MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2010

MESSAGE TO SHAREHOLDERS

The year 2010 was one of growth and progress for Martinrea. Given the challenges that our industry and our Company faced in the automotive crisis in 2008 and 2009, the year 2010 was a welcome improvement.

Before we talk about the year just past, let us emphasize that our corporate objective still remains the same—to develop a state of the art international fluid systems and metal forming business. Put more simply, we aim to be the best automotive parts supplier in the world. To meet this objective, we support our customers and have become a leading supplier of choice. We attract talented people, develop them well and encourage them to perform great things. We embrace innovation and capitalize on it.

Our vision is the same today. The crises of the past few years made us stronger as a company and as people ready for any challenge. We are survivors, competitors and strong market players.

We remain true to our business strategy, constantly monitoring and updating it as required or desired. Key elements of our strategy that we applied in 2010 and will continue to apply in 2011 include the following:

- **Develop key human resources –** Our people are the core of our Company. We recognize that the most important people in the Company are the people that make the parts and work on the floor. They make the difference between a successful business and an unsuccessful one. We would like to thank and congratulate our employees for their performance in 2010. The Company is led by entrepreneurial people, who consistently strive for better performance. We continue to strengthen our management team, and did so in the past year, certainly not just at the corporate office, but at the group leader level and at the general manager and plant level. In our Company, your Company, we want our best people to aspire to be general managers and entrepreneurs. Our team has the skill set and will to adjust quickly to the changes we face.

- **Enhance quality –** We have always focused on quality. We continue to enhance it, emphasize it, live it, and breathe it. We intend to make the term "quality" and Martinrea synonymous. This is critical to us becoming a "go to" supplier for our customers. We have continued to develop our Martinrea Manufacturing System, or MMS, throughout our company, in 2010.

- **World Class Technologies –** We embrace new technologies and new ways to improve existing technologies. We have invested in 2010 and will continue to invest heavily in the future in leading edge technology, equipment, and manufacturing processes. We need to be efficient, flexible, and lean, especially in challenging times, and our commitment to automation, flexible manufacturing, innovation, and technology remains a bedrock principle. It is a differentiator for us, we believe. This is a key to long-term success. In that vein, we are very proud this year to be a finalist for an Automotive News PACE Award for our Infinicote coating. PACE awards celebrate important commercialized innovations in products and processes. Infinicote is a multipurpose coating to protect body, chassis, and powertrain parts from corrosion. It is very environmentally friendly, being water-based, replacing solvent-based products. Workers who apply it do not need respirators. The Infinicote process is another in a long line of innovations we pride ourselves on, in hydroforming, use of light strength steels, hot stamping, our capless filler product, and on and on.

People. Quality. Technology. Working Together.

If we can combine all of these strategic elements, utilizing our successful decentralized operating system, we are able to expand our customer base, expand sales and product offerings within our existing customer base, and look to new product areas, which extend beyond the automotive business. Martinrea currently has business in key non-automotive areas including transit, agriculture, air conditioning systems, and the military supply base, and we see benefits in the future from utilizing our automotive related manufacturing assets and expertise in these areas while utilizing a competitive advantage.

Turning specifically to the year just past, in 2010 the North American automotive industry experienced a recovery in volume and revenues, as sales and production volumes increased from 2009 levels, although not to pre-recession levels. We also experienced increasing revenues along with the automotive industry recovery, with 2010 revenues of approximately $1.68 billion, including tooling revenues. We generated positive earnings in each of the four quarters of 2010, and generated significant positive cash flow from operations during the year.

While we did not make any business acquisitions during 2010, we continued to restructure our operations, closing non performing plants and expanding or building plants in areas where operations and production was growing. The Kitchener Frame plant, closed in 2009, was sold in June, 2010; the shares of Kitchener Frame Limited were transferred to TK Budd Canada in May 2010; our Windsor, Ontario facility was closed in June, 2010; and our FMT facility in Mississauga, Ontario was closed in December, 2010. Certain operating facilities were right-sized, particularly in southwestern Ontario. We continued to take steps to reduce pension plan costs and post retirement obligations where possible. At the same time, plant facilities were expanded in Jonesville, Michigan; Springfield, Tennessee; Tupelo, Mississippi; and in Mexico. We added a new industrial facility in Mexico, and commenced the building of a new stamping facility. Overall, we recognize that we need to be able to service our customers generally from facilities close to their assembly plants, given the nature of our product offerings, and we continually improve our footprint in order to do so. This motivated much of the restructuring in 2010.

