

# MARTINREA INTERNATIONAL INC.

## Solid Second Quarter Operationally and Financially

August 5, 2010 – For Immediate Release

Toronto, Ontario – Martinrea International Inc. (TSX:MRE), a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, announced today the release of its financial results for the second quarter ended June 30, 2010. Martinrea currently employs approximately 6,100 skilled and motivated people in 31 plants in Canada, the United States, Mexico and Slovakia. All amounts in this press release 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.

The Company reports its financial results in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). However, the Company has included certain non-GAAP financial measures and ratios in this analysis that the Company believes will provide useful information in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by Canadian GAAP 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 the other financial measures determined in accordance with Canadian GAAP. Non-GAAP measures referred to in the analysis include “adjusted net earnings”, “adjusted net loss”, “adjusted earnings per share on a basic and diluted basis” and “adjusted loss per share on a basic and diluted basis” and are defined in Tables A and B below under Adjustments to Net Income.

### REVENUE

	Three months ended		Change	% Change
	June 30, 2010	June 30, 2009		
Revenue	418,392	243,317	175,075	72.0%

### *Second Quarter 2010 to Second Quarter 2009 comparison*

The Company’s revenue for the second quarter of 2010 of \$418.4 million was higher than revenue for the second quarter of 2009 of \$243.3 million by \$175.1 million or 72.0% primarily due to improved production volumes in North American light vehicle platforms and additional revenue earned as a result of the acquisition of certain equipment and two facilities from the SKD Automotive Group. This increase in revenue would have been higher had it not been offset by a reduction in the translation of U.S. dollar denominated revenue of approximately \$45.3 million. Tooling revenue relating primarily to new program launches increased by \$5.5 million as compared to the second quarter of 2009.

### ***Second Quarter 2010 to First Quarter 2010 comparison***

The Company's revenue for the second quarter of 2010 of \$418.4 million increased by \$36.9 million or 9.7% as compared to the revenue of the first quarter of 2010 of \$381.5 million. This increase is primarily due to higher production volumes in North American light vehicle platforms in the second quarter of 2010 as compared to the first quarter of 2010. This increase in revenue would have been further enhanced had it not been offset by a reduction in the translation of U.S. dollar denominated revenue of approximately \$8.0 million. Tooling revenue relating primarily to new program launches increased by \$4.5 million as compared to the first quarter of 2010.

### **GROSS MARGIN**

	<u>Three months ended</u>		<b>Change</b>	<b>% Change</b>
	<b>June 30, 2010</b>	<b>June 30, 2009</b>		
<b>Gross margin</b>	40,546	16,027	24,519	153.0%
<b>% of revenue</b>	9.7%	6.6%		

### ***Second Quarter 2010 to Second Quarter 2009 comparison***

The gross margin percentage for the second quarter of 2010 of 9.7% increased by 3.1% from the prior year comparable of 6.6% on account of better absorption of manufacturing overhead due to increased production volumes, and a reduction in the net impact of one-time items. Excluding the one-time items related to the closure of the Kitchener Frame facility, write-down of excess service inventory at the Company's Windsor, Ontario facility and post employment curtailment gains as explained in Table A under Adjustments to Net Income, the gross margin for the second quarter of 2010 increased by 4.2% to 9.9% as compared to 5.7% for the same period in the prior year.

### ***Second Quarter 2010 to First Quarter 2010 comparison***

The gross margin percentage of 9.7% for the second quarter of 2010 increased slightly as compared to the first quarter of 2010 gross margin percentage of 9.6%. Excluding the one-time items primarily related to the closure of the Kitchener Frame facility, the write-down of excess service inventory at the Company's Windsor, Ontario facility, the post employment curtailment gain and development costs related to the SKD Automotive Group acquisition incurred during the first quarter of 2010 as explained in Table B under Adjustments to Net Income, the gross margin percentage for the second quarter of 2010 was 9.9% which is consistent with the gross margin percentage of 9.9% in the first quarter of 2010. The Company continues to rationalize excess capacity at certain facilities, which will improve the Company's gross margin percentage as vehicle production volumes increase.

