Cash Flow" and "Net Debt". Refer to page 5 of this MD&A for a full reconciliation of the non-IFRS measures for the years ended December 31, 2021 and 2020 and the Company's MD&A for the year ended December 31, 2020, as previously filed and available at [www.sedar.com](http://www.sedar.com), for a full reconciliation of the non-IFRS measures for the year ended December 31, 2019.

## **FORWARD-LOOKING INFORMATION**

### **Special Note Regarding Forward-Looking Statements**

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including those related to the Company's expectations as to, or its views, or beliefs in or on, the expected impact of or duration of the COVID-19 pandemic (including the global semi-conductor chip shortage), or as a result of any current or future government actions or regulations, on the Company's financial position, its business and operations, on its employees, on the automotive industry, or on the business of any OEM or suppliers; the Company's current and future strategy, priorities and response related to COVID-19, and the status of implementation; the expected economic impact resulting from COVID-19 (including the global semi-conductor chip shortage), the type of factors affecting the economic impact; the potential effects or issues relating to a prolonged pandemic or lockdown(s), including the financial impact on the Company, its business or operations and global impact, demand for vehicles, the growth of the Company and pursuit of, and belief in, its strategies, the ramping up and launching of new business,

continued investments in its business and technologies, the opportunity to increase sales, its ability to finance future capital expenditures, and ability to fund anticipated working capital needs, debt obligations and other commitments, the Company's views on its liquidity and operating cash flow and ability to deal with present or future economic conditions, the potential for fluctuation of operating results, the likelihood of tooling supplier default under tooling guarantee programs and using the tools as collateral, and the payment of dividends as well as other forward-looking statements. 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, such as expected sales and industry production estimates, current foreign exchange rates, timing of product launches and operational improvement during the period, and current Board approved budgets. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's AIF for the year ended December 31, 2021 and other public filings which can be found at [www.sedar.com](http://www.sedar.com):

- North American and Global Economic and Political Conditions and Consumer Confidence;
- The highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- Automotive Industry Risks;
- Pandemics and Epidemics (including the ongoing COVID-19 Pandemic), Force Majeure Events, Natural Disasters, Terrorist Activities, Political and Civil Unrest, and Other Outbreaks;
- Dependence Upon Key Customers;
- Financial Viability of Suppliers and Key Suppliers and Supply Disruptions;
- Competition;
- Cost and Risk Absorption and Purchase Orders, including the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- Quote/Pricing Assumptions;
- Increased pricing of raw materials and commodities;
- Launch and Operational Costs and Cost Structure;
- Material Prices and Volatility;
- Fluctuations in Operating Results;
- Outsourcing and Insourcing Trends;
- Product Warranty, Recall, Product Liability and Liability Risk;
- Product Development and Technological Change;
- A Shift Away from Technologies in Which the Company is Investing;
- Dependence Upon Key Personnel;
- Limited Financial Resources/Uncertainty of Future Financing/Banking;
- Cybersecurity Threats;
- Acquisitions;
- Potential Tax Exposures;
- Potential Rationalization Costs, Turnaround Costs and Impairment Charges;
- Labour Relations Matters;
- Trade Restrictions;
- Changes in Laws and Governmental Regulations;
- Environmental Regulation and Climate Change;
- Litigation and Regulatory Compliance and Investigations;
- Risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- Currency Risk – Hedging;
- Currency Risk - Competitiveness in Certain Jurisdictions;
- Internal Controls Over Financial Reporting and Disclosure Controls and Procedures;
- Loss of Use of Key Manufacturing Facilities;
- Intellectual Property;
- Availability of Consumer Credit or Cost of Borrowing;
- Competition with Low Cost Countries;
- The Company's ability to shift its manufacturing footprint to take advantage of opportunities in growing markets;
- Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates;
- Pension Plans and other post employment benefits;
- Potential Volatility of Share Prices;

- Dividends;
- Private or Public Equity Investments in Technology Companies;
- Joint Ventures; and
- Lease Obligations.

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.  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

# Martinrea International Inc.

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2021 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, multiple times a year to review, among other matters, accounting policies, any observations relating to internal controls over the financial reporting process that may be identified during the audit, as influenced by the nature, timing and extent of audit procedures performed, annual consolidated financial statements, the results of the external audit and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2021. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) "*Pat D'Eramo*"

(Signed) "*Fred Di Tosto*"

Pat D'Eramo

Fred Di Tosto

President & Chief Executive Officer

Chief Financial Officer





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## ***INDEPENDENT AUDITORS' REPORT***

To the Shareholders of Martinrea International Inc.

### ***Opinion***

We have audited the consolidated financial statements of Martinrea International Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of operations for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021.



Martinrea International Inc.  
March 3, 2022

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

### ***Existence and accuracy of tooling work in progress inventory***

#### *Description of the matter*

We draw attention to Notes 1(d), 2(f) and 5 of the financial statements. The Entity enters into tooling contracts, where tooling work in progress inventory that is internally developed includes directly attributable labour as well as overhead. The tooling work in progress and other inventory balance was \$241.5 million. The Entity uses judgment in determining the appropriateness of costs included in tooling work in progress inventory.

#### *Why the matter is a key audit matter*

We identified the existence and accuracy of tooling work in progress inventory as a key audit matter. This matter was a significant risk. Evaluating the existence and accuracy of tooling work in progress inventory required significant judgment related to the nature and amounts of costs capitalized. As a result, significant auditor judgment was required to evaluate the results of our procedures.

#### *How the matter was addressed in the audit*

The primary procedures we performed to address this key audit matter included the following:

For a sample of tooling contracts with work in progress inventory, we:

- Compared the costs capitalized to supplier invoices or internal records, as applicable
- Evaluated the accuracy of the amounts capitalized for labour and overhead cost allocations by comparing the underlying inputs to vendor invoices or payroll records
- Enquired with certain of the Entity's operational personnel who have direct oversight over these contracts

### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in the Report to Shareholders filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



*Martinrea International Inc.*  
*March 3, 2022*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and the Report to Shareholders filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



*Martinrea International Inc.*  
*March 3, 2022*

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



*Martinrea International Inc.*  
*March 3, 2022*

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is David Brendan Power.

Vaughan, Canada  
March 3, 2022

# Martinrea International Inc.

## Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note	December 31, 2021	December 31, 2020
<b>ASSETS</b>			
Cash and cash equivalents		\$ 153,291	\$ 152,786
Trade and other receivables	4	634,184	589,315
Inventories	5	590,784	492,659
Prepaid expenses and deposits		23,892	23,550
Income taxes recoverable		18,609	13,527
<b>TOTAL CURRENT ASSETS</b>		<b>1,420,760</b>	<b>1,271,837</b>
Property, plant and equipment	6	1,727,914	1,615,197
Right-of-use assets	7	222,934	192,630
Deferred tax assets	16	138,612	195,538
Intangible assets	8	47,809	52,644
Investments	9	55,215	40,557
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,192,484</b>	<b>2,096,566</b>
<b>TOTAL ASSETS</b>		<b>\$ 3,613,244</b>	<b>\$ 3,368,403</b>
<b>LIABILITIES</b>			
Trade and other payables	10	\$ 1,110,350	\$ 967,952
Provisions	11	6,272	4,258
Income taxes payable		11,955	13,230
Current portion of long-term debt	13	20,173	19,492
Current portion of lease liabilities	14	39,322	34,064
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,188,072</b>	<b>1,038,996</b>
Long-term debt	13	990,817	815,730
Lease liabilities	14	200,455	177,749
Pension and other post-retirement benefits	15	49,530	74,030
Deferred tax liabilities	16	14,595	86,174
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,255,397</b>	<b>1,153,683</b>
<b>TOTAL LIABILITIES</b>		<b>2,443,469</b>	<b>2,192,679</b>
<b>EQUITY</b>			
Capital stock	17	663,415	662,427
Contributed surplus		44,845	43,860
Accumulated other comprehensive income		51,207	96,645
Retained earnings		410,308	372,792
<b>TOTAL EQUITY</b>		<b>1,169,775</b>	<b>1,175,724</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 3,613,244</b>	<b>\$ 3,368,403</b>

### Commitments and Contingencies (note 25)

### Subsequent Events (note 9)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

“Robert Wildeboer” Director

“Terry Lyons” Director

# Martinrea International Inc.

## Consolidated Statements of Operations

(in thousands of Canadian dollars, except per share amounts)

	Note	Year ended December 31, 2021	Year ended December 31, 2020
<b>SALES</b>		\$ 3,783,953	\$ 3,375,286
Cost of sales (excluding depreciation of property, plant and equipment and right-of-use assets)		(3,218,203)	(2,748,804)
Depreciation of property, plant and equipment and right-of-use assets (production)		(220,126)	(211,385)
Total cost of sales		(3,438,329)	(2,960,189)
<b>GROSS MARGIN</b>		345,624	415,097
Research and development costs	19	(32,622)	(28,911)
Selling, general and administrative		(228,346)	(246,364)
Depreciation of property, plant and equipment and right-of-use assets (non-production)		(15,308)	(15,953)
Loss on disposal of property, plant and equipment		(958)	(543)
Restructuring costs	11	(5,473)	(8,170)
Amortization of customer contracts and relationships		—	(1,835)
Impairment of assets	12	—	(85,783)
<b>OPERATING INCOME</b>		62,917	27,538
Share of loss of equity investments	9	(3,924)	(2,310)
Gain on dilution of equity investments	9	7,800	866
Finance expense	21	(32,918)	(35,771)
Other finance income (expense)	21	13,386	(5,633)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		47,261	(15,310)
Income tax expense	16	(11,381)	(12,007)
<b>NET INCOME (LOSS) FOR THE PERIOD</b>		\$ 35,880	\$ (27,317)
Basic earnings (loss) per share	18	\$ 0.45	\$ (0.34)
Diluted earnings (loss) per share	18	\$ 0.45	\$ (0.34)

See accompanying notes to the consolidated financial statements.

# Martinrea International Inc.

## Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	\$ 35,880	\$ (27,317)
<b>Other comprehensive income (loss), net of tax:</b>		
<b>Items that may be reclassified to net income (loss)</b>		
Foreign currency translation differences for foreign operations	(42,520)	3,900
Cash flow hedging derivative and non-derivative financial instruments:		
Unrealized gain in fair value of financial instruments	892	2,715
Reclassification of loss (gain) to net income (loss)	(4,014)	1,002
<b>Items that will not be reclassified to net income (loss)</b>		
Share of other comprehensive income (loss) of equity investments (note 9)	204	(79)
Remeasurement of defined benefit plans	17,706	(8,413)
<b>Other comprehensive loss, net of tax</b>	<b>(27,732)</b>	<b>(875)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 8,148</b>	<b>\$ (28,192)</b>

See accompanying notes to the consolidated financial statements.



**Martinrea International Inc.**  
**Consolidated Statements of Changes in Equity**  
*(in thousands of Canadian dollars)*

	Capital stock	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total equity
<b>BALANCE AT DECEMBER 31, 2019</b>	\$ 661,422	\$ 42,449	\$ 89,107	\$ 425,445	\$ 1,218,423
Net loss for the period	—	—	—	(27,317)	(27,317)
Compensation expense related to stock options	—	2,416	—	—	2,416
Dividends (\$0.20 per share)	—	—	—	(16,030)	(16,030)
Exercise of employee stock options	3,479	(1,005)	—	—	2,474
Repurchase of common shares	(2,474)	—	—	(893)	(3,367)
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	—	—	—	(8,413)	(8,413)
Foreign currency translation differences	—	—	3,900	—	3,900
Share of other comprehensive loss of equity investments	—	—	(79)	—	(79)
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	—	—	2,715	—	2,715
Reclassification of loss to net income (loss)	—	—	1,002	—	1,002
<b>BALANCE AT DECEMBER 31, 2020</b>	662,427	43,860	96,645	372,792	1,175,724
Net income for the period	—	—	—	35,880	35,880
Compensation expense related to stock options	—	1,224	—	—	1,224
Dividends (\$0.20 per share)	—	—	—	(16,070)	(16,070)
Exercise of employee stock options	988	(239)	—	—	749
<u>Other comprehensive income (loss) net of tax</u>					
Remeasurement of defined benefit plans	—	—	—	17,706	17,706
Foreign currency translation differences	—	—	(42,520)	—	(42,520)
Share of other comprehensive income of equity investments	—	—	204	—	204
Cash flow hedging derivative and non-derivative financial instruments:					
Unrealized gain in fair value of financial instruments	—	—	892	—	892
Reclassification of gain to net income (loss)	—	—	(4,014)	—	(4,014)
<b>BALANCE AT DECEMBER 31, 2021</b>	\$ 663,415	\$ 44,845	\$ 51,207	\$ 410,308	\$ 1,169,775

See accompanying notes to the consolidated financial statements.