At the same time, we were awarded many new mandates in 2010, which will be launched in 2011 to 2013, from a wide range of customers. The year 2010 was our most successful year to date in terms of winning new business awards, and we estimate the total value, when launched, to approximate $300 million in annual sales. We believe that is a very good sign of customer confidence in us and for our future. Business awards included metallic work for the Ford CD4 program in Oakville, Ontario and Hermosillo, Mexico; metallic work for the Ford Escape and Ford Transit programs; metallic assemblies and fuel and brake work for the GM small car program; metallic work from BMW for its X5 vehicle platform; metallic work from Fiat and Chrysler, including the rear twist axle assembly for the Fiat 500, the new Chrysler sub-compact and the Company's capless fuelling system for the next generation LX program; and metallic work for Honda, Volkswagen and Nissan. Along with new work, Martinrea continued to be awarded replacement business by our customers. We also received the Honda New Challenging Spirit award for our Jonesville facility for the service and performance we provided in 2009.

In general, 2010 was a year of building for the future, in terms of rationalizing operations, expanding them where necessary, and winning new business to fill capacity. There will be sizable new launch activity in 2011 and beyond, meaning that 2011 will be a year of focusing on successful product launches.

We believe that the long term outlook of the automotive industry overall remains challenging but much improved, although recovery of the overall North America market will take time. While there are many challenges, opportunities will exist for innovative and cost effective suppliers who build great products in the short, medium, and longer term. We embrace challenge. We seize opportunities.

We have had success in doing so, through applying our strategies. We did this in the past, we did this in 2010, and we will do this in 2011 and beyond. We have the people to do it. And, we think we are strong financially to take advantage of opportunities.

We have enjoyed the support of our shareholders, our lenders, our customers and our employees, who are our most important resource, again in 2010, and we thank you all.

As recently announced, Nick Orlando, our President for many years, is assuming the Chief Executive Officer role, and Fred Jaekel will remain with our Company as Chief Technical Officer, reflecting an organized succession plan being put into place. We have had the pleasure of working together at Martinrea as co-founders and friends for almost a decade now, growing from a tiny automotive parts supplier to a leader in our fields of expertise, with over 30 plants and 7,000 employees. We believe we have been successful together, and we will all continue to support our Company, and your Company, going forward. We will continue to focus here at Martinrea on world class technologies—we have always been a driver of developing a technological and innovative competitive edge, and that will never change for us. In our next decade, we will take the Company to a new plateau, based on the same founding principles of operational excellence and financial discipline that we have always emphasized.

Your executive management team will continue to work hard to achieve success. We are supported by a tremendous group of people here at Martinrea. We are privileged to serve on the Martinrea team. We will not let you down.

On behalf of your Company,

(Signed)	(Signed)	(Signed)
Rob Wildeboer	Fred Jaekel	Nick Orlando
Executive Chairman	Chief Executive Officer	President and Chief Financial Officer

MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the Year ended December 31, 2010

The following management discussion and analysis ("MD&A") was prepared as of March 15, 2011 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2010, 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 for the year ended December 31, 2010, can be found at www.sedar.com.

Overview

Martinrea International Inc. ("Martinrea" or the "Company") is a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector. Martinrea currently employs over 7,000 skilled and motivated people in 31 plants in Canada, the United States, Mexico and Slovakia.

Martinrea's objective is to develop a state-of-the-art international fluid systems and metal forming business that will continue to be and further become a key supplier in the automotive industry. Growth will be prudent, profitable and based on innovation. The backbone of this future growth is the development of talented people. The significant development of the Company since 2002 has reflected this business strategy.

Results of operations during 2010 and 2009 include one-time costs related to the effects of lower production by customers in North American light vehicle platforms as a result of the North American economic recession. These impacts have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-GAAP measures in the Company's disclosures that management believes provides the most appropriate basis on which to evaluate the Company's results.