### **ADJUSTMENTS TO NET INCOME**

As a result of the economic recession in North America that caused a significant reduction in production by customers in 2008 and 2009 and a number of industry-related developments and risks, and the continued rationalization of the Company's manufacturing facilities, the Company recorded a number of unusual items and other items during the whole of the financial year ended December 31, 2009 and the first half of 2010. The Company believes that it is useful to set out in detail these unusual and other items as they are non-recurring and, as a result, the Company's financial results for the quarter ended June 30, 2010 may not be indicative of future results.

**TABLE A**

	<u>Three months ended</u>		<b>Change</b>
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	
NET INCOME / (LOSS) (PER CANADIAN GAAP) (A)	12,412	(8,505)	20,917
<b>Add back - Unusual Items:</b>			
Property, plant and equipment impairment (1)	6,308	-	6,308
Employee Related Severance Costs (2)	3,892	6,447	(2,555)
Other Restructuring Costs (3)	1,517	721	796
Other Restructuring Costs – Kitchener period costs recorded as cost of sales (3)	74	1,557	(1,483)
Other Restructuring Costs – Kitchener period costs recorded as SG&A expenses (3)	30	99	(69)
<b>Add back – Other Items:</b>		-	
Change in valuation allowance on future tax assets (5)	(366)	-	(366)
Write-down of excess service inventory at the Company's Windsor, Ontario facility (6)	1,290	-	1,290
Gain on sale of Kitchener land and building (7)	(10,675)		(10,675)
Post employment benefit curtailment gain (8)	(630)	(3,700)	3,070
<b>TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX</b>	<b>1,440</b>	<b>5,124</b>	<b>(3,684)</b>
Tax Impact of above items	(1,867)	(1,767)	(100)
<b>TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)</b>	<b>(427)</b>	<b>3,357</b>	<b>(3,784)</b>
<b>ADJUSTED NET EARNINGS / (LOSS) (NON CANADIAN GAAP) (A + B)</b>	<b>11,985</b>	<b>(5,148)</b>	<b>17,133</b>
Number of Shares Outstanding – Basic ('000)	83,326	72,465	
Adjusted Basic Earnings /(Loss) Per Share	0.14	(0.07)	
Number of Shares Outstanding – Diluted ('000)	84,427	73,074	
Adjusted Diluted Earnings /(Loss) Per Share	0.14	(0.07)	

**TABLE B**

	<u>Three months ended</u>		<b>Change</b>
	<b>June 30, 2010</b>	<b>March 31, 2010</b>	
NET INCOME (PER CANADIAN GAAP) (A)	12,412	9,714	2,698
<b>Add back - Unusual Items:</b>			
Property, plant and equipment impairment (1)	6,308	-	6,308
Employee Related Severance Costs (2)	3,892	245	3,647
Other Restructuring Costs (3)	1,517	125	1,392
Other Restructuring Costs – Kitchener period costs recorded as cost of sales (3)	74	890	(816)
Other Restructuring Costs – Kitchener period costs recorded as SG&A expenses (3)	30	38	(8)
<b>Add back – Other Items:</b>			
Development Costs (4)	-	1,283	(1,283)
Change in valuation allowance on future tax assets (5)	(366)	(179)	(187)
Write-down of excess service inventory at the Company's Windsor, Ontario facility (6)	1,290	-	1,290
Gain on sale of Kitchener land and building (7)	(10,675)	-	(10,675)
Post employment benefit curtailment gain (8)	(630)	-	(630)
<b>TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX</b>	<b>1,440</b>	<b>2,402</b>	<b>(962)</b>
Tax impact of above items	(1,867)	(740)	(1,127)
<b>TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)</b>	<b>(427)</b>	<b>1,662</b>	<b>(2,089)</b>
<b>ADJUSTED NET EARNINGS (NON CANADIAN GAAP) (A + B)</b>	<b>11,985</b>	<b>11,376</b>	<b>609</b>
Number of Shares Outstanding – Basic ('000)	83,326	83,326	
Adjusted Basic Earnings Per Share	0.14	0.14	
Number of Shares Outstanding – Diluted ('000)	84,427	84,382	
Adjusted Diluted Earnings Per Share	0.14	0.14	

**(1) *Property, Plant and Equipment (“PP&E”) Impairment***

During the second quarter of 2010, the Company determined that the carrying value of certain dedicated manufacturing and stamping equipment exceeded its recoverable amount. Consequently, the carrying value of the PP&E was written-down by \$6.3 million, being the excess of the carrying amount of the PP&E over its estimated fair value. This impairment charge is non-cash in nature.