# Martinrea International Inc.

## Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES:</b>		
Net income (loss) for the period	\$ 35,880	\$ (27,317)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	235,434	227,338
Amortization of customer contracts and relationships	—	1,835
Amortization of development costs	12,788	11,807
Impairment of assets (note 12)	—	85,783
Unrealized gain on foreign exchange forward contracts	(4,744)	(647)
Finance expense	32,918	35,771
Income tax expense	11,381	12,007
Loss on disposal of property, plant and equipment	958	543
Deferred and restricted share units expense (benefit) (note 17)	(1,172)	8,588
Stock options expense	1,224	2,416
Share of loss of equity investments (note 9)	3,924	2,310
Gain on dilution of equity investments (note 9)	(7,800)	(866)
Pension and other post-retirement benefits expense	3,993	4,132
Contributions made to pension and other post-retirement benefits	(3,353)	(5,602)
	321,431	358,098
Changes in non-cash working capital items:		
Trade and other receivables	(57,153)	26,605
Inventories	(109,526)	(50,686)
Prepaid expenses and deposits	(3,282)	4,349
Trade, other payables and provisions	100,232	91,780
	251,702	430,146
Interest paid	(35,042)	(36,851)
Income taxes paid	(36,628)	(38,273)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 180,032</b>	<b>\$ 355,022</b>
<b>FINANCING ACTIVITIES:</b>		
Increase in long-term debt (net of deferred financing fees)	197,294	103,509
Repayment of long-term debt	(18,296)	(43,462)
Principal payments of lease liabilities	(33,753)	(32,966)
Dividends paid	(16,066)	(15,628)
Exercise of employee stock options	749	2,474
Repurchase of common shares	—	(3,367)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>\$ 129,928</b>	<b>\$ 10,560</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment (excluding capitalized interest)*	(290,230)	(288,590)
Capitalized development costs	(8,533)	(12,304)
Equity investments (note 9)	(8,036)	(5,000)
Proceeds on disposal of property, plant and equipment	944	476
Business acquisition (note 3)	—	(26,531)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (305,855)</b>	<b>\$ (331,949)</b>
Effect of foreign exchange rate changes on cash and cash equivalents	(3,600)	180
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>505</b>	<b>33,813</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>152,786</b>	<b>118,973</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 153,291</b>	<b>\$ 152,786</b>

\*As at December 31, 2021, \$113,233 (December 31, 2020 - \$61,207) of purchases of property, plant and equipment remain unpaid and are recorded in trade and other payables and provisions.

See accompanying notes to the consolidated financial statements.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

---

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamation dated May 1, 1998. The Company is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems.

### 1. BASIS OF PREPARATION

#### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended December 31, 2021 were approved by the Board of Directors on March 3, 2022.

#### (b) Presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share amounts and where otherwise indicated.

#### (c) COVID-19 pandemic and semiconductor chip shortage

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic and recommended various containment and mitigation measures. Since then, extraordinary actions have been taken by public health and governmental authorities across the globe to contain the spread of COVID-19, including travel bans, social distancing, quarantines, stay-at-home orders and similar mandates for many businesses to curtail or cease normal operations.

As a result of the COVID-19 global pandemic, in the middle of March 2020, the Company's OEM customers essentially idled their manufacturing operations in regions around the world, other than China, where manufacturing operations were suspended in January and February 2020, but resumed in March 2020. Martinrea, similar to others in the automotive supply chain, followed its customers and also temporarily idled most of its manufacturing operations outside of China in March 2020. This suspension of manufacturing operations and rapid dissipation of customer demand had a negative impact on the Company's business, results of operations, cash flows and financial position during the second half of March 2020 and for the second quarter ended June 30, 2020. A phased restart of the Company's manufacturing facilities and dependent functions commenced in May and June 2020, and continued into the second half of 2020 as OEMs began producing vehicles again.

Despite increasing vaccination levels, the development and spread of highly transmissible COVID-19 variants creates continued risk of further disruptions to the automotive industry. The ultimate business and economic impacts of COVID-19 will depend on various factors, including the possibility of future shutdowns, the rate at which economic conditions, operations and demand for vehicles return to pre-COVID levels, any continued or future governmental orders or lockdowns (including due to any future wave of COVID-19), the potential for a recession in key markets due to the effect of the pandemic, and the impact on customers and suppliers, including inflationary cost increases for wages, materials, and other costs, as overall economic activity rebounds, and the industry-wide shortage of semiconductor chips resulting from the COVID-19 pandemic, which had a negative impact on OEM light vehicle production levels globally in 2021, or any other supply chain disruptions.

OEM customers have taken a number of actions in response to the semiconductor chip shortage, such as: unplanned shutdowns of production lines and/or plants; reductions in their vehicle production plans; and changes to their product mix. Such OEM responses have resulted in a number of consequences for Tier 1 suppliers like Martinrea, including: lower sales; production inefficiencies due to production lines being stopped/restarted unexpectedly based on OEMs' production priorities; and premium freight costs to expedite shipments. Additionally, Tier 1 suppliers have faced price increases from sub-suppliers that have been negatively impacted by production inefficiencies and/or other costs related to the semiconductor chip shortage and other supply chain issues. While the Company expects to recover some of the lost production volumes, it remains unclear when supply and demand for automotive semiconductor chips will rebalance and it continues to be difficult to predict the full impact of the chip shortage and any other supply chain disruptions.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

### (d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, sales and expenses and the related disclosures with respect to contingent assets and liabilities. Actual results may differ from these estimates.

As a result of the uncertain economic and business impacts of the COVID-19 pandemic and semiconductor chip shortage, management has reviewed the estimates, judgments and assumptions used in the preparation of the consolidated financial statements, including the determination of whether indications of any asset impairment exist. As a result of this review, asset impairment charges and restructuring costs were recognized during the second quarter of 2020 as further explained in notes 11 and 12 of these consolidated financial statements. No such charges were recognized during the third or fourth quarters of 2020 or in 2021. Further revisions may be required in future periods depending on the extent of the negative impacts on the business arising from the COVID-19 pandemic and semiconductor chip shortage, as they continue to evolve. Any such revisions (due to COVID-19 or otherwise) may result in, among other things, further asset impairments and restructuring costs, and/or adjustments to the carrying amount of trade and other receivables and/or inventories, or to the valuation of deferred tax assets and/or pension assets or obligations, any of which could have a material impact on result of operations and financial position.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (assumptions made are disclosed in individual notes throughout the financial statements where relevant):

- Estimates of the economic life of property, plant and equipment and intangible assets;
- Estimates involved in the measurement of lease liabilities and associated right-of-use-assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs. These estimates may include discount rates and long-term growth rates;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and the Company's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and service costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately-priced tooling contracts. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecast loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes; and
- Estimates used in determining the fair value of stock option and performance share unit grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options/units granted, where relevant.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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Information about significant areas of critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements relate to the following (judgments made are disclosed in individual notes throughout the financial statements where relevant):

- Accounting for provisions including assessments of possible legal and tax contingencies, and restructuring. Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgment is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Judgments in determining the appropriateness of costs included in tooling work in progress inventory;
- Judgments in determining the timing of revenue recognition for tooling sales;
- Judgments in determining whether sales contracts contain material rights;
- The determination of the Company's cash generating units ("CGU") for impairment testing; and
- Acquisitions – at initial recognition, judgments are made for key assumptions in the purchase price allocation, fair value of the assets acquired and liabilities assumed, and inputs to the valuation of acquired property, plant and equipment. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

The decisions made by the Company in each instance are set out under the various accounting policies in these notes.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

#### (ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealized income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

#### (iii) Business combinations

For every business combination, the Company identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another.

#### *Measuring goodwill:*

In a business combination, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquired entity, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date.

Consideration transferred includes the fair values of the assets transferred, including cash, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes contingent consideration and share-based payment awards exchanged in the business combination. Payments that effectively settle pre-existing relationships between the Company and the acquiree, payments to compensate employees or former owners for future services, and a reimbursement of transaction costs incurred by the acquiree on behalf of the Company are not accounted for as part of the business combination.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are excluded from acquisition accounting, and are expensed as incurred.

### *Contingent liabilities:*

Contingent liabilities that are present obligations that arose from past events are recognized at fair value at the acquisition date.

### **(b) Foreign currency**

Each subsidiary of the Company maintains its accounting records in its functional currency. A subsidiary's functional currency is the currency of the principal economic environment in which it operates.

#### **(i) Foreign currency transactions**

Transactions carried out in foreign currencies are translated using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency at the reporting date are translated at the exchange rate at that date. The foreign currency gain or loss on such monetary items is recognized as income or expense for the period. Non-monetary assets and liabilities denominated in a foreign currency are translated at the historical exchange rate prevailing at the transaction date.

#### **(ii) Translation of financial statements of foreign operations**

The assets and liabilities of subsidiaries whose functional currency is not the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing at the reporting date. The income and expenses of foreign operations whose functional currency is not the Canadian dollar are translated to Canadian dollars at the exchange rate prevailing on the date of transaction.

Foreign currency differences on translation are recognized in other comprehensive income (loss) in the cumulative translation account net of income tax.

### **(c) Financial instruments**

#### **(i) Financial assets and liabilities**

The Company recognizes financial assets and financial liabilities initially at fair value and subsequently measures these at either fair value or amortized cost based on their classification as described below:

##### *Fair value through profit or loss (FVTPL):*

Financial assets and financial liabilities purchased or incurred, respectively, with the intention of generating earnings in the near term, and derivatives other than cash flow hedges, are classified as FVTPL. This category includes cash and cash equivalents, and derivative instruments that do not qualify for hedge accounting. For items classified as FVTPL, the Company initially recognizes such financial assets on the consolidated balance sheet at fair value and recognizes subsequent changes in the consolidated statement of operations. Transaction costs incurred are expensed in the consolidated statement of operations. The Company does not currently hold any liabilities designated as FVTPL.

##### *Fair value through other comprehensive income:*

This category includes investments in equity securities. Subsequent to initial recognition, they are measured at fair value on the consolidated balance sheet and changes therein are recognized in other comprehensive income (loss). When an investment is derecognized, the accumulated gain or loss in other comprehensive income (loss) is transferred to the consolidated statement of operations.

##### *Amortized cost:*

The Company classifies financial assets held to collect contractual cash flows at amortized cost, including trade and other receivables and investments in convertible debentures. The Company initially recognizes the carrying amount of such assets on the consolidated balance sheet at fair value plus directly attributable transaction costs, and subsequently measures these at amortized cost using the effective interest rate method, less any impairment losses.

##### *Other financial liabilities:*

This category is for financial liabilities that are not classified as FVTPL and includes trade and other payables and long-term debt. These financial liabilities are recorded at amortized cost on the consolidated balance sheet.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

### (ii) Impairment of financial assets

A forward-looking "expected credit loss" (ECL) model is used in determining the allowance for doubtful accounts as it relates to trade and other receivables. The Company's allowance is determined by historical experiences, and considers factors including the aging of the balances, the customer's credit-worthiness, and updates based on the current economic conditions, expectation of bankruptcies, and the political and economic volatility in the markets/location of customers.

### (iii) Derivative financial instruments not accounted for as hedges

The Company periodically uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments, as well as derivative instruments associated with investments in equity securities, are classified as FVTPL, initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in the consolidated statement of operations.

### (iv) Hedge accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and the strategy for undertaking the hedge. The documentation identifies the specific net investment or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

At inception and each reporting date, the Company formally assesses the effectiveness of these designated hedges.

#### *Cash flow hedges*

The Company hedges variability in certain cash flows of forecasted foreign currency sales due to fluctuations in foreign exchange rates.