Non-GAAP Measures

The Company reports its financial results in accordance with 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, B and C under "Adjustments to Net Income" of this MD&A.

Results of Operations

REVENUE

	Quarter ended December 31		Year ended December 31	
	2010	**2009**	**2010**	**2009**
Revenue	494,420	395,965	1,689,379	1,138,140

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

The Company's revenue for the fourth quarter of 2010 increased by $98.4 million or 24.8% to $494.4 million as compared to $396.0 million for the fourth quarter of 2009. The increase was due to improved production volumes in North American light vehicle platforms, the launch of new programs during the fourth quarter of 2010 and an increase in tooling revenue relating to upcoming new program launches. Tooling revenue increased by $55.7 million to $72.7 million for the fourth quarter of 2010 from $17.0 million for the fourth quarter of 2009. The 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 $15.1 million.

Fourth Quarter 2010 to Third Quarter 2010 comparison

The Company's revenue for the fourth quarter of 2010 increased by $99.3 million or 25.1% to $494.4 million as compared to $395.1 million for the third quarter of 2010. The increase can be attributed to improved production volumes in North American light vehicle platforms from the seasonal softness experienced in the third quarter, the launch of new programs during the fourth quarter of 2010 and an increase in tooling revenue relating to upcoming new program launches. Tooling revenue increased by $52.0 million to $72.7 million for the fourth quarter of 2010 from $20.7 million for the third quarter of 2010.

2010 to 2009 comparison

The Company's revenue for the year ended December 31, 2010 increased by $551.3 million or 48.4% to $1,689.4 million as compared to $1,138.1 million for the year ended December 31, 2009. Similar to the fourth quarter comparisons discussed above, the increase in revenue was primarily due to improved production volumes in North American light vehicle platforms, the launch of new programs during the year and an increase in tooling revenue relating to new program launches. Tooling revenue increased by $72.7 million to $119.5 million for the year ended December 31, 2010 as compared to $46.8 million for the year ended December 31, 2009. The 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 $134.0 million.

GROSS MARGIN

	Quarter ended December 31		Year ended December 31	
	2010	**2009**	**2010**	**2009**
Gross margin	45,535	28,510	159,895	75,101
% of revenue	9.2%	7.2%	9.5%	6.6%

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

The gross margin percentage for the fourth quarter of 2010 of 9.2% increased by 2.0% from a gross margin percentage for the fourth quarter of 2009 of 7.2%. Excluding the one time items recorded as cost of sales explained in Table A under "Adjustments to Net Income", the gross margin percentage for the fourth quarter of 2010 increased by 0.5% to 9.6% as compared to 9.1 % for the fourth quarter of 2009. The increase in gross margin percentage was substantially due to increased gross margin earned as a result of significantly higher vehicle production volumes. The positive impact of higher vehicle production volumes was partially offset by a significant increase in tooling revenue, which typically earns low or no margins for the Company, and costs incurred in preparation of upcoming program launches. Tooling revenue increased by $55.7 million to $72.7 million for the fourth quarter of 2010 from $17.0 million for the fourth quarter of 2009.

Fourth Quarter 2010 to Third Quarter 2010 comparison

The gross margin percentage for the fourth quarter of 2010 of 9.2% decreased by 0.2% as compared to the gross margin percentage for the third quarter of 2010 of 9.4%. Excluding the one time items recorded as cost of sales explained in the Table B under "Adjustments to the Net Income", the gross margin percentage for the fourth quarter of 2010 increased to 9.6% from 9.5% for the third quarter of 2010. The gross margin percentage for the fourth quarter of 2010 was positively impacted by increased gross margin earned as a result of higher vehicle production volumes. The positive impact of higher vehicle production volumes was offset by a significant increase in tooling revenue, which typically earns low or no margins for the Company, and costs incurred in preparation of upcoming program launches. Tooling revenue increased by $52.0 million to $72.7 million for the fourth quarter of 2010 from $20.7 million for the third quarter of 2010.