No such PP&E impairment charges were recorded during the first quarter of 2010 or the second quarter of 2009.

**(2) *Employee Related Severance Costs***

During the second quarter of 2010, the Company incurred severance costs of \$3.9 million resulting primarily from the closure of the Company’s facility in Windsor, Ontario on June 30, 2010. No further employee related severance costs are expected to be incurred at this facility.

During the second quarter of 2009, the Company negotiated a buy-down and buyout agreement with employees of its Shelbyville facility and incurred a settlement charge of \$8.4 million to restructure the future salaries and benefits of the employees. This expense was partially offset by a reversal of a severance accrual associated with the Kitchener facility resulting in a net expense of employee-related severance costs of \$6.4 million.

**(3) *Other Restructuring Costs***

Other restructuring costs relate primarily to the cessation of manufacturing operations in the Company’s Windsor, Ontario facility on June 30, 2010. The restructuring costs primarily include costs of dismantling and transporting PP&E between Company facilities.

It is anticipated that the Company will incur total other restructuring costs of approximately \$7.0 million (excluding employee related severance costs discussed above and funding of the Windsor pension and OPEB plans which the Company will continue to fund over the next four years) relating to the closure of the facility of which \$ 1.4 million has been expensed in the second quarter of 2010. The Company expects to complete the removal or sale of all equipment in the Windsor, Ontario facility and expense the further \$5.6 million by the end of 2010.

In addition, during the first half of 2010 and 2009, the Company incurred other restructuring costs associated with the Company’s initiatives of strict cost reduction measures across the entire organization, consolidation of certain facilities, closing of the Kitchener Frame facility and the rationalization of excess capacity at certain facilities by moving equipment and programs between facilities.

The Company has expensed total restructuring costs of \$78.4 million (combining this item with Employee Related Severance Costs in Item 2 above) of which \$6.8 million was expensed

in the first half of 2010 and \$21.4 million in 2009. The balance of \$50.2 million was expensed in 2008.

**(4) *Development Costs***

Development costs in the nature of product testing, employee training and other operational inefficiencies during the product launch period are expensed in accordance with Canadian GAAP and the Company's accounting policies. As a result of the uncertainty surrounding precise future production volumes, developmental costs of \$1.3 million were expensed as incurred in the first quarter of 2010. These development costs were primarily in relation to takeover business from the SKD Automotive Group.

**(5) *Valuation Allowance on Future Tax Assets***

During the second quarter of 2010, the Company's valuation allowance decreased by \$0.4 million against future tax assets primarily on account of changes in non-capital losses. The valuation allowance at June 30, 2010 includes \$9.0 million of U.S. non-capital loss carry forwards, \$5.0 million of European non-capital loss carry forwards, \$2.5 million of Mexican non-capital loss carry forwards and \$1.3 million of Canadian future tax assets relating to capital losses.

**(6) *Write-down of excess service inventory at the Company's Windsor, Ontario facility***

Certain excess service inventory costs of approximately \$1.2 million associated with discontinued platforms were expensed during the second quarter of 2010 in connection with the closure of the Company's facility in Windsor, Ontario.

**(7) *Gain on sale of Kitchener facility***

On June 25, 2010, the Company sold the land and building located in Kitchener Ontario ("Kitchener Real Property") on an "as is" basis resulting in a gain on sale of \$10.7 million in the second quarter of 2010. The fair value of the proceeds on disposition of the property amounted to \$13.7 million of which \$1.1 million was paid in cash and the remainder in the form of a promissory note with a face value of \$13.9 million. The promissory note is secured by the Kitchener Real Property and is scheduled to be fully repaid by December 2013.