The Company has designated these foreign currency sales as a cash flow hedge. In such hedges, to the extent that the changes in fair value of the hedging instrument offset the changes in the fair value of the hedged item, they are recorded in other comprehensive income (loss) until the hedged item affects profit or loss (i.e. when settled or otherwise derecognized). Any excess of the change in fair value of the derivative that does not offset changes in the fair value of the hedged item is recorded in profit or loss.

When a cash flow hedge relationship is discontinued, any subsequent change in fair value of the hedging instrument is recognized in profit or loss.

If the hedge is discontinued before the end of the original hedge term, then any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in profit or loss, at the earlier of when the hedged item affects profit or loss, or when the forecast item is no longer expected to occur.

#### *Net investment hedges*

The Company continues to use some portion of its US denominated long-term debt to manage foreign exchange rate exposures on net investments in certain US operations.

The change in fair value of the hedging US debt is recorded, to the extent effective, directly in other comprehensive income (loss). These amounts will be recognized in profit or loss as and when the corresponding accumulated other comprehensive income from the hedged foreign operations is recognized in profit or loss. The Company has not identified any ineffectiveness in these hedge relationships as at December 31, 2021.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of material and labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

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When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Certain tooling is produced or purchased specifically for the purpose of manufacturing parts for customer orders, which are either a) not sold to the customer, or b) paid for by the customer on delivery of each part, without the customer guaranteeing full financing of the costs incurred. In accordance with IAS 16, Property, plant and equipment, this tooling is recognized as property, plant and equipment. It is depreciated to match the lesser of estimated useful life and life of the program.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within profit or loss.

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of qualifying property, plant and equipment as part of the cost of that asset, if applicable. Capitalized borrowing costs are amortized over the useful life of the related asset.

### (ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Maintenance and repair costs are expensed as incurred, except where they serve to increase productivity or to prolong the useful life of an asset, in which case they are capitalized.

### (iii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful life of each item of property, plant and equipment, since this period most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is recorded on the following bases and at the following rates:

	<b>Basis</b>	<b>Rate</b>
Buildings	Declining balance	4%
Leasehold improvements	Straight-line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight line	7% to 20%
Tooling and fixtures	Straight-line	Lesser of estimated useful life and life of program
Other	Declining balance and straight line	20% to 30%

Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

### (e) Intangible assets

The Company's intangible assets are composed of customer contracts acquired in previous acquisitions and development costs.

#### (i) Customer contracts and relationships:

Customer contracts and relationships have a finite useful life and are amortized over their estimated economic lives of up to 10 years on a straight-line basis which is consistent with the contract value initially established upon acquisition.

#### (ii) Research and development:

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if:

- the development costs can be measured reliably;
- the product or process is technically and commercially feasible;
- the future economic benefits are probable; and
- the Company intends and has sufficient resources to complete the development of and to use or sell the asset.



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Capitalized development costs correspond to projects for specific customer applications that draw on approved generic standards or technologies already applied in production. These projects are analyzed on a case-by-case basis to ensure they meet the criteria for capitalization as described above. Development costs are subsequently amortized over the life of the program from the start of production. Amortization of development costs is recognized in research and development costs in the consolidated statement of operations.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

### (f) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other direct costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads, including depreciation, based on normal operating capacity. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Impairment losses are recognized on the basis of net realizable value.

### (g) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether the contract: involves the use of an identified asset; provides the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and provides the right to direct the use of the asset.

A right-of-use asset and lease liability are recorded on the date that the underlying asset is available for use, representing the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that are tied to an index or rate defined in the contract;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably likely to exercise; and
- lease payments under an optional extension if the Company is reasonably certain to exercise the extension option, and early termination penalties required under a termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether or not it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is initially measured at cost, consisting of:

- the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The lease term consists of the non-cancellable period of the lease; periods covered by options to extend the lease, when the Company is reasonably certain to exercise the option to extend; and periods covered by options to terminate the lease, when the Company is reasonably certain not to exercise the option. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability as described above.

### *Short term and low-value leases*

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term leases (i.e., those leases that have a lease term of twelve months or less) and leases with assets of low value (i.e., those assets with a fair market value of less than US\$5,000). The expenses associated with such leases are recognized in the consolidated statement of operations on a straight-line basis over the lease term.

### *Variable lease payments*

Certain leases contain provisions that result in changes to lease payments over the term in relation to market indices quoted in the contract. The Company reassesses the lease liabilities related to these leases when the index or other data is available to calculate the change in lease payment.

Certain leases require the Company to make payments that relate to property taxes, insurance, or other non-rental costs. These costs are typically variable and are not included in the calculation of the right-of-use asset or lease liability, but are recorded as an expense in cost of sales in the consolidated statement of operations in the period in which they are incurred.

## **(h) Investments in Associates and Joint Ventures**

Associates are entities over which the Company has significant influence, but not control, on financial and operating policy decisions. Significant influence is assumed when the Company holds 20% to 50% of the voting power of the investee, unless qualitative factors overcome this presumption. Similarly, significant influence is presumed not to exist when the Company holds less than 20% of the voting power of the investee, unless qualitative factors overcome this presumption.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. The investment is initially recognized at cost. The carrying amount is subsequently increased or decreased to recognize the Company's share of profits or losses of the equity-accounted investees after the date of acquisition or when significant influence or joint control begins. The Company's share of profits or losses is recognized in the consolidated statement of operations, and its share of other comprehensive income or loss is included in other comprehensive income or loss.

Unrealized gains on transactions between the Company and its equity-accounted investees are eliminated to the extent of the Company's interest in the investee. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in the level of the Company's equity interest in an equity-accounted investee are recognized in the consolidated statement of operations. Where an equity-accounted investee increases its equity through share issuances, the Company records its share of such increase in its investments of the investee on the consolidated balance sheet.

The amounts included in the financial statements of the investees are adjusted to reflect adjustments made by the Company, when using the equity method, such as fair value adjustments made at the time of acquisition.

At the end of each reporting period, the Company assesses whether there is any objective evidence that its investment is impaired. If impaired, the carrying value of the Company's share of the underlying assets of the investee is written down to its estimated recoverable amount and charged to the consolidated statement of operations.

The Company has an equity interest in one associate and one joint venture as further described in note 9.

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## Notes to the Consolidated Financial Statements

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### (i) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the assets in the unit (group of units).

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### (j) Pensions and other post-retirement benefits

The Company's liability for pensions and other post-retirement benefits is based on valuations performed by independent actuaries using the projected unit credit method. These valuations incorporate both financial assumptions (discount rate, and changes in salaries and medical costs) and demographic assumptions, including rate of employee turnover, retirement age and life expectancy.

The liability for pensions and other post-retirement benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. The effects of differences between previous actuarial assumptions and what has actually occurred (experience adjustments) and the effect of changes in actuarial assumptions (assumption adjustments) give rise to actuarial gains and losses. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately through other comprehensive income (loss) and transferred directly to retained earnings.

### (k) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset when reimbursement is virtually certain. Commitments resulting from restructuring plans are recognized when an entity has a detailed formal plan and has raised a valid expectation with those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features.

When the effect of the time value of money is material, the amount of the provision is discounted using a rate that reflects the market's current assessment of this value and the risks specific to the liability concerned. The increase in the provision related to the passage of time is recognized through profit and loss in other finance income (expense).

### (l) Revenue recognition

The Company recognizes sales from two categories of goods: production (including finished production parts, assemblies and modules), and tooling. Revenue for these goods is recognized at the point in time control of the goods is transferred to the customer.

Control of finished production parts, assemblies and modules transfers when the goods are shipped from the Company's manufacturing facilities to the customer. Control of tooling transfers when the tool has been accepted by the customer. For certain tooling contracts for which the customer makes progress payments in advance of obtaining control of the tool, the Company recognizes a liability for the progress payments until the performance obligation is complete. Such payments from the customer generally do not contain a financing component.

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Revenue and cost of sales from tooling contracts are presented on a gross basis in the consolidated statements of operations. Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. In the case of tooling work in progress inventory that is internally developed, cost includes directly attributable labour as well as overhead. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. Judgment is required in determining the appropriateness of costs included in tooling work in progress inventory. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost overruns, non-reimbursable costs, change orders and potential price changes.

**(m) Finance expense**

Finance expense is comprised of interest expense on long-term debt and lease liabilities and amortization of deferred financing costs. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

**(n) Other finance income (expense)**

Other finance income (expense) comprises interest income on funds invested, changes in the fair value of derivative financial instruments not accounted for as hedges and unrealized foreign exchange gains and losses reported on a net basis. Interest income (expense) is recognized as it accrues in profit or loss, using the effective interest method.

**(o) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(p) Guarantees**

A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are remeasured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* ("IAS 37") and (ii) the amount initially recognized less cumulative amortization.

**(q) Stock-based payments**

The Company accounts for all stock-based payments to employees and non-employees using the fair value-based method of accounting. The Company measures the compensation cost of stock-based option awards at the grant date using the Black-Scholes-Merton option valuation model to determine the fair value of the options. The stock-based compensation cost of the options is recognized as stock-based compensation expense over the relevant vesting period of the stock options.

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### (r) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

### (s) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### (t) Deferred Share Unit Plan

On May 3, 2016, a Deferred Share Unit Plan (the "DSU Plan") was established as a means of compensating non-executive directors and designated employees of the Company and of promoting share ownership and alignment with the shareholders' interests. Non-executive directors of Martinrea are automatically required to participate in the DSU Plan while employees may be designated from time to time, at the sole discretion of the Board of Directors.

Vesting conditions may be attached to the DSUs at the Board of Directors' discretion. DSU Plan participants receive additional DSUs equivalent to cash dividends paid on common shares. DSUs are paid out in cash upon termination of service, based on their fair market value, which is defined as the average closing share price of the Company's common shares for the 20 days preceding the termination date.

DSUs are considered cash-settled awards. The fair value of DSUs, at the date of grant to the DSU Plan participants, is recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the DSUs are fair valued at the end of every reporting period and at the settlement date. Any change in the fair value of the liability is recognized as compensation expense in profit or loss.

### (u) Performance and Restricted Share Unit Plan

On November 3, 2016, as subsequently amended, a Performance and Restricted Share Unit Plan (the "PRSU Plan") was established as a means of compensating designated employees of the Company and promoting share ownership and alignment with the shareholders' interests. Under the PRSU Plan, the Company may grant Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") to its employees. The Company shall redeem vested RSUs or vested PSUs on their Redemption Date (as specified in the PRSU Plan) for cash. The RSUs and PSUs are redeemed at their fair value as defined by the PRSU Plan; in addition, PSUs must meet the performance criteria specified in the PRSU Plan. The vesting conditions are determined by the Board of Directors or as otherwise provided in the PRSU Plan.

The fair value of PSUs and RSUs at the date of grant to the PRSU Plan participants, determined using the Monte Carlo Simulation model in the case of PSUs, are recognized as compensation expense over the vesting period, with a liability recorded in trade and other payables. In addition, the RSUs and PSUs are fair valued at the end of every reporting period and at the settlement date. Any change in fair value of the liability is recognized as compensation expense in profit or loss.

### (v) Recently issued accounting standards

The IASB issued the following amendments to existing standards:

#### Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

On May 14, 2020, the IASB issued Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). The amendment specifies that the 'costs of fulfilling a contract' comprise both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied prospectively. The adoption of amendments to IAS 37 is not expected to have a material impact on the consolidated financial statements.

#### Amendments to IAS 8, Definition of Accounting Estimates

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 8 is not expected to have a material impact on the consolidated financial statements.

### Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

On February 12, 2021, the IASB issued Disclosure Initiative - Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments help companies provide useful accounting policy disclosures by requiring companies to disclose their material accounting policies rather than their significant accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023. The adoption of amendments to IAS 1 and IFRS Practice Statement 2 is not expected to have a material impact on the consolidated financial statements.

### 3. ACQUISITION

On March 2, 2020, the Company completed the acquisition of the structural components for passenger car operations of Metalsa S.A, de C.V. The acquisition added six manufacturing facilities to the Martinrea footprint, including facilities in Germany, the United States, Mexico, South Africa, and two in China. The largest customers of the acquired business are Daimler, BMW, Volkswagen and Audi.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 2, 2020.