2010 to 2009 comparison

The gross margin percentage for the year ended December 31, 2010 of 9.5% increased by 2.9% from the prior year comparable of 6.6%. Excluding the one time items recorded as cost of sales explained in Table C under "Adjustments to Net Income", the gross margin percentage for the year ended December 31, 2010 increased by 2.3% to 9.8 % as compared to 7.5 % for the year ended December 31, 2009. Similar to the fourth quarter comparisons discussed above, the increase in gross margin percentage was substantially due to increased gross margin earned as a result of significantly higher vehicle production volumes partially offset by the impact of a significant increase in tooling revenue, which typically earns low or no margins for the Company, and costs incurred in preparation of upcoming program launches. Tooling revenue increased by $72.7 million to $119.5 million for the year ended December 31, 2010 as compared to $46.8 million for the year ended December 31, 2009.

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

	Quarter ended December 31		**Year ended December 31**	
	2010	**2009**	**2010**	**2009**
Selling, general & administrative	24,263	21,692	83,664	74,136
% of revenue	4.9%	5.5%	5.0%	6.5%

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

SG&A expense as a percentage of revenue was 4.9% for the fourth quarter of 2010, compared to 5.5% for the same period in 2009. Excluding the one time items recorded as SG&A expense explained in Table A under "Adjustments to Net Income", SG&A expense as a percentage of revenue decreased by 0.7% to 4.8% for the fourth quarter of 2010 from 5.5% for the fourth quarter of 2009.

SG&A expense for the fourth quarter of 2010 increased by $2.6 million to $24.3 million as compared to $21.7 million for the fourth quarter of 2009. Excluding the one time items recorded as SG&A expense explained in Table A under "Adjustments to Net Income", SG&A expense increased by $2.4 million largely due to higher costs to support the increased sales level and increased employment levels to meet the engineering requirements of upcoming new programs.

Fourth Quarter 2010 to Third Quarter 2010 comparison

SG&A expense as a percentage of revenue was 4.9% for the fourth quarter of 2010, compared to 5.0% for the third quarter of 2010. Excluding the one time items recorded as SG&A expense explained in Table B under "Adjustments to Net Income", SG&A expense as a percentage of revenue decreased by 0.2% to 4.8% for the fourth quarter of 2010 from 5.0% for the third quarter of 2010.

SG&A expense for the fourth quarter of 2010 increased by $4.4 million to $24.3 million as compared to $19.9 million for the third quarter of 2010. Excluding the one time items recorded as SG&A expense explained in Table B under "Adjustments to Net Income", SG&A expense increased by $4.2 million mainly due to higher costs to support the increased sales level, higher employee incentive and stock based compensation and increased employment levels to meet the engineering requirements of upcoming new programs.

2010 to 2009 comparison

SG&A expense as a percentage of revenue was 5.0% for the year ended December 31, 2010, compared to 6.5% for the year ended December 31, 2009. Excluding the one time items recorded as SG&A expense explained in Table C under "Adjustments to Net Income", SG&A expense as a percentage of revenue decreased by 1.5% to 4.9% for the year ended December 31, 2010 from 6.4% for the year ended December 31, 2009.

SG&A expense for the year ended December 31, 2010 increased by $9.6 million to $83.7 million as compared to $74.1 million for the year ended December 31, 2009. Excluding the one time items recorded as SG&A expense explained in Table C under "Adjustments to Net Income", SG&A expense increased by $10.4 million mainly due to higher costs to support the increased sales level and increased employment levels to meet the engineering requirements of upcoming new programs. The increase in SG&A expense was not directly proportional to the increase in revenue due to the relative fixed nature of certain SG&A expenses.

AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT (“PP&E”) AND INTANGIBLE ASSETS

	Quarter ended December 31		Year ended December 31	
	2010	**2009**	**2010**	**2009**
Amortization of PP&E (Production)	10,917	10,615	43,619	46,122
Amortization of PP&E (Non-production)	826	818	2,864	2,897
Amortization of Intangible Assets	1,184	1,176	4,683	4,703
Total Amortization	12,927	12,609	51,166	53,722

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

Amortization expense for the fourth quarter of 2010 increased by $0.3 million to $12.9 million as compared to $12.6 million for the fourth quarter of 2009. The increase in amortization expense can be attributed to the amortization of additional PP&E put into use during the quarter partially offset by a decrease in amortization expense as a result of the impairment of certain assets in 2009 and 2010 and a reduction caused by the translation of U.S. dollar denominated amortization expense.