**(8) *Post employment benefit curtailment gain***

The Company recognized a curtailment gain of \$0.6 million during the second quarter of 2010 and \$3.7 million during the second quarter of 2009 as a result of the restructuring of the post employment benefits of the employees at its Shelbyville facility and restructuring at its Windsor division leading to the curtailment of future benefits under the OPEB plan.

## NET EARNINGS / LOSS

	Three months ended		Change	% Change
	June 30, 2010	June 30, 2009		
Net Earnings / (Loss)	12,412	(8,505)	20,917	245.9 %
Earnings / (Loss) per common share				
Basic	0.15	(0.12)		
Diluted	0.15	(0.12)		

### *Second Quarter 2010 to Second Quarter 2009 comparison*

The net earnings for the second quarter of 2010 of \$12.4 million increased by \$20.9 million from a net loss of \$8.5 million in the second quarter of 2009 primarily on account of increased customer production volumes and a decrease in the net impact of one-time items as described in Table A under Adjustments to Net Income. Excluding one-time items, the adjusted net earnings in the second quarter of 2010 improved to \$12.0 million or \$0.14 per share, on a basic and diluted basis, in comparison to an adjusted net loss of \$5.1 million or \$0.07 loss per share, on a basic and diluted basis, in the second quarter of 2009.

The increase in adjusted net earnings in the second quarter of 2010 as compared to the second quarter of 2009 was primarily attributable to a 72% increase in revenue resulting in better absorption of manufacturing overhead and stronger gross margins in the second quarter of 2010 as compared to the second quarter of 2009.

### *Second Quarter 2010 to First Quarter 2010 comparison*

The net earnings for the second quarter of 2010 of \$12.4 million was higher than the net earnings of \$9.7 million in the first quarter of 2010 generally due to increased sales volumes which was partially offset by the impact of stock based compensation expense of \$1.8 million of which \$1.5 million related to stock options granted in the second quarter of 2010. A decrease in the net impact of one-time charges of \$2.1 million in the second quarter of 2010 as compared to the first quarter of 2010 as described in Table B under Adjustments to Net Income also accounted for some of the increase.

Excluding the one-time items, the adjusted net earnings of \$12.0 million or \$0.14 per share in the second quarter of 2010 is comparable with the first quarter of 2010. Adjusted net earnings for the second quarter of 2010 was impacted by stock based compensation expense of \$1.8 million of which \$1.5 million related to stock options issued in the second quarter of 2010.

## CAPITAL EXPENDITURES

### *Second Quarter 2010 to Second Quarter 2009 comparison*

Capital expenditures of \$19.7 million during the second quarter of 2010 are comparable to the \$19.8 million spent in the second quarter of 2009. Capital expenditures incurred in the second quarter of 2010 are primarily related to building expansions at Jonesville, Michigan, Saltillo, Mexico, and

Tupelo, Mississippi in response to newly awarded business scheduled to launch over the next two years and the purchase of new program equipment. Capital expenditures in the second quarter of 2009 primarily related to the purchase, transportation and installation costs of certain equipment from the SKD Automotive Group in Canada.

### ***Second Quarter 2010 to First Quarter 2010 comparison***

Capital expenditures increased by \$6.6 million from \$13.1 million in the first quarter of 2010 as compared to \$19.7 million in the second quarter of 2010 mainly on account of the continuing building expansions discussed above and general timing of the capital expenditures.

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Fred Jaekel, Martinrea's Chief Executive Officer, stated: "Our second quarter financial results and operational performance were both good, and we are very pleased. We had our highest level of revenues and profits in over two years. Operationally, we continued to pursue and achieve more efficiency and continuous improvement. Given the high level of organic business awards in the past year and a half, a real focus of our people has been on working on our launches, to ensure they are flawless in execution, and I am very pleased to report they are going well, throughout our company. As the launches occur, they will generate revenue, more throughput in our plants, and we believe a positive drop to our bottom line."