The purchase price for the transaction was US \$19,864 (\$26,531), inclusive of working capital, and on a debt free basis.

The fair values of the assets acquired and liabilities assumed in the acquisition are as follows:

		USD	CAD
Current assets (includes cash of US \$11,636)	\$	107,167	\$ 143,131
Property, plant and equipment		35,071	46,841
Current liabilities (excluding current portion of lease liabilities and provisions)		(79,195)	(105,771)
Deferred tax liabilities (net)		(7,760)	(10,364)
Provisions		(19,659)	(26,258)
Lease liabilities		(4,124)	(5,507)
		31,500	42,072
Less: Cash on hand		(11,636)	(15,541)
Final net consideration	\$	19,864	\$ 26,531

Included in selling, general and administrative expense for the year ended December 31, 2020 are transaction costs related to the acquisition totaling \$2,489.

### 4. TRADE AND OTHER RECEIVABLES

		December 31, 2021	December 31, 2020
Trade receivables	\$	606,779	\$ 568,839
Other receivables		22,661	18,003
Foreign exchange forward contracts not accounted for as hedges (note 24(d))		4,744	647
Foreign exchange forward contracts accounted for as hedges (note 24(d))		—	1,826
	\$	634,184	\$ 589,315

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 24.

**Martinrea International Inc.**  
**Notes to the Consolidated Financial Statements**  
*(in thousands of Canadian dollars, except per share amounts)*

**5. INVENTORIES**

	December 31, 2021	December 31, 2020
Raw materials	\$ 226,138	\$ 168,321
Work in progress	66,722	48,608
Finished goods	56,404	39,096
Tooling work in progress and other inventory	241,520	236,634
	<b>\$ 590,784</b>	<b>\$ 492,659</b>

**6. PROPERTY, PLANT AND EQUIPMENT**

	December 31, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	\$ 179,249	\$ (33,135)	\$ 146,114	\$ 171,501	\$ (27,355)	\$ 144,146
Leasehold improvements	74,665	(50,056)	24,609	75,148	(48,025)	27,123
Manufacturing equipment	2,716,949	(1,492,994)	1,223,955	2,496,782	(1,350,004)	1,146,778
Tooling and fixtures	36,197	(32,772)	3,425	36,496	(32,491)	4,005
Other assets	73,995	(45,232)	28,763	72,432	(43,396)	29,036
Construction in progress	301,048	—	301,048	264,109	—	264,109
	<b>\$ 3,382,103</b>	<b>\$ (1,654,189)</b>	<b>\$ 1,727,914</b>	<b>\$ 3,116,468</b>	<b>\$ (1,501,271)</b>	<b>\$ 1,615,197</b>

Movement in property, plant and equipment is summarized as follows:

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress	Total
Net as of December 31, 2019	\$ 107,069	\$ 29,391	\$ 1,121,789	\$ 5,132	\$ 29,583	\$ 248,931	\$ 1,541,895
Additions	—	—	2,303	—	1,779	299,311	303,393
Additions from acquisition (note 3)	23,106	—	23,735	—	—	—	46,841
Disposals	—	—	(726)	(10)	(218)	(65)	(1,019)
Depreciation	(4,844)	(4,647)	(177,073)	(861)	(7,943)	—	(195,368)
Impairment (note 12)	—	—	(73,573)	(425)	(295)	(1,804)	(76,097)
Transfers from construction in progress	21,873	1,824	250,424	226	6,018	(280,365)	—
Foreign currency translation adjustment	(3,058)	555	(101)	(57)	112	(1,899)	(4,448)
Net as of December 31, 2020	144,146	27,123	1,146,778	4,005	29,036	264,109	1,615,197
Additions	50	—	2,047	—	1,068	343,483	346,648
Disposals	—	—	(1,855)	—	(47)	—	(1,902)
Depreciation	(6,216)	(3,721)	(184,241)	(550)	(8,466)	—	(203,194)
Transfers from construction in progress	10,361	1,794	282,746	—	7,735	(302,636)	—
Foreign currency translation adjustment	(2,227)	(587)	(21,520)	(30)	(563)	(3,908)	(28,835)
Net as of December 31, 2021	\$ 146,114	\$ 24,609	\$ 1,223,955	\$ 3,425	\$ 28,763	\$ 301,048	\$ 1,727,914

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

### 7. RIGHT-OF-USE ASSETS

	December 31, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Leased buildings	\$ 247,757	\$ (80,125)	\$ 167,632	\$ 233,434	\$ (55,150)	\$ 178,284
Leased manufacturing equipment	70,568	(16,722)	53,846	24,630	(11,656)	12,974
Leased other assets	3,846	(2,390)	1,456	3,351	(1,979)	1,372
	\$ 322,171	\$ (99,237)	\$ 222,934	\$ 261,415	\$ (68,785)	\$ 192,630

Movement in right-of-use assets is summarized as follows:

	Leased buildings	Leased manufacturing equipment	Leased other assets	Total
Net as of December 31, 2019	\$ 171,953	\$ 14,900	\$ 1,525	\$ 188,378
Additions	15,242	3,143	643	19,028
Lease modifications	16,445	90	—	16,535
Depreciation	(25,169)	(5,828)	(973)	(31,970)
Impairment (note 12)	(451)	—	—	(451)
Foreign currency translation adjustment	264	669	177	1,110
Net as of December 31, 2020	\$ 178,284	\$ 12,974	\$ 1,372	\$ 192,630
Additions	11,031	47,409	851	59,291
Lease modifications	6,604	—	114	6,718
Depreciation	(25,444)	(5,957)	(839)	(32,240)
Foreign currency translation adjustment	(2,843)	(580)	(42)	(3,465)
Net as of December 31, 2021	\$ 167,632	\$ 53,846	\$ 1,456	\$ 222,934

### 8. INTANGIBLE ASSETS

	December 31, 2021			December 31, 2020		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Development costs	\$ 138,289	\$ (90,480)	\$ 47,809	\$ 151,203	\$ (98,559)	\$ 52,644

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2019	\$ 1,753	\$ 53,034	\$ 54,787
Additions	—	12,304	12,304
Amortization	(1,835)	(11,807)	(13,642)
Impairment (note 12)	—	(707)	(707)
Foreign currency translation adjustment	82	(180)	(98)
Net as of December 31, 2020	—	52,644	52,644
Additions	—	8,533	8,533
Amortization	—	(12,788)	(12,788)
Foreign currency translation adjustment	—	(580)	(580)
Net as of December 31, 2021	\$ —	\$ 47,809	\$ 47,809



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### 9. INVESTMENTS

	December 31, 2021	December 31, 2020
Investment in common shares of NanoXplore Inc.	\$ 48,748	\$ 40,557
Investment in common shares of VoltaXplore Inc.	3,925	—
Investment in common shares and convertible debentures of AlumaPower Corp.	2,542	—
	\$ 55,215	\$ 40,557

As at December 31, 2021, the Company held 35,045,954 common shares of NanoXplore Inc. (“NanoXplore”) representing a 22.2% equity interest in NanoXplore (on a non-diluted basis). NanoXplore is a publicly listed company on the Toronto Stock Exchange trading under the ticker symbol GRA. It is a manufacturer and supplier of high-volume graphene powder for use in industrial markets providing customers with a range of graphene-based solutions.

On April 2, 2020, the Company acquired an additional 3,846,200 common shares in NanoXplore pursuant to a private placement offering at a price of \$1.30 per common share for an aggregate purchase price of \$5,000.

On December 8, 2020, NanoXplore converted an aggregate principal amount of \$10.0 million of convertible unsecured subordinated debentures into common shares. Consequently, the Company's net ownership interest decreased to 23.3% from 24.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$0.9 million in the fourth quarter of 2020.

On February 12, 2021, NanoXplore completed a public offering of 11,500,000 common shares for gross proceeds of \$46,000. In a separate transaction on February 12, 2021, the Company purchased 1,000,000 common shares from NanoXplore's President and Chief Executive Officer for consideration of \$4,000. Subsequent to these transactions, the Company's net ownership interest decreased to 22.2% from 23.3%. This dilution resulted in a deemed disposition of a portion of the Company's ownership interest in NanoXplore, resulting in a gain on dilution of \$7,800 during the first quarter of 2021.

On April 15, 2021, the Company formed a 50/50 joint venture with NanoXplore, named VoltaXplore Inc. (“VoltaXplore”), to develop and produce electric vehicle batteries enhanced with graphene. Martinrea and NanoXplore each invested \$4,036 into VoltaXplore as start-up capital and to support the construction of a demonstration facility, with each committed to provide up to an additional \$6,000 in development funding if, as and when required. A successful demonstration of improved battery performance using graphene, along with positive feedback from customers, will support the business case for the construction of a battery production facility in Canada.

On January 14, 2022, each of Martinrea and NanoXplore invested an additional \$1,000 in development funding into VoltaXplore by acquiring 1,000,000 common shares in VoltaXplore at \$1.00 per share.

On February 24, 2022, NanoXplore closed a bought deal public offering of 6,522,000 common shares from treasury at a price of \$4.60 per common share for aggregate gross proceeds of \$30,001. Consequently, the Company's ownership interest decreased to 21.3%.

In the fourth quarter of 2018, the Company acquired 14,952 of each class A and class C shares of AlumaPower Corporation (“AlumaPower”) for a total of US \$1,000 through a private placement offering, representing a 12.5% equity interest in AlumaPower. AlumaPower is a private company developing aluminum air battery technology for a variety of end markets, including automotive. The Company also acquired convertible debentures in the amount of US \$250, US \$500, and US \$216 during the fourth quarter of 2019, and the first and fourth quarters of 2021, respectively.

The Company applies equity accounting to its equity investments in NanoXplore and VoltaXplore based on their most recently available financial statements, adjusted for any significant transactions that occur thereafter and up to the Company's reporting date, which represents a reasonable estimate of the change in the Company's interest. The common shares and convertible debentures in AlumaPower have been classified as fair value through other comprehensive income and amortized cost, respectively. Accordingly, the common shares are recorded at their fair value at the end of each reporting period, with the change in fair value recorded in other comprehensive income, while the convertible debentures are recorded at amortized cost using the effective interest rate method, less any impairment losses.

Investment in common shares and convertible debentures of AlumaPower was previously included in prepaid expenses and deposits.

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Movement in equity-accounted investments is summarized as follows:

	Investment in common shares of NanoXplore	Investment in common shares of VoltaXplore
Net as of December 31, 2019	\$ 37,080	\$ —
Additions	5,000	—
Gain on dilution of equity investments	866	—
Share of loss for the year	(2,310)	—
Share of other comprehensive loss for the year	(79)	—
Net as of December 31, 2020	\$ 40,557	\$ —
Additions	4,000	4,036
Gain on dilution of equity investments	7,800	—
Share of loss for the year	(3,813)	(111)
Share of other comprehensive income for the year	204	—
Net as of December 31, 2021	\$ 48,748	\$ 3,925

As at December 31, 2021, the stock market value of the shares held in NanoXplore by the Company was \$228,850.

**10. TRADE AND OTHER PAYABLES**

	December 31, 2021	December 31, 2020
Trade accounts payable and accrued liabilities*	\$ 1,110,350	\$ 967,952

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

\* Included in trade accounts payable and accrued liabilities are contract liabilities related to advance consideration received from customers for tooling contracts. During the year ended December 31, 2021, the Company recognized \$130,691 (2020 - \$30,063) of revenues that was included in contract liabilities at the beginning of the period.

**11. PROVISIONS**

	Restructuring	Claims and Litigation	Total
Net as of December 31, 2019	\$ 4,214	\$ 4,370	\$ 8,584
Net additions	8,170	662	8,832
Additions from acquisition (note 3)	26,258	—	26,258
Amounts used during the year	(38,320)	(1,295)	(39,615)
Foreign currency translation adjustment	1,038	(839)	199
Net as of December 31, 2020	1,360	2,898	4,258
Net additions	5,473	1,290	6,763
Amounts used during the year	(3,471)	(923)	(4,394)
Foreign currency translation adjustment	(177)	(178)	(355)
Net as of December 31, 2021	\$ 3,185	\$ 3,087	\$ 6,272

Based on estimated cash outflows, all provisions as at December 31, 2021 and December 31, 2020 are presented on the consolidated balance sheets as current liabilities.