Fourth Quarter 2010 to Third Quarter 2010 comparison

Amortization expense for the fourth quarter of 2010 decreased by $0.2 million to $12.9 million as compared to $13.1 million for the third quarter of 2010. The decrease in amortization expense can be mainly attributed to a reduction caused by the translation of U.S. dollar denominated amortization expense.

2010 to 2009 comparison

Amortization expense for the year ended December 31, 2010 decreased by $2.5 million to $51.2 million as compared to $53.7 million for the year ended December 31, 2009. The decrease can be attributed to a decrease in amortization expense as a result of the impairment of certain assets in 2009 and 2010 and a reduction caused by the translation of U.S. dollar denominated amortization expense partially offset by additional PP&E put into use during the year.

ADJUSTMENTS TO NET INCOME

As a result of the economic recession in North America that caused a significant reduction in production by customers in 2009 and 2010 and a number of industry-related developments and risks described below under “Risks and Uncertainties”, and the rationalization of the Company’s manufacturing facilities, the Company recorded a number of unusual items and other items during the whole of the financial years ended December 31, 2010 and 2009. 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 years ended December 31, 2010 and 2009 may not be indicative of future results.

TABLE A

	For the quarter ended December 31		
	2010	**2009**	**Change**
NET EARNINGS/(LOSS) (PER CANADIAN GAAP) (A)	5,122	(5,378)	10,500
Add back - Unusual Items:			
Impairment of Property, Plant & Equipment (1)	3,802	7,322	(3,520)
Impairment of Intangible Assets (2)	-	287	(287)
Employee Related Severance Costs (3)	1,938	349	1,589
Other Restructuring Costs (4)	4,609	459	4,150
Other Restructuring Costs – Period costs and pension expense recorded as cost of sales for facilities closed during restructuring (4)	569	1,774	(1,205)
Other Restructuring Costs –Period costs recorded as SG&A expenses for facilities closed during restructuring (4)	294	102	192
Add back - Other Items:			
Pension plan settlement and Other Post Employment Benefit Curtailment recorded as cost of sales (5)	1,258	-	1,258
Valuation Allowance on Future Tax Assets (7)	95	1,241	(1,146)
Development Costs recorded as cost of sales (8)	-	5,358	(5,358)
Settlement of Customer Contracts recorded as cost of sales(10)	-	900	(900)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**12,565**	**17,792**	**(5,227)**
Tax impact of above items	(3,732)	(4,413)	681
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**8,833**	**13,379**	**(4,546)**
ADJUSTED NET EARNINGS (NON CANADIAN GAAP) (A + B)	**13,955**	**8,001**	**5,954**
Number of Shares Outstanding – Basic (‘000)	83,325	83,326	
Adjusted Basic Earnings / (Loss) Per Share	0.17	0.10	
Number of Shares Outstanding – Diluted (‘000)	84,478	84,107	
Adjusted Diluted Earnings / (Loss) Per Share	0.17	0.10	

TABLE B

	For the quarter ended		
	December 31, 2010	**September 30, 2010**	**Change**
NET EARNINGS (PER CANADIAN GAAP) (A)	5,122	5,746	(624)
Add back - Unusual Items:			
Impairment of Property, Plant & Equipment (1)	3,802	-	3,802
Employee Related Severance Costs (3)	1,938	250	1,688
Other Restructuring Costs (4)	4,609	5,223	(614)
Other Restructuring Costs – Period costs and pension expense recorded as cost of sales for facilities closed during restructuring (4)	569	307	262
Other Restructuring Costs –Period costs recorded as SG&A expenses for facilities closed during restructuring (4)	294	142	152
Add back - Other Items:			
Pension plan settlement and Other Post Employment Benefit Curtailment recorded as cost of sales (5)	1,258	-	1,258
Valuation Allowance on Future Tax Assets (7)	95	-	95
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**12,565**	**5,922**	**6,643**
Tax impact of above items	(3,732)	(1,530)	(2,202)
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**8,833**	**4,392**	**4,441**
ADJUSTED NET EARNINGS (NON CANADIAN GAAP) (A + B)	**13,955**	**10,138**	**3,817**
Number of Shares Outstanding – Basic (‘000)	83,325	83,326	
Adjusted Basic Earnings Per Share	0.17	0.12	
Number of Shares Outstanding – Diluted (‘000)	84,478	84,279	
Adjusted Diluted Earnings Per Share	0.17	0.12	