Mr. Jaekel continued: "The high level of launch activity is the direct result of a high number of product wins in the past year, from a variety of customers. And we won some very nice new business awards in our second quarter as well, totaling \$156 million on an annualized basis when launched, which builds the pipeline for the future. Previously we announced that in this quarter we had been advised of over \$100 million in new business, based on anticipated annualized volumes when launched. I am very pleased to confirm that we did win this business, related to metal forming work on the new Ford Escape. Actually, we anticipate total revenues on these awards when launched will approximate \$110 million. In addition, in our second quarter we won \$30 million of metal forming work as follows: \$7 million related to the Ford Transit program; \$9 million on the new Chrysler sub-compact; \$6 million on the new Buick compact car; and \$8 million for Nissan in Mexico. In addition, we were awarded \$16 million in fuel and brake work on the GM sub-compact car program. All these programs will launch in 2012. A total of \$156 million in new program wins obviously represents a very good quarter for us. We believe that the supply base continues to consolidate, as customers award larger chunks of business to fewer suppliers overall. While we may not see the level of supplier bankruptcies as we have in the past two years, the fact is that we will see suppliers exit the industry on an orderly basis as work opportunities decrease, and we are poised to take advantage of that."

Nick Orlando, Martinrea's President and Chief Financial Officer, stated: "Our quarter was very solid from a financial point of view. Our net earnings, on a basic and diluted basis, were \$0.15 per common share, and adjusted net income before unusual and other items was \$0.14 per common share on a basic and diluted basis. After shareholders approved the Company's stock option plan in June, the Company issued options, mostly vesting over a three year period, and the compensation expense in the quarter amounted to \$0.02 per common share. We also had a number of unusual items during the quarter, as explained in detail in our press release and MD&A. We continue to assess all our

operating facilities to ensure they remain competitive. Those facilities that are not competitive will be right sized or closed. In the second quarter of 2010, the Company closed its Windsor facility and the work and equipment is being successfully moved to other Company facilities. Costs incurred to close and move equipment were necessary expenditures in order to enhance the Company's long term competitive position."

Mr. Orlando added: "The Company is constantly looking for new markets, products and locations to expand our customer base and enhance our relationship with existing customers. In the fourth quarter of 2010, the Company will take possession of a new leased facility that will manufacture metal formed assemblies for a growing non-automotive customer base in northern Mexico. We are booking new business and are excited by the prospects of our new facility. In addition, our plant expansions in the Southern U.S. and Mexico are proceeding well and will meet all customer timing requirements. We are excited by the Company's prospects in 2011 and future years based on our competitive profitable locations, a strong balance sheet, strong product lines, growing customer base and a well trained and dedicated labour force."

Rob Wildeboer, Martinrea's Executive Chairman, stated: "We continue to make operational decisions that will make us as competitive as we can be for the future, not just short term, but over the very long term. As we close and dispose of certain facilities, we in effect make one time investments to improve future profitability. In that regard, the sale of our Kitchener property will remove the carrying costs of property taxes, heat and hydro, and insurance on that property going forward. The closure of our Windsor facility, while generating some closure related costs, will improve company profitability going forward, as that plant was losing significant amounts of money. I note that we sold the shares of Kitchener Frame Limited back to the ThyssenKrupp Budd Group in May, which removed the pension and OPEB liabilities related to KFL from the liabilities side of our balance sheet. It also removed the note receivable from ThyssenKrupp Budd Canada Inc. to cover those liabilities, but overall our balance sheet has been cleaned up extensively. Note also that we have frozen and are in the process of winding up virtually all our defined benefit pension plans, with agreement from the relevant unions. When wound up and paid out, the liabilities will be removed from our balance sheet, thus further strengthening it. While there are some one time costs associated with the winding up of the pension plans, given that they invariably have a shortfall, we believe this is a good investment, and will over time continue to give us a very strong balance sheet. Our balance sheet today remains very strong, our sources of capital are solid, and positive cash flow from operations year to date and going forward gives us assurance of borrowing capacity if, as and when needed to take advantage of opportunities. Overall, we believe the outlook of our industry in North America has much improved from where we were a year ago, and over time we believe sales and production volumes will increase, which along with adding volume with successful product launches, will lead to higher revenues and profits for us. The timing of the volume increase remains uncertain to some extent, as the second half of 2010 may be somewhat soft, but we believe volumes in 2011 to 2013 will be significantly higher than in 2010."