**(a) Restructuring**

Additions to the restructuring provision in 2021 totaled \$5,473 and represent employee-related severance resulting from the rightsizing of an operating facility in Germany.

Additions to the restructuring provision in 2020 totaled \$8,170 and represent employee-related severance resulting from a reduction in the Company's workforce globally in response to the COVID-19 global pandemic. Of the total addition to the restructuring provision, \$6,573 relates to North America, \$984 to Europe and \$613 to the Rest of the World.

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### (b) Claims and litigation

In the normal course of business, the Company may be involved in disputes with its suppliers, customers, former employees or other third parties. Where the Company has determined that there is a probable loss that is expected from claims or litigation related to past events, a provision is recorded to cover the related risks associated with these disputes. To the best of the Company's knowledge, there are no claims or litigation in progress or pending that are likely to have a material impact on the Company's consolidated financial position.

### 12. IMPAIRMENT OF ASSETS

	December 31, 2021	December 31, 2020
North America	\$ —	\$ (72,159)
Europe	—	(1,280)
Rest of the World	—	(12,344)
Total Impairment	\$ —	\$ (85,783)

The Company evaluates its non-financial assets and CGUs for impairment whenever events or circumstances indicate the value of an asset or CGU is not recoverable.

The significant reduction in volumes and industry production projections as a result of the COVID-19 global pandemic negatively impacted the recoverable amount of certain of the Company's production-related assets and also changed the expected usage of certain other assets. As a result, during the second quarter of 2020, the Company completed an analysis of its asset base and concluded there existed certain indicators of impairment for specific assets and CGUs. Accordingly, the Company tested these assets and CGUs for recoverability using projected sales and cash flows modelled from industry production projections. Based on the results of this testing, during the second quarter of 2020, the Company recorded impairment charges on property, plant and equipment, right-of-use assets, intangible assets and inventories across its three operating segments totaling \$85,783, including specific assets that are no longer expected to be redeployed or transferred to other facilities. The charges related to assets and CGUs across various jurisdictions in the Company's segments, including the United States, Slovakia, China and Brazil. For the specific assets that are no longer expected to be redeployed or transferred, the impairment charges are based on the estimated salvage value of the assets. For the CGUs, the impairment charges were recorded where the carrying amount of the CGUs exceeded their estimated recoverable amounts.

### 13. LONG-TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 24.

	December 31, 2021	December 31, 2020
Banking facility	\$ 945,703	\$ 773,772
Equipment loans	65,287	61,450
	1,010,990	835,222
Current portion	(20,173)	(19,492)
	\$ 990,817	\$ 815,730

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Terms and conditions of outstanding loans, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2021 Carrying amount	December 31, 2020 Carrying amount
Banking facility	USD	LIBOR + 2.50%	2025	\$ 589,651	\$ 427,646
	CAD	BA + 2.50%	2025	356,052	346,126
Equipment loans	CAD	2.54%	2026	23,824	—
	EUR	1.05%	2024	13,183	20,239
	EUR	1.40%	2026	10,823	14,454
	EUR	2.46%	2026	9,502	10,265
	CAD	3.80%	2022	7,204	15,555
	EUR	0.00%	2028	584	389
	EUR	0.26%	2025	167	258
	EUR	1.36%	2021	—	290
				\$ 1,010,990	\$ 835,222

On April 13, 2021, the Company's banking facility was amended to extend its maturity and enhance certain provisions of the facility. The primary terms of the amended bank facility, with now a syndicate of eleven banks (up from ten), include the following:

- an unsecured credit structure;
- similar financial covenants, including a maximum net debt to trailing twelve months EBITDA ratio of 3.0x (excluding the impact of IFRS 16, Leases);
- available revolving credit lines of \$500 million and US \$520 million (up from \$370 million and US \$420 million, respectively) with the liquidity tranche put in place in 2020 now a part of the Company's principal revolving credit lines;
- available asset based financing capacity of \$300 million;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to US \$300 million (up from US \$200 million);
- pricing terms at market rates and consistent with pre-COVID levels (effective in the third quarter of 2021);
- a maturity date of April 2025; and
- no mandatory principal repayment provisions.

In light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, on November 25, 2021, the Company amended its lending agreements with its banking syndicate to provide enhanced financial covenant flexibility on a present and go forward basis. The amendment provides that the Company's calculation of its most basic financial covenant, the net debt to trailing twelve months EBITDA ratio, for the four quarters up to and including the third quarter of 2022, would exclude EBITDA from the third and fourth quarters of 2021 and instead be based on the annualized total of the remaining quarters in the relevant trailing twelve month period. As a result, the impact the industry-wide shortage of semiconductor chips has had on the Company, prevalent during the third and fourth quarters of 2021, would be largely ignored for the purpose of financial covenant calculations under the Company's lending arrangements. The amendment also increased the maximum net debt to trailing twelve months EBITDA ratio for the financial covenant purposes to 4.0x, 4.5x, and 3.75x for the first, second, and third quarters of 2022, respectively, and returning to 3.0x thereafter.

As at December 31, 2021, the Company had drawn US \$466,000 (December 31, 2020 - US \$336,000) on the U.S. revolving credit line and \$360,000 (December 31, 2020 - \$348,000) on the Canadian revolving credit line. At December 31, 2021, the weighted average effective interest rate of the banking facility credit lines was 2.8% (December 31, 2020 - 2.8%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2021.

Deferred financing fees of \$3,948 (December 31, 2020 - \$1,874) have been netted against the carrying amount of the long-term debt.

On August 11, 2021, the Company finalized a five-year equipment loan in the amount of \$25,000 repayable in quarterly instalments commencing in 2021 at a fixed annual interest rate of 2.54%.

On July 2, 2020, the Company finalized an eight-year equipment loan in the amount of €972 (\$1,514) repayable in bi-annual instalments commencing in 2024 at a fixed annual interest rate of 0.0%.

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On April 30, 2020, the Company finalized a three-year equipment loan in the amount of €6,600 (\$9,958) repayable in monthly instalments commencing in 2021 at a fixed annual interest rate of 2.0%. On May 19, 2021, the equipment loan was amended to extend its maturity date from 2023 to 2026, postpone the commencement of monthly instalments from 2021 to 2022, and increase the fixed annual interest rate from 2.00% to 2.46%.

Future annual minimum principal repayments as at December 31, 2021 are as follows:

	Scheduled principal repayments	Scheduled amortization of deferred financing fees	Carrying amount of outstanding loans
Within one year	\$ 21,732	\$ (1,559)	\$ 20,173
One to two years	15,576	(1,022)	14,554
Two to three years	12,032	(1,022)	11,010
Three to four years	960,004	(345)	959,659
Thereafter	5,594	—	5,594
	\$ 1,014,938	\$ (3,948)	\$ 1,010,990

Movement in long-term debt is summarized as follows:

	Total
Net as of December 31, 2019	\$ 781,573
Drawdowns	94,424
Equipment loan proceeds	10,339
Equipment loan repayments	(43,462)
Deferred financing fee additions	(1,254)
Amortization of deferred financing fees	1,758
Foreign currency translation adjustment	(8,156)
Net as of December 31, 2020	\$ 835,222
Drawdowns	176,214
Equipment loan proceeds	25,000
Equipment loan repayments	(18,296)
Deferred financing fee additions	(3,920)
Amortization of deferred financing fees	1,846
Foreign currency translation adjustment	(5,076)
Net as of December 31, 2021	\$ 1,010,990

#### 14. LEASE LIABILITIES

The Company enters into lease agreements for land and buildings, manufacturing equipment and other assets as a part of regular operations as a means of efficiently utilizing capital and managing the Company's cash flows.

Movement in lease liabilities is summarized as follows:

	Total
Net as of December 31, 2019	\$ 202,352
Net additions	19,028
Lease modifications	16,496
Additions from acquisition (note 3)	5,507
Principal payments of lease liabilities	(32,966)
Foreign currency translation adjustment	1,396
Net as of December 31, 2020	211,813
Net additions	59,291
Lease modifications	6,718
Principal payments of lease liabilities	(33,753)
Termination of leases	(788)
Foreign currency translation adjustment	(3,504)
Net as of December 31, 2021	239,777

# Martinrea International Inc.

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Effective December 20, 2021, the Company finalized a six-year manufacturing equipment lease agreement with quarterly payments of US \$1,660 commencing in 2022, adding US \$37,388 (\$47,193) to lease liabilities during 2021.

The maturity of contractual undiscounted lease liabilities as at December 31, 2021 is as follows:

	<b>Total</b>
Within one year	\$ 47,014
One to two years	43,987
Two to three years	38,672
Three to four years	35,008
Thereafter	107,993
Total undiscounted lease liabilities at December 31, 2021	\$ 272,674
Interest on lease liabilities	(32,897)
Total present value of minimum lease payments	\$ 239,777
Current portion	(39,322)
	\$ 200,455

### 15. PENSIONS AND OTHER POST-RETIREMENT BENEFITS

The Company has defined benefit and non-pension post-retirement benefit plans in Canada, the United States and Germany. The defined benefit plans provide pensions based on years of service, years of contributions and earnings. The post-retirement benefit plans provide for the reimbursement of certain medical costs.

The plans are governed by the pension laws of the jurisdiction in which they are registered. The Company's pension funding policy is to contribute amounts sufficient, at minimum, to meet local statutory funding requirements. Local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions taking into account actuarial assessments and other factors. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

The assets of the defined benefit pension plans are held in segregated accounts isolated from the Company's assets. The plans are administered pursuant to applicable regulations, investment policies and procedures and to the mandate of an established pension committee. The pension committee oversees the administration of the pension plans, which include the following principal areas:

- Overseeing the funding, administration, communication and investment management of the plans;
- Selecting and monitoring the performance of all third parties performing duties in respect of the plans, including audit, actuarial and investment management services;
- Proposing, considering and approving amendments to the defined benefit pension plans;
- Proposing, considering and approving amendments of the investment policies and procedures;
- Reviewing actuarial reports prepared in respect of the administration of the defined benefit pension plans; and
- Reviewing and approving the audited financial statements of the defined benefit pension plan funds.

The assets of the defined benefit pension plans are invested and managed following all applicable regulations and investment policies and procedures, and reflect the characteristics and asset mix of each defined benefit pension plan. Investment and market return risk is managed by:

- Contracting professional investment managers to execute the investment strategy following the investment policies and procedures and regulatory requirements;
- Specifying the kinds of investments that can be held in plans and monitoring compliance;
- Using asset allocation and diversification strategies; and
- Purchasing annuities from time to time.