TABLE C

	Year ended December 31		
	2010	**2009**	**Change**
NET EARNINGS/(LOSS) (PER CANADIAN GAAP) (A)	32,993	(24,940)	57,933
Add back - Unusual Items:			
Impairment of Property, Plant and Equipment (1)	10,110	7,322	2,788
Impairment of Intangible Assets (2)	-	287	(287)
Employee Related Severance Costs (3)	6,325	8,430	(2,105)
Other Restructuring Costs (4)	11,474	5,185	6,289
Other Restructuring Costs – Period costs and pension expense recorded as cost of sales for facilities closed during restructuring (4)	1,840	6,460	(4,620)
Other Restructuring Costs – Period costs recorded as SG&A expenses for facilities closed during restructuring (4)	504	1,335	(831)
Add back - Other Items:			
Pension settlement and Other Post Employment Benefits Curtailment recorded as cost of sales (5)	628	(3,700)	4,328
Gain on sale of Kitchener land and building and other excess land (6)	(10,675)	(3,963)	(6,712)
Development costs recorded as cost of sales (8)	1,283	7,111	(5,828)
Valuation Allowance on Future Tax Assets (7)	(450)	1,241	(1,691)
Writedown of excess service inventory at the Company's Windsor, Ontario facility recorded as cost of sales (9)	1,290	-	1,290
Settlement of Customer Contracts recorded as cost of sales(10)	-	900	(900)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**22,329**	**30,608**	**(8,279)**
Tax Impact of above items	(7,869)	(9,859)	1,990
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**14,460**	**20,749**	**(6,289)**
ADJUSTED NET EARNINGS / (LOSS) (NON CANADIAN GAAP) (A + B)	**47,453**	**(4,191)**	**51,644**
Number of Shares Outstanding – Basic ('000)	83,326	77,797	
Adjusted Basic Earnings / (Loss) Per Share	0.57	(0.05)	
Number of Shares Outstanding – Diluted ('000)	84,456	78,426	
Adjusted Diluted Earnings / (Loss) Per Share	0.56	(0.05)	

(1) Impairment of Property, Plant and Equipment ("PP&E")

During 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 $10.1 million representing the excess of the carrying amount of the PP&E over its estimated fair value, of which $3.8 million was recorded in the fourth quarter of 2010. A similar impairment charge of $7.3 million was recorded in the fourth quarter of 2009. PP&E impairment charges are non-cash in nature.

(2) Impairment of Intangible Assets

During the fourth quarter of 2009, the Company determined that the carrying amount of certain intangible assets was impaired as a result of the deteriorating macro environment directly impacting the automotive industry. The Company assessed the recoverability of intangible assets by determining whether the carrying amount of such assets could be recovered through undiscounted future cash flows. Since the undiscounted future cash flows were less than the carrying amount, the excess of the carrying amount over the estimated fair value of $0.3 million was recorded as an impairment charge in 2009. The intangible asset impairment charge is non-cash in nature.

(3) Employee Related Severance Costs

During the fourth quarter of 2010, the Company incurred employee related severance costs of $1.9 million relating primarily to the closure of a Company facility in Mississauga, Ontario on December 13, 2010 and the right-sizing of operating facilities in southwestern Ontario. The restructuring activities undertaken during the fourth quarter of 2010 formed part of the Company's overall cost cutting program aimed at realigning and increasing the efficiency of the Company's operations. Similar severance costs were incurred throughout 2009 and the first three quarters of 2010. At this time, the Company does not expect to incur any additional employee related severance costs at these facilities.