The common shares of Martinrea trade on The Toronto Stock Exchange under the symbol "MRE".

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

This press release contains forward-looking statements within the meaning of applicable Canadian securities laws including statements related to the Company's efficiency programs, capacity

utilization, continuous improvement, and rationalization of operating facilities, the Company's expectations as to the launching of new metal forming and fluid systems programs and revenue generation, continued consolidation of automotive suppliers, the opportunity to increase sales, broad geographic penetration, increased relationships with intermediary suppliers, the nature and duration of the economic recession to the continuation of monitoring, managing and rationalization of expenses including restructuring costs, the Company's expectation regarding its sources of capital and the availability of financing of future capital expenditures, the Company's views of the likelihood of tooling and component part supplier default, the Company's views on the long term outlook of the automotive industry and future vehicle production, the Company's views on environmental risks, the Company's view on strengthening its balance sheet through removing pension liabilities and the Company's ability to capitalize on opportunities in the automotive industry, the Company's view on future sales and production volume 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. 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 under "Risks and Uncertainties" in the Company's Management Discussion and Analysis dated August 5, 2010 for the second quarter ended June 30, 2010 and which are also discussed in the Company's Annual Information Form for the fiscal year ended December 31, 2009 and other public filings which can be found at [www.sedar.com](http://www.sedar.com):

- North American and global economic conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers, which have experienced and may continue to face severe financial challenges;
- financial viability of suppliers;
- Martinrea's reliance on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- competition with low cost countries;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;

- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;
- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- under-funding of pension plans; and
- the cost of post-employment benefits.

**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.**

A conference call to discuss those results will be held on Friday, August 6, 2010 at 8:00 a.m. (Toronto time) which can be accessed by dialing **(416) 340-8018** or toll free **(866) 225-0198**. Please call 10 minutes prior to the start of the conference call.

If you have any teleconferencing questions, please call Andre La Rosa at (416) 749-0314.

There will also be a rebroadcast of the call available by dialing **(416) 695-5800** or toll free number **(800) 408-3053** (conference id – **3842366#**). The rebroadcast will be available until August 20, 2010.

For further information, please contact:

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**MARTINREA INTERNATIONAL INC.**  
**Interim Consolidated Balance Sheets**

As at June 30, 2010 (unaudited) with comparative figures for December 31, 2009  
(in thousands of dollars)

	June 30, 2010	December 31, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,609	\$ 22,769
Accounts receivable	289,267	221,591
Other receivables	6,542	7,380
Income tax recoverable	725	13,369
Inventories (note 3)	147,808	136,050
Prepaid expenses and deposits	5,207	4,389
Current portion of promissory note (note 7)	3,764	-
	458,922	405,548
Future income tax assets	64,898	64,379
Property, plant and equipment (note 4)	399,467	395,855
Intangible assets	16,021	18,315
Promissory note (note 7)	8,873	-
Note receivable (note 5)	-	199,666
	\$ 948,181	\$ 1,083,763
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 258,725	\$ 224,097
Current portion of long-term debt (note 8)	16,017	14,845
	274,742	238,942
Long-term debt (note 8)	79,903	72,555
Pension and other post-retirement benefits	32,054	237,239
Future income tax liabilities	30,922	30,824
Non-controlling interest	1,080	1,259
Shareholders' equity:		
Share capital (note 9)	683,057	683,057
Notes receivable for share capital (note 9)	(2,700)	(2,700)
Contributed surplus (note 9)	39,466	37,402
Accumulated other comprehensive loss	(56,990)	(59,336)
Accumulated deficit	(133,353)	(155,479)
	529,480	502,944
Guarantees (note 11)		
	\$ 948,181	\$ 1,083,763

See accompanying notes to unaudited interim consolidated financial statements.