The pension plans are exposed to market risks such as changes in interest rates, inflation and fluctuations in investment values. The plans are also exposed to non-financial risks in the nature of membership mortality, demographic changes and regulatory change.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

Information about the Company's defined benefit plans as at December 31, 2021 and 2020, in aggregate, is as follows:

### Accrued benefit obligation:

	December 31, 2021			December 31, 2020		
	Other post-retirement benefits	Pensions	Total	Other post-retirement benefits	Pensions	Total
Balance, beginning of year	\$ (42,608)	\$ (92,231)	\$ (134,839)	\$ (40,088)	\$ (79,905)	\$ (119,993)
Benefits paid by the plan	1,426	2,888	4,314	1,720	3,064	4,784
Current service costs	(127)	(2,389)	(2,516)	(103)	(2,298)	(2,401)
Interest costs	(945)	(1,915)	(2,860)	(1,217)	(2,250)	(3,467)
Actuarial gains (losses) - experience	496	326	822	227	(737)	(510)
Actuarial losses - demographic assumptions	(86)	(116)	(202)	(880)	(1,732)	(2,612)
Actuarial gains (losses) - financial assumptions	4,018	5,130	9,148	(2,590)	(8,141)	(10,731)
Foreign exchange translation	136	1,380	1,516	323	(232)	91
Balance, end of year	\$ (37,690)	\$ (86,927)	\$ (124,617)	\$ (42,608)	\$ (92,231)	\$ (134,839)

### Plan Assets:

	December 31, 2021			December 31, 2020		
	Other post-retirement benefits	Pensions	Total	Other post-retirement benefits	Pensions	Total
Fair value, beginning of year	\$ —	\$ 60,809	\$ 60,809	\$ —	\$ 56,204	\$ 56,204
Contributions paid into the plans	1,426	1,927	3,353	1,720	3,882	5,602
Benefits paid by the plans	(1,426)	(2,888)	(4,314)	(1,720)	(3,064)	(4,784)
Interest income	—	1,422	1,422	—	1,776	1,776
Administrative costs	—	(39)	(39)	—	(40)	(40)
Remeasurements, return on plan assets recognized in other comprehensive income	—	13,979	13,979	—	2,510	2,510
Foreign exchange translation	—	(123)	(123)	—	(459)	(459)
Fair value, end of year	\$ —	\$ 75,087	\$ 75,087	\$ —	\$ 60,809	\$ 60,809

<b>Accrued benefit liability, end of year</b>	<b>(37,690)</b>	<b>(11,840)</b>	<b>(49,530)</b>	<b>(42,608)</b>	<b>(31,422)</b>	<b>(74,030)</b>
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Pension expense recognized in profit or loss:

	December 31, 2021			December 31, 2020		
	Other post-retirement benefits	Pensions	Total	Other post-retirement benefits	Pensions	Total
Current service costs	\$ 127	\$ 2,389	\$ 2,516	\$ 103	\$ 2,298	\$ 2,401
Net interest cost	945	493	1,438	1,217	474	1,691
Administrative costs	—	39	39	—	40	40
Pension expense	\$ 1,072	\$ 2,921	\$ 3,993	\$ 1,320	\$ 2,812	\$ 4,132

Amounts recognized in other comprehensive income (loss), before income taxes:

	Year ended December 31, 2021	Year ended December 31, 2020
Actuarial gains (losses)	\$ 23,747	\$ (11,343)

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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Plan assets are primarily composed of pooled funds that invest in fixed income and equities, common stocks and bonds that are actively traded. Plan assets are composed of:

	December 31, 2021	December 31, 2020
Equity	83.5%	81.9%
Debt securities	16.5%	18.1%
	100.0%	100.0%

As at December 31, 2021 and 2020, all investments in the plan are at Level 2 on the fair value hierarchy, as defined in note 24.

The defined benefit obligation and plan assets are composed by country as follows:

	Year ended December 31, 2021				Year ended December 31, 2020			
	Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	\$ (40,158)	\$ (31,259)	\$ —	\$ (71,417)	\$ (41,540)	\$ (33,808)	\$ —	\$ (75,348)
Fair value of plan assets	48,266	26,821	—	75,087	36,223	24,586	—	60,809
Funding status of funded obligations	8,108	(4,438)	—	3,670	(5,317)	(9,222)	—	(14,539)
Present value of unfunded obligations	(23,670)	(15,614)	(13,916)	(53,200)	(25,553)	(18,800)	(15,138)	(59,491)
Total funded status of obligations	\$ (15,562)	\$ (20,052)	\$ (13,916)	\$ (49,530)	\$ (30,870)	\$ (28,022)	\$ (15,138)	\$ (74,030)

There are significant assumptions made in the calculations provided by the actuaries and it is the responsibility of the Company to determine which assumptions could result in a significant impact when determining the accrued benefit obligations and pension expense.

Principal actuarial assumptions, expressed as weighted averages, are summarized below:

	December 31, 2021	December 31, 2020
Defined benefit pension plans:		
Discount rate used to calculate year end benefit obligation	2.5%	2.1%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2020
Other post-employment benefit plans:		
Discount rate used to calculate year end benefit obligation	2.7%	2.3%
Mortality table	CPM 2014, Pri 2012 Blue collar w/ MP-2021	CPM 2014, Pri 2012 Blue collar w/ MP-2020
Health care trend rates:		
Initial health care rate	6.5%	6.5%
Ultimate health care rate	4.2%	4.2%



# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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### Sensitivity of Key Assumptions

In the sensitivity analysis shown below, the Company determines the defined benefit obligation using the same method used to calculate the defined benefit obligations recognized in the consolidated balance sheet. Sensitivity is calculated by changing one assumption while holding the others constant. The actual change in defined benefit obligation will likely be different from that shown in the table, since it is likely that more than one assumption will change at a time, and that some assumptions are correlated.

	Change in assumption	Impact on defined benefit obligation December 31, 2021		Impact on defined benefit obligation December 31, 2020	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
<b>Pension Plans</b>					
Discount rate	0.50%	Decrease by 7.1%	Increase by 8.0%	Decrease by 7.6%	Increase by 8.6%
Life Expectancy	1 Year	Increase by 3.2%	Decrease by 3.3%	Increase by 3.4%	Decrease by 3.4%
<b>Other post-retirement benefits</b>					
Discount rate	0.50%	Decrease by 5.7%	Increase by 6.2%	Decrease by 6.2%	Increase by 6.9%
Medical costs	1.00%	Increase by 9.9%	Decrease by 8.4%	Increase by 11.2%	Decrease by 9.4%

## 16. INCOME TAXES

The components of income tax expense are as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Current income tax expense	\$ (33,172)	\$ (46,503)
Deferred income tax recovery	21,791	34,496
Total income tax expense	\$ (11,381)	\$ (12,007)

Taxes on items recognized in other comprehensive income (loss) or directly in equity were as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Deferred tax benefit (charge) on:		
Employee benefit plan actuarial losses (gains)	\$ (6,041)	\$ 2,930
Foreign currency items	516	1,978
	\$ (5,525)	\$ 4,908

### Reconciliation of effective tax rate

The provision for income taxes differs from the result that would be obtained by applying statutory income tax rates to income before income taxes. The difference results from the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Income (loss) before income taxes	\$ 47,261	\$ (15,310)
Tax at Statutory income tax rate of 26.5% (2020 - 26.5%)	12,523	(4,057)
Increase (decrease) in income taxes resulting from:		
Utilization of losses previously not benefited	(924)	(543)
Changes in estimates related to prior years	(2,030)	(1,368)
Revaluations due to foreign exchange and inflation	(3,308)	3,807
Tax rate differences in foreign jurisdictions	(4,044)	(7,446)
Non-taxable portion of capital losses (gains)	(498)	144
Current year tax losses not benefited and withholding tax expensed	4,035	17,271
Derecognition of previously recognized deferred tax assets	1,115	—
Non-deductible expenses	4,512	4,199
	\$ 11,381	\$ 12,007
Effective income tax rate applicable to income before income taxes	24.1%	(78.4%)

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

The movement of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2019	\$ 104,534	\$ 18,508	\$ 18,648	\$ 13,754	\$ 10,446	\$ 165,890
Benefit (charge) to income	3,447	842	22,671	757	(4,360)	23,357
Benefit to other comprehensive income	—	2,930	—	—	4,030	6,960
Additions from acquisition (note 3)	538	—	—	1,227	159	1,924
Translation and other items	(1,576)	31	(902)	34	(180)	(2,593)
December 31, 2020	106,943	22,311	40,417	15,772	10,095	195,538
Benefit (charge) to income	15,095	(3,085)	(6,543)	3,141	5,412	14,020
Benefit (charge) to other comprehensive income	—	(6,041)	—	—	486	(5,555)
Translation and other items	(609)	(269)	(293)	(310)	(312)	(1,793)
December 31, 2021 before offset	\$ 121,429	\$ 12,916	\$ 33,581	\$ 18,603	\$ 15,681	\$ 202,210
Tax offset						(63,598)
December 31, 2021 after offset					\$	138,612

The movement of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2019	\$ (74,577)	\$ (8,733)	\$ (83,310)
Benefit (charge) to income	12,268	(1,129)	11,139
Charge to other comprehensive income	—	(2,052)	(2,052)
Additions from acquisition (note 3)	(12,288)	—	(12,288)
Translation and other items	1,151	(814)	337
December 31, 2020	(73,446)	(12,728)	(86,174)
Benefit to income	4,683	3,089	7,772
Benefit to other comprehensive income	—	30	30
Translation and other items	516	(337)	179
December 31, 2021 before offset	\$ (68,247)	\$ (9,946)	\$ (78,193)
Tax offset			63,598
December 31, 2021 after offset		\$	(14,595)
Net deferred asset at December 31, 2020		\$	109,364
Net deferred asset at December 31, 2021		\$	124,017

During the year ended December 31, 2021, the Company disclosed deferred tax assets and deferred tax liabilities on a net basis where a right of offset exists.

The Company has accumulated approximately \$647,716 (December 31, 2020 - \$602,597) in non-capital losses that are available to reduce taxable income in future years. If unused, these losses will expire as follows:

Year	
2022-2026	\$ 26,305
2027-2041	446,830
Indefinite	174,581
	\$ 647,716

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

Deferred tax assets include tax credits of \$6,029 (December 31, 2020 - \$5,807).

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## Notes to the Consolidated Financial Statements

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A deferred tax asset of \$73,153 in the United States (December 31, 2020 - \$68,536) has been recorded in excess of the reversing taxable temporary differences. Income projections support the conclusion that the deferred tax asset is probable of being realized and, consequently, it has been recognized.

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2021	December 31, 2020
Tax losses in foreign jurisdictions	\$ 43,666	\$ 46,518
Deductible temporary differences in foreign jurisdictions	2,756	2,820
Other capital items	188	188
	\$ 46,610	\$ 49,526

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately \$883,759 at December 31, 2021 (December 31, 2020 - \$813,308).

Future changes in tax law in any of the jurisdictions in which the Company has a presence could significantly impact the Company's provision for income taxes, taxes payable, and deferred tax asset and liability balances.

### 17. CAPITAL STOCK

Common shares outstanding:	Number	Amount
Balance as of December 31, 2019	80,261,080	\$ 661,422
Exercise of stock options	333,200	3,479
Repurchase of common shares under normal course issuer bid	(300,185)	(2,474)
Balance as of December 31, 2020	80,294,095	\$ 662,427
Exercise of stock options	73,000	988
Balance as of December 31, 2021	80,367,095	\$ 663,415

The Company is authorized to issue an unlimited number of common shares. The Company's shares have no par value.

#### Repurchase of capital stock

During the first quarter of 2020, the Company purchased for cancellation an aggregate of 300,185 common shares for an aggregate purchase price of \$3,367, resulting in a decrease to stated capital of \$2,474 and a decrease to retained earnings of \$893. The shares were purchased for cancellation directly under the Company's normal course issuer bid (NCIB).

In light of the COVID-19 global pandemic, the Company suspended the repurchase of common shares. The NCIB expired at the end of August 2020.

#### Stock options

The Company has one stock option plan for key employees. Under the plan, the Company may grant options to its key employees for up to 9,000,000 shares of common stock with option room available calculated in accordance with the terms of the stock option plan. Under the plan, the exercise price of each option equals the market price of the Company's stock on the date of grant or such other date as determined in accordance with the stock option plan and the policies of the Company. The options have a maximum term of 10 years and generally vest between zero and five years.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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The following is a summary of the activity of the outstanding share purchase options:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,777,500	\$ 13.25	3,010,700	\$ 12.57
Granted during the period	—	—	100,000	14.35
Exercised during the period	(73,000)	10.23	(333,200)	7.43
Cancelled during the period	(82,000)	13.84	—	—
Balance, end of period	2,622,500	\$ 13.32	2,777,500	\$ 13.25
Options exercisable, end of period	1,791,500	\$ 12.93	1,564,500	\$ 12.55

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2021:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
\$8.00 - 9.99	20,000	2012	2022
\$10.00 - 12.99	812,500	2012 - 2014	2022 - 2024
\$13.00 - 16.99	1,790,000	2015 - 2020	2025 - 2030
Total share purchase options	2,622,500		

The Black-Scholes-Merton option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options, which are fully transferable and have no vesting restrictions. The Company's stock options are not transferable, cannot be traded and are subject to vesting and exercise restrictions under the Company's black-out policy, which would tend to reduce the fair value of the Company's stock options. Changes to subjective input assumptions used in the model can cause a significant variation in the estimate of the fair value of the options.

For the year ended December 31, 2021, the Company expensed \$1,224 (2020 - \$2,416), to reflect stock-based compensation expense, as derived using the Black-Scholes-Merton option valuation model.