During the second quarter of 2010, the Company also incurred employee related 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, Kentucky facility and incurred a settlement charge of $8.4 million to restructure the future salaries and benefits of the employees. This expense, along with other employee related severance costs incurred to realign and increase the efficiency of the Company's operations, 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 $8.4 million for the year ended December 31, 2009.

(4) Other Restructuring Costs

In response to the significant decline in vehicle production volumes beginning in 2008, the Company undertook certain initiatives to prepare for a profitable and sustainable future. In so doing, certain restructuring activities were executed throughout 2009 and 2010. These initiatives included strict cost reduction measures across the entire organization, the consolidation and closure of certain facilities and the rationalization of excess capacity at certain facilities achieved by moving equipment and programs between facilities.

Other restructuring costs during 2010 relate primarily to the cessation of manufacturing operations at the Company's Windsor, Ontario and Mississauga, Ontario facilities on June 30, 2010 and December 13, 2010, respectively, and the right-sizing of operating facilities in southwestern Ontario. Other restructuring costs include directly attributable facility and right-sizing costs and costs relating to the dismantling and transportation of PP&E between Company facilities. At this time, the Company does not expect to incur any further significant restructuring costs with the exception of the funding of the Windsor pension and OPEB plans which the Company will continue to fund over the next three years and the windup of the Martinrea Fabco Hot Stampings pension plan which is expected to be completed in 2011.

The Company has expensed total restructuring costs of $91.7 million (combining this item with "Employee Related Severance Costs" in Item 3 above) of which $20.1 million was expensed in 2010 and $21.4 million in 2009. The balance of $50.2 million was expensed in 2008.

As at December 31, 2010, $2.6 million of the total restructuring and employee related severance costs recorded were included in accounts payable and accrued liabilities.

(5) Pension settlement and other post employment benefit curtailment

During the fourth quarter of 2010, the Company settled the pension plan at its facility in Shelbyville, Kentucky. In doing so, the Company made payments towards lump sum payouts for those members who elected to receive payment of the plan in 2010 and annuities for those members who elected to postpone payment of the plan. The net loss on settlement (including the impact of an OPEB curtailment which resulted from the pension settlement) was approximately $1.3 million.

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

(6) Gain on sale of Kitchener land and building and other excess land

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 the 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. Scheduled repayments of $2.4 million were received during the fourth quarter.

In 2009, the Company sold a piece of excess land and recorded a gain of approximately $4.0 million.

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

During 2010, the Company's valuation allowance against future tax assets decreased by $0.5 million primarily on account of changes in non-capital losses. The valuation allowance at December 31, 2010 includes $8.5 million of US non-capital loss carry forwards, $5.1 million of European non-capital loss carry forwards, $2.0 million of Mexican non-capital loss carry forwards and $1.7 million of Canadian future tax assets relating primarily to capital losses.

(8) Development Costs

Development costs in the nature of employee training and other operational inefficiencies during the product launch period are expensed in accordance with Canadian GAAP and the Company's accounting policies. The Company expensed approximately $7.1 million in 2009 and $1.3 million in the first quarter of 2010 in relation to development costs for takeover business from SKD. Of the $7.1 million recorded as expense in 2009, $5.4 million was incurred in the fourth quarter of 2009.

(9) 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.

(10) Settlement of Customer Contract

During the fourth quarter of 2009, the Company reached a settlement with a Russian customer who was in the process of restructuring operations. As a result of the customer restructuring and the cancellation of the customer contract, net expenses of approximately $0.9 million were incurred during the fourth quarter of 2009.

NET INCOME (LOSS)

	Quarter ended December 31		Year ended December 31	
	2010	**2009**	**2010**	**2009**
Net Earnings/(loss)	5,122	(5,378)	32,993	(24,940)
Adjusted Net Earnings/(loss)	13,955	8,001	47,453	(4,191)
Earnings per common share				
Basic	0.06	(0.06)	0.40	(0.32)
Diluted	0.06	(0.06)	0.39	(0.32)
Adjusted Net Earnings per common share				
Basic	0.17	0.10	0.57	(0.05)
Diluted	0.17	0.10	0.56	(0.05)

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

The net earnings for the fourth quarter of 2010 of $5.1 million increased by $10.5 million from a net loss of $5.4 million for the fourth 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 fourth quarter of 2010 improved to $14.0 million or $0.17 per share, on a basic and diluted basis, in comparison to adjusted net earnings of $8.0 million or $0.10 per share, on a basic and diluted basis, for the fourth quarter of 2009.