On behalf of the Board:

"Fred Jaekel" Director

"Robert Wildeboer" Director

**MARTINREA INTERNATIONAL INC.**  
**Interim Consolidated Statements of Operations**

For the six months ended June 30, 2010 and 2009 (unaudited)  
(in thousands of dollars, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Sales	\$ 418,392	\$ 243,317	\$ 799,872	\$ 448,389
Cost of sales (excluding amortization of property, plant and equipment)	367,164	215,443	701,070	405,000
Amortization of property, plant and equipment (production)	10,682	11,847	21,537	23,657
<b>Total cost of sales</b>	<b>377,846</b>	<b>227,290</b>	<b>722,607</b>	<b>428,657</b>
Gross profit	40,546	16,027	77,265	19,732
Expenses:				
Selling, general and administrative	19,852	17,553	39,521	34,495
Foreign exchange (gain) loss	147	1,503	(133)	2,964
Amortization of property, plant and equipment (non-production)	657	694	1,303	1,341
Amortization of intangible assets	1,164	1,137	2,332	2,248
Impairment charge on property, plant and equipment (note 4)	6,308	-	6,308	-
Restructuring costs (note 6)	5,409	7,168	5,779	11,565
Interest on long-term debt	1,451	1,120	2,843	2,400
Other interest expense (income), net	106	(230)	85	(109)
Gain on disposal of property, plant and equipment (note 7)	(10,671)	(126)	(10,604)	(4,089)
	<b>24,423</b>	<b>28,819</b>	<b>47,434</b>	<b>50,815</b>
Income (loss) before income taxes and non-controlling interest	16,123	(12,792)	29,831	(31,083)
Income taxes (recovery) :				
Current	5,129	1,144	9,108	(444)
Future	(1,261)	(5,391)	(1,224)	(10,188)
	<b>3,868</b>	<b>(4,247)</b>	<b>7,884</b>	<b>(10,632)</b>
Income (loss) before non-controlling interest	12,255	(8,545)	21,947	(20,451)
Non-controlling interest	(157)	(40)	(179)	(172)
<b>Net income (loss)</b>	<b>\$ 12,412</b>	<b>\$ (8,505)</b>	<b>\$ 22,126</b>	<b>\$ (20,279)</b>
Earnings (loss) per common share (note 10):				
Basic	\$ 0.15	\$ (0.12)	\$ 0.27	\$ (0.28)
Diluted	\$ 0.15	\$ (0.12)	\$ 0.26	\$ (0.28)

See accompanying notes to unaudited interim consolidated financial statements.

**MARTINREA INTERNATIONAL INC.****Interim Consolidated Statements of Comprehensive Income (Loss)**

For the six months ended June 30, 2010 and 2009 (unaudited)  
(in thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Net income (loss)	12,412	(8,505)	\$ 22,126	\$ (20,279)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on translation of financial statements of self-sustaining operations	13,505	(26,081)	2,346	(17,550)
Other comprehensive income (loss)	13,505	(26,081)	2,346	(17,550)
Comprehensive income (loss)	\$ 25,917	\$ (34,586)	\$ 24,472	\$ (37,829)

See accompanying notes to unaudited interim consolidated financial statements.

**MARTINREA INTERNATIONAL INC.****Interim Consolidated Statements of Changes in Shareholders' Equity**

For the six months ended June 30, 2010 and 2009 (unaudited) and year ended December 31, 2009  
(in thousands of dollars)

	Share capital	Notes receivable for share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
Balances, December 31, 2008	629,052	(2,700)	34,478	(13,212)	(130,539)	517,079
Net loss	-	-	-	-	(20,279)	(20,279)
Shares issued in private placement (net of share issue costs of \$2,486 and future tax recovery of \$716)	54,005	-	-	-	-	54,005
Compensation expense related to stock options	-	-	1,136	-	-	1,136
Other comprehensive loss	-	-	-	(17,550)	-	(17,550)
Balances, June 30, 2009	683,057	(2,700)	35,614	(30,762)	(150,818)	534,391
Net loss	-	-	-	-	(4,661)	(4,661)
Compensation expense related to stock options	-	-	1,788	-	-	1,788
Other comprehensive loss	-	-	-	(28,574)	-	(28,574)
Balances, December 31, 2009	683,057	(2,700)	37,402	(59,336)	(155,479)	502,944
Net income	-	-	-	-	22,126	22,126
Compensation expense related to stock options	-	-	2,064	-	-	2,064
Other comprehensive income	-	-	-	2,346	-	2,346
Balances, June 30, 2010	\$ 683,057	\$ (2,700)	\$ 39,466	\$ (56,990)	\$ (133,353)	\$ 529,480

See accompanying notes to unaudited interim consolidated financial statements.

**MARTINREA INTERNATIONAL INC.**  
**Interim Consolidated Statements of Cash Flows**

For the six months ended June 30, 2010 and 2009 (unaudited)  
(in thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$ 12,412	(8,505)	\$ 22,126	\$ (20,279)
Items not involving cash:				
Amortization of property, plant and equipment	11,339	12,541	22,840	24,998
Amortization of intangible assets	1,164	1,137	2,332	2,248
Impairment charge on property, plant and equipment (Note 4)	6,308	-	6,308	-
Amortization of deferred financing costs	72	-	144	-
Unrealized (gain) loss on foreign exchange forward contracts	609	-	133	-
Future income taxes	(1,261)	(5,391)	(1,224)	(10,188)
Non-controlling interest	(157)	(40)	(179)	(172)
Gain on disposal of property, plant and equipment (note 7)	(10,671)	(126)	(10,604)	(4,089)
Stock-based compensation	1,797	567	2,064	1,136
Pension and other post-employment benefits	(901)	(283)	(96)	2,508
Contribution made to pension and other post-employment benefits	(3,050)	(3,052)	(5,722)	(6,268)
	17,661	(3,152)	38,122	(10,106)
Changes in non-cash working capital items:				
Accounts receivable	(31,696)	15,117	(65,123)	46,526
Other receivables	742	2,745	887	(2,203)
Inventories	(1,615)	2,288	(10,595)	(141)
Prepaid expenses and deposits	767	980	(818)	(778)
Accounts payable and accrued liabilities	28,098	(41,590)	32,592	(63,550)
Income taxes payable / recoverable	5,052	7,207	13,447	4,428
	19,009	(16,405)	8,512	(25,824)
Financing activities:				
Issue of share capital (net of share issuance costs)	-	54,005	-	54,005
Increase in long-term debt	-	11,000	16,000	17,703
Repayment of long-term debt	(3,810)	(48,089)	(7,662)	(53,194)
	(3,810)	16,916	8,338	18,514
Investing activities:				
Acquisition of SKD Automotive Group (net of acquisition costs) (note 2)	-	-	-	(4,267)
Purchase of property, plant and equipment	(19,731)	(19,795)	(32,806)	(24,692)
Promissory note (note 7)	(12,637)	-	(12,637)	-
Proceeds on disposal of property, plant and equipment	13,737	130	13,807	5,333
	(18,631)	(19,665)	(31,636)	(23,626)
Effect of foreign exchange rate changes on cash and cash equivalents	(1,659)	(2,752)	(2,374)	(3,499)
Decrease in cash and cash equivalents	(5,091)	(21,906)	(17,160)	(34,435)
Cash and cash equivalents, beginning of period	10,700	48,436	22,769	60,965
Cash and cash equivalents, end of period	\$ 5,609	\$ 26,530	\$ 5,609	\$ 26,530
Supplemental cash flow information:				
Cash paid for interest, net	\$ 1,321	\$ 1,343	\$ 3,214	\$ 2,114
Cash paid (received) for income taxes, net	\$ 70	\$ (2,925)	\$ (2,516)	\$ (2,659)

See accompanying notes to unaudited interim consolidated financial statements.