### Deferred Share Unit ("DSU") Plan

The following is a summary of the issued and outstanding DSUs as at December 31, 2021 and 2020:

	Year ended December 31, 2021	Year ended December 31, 2020
Outstanding, beginning of period	331,291	246,114
Granted and reinvested dividends	118,537	137,188
Redeemed	(52,737)	(52,011)
Outstanding, end of period	397,091	331,291

The DSUs granted during the years ended December 31, 2021 and 2020 were granted to non-executive directors and certain designated employees, and had a weighted average fair value per unit of \$12.15 and \$8.62, respectively, on the date of grant. At December 31, 2021, the fair value of all outstanding DSUs amounted to \$3,379 (December 31, 2020 - \$4,069). For the year ended December 31, 2021, DSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the year, amounted to a benefit of \$126 (2020 - an expense of \$2,103), recorded in selling, general and administrative expense.

Unrecognized DSU compensation expense as at December 31, 2021 was \$937 (2020 - \$983) and will be recognized in profit or loss over three years as the DSUs vest.

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### Performance Restricted Share Unit (“PSU” and “RSU”) Plan

The following is a summary of the issued and outstanding RSUs and PSUs for the year ended December 31, 2021 and 2020:

	RSUs	PSUs	Total
Outstanding, December 31, 2019	451,815	450,813	902,628
Granted and reinvested dividends	103,631	103,631	207,262
Redeemed	(203,834)	(202,745)	(406,579)
Cancelled	(9,437)	(9,181)	(18,618)
Outstanding, December 31, 2020	342,175	342,518	684,693
Granted and reinvested dividends	196,986	196,947	393,933
Redeemed	(247,435)	(245,361)	(492,796)
Cancelled	(3,914)	(7,822)	(11,736)
Outstanding, December 31, 2021	287,812	286,282	574,094

The RSUs and PSUs granted during the years ended December 31, 2021 and 2020 had a weighted average fair value per unit of \$12.85 and \$11.79, respectively, on the date of grant. For the year ended December 31, 2021, RSU and PSU compensation expense/benefit reflected in the consolidated statement of operations, including changes in fair value during the year, amounted to a benefit of \$1,046 (2020 - an expense of \$6,485), recorded in selling, general and administrative expense.

Unrecognized RSU and PSU compensation expense as at December 31, 2021 was \$2,827 (December 31, 2020 - \$3,481) and will be recognized in profit or loss over three years as the RSUs and PSUs vest.

The key assumptions, on a weighted average basis, used in the valuation of PSUs granted during the years ended December 31, 2021 and 2020 are shown in the table below:

	Year ended December 31, 2021	Year ended December 31, 2020
Expected life (years)	2.40	2.34
Risk free interest rate	0.57 %	0.36 %

### 18. EARNINGS (LOSS) PER SHARE

Details of the calculations of earnings (loss) per share are set out below:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	80,337,393	\$ 0.45	80,141,721	\$ (0.34)
Effect of dilutive securities:				
Stock options	70,636	—	—	—
Diluted	80,408,029	\$ 0.45	80,141,721	\$ (0.34)

The average market value of the Company’s shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

For the year ended December 31, 2021, 1,790,000 options (2020 - 2,777,500) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

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### 19. RESEARCH AND DEVELOPMENT COSTS

	Year ended December 31, 2021		Year ended December 31, 2020	
Research and development costs, gross	\$	28,367	\$	29,408
Capitalized development costs		(8,533)		(12,304)
Amortization of capitalized development costs		12,788		11,807
Research and development costs, net	\$	32,622	\$	28,911

### 20. PERSONNEL EXPENSES

The consolidated statement of operations presents operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note	Year ended December 31, 2021		Year ended December 31, 2020	
Wages and salaries and other short-term employee benefits		\$	982,459	\$	879,586
Expenses related to pension and post-retirement benefits	15		3,993		4,132
RSU and PSU compensation expense (benefit) (including changes in fair value during the year)	17		(1,046)		6,485
DSU compensation expense (benefit) (including changes in fair value during the year)	17		(126)		2,103
Stock-based compensation expense	17		1,224		2,416
		\$	986,504	\$	894,722

### 21. FINANCE EXPENSE AND OTHER FINANCE INCOME (EXPENSE)

	Year ended December 31, 2021		Year ended December 31, 2020	
Debt interest, gross	\$	(29,658)	\$	(29,747)
Interest on lease liabilities		(7,652)		(8,740)
Capitalized interest - at an average rate of 2.5% (2020 - 2.8%)		4,392		2,716
Finance expense	\$	(32,918)	\$	(35,771)

	Year ended December 31, 2021		Year ended December 31, 2020	
Net foreign exchange gain (loss)	\$	12,553	\$	(6,056)
Other income, net		833		428
Unrealized loss on warrants		—		(5)
Other finance income (expense)	\$	13,386	\$	(5,633)

### 22. GOVERNMENT SUBSIDIES

In response to the COVID-19 pandemic, the governments of various jurisdictions in which the Company has operations approved legislation to assist businesses adversely impacted by COVID-19 with the intent of preventing job losses and better position companies to resume normal operations following the crisis. The Company determined that it qualified for certain government labour assistance and recognized \$19,953 (2020 – \$39,832) for the year ended December 31, 2021 in subsidies. These amounts are not repayable and were recognized as a deduction of the related expenses recorded in cost of sales of \$18,400 (2020 – \$35,102) and as a deduction in selling, general and administrative expenses of \$1,553 (2020 – \$4,730) for the year ended December 31, 2021. In addition, for the year ended December 31, 2021, the Company recognized \$1,470 (2020 – nil) in subsidies related to commercial rent and property expenses for qualifying locations in Canada.

### 23. OPERATING SEGMENTS

The Company is a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. It conducts its operations through divisions, which function as autonomous business units, following a

# Martinrea International Inc.

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corporate policy of functional and operational decentralization. The Company's offerings include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

The Company defines its operating segments as components of its business where separate financial information is available and routinely evaluated by management. The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. Given the differences among the regions in which the Company operates, Martinrea's operations are segmented on a geographic basis between North America, Europe and Rest of the World.

The accounting policies of the segments are the same as those described in the significant accounting policies in note 2 of the consolidated financial statements. The Company uses operating income as the basis for the CODM to evaluate the performance of each of the Company's reportable segments.

The following is a summary of selected data for each of the Company's operating segments:

Year ended December 31, 2021					
	Production Sales	Tooling Sales	Total Sales	Property, plant and equipment and Right-of-use assets	Operating Income (Loss)
North America					
Canada	\$ 438,308	\$ 150,621	\$ 588,929	\$ 255,450	
USA	939,177	160,275	1,099,452	571,764	
Mexico	1,207,231	109,324	1,316,555	708,784	
Eliminations	(138,303)	(129,145)	(267,448)	—	
	\$ 2,446,413	\$ 291,075	\$ 2,737,488	\$ 1,535,998	\$ 64,978
Europe					
Germany	663,913	68,578	732,491	221,304	
Spain	122,269	4,124	126,393	118,630	
Slovakia	37,566	3,522	41,088	14,403	
	823,748	76,224	899,972	354,337	(16,596)
Rest of the World	163,043	9,872	172,915	60,513	14,535
Eliminations	(23,127)	(3,295)	(26,422)	—	—
	\$ 3,410,077	\$ 373,876	\$ 3,783,953	\$ 1,950,848	\$ 62,917

Year ended December 31, 2020					
	Production Sales	Tooling Sales	Total Sales	Property, plant and equipment and Right-of-use assets	Operating Income (Loss)
North America					
Canada	\$ 472,436	\$ 135,840	\$ 608,276	\$ 289,206	
USA	972,827	64,723	1,037,550	470,577	
Mexico	1,085,832	77,063	1,162,895	642,615	
Eliminations	(145,245)	(126,256)	(271,501)	—	
	\$ 2,385,850	\$ 151,370	\$ 2,537,220	\$ 1,402,398	\$ 60,323
Europe					
Germany	475,141	49,780	524,921	200,144	
Spain	112,858	3,353	116,211	133,047	
Slovakia	37,421	5,359	42,780	14,415	
Eliminations	—	(36)	(36)	—	
	625,420	58,456	683,876	347,606	(38,187)
Rest of the World	158,719	10,059	168,778	57,823	5,402
Eliminations	(13,121)	(1,467)	(14,588)	—	—
	\$ 3,156,868	\$ 218,418	\$ 3,375,286	\$ 1,807,827	\$ 27,538

## 24. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, long-term debt, and foreign exchange forward contracts.

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

### Fair Value

IFRS 13, Fair Value Measurement defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are required to maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs. The first two levels are considered observable and the last unobservable. These levels are used to measure fair values as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities, either directly or indirectly.
- Level 2 – Inputs, other than Level 1 inputs that are observable for assets and liabilities, either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes the fair value hierarchy under which the Company's applicable financial instruments are valued:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 153,291	\$ 153,291	\$ —	\$ —
Foreign exchange forward contracts not accounted for as hedges (note 4)	\$ 4,744	\$ —	\$ 4,744	\$ —

  

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 152,786	\$ 152,786	\$ —	\$ —
Foreign exchange forward contracts not accounted for as hedges (note 4)	\$ 647	\$ —	\$ 647	\$ —
Foreign exchange forward contracts accounted for as hedges (note 4)	\$ 1,826	\$ —	\$ 1,826	\$ —

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated balance sheets, are as follows:

December 31, 2021	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
<b>FINANCIAL ASSETS:</b>						
Trade and other receivables	\$ —	\$ —	\$ 629,440	\$ —	\$ 629,440	\$ 629,440
Foreign exchange forward contracts not accounted for as hedges (note 4)	4,744	—	—	—	4,744	4,744
	4,744	—	629,440	—	634,184	634,184
<b>FINANCIAL LIABILITIES:</b>						
Trade and other payables	—	—	—	(1,110,350)	(1,110,350)	(1,110,350)
Long-term debt	—	—	—	(1,010,990)	(1,010,990)	(1,010,990)
	—	—	—	(2,121,340)	(2,121,340)	(2,121,340)
<b>Net financial assets (liabilities)</b>	<b>\$ 4,744</b>	<b>\$ —</b>	<b>\$ 629,440</b>	<b>\$ (2,121,340)</b>	<b>\$ (1,487,156)</b>	<b>\$ (1,487,156)</b>



# Martinrea International Inc.

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December 31, 2020	Fair value through profit or loss	Fair value through other comprehensive income	Financial assets at amortized cost	Amortized cost	Carrying amount	Fair value
<b>FINANCIAL ASSETS:</b>						
Trade and other receivables	\$ —	\$ —	\$ 586,842	\$ —	\$ 586,842	\$ 586,842
Foreign exchange forward contracts not accounted for as hedges (note 4)	647	—	—	—	647	647
Foreign exchange forward contracts accounted for as hedges (note 4)	—	1,826	—	—	1,826	1,826
	647	1,826	586,842	—	589,315	589,315
<b>FINANCIAL LIABILITIES:</b>						
Trade and other payables	—	—	—	(967,952)	(967,952)	(967,952)
Long-term debt	—	—	—	(835,222)	(835,222)	(835,222)
	—	—	—	(1,803,174)	(1,803,174)	(1,803,174)
<b>Net financial assets (liabilities)</b>	<b>\$ 647</b>	<b>\$ 1,826</b>	<b>\$ 586,842</b>	<b>\$ (1,803,174)</b>	<b>\$ (1,213,859)</b>	<b>\$ (1,213,859)</b>

The fair values of trade and other receivables and trade and other payables approximate their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of long-term debt approximates its carrying amount since it is subject to terms and conditions similar to those available to the Company for instruments with comparable terms, and the interest rates are market-based.

### Risk Management

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and currency risk. These risks arise from exposures that occur in the normal course of business and are managed on a consolidated basis.

#### (a) Credit risk

Credit risk refers to the risk of losses due to failure of the Company's customers or other counterparties to meet their payment obligations. Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, trade and other receivables, and foreign exchange forward contracts.

Credit risk associated with cash and cash equivalents is minimized by ensuring these financial assets are placed with financial institutions with high credit ratings.

The credit risk associated with foreign exchange forward contracts arises from the possibility that the counterparty to one of these contracts fails to perform according to the terms of the contract. Credit risk associated with foreign exchange forward contracts is minimized by entering into such transactions with major Canadian and U.S. financial institutions.