The increase in adjusted net earnings in the fourth quarter of 2010 as compared to the fourth quarter of 2009 was primarily due to an 11.3% increase in revenue (excluding tooling revenue) in the fourth quarter of 2010 as compared to the fourth quarter 2009 partially offset by an increase in new program launch activity.

Fourth Quarter 2010 to Third Quarter 2010 comparison

The net earnings for the fourth quarter of 2010 of $5.1 million decreased by $0.7 million from net earnings of $5.8 million for the third quarter of 2010 largely due to the impact of one-time items as discussed in Table B under “Adjustments to Net Income” partially offset by an increase in revenue for the fourth quarter. Excluding one time items, the adjusted net earnings for the fourth quarter of 2010 increased to $14.0 million or $0.17 per share, on a basic and diluted basis, as compared to net earnings of $10.1 million or $0.12 per share, on a basic and diluted basis, for the third quarter of 2010.

The increase in adjusted net earnings in the fourth quarter of 2010 as compared to the third quarter of 2010 was mainly due to a 12.6% increase in revenue (excluding tooling revenue) in the fourth quarter of 2010 as compared to the third quarter of 2010 and the effects of a lower effective income tax rate in the fourth quarter.

2010 to 2009 comparison

The net earnings for the year ended December 31, 2010 of $33.0 million increased by $57.9 million from a net loss of $24.9 million for the year ended December 31, 2009 primarily on account of increased customer production volumes and a decrease in the net impact of one time items as described in Table C under “Adjustments to Net Income”. Excluding one time items, the adjusted net earnings for the year ended December 31, 2010 improved to $47.5 million or

$0.57 per share ($0.56 on a diluted basis) in comparison to an adjusted net loss of $4.2 million or $0.05 per share, on a basic and diluted basis, for the year ended December 31, 2009.

The increase in adjusted net earnings for the year ended December 31, 2010 as compared to the year ended December 31, 2009 was primarily due to a 43.9% increase in revenue (excluding tooling revenue) for the year ended December 31, 2010 as compared to the year ended December 31, 2009 partially offset by an increase in new program launch activity.

CAPITAL EXPENDITURES

	Quarter ended December 31		Year ended December 31	
	2010	**2009**	**2010**	**2009**
Capital Expenditures	35,005	16,573	90,932	51,413

Fourth Quarter 2010 to Fourth Quarter 2009 comparison

Capital expenditures increased by $18.4 million from $16.6 million in the fourth quarter of 2009 to $35.0 million in the fourth quarter of 2010. Capital expenditures incurred in the fourth quarter of 2010 are primarily related to the purchase of new program equipment in response to newly awarded business scheduled to launch over the next two years and capital for a new plant the Company will be opening in Silao, Mexico during 2011.

Fourth Quarter 2010 to Third Quarter 2010 comparison

Capital expenditures increased by $11.9 million from $23.1 million in the third quarter of 2010 to $35.0 million in the fourth quarter of 2010. Capital expenditures incurred in the fourth quarter of 2010 are primarily related to the purchase of new program equipment in response to newly awarded business scheduled to launch over the next two years and capital for a new plant the Company will be opening in Silao, Mexico during 2011. General timing of capital expenditures also contributed to the increase.

2010 to 2009 comparison

Capital expenditures increased by $39.5 million from $51.4 million for the year ended December 31, 2009 to $90.9 million for the year ended December 31, 2010. Capital expenditures incurred during the year ended December 31, 2010 are primarily related to building expansions at Jonesville, Michigan, Springfield, Tennessee, Tupelo, Mississippi and the Company’s Saltillo, Ramos and Hermosillo facilities in Mexico, the purchase of new program equipment in response to newly awarded business scheduled to launch over the next two years and capital for a new plant the Company will be opening in Silao, Mexico during 2011.

Selected Quarterly Information

(in thousands