In the normal course of business, the Company is exposed to credit risk from its customers. The Company has three customers whose sales were 27.5%, 21.8%, and 15.3% of its production sales for the year ended December 31, 2021 (2020 - 34.8%, 23.2%, and 12.4%). A substantial portion of the Company's trade receivables are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of trade receivables that were past due as at December 31, 2021 is within the normal payment pattern of the industry. The allowance for doubtful accounts is less than 1.0% of total trade receivables for all periods and movements in the period were minimal.

The aging of trade receivables at the reporting date was as follows:

	December 31, 2021	December 31, 2020
0-60 days	\$ 589,634	\$ 547,727
61-90 days	4,564	6,286
Greater than 90 days	12,581	14,826
	<b>\$ 606,779</b>	<b>\$ 568,839</b>

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12-week period, quarterly through forecasting and

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars, except per share amounts)

annually through the Company's budget process. At December 31, 2021, the Company had cash of \$153,291 (2020 - \$152,786) and banking facilities available as discussed in note 13. All of the Company's financial liabilities other than long-term debt have maturities of approximately 60 days.

On November 25, 2021, in light of the industry-wide semiconductor chip shortage resulting from the COVID-19 pandemic, the Company amended its lending agreement with its syndicate of banks to provide enhanced financial covenant flexibility as further described in note 13.

A summary of contractual maturities of long-term debt is provided in note 13.

### (c) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, LIBOR or the Banker's Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios.

The interest rate profile of the Company's long-term debt was as follows:

	Carrying amount	
	December 31, 2021	December 31, 2020
Variable rate instruments	\$ 945,703	\$ 773,772
Fixed rate instruments	65,287	61,450
	\$ 1,010,990	\$ 835,222

### Sensitivity analysis

An increase of 1.0% in all variable interest rate debt would, all else being equal, have an effect of \$9,013 (2020 - \$8,087) on the Company's consolidated financial results for the year ended December 31, 2021.

### (d) Currency risk

Currency risk refers to the risk that the value of the financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company's foreign exchange risk management includes the use of foreign currency forward contracts to fix the exchange rates on certain foreign currency exposures.

At December 31, 2021, the Company had committed to the following foreign exchange contracts:

Foreign exchange forward contracts not accounted for as hedges and fair valued through profit or loss

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Mexican Peso	\$ 54,732	21.9250	1

The aggregate value of these forward contracts as at December 31, 2021 was a pre-tax gain of \$4,744 and was recorded in trade and other receivables (December 31, 2020 - pre-tax gain of \$647 recorded in trade and other receivables).

Foreign exchange forward contracts accounted for as hedges and fair valued through other comprehensive income

The Company previously entered into foreign exchange forward contracts to buy Canadian dollars in order to hedge the variability in certain cash flows of forecasted U.S. dollars sales due to fluctuations in foreign exchange rates. As at June 30, 2021, it was determined that the U.S. dollar sales transactions could no longer be forecasted with high probability, and accordingly the Company de-designated the hedging relationship and

# Martinrea International Inc.

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terminated certain forward contracts. The Company had no foreign exchange contracts accounted for as hedges and fair valued through other comprehensive income as at December 31, 2021 (December 31, 2020 - pre-tax gain of \$1,826 recorded in trade and other receivables).

The Company's exposure to foreign currency risk reported in the foreign currency was as follows:

December 31, 2021	USD	EURO	PESO	BRL	CNY
Trade and other receivables	\$ 325,560 €	80,184 \$	7,173 R\$	50,853 ¥	172,288
Trade and other payables	(470,909)	(211,312)	(610,024)	(45,658)	(157,723)
Long-term debt	(466,000)	(23,795)	—	—	—
	\$ (611,349) €	(154,923) \$	(602,851) R\$	5,195 ¥	14,565

December 31, 2020	USD	EURO	PESO	BRL	CNY
Trade and other receivables	\$ 299,576 €	73,574 \$	29,025 R\$	33,866 ¥	148,507
Trade and other payables	(402,598)	(165,244)	(543,043)	(32,370)	(166,696)
Long-term debt	(336,000)	(29,509)	—	—	—
	\$ (439,022) €	(121,179) \$	(514,018) R\$	1,496 ¥	(18,189)

The following summary illustrates the fluctuations in the foreign exchange rates applied:

	Average rate		Closing rate	
	Year ended December 31, 2021	Year ended December 31, 2020	December 31, 2021	December 31, 2020
USD	1.2548	1.3447	1.2653	1.2728
EURO	1.4932	1.5196	1.4398	1.5553
PESO	0.0620	0.0632	0.0617	0.0640
BRL	0.2343	0.2693	0.2274	0.2453
CNY	0.1940	0.1935	0.1993	0.1949

### Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However, a 10% strengthening of the Canadian dollar against the following currencies at December 31, would give rise to a translation risk on net income (loss) and would have increased (decreased) equity, profit or loss and comprehensive income (loss) for the year ended December 31, 2021 and 2020 by the amounts shown below, assuming all other variables remain constant:

	Year ended December 31, 2021	Year ended December 31, 2020
USD	\$ (4,564)	\$ (1,113)
EURO	759	2,634
BRL	(119)	1,316
CNY	(613)	(888)
	\$ (4,537)	\$ 1,949

A weakening of the Canadian dollar against the above currencies at December 31, would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (e) Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with complementary acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings, and debt.

The Company manages its capital structure and makes adjustments in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue or repay long-term debt, issue shares, repurchase shares, or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as annual capital and operating budgets.

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In addition to debt and equity, the Company may use leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

### 25. COMMITMENTS AND CONTINGENCIES

#### Commitments

The Company leases certain manufacturing facilities, manufacturing equipment, office equipment and vehicles under short-term leases and enters into purchase obligations in the normal course of business related to inventory, services, tooling and property, plant and equipment. The aggregate expected payments towards those obligations are as follows:

	December 31, 2021	December 31, 2020
Future minimum lease payments*	\$ 285	\$ 720
Capital and other purchase commitments (all due in less than one year)	470,708	361,351
Letters of credit	19,720	22,814
	\$ 490,713	\$ 384,885

\*These amounts relate to leases that did not meet the recognition criteria for lease liabilities under IFRS 16.

Future minimum lease payments under short-term leases are due as follows:

	December 31, 2021	December 31, 2020
Less than one year	\$ 157	\$ 666
Between one and five years	128	54
	\$ 285	\$ 720

#### Contingencies

The Company has contingent liabilities relating to legal and tax proceedings arising in the normal course of its business. Known claims and litigation involving the Company or its subsidiaries were reviewed at the end of the reporting period. Based on the advice of legal counsel, all necessary provisions have been made to cover the related risks. Although the outcome of the proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Company's consolidated financial position. However, new proceedings may be initiated against the Company as a result of facts or circumstances unknown at the date of these consolidated financial statements or for which the risk cannot yet be determined or quantified. Such proceedings could have a significant adverse impact on the Company's financial results.

#### Legal contingency

In December 2020, a customer, FCA (Stellantis), filed a claim against two subsidiaries of the Company alleging a breach of contract connected to one of the Company's operating facilities in Mexico, alleging a shortage of casted aluminum engine blocks. The Company believes that the claim is unwarranted and that the parts shortage, if any, is due to FCA's actions. The Company's subsidiaries have sought external legal advice and believes the contract has been complied with, in all material respects, and will vigorously defend against the claim. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

#### Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities and most recent developments surrounding the assessments, is approximately \$53,607 (BRL \$235,723) including interest and penalties to December 31, 2021 (December 31, 2020 - \$55,003 or BRL \$224,192). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant

# Martinrea International Inc.

## Notes to the Consolidated Financial Statements

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legislation and will vigorously defend against the assessments. The assessments are at various stages in the process. Three assessments of \$38,848 (BRL \$170,825) including interest and penalties as at December 31, 2021 have entered the judicial litigation process. The Company's subsidiary may be required to present guarantees related to these assessments up to \$18,802 (BRL \$82,677) shortly through a pledge of assets, bank letter of credit or cash deposit. No provision has been recorded by the Company in connection with this contingency as, at this stage, the Company has concluded that it is not probable that a liability will result from the matter.

### 26. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At December 31, 2021, the amount of the off-balance sheet program financing was \$18,574 (December 31, 2020 - \$42,863) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2020 or 2021. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory. The term of the guarantee will vary from program to program, but typically range up to twenty-four months.

### 27. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel include the Directors and the most Senior Corporate Officers of the Company that are primarily responsible for planning, directing, and controlling the Company's business activities.

The compensation expense associated with key management for employee services was included in employee salaries and benefits as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Salaries, pension and other short-term employee benefits	\$ 11,871	\$ 14,318
RSU, PSU and DSU compensation expense (benefit) (including changes in fair value during the year)	(812)	7,060
Stock-based compensation expense	984	1,860
Net expense	\$ 12,043	\$ 23,238

# Martinrea International Inc.

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### 28. LIST OF CONSOLIDATED ENTITIES

The following is a summary of significant direct subsidiaries of the Company as at December 31, 2021:

	<b>Country of incorporation</b>	<b>Ownership interest</b>
Martinrea Metallic Canada Inc.	Canada	100 %
Martinrea Automotive Systems Canada Ltd.	Canada	100 %
Martinrea Automotive Inc.	Canada	100 %
Royal Automotive Group Ltd.	Canada	100 %
Martinrea Pilot Acquisition Inc.	Canada	100 %
Martinrea China Holdings Inc.	Canada	100 %
Agility Tooling Inc.	Canada	100 %
Martinrea Innovation Developments Inc.	Canada	100 %
Martinrea Metal Holdings (USA), Inc.	United States of America	100 %
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100 %
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100 %
Martinrea Honsel Holdings B.V.	Netherlands	100 %
Martinrea Automotive Japan Inc.	Japan	100 %

# **CORPORATE INFORMATION**

## ***Corporate Head Office***

Martinrea International Inc.  
3210 Langstaff Road  
Vaughan, Ontario L4K 5B2  
E: [investor@martinrea.com](mailto:investor@martinrea.com)  
W: [www.martinrea.com](http://www.martinrea.com)

## ***Board of Directors***

Rob Wildeboer  
Executive Chairman  
Martinrea International Inc.

Pat D'Eramo  
President and Chief Executive Officer  
Martinrea International Inc.

Terry Lyons <sup>(2), (3)</sup>  
Corporate Director, Canaccord Genuity Group Inc.

Fred Olson <sup>(1), (2), (3), (4)</sup>  
Retired, President and CEO, Webasto Product North America

Sandra Pupatello <sup>(2), (3)</sup>  
President, Canadian International Avenues Ltd.

Dave Schoch <sup>(1), (2)</sup>  
Retired, Group Vice President and President, Asia Pacific, and Chairman and Chief Executive Officer, Ford China

Molly Shoichet <sup>(1)</sup>  
University Professor and Canada Research Chair, Tissue Engineering, Chemical Engineering & Applied Chemistry, University of Toronto

Ed Waitzer <sup>(3)</sup>  
Lawyer, Waitzer Professional Corporation

- (1) *Member, Human Resources and Compensation Committee*  
(2) *Member, Audit Committee*  
(3) *Member, Corporate Governance and Nominating Committee*  
(4) *Lead Director*

## ***Corporate Executive Officers***

Pat D'Eramo, President and Chief Executive Officer  
Rob Wildeboer, Executive Chairman  
Fred Di Tosto, Chief Financial Officer  
Armando Pagliari, Executive VP, Human Resources

## ***Certificate Transfer and Address Change***

Computershare Investor Services Inc.  
100 University Avenue, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
T: 1 800 564-6523/1 514 982-7555  
F: 1 866 249-7775  
E: [service@computershare.com](mailto:service@computershare.com)

## ***Registrar and Transfer Agent***

Computershare Investor Services Inc.  
100 University Avenue, 9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
T: 1 800 564-6523/1 514 982-7555  
F: 1 866 249-7775  
E: [service@computershare.com](mailto:service@computershare.com)

## ***Shareholder Inquiries/Investor Relations***

All inquiries should be directed to:  
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## ***Media Inquiries***

All inquiries should be directed to:  
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## ***Auditors***

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F: 905-265-6390

## ***Stock Listing***

The Toronto Stock Exchange (TSX: MRE)



## **MARTINREA INTERNATIONAL INC.**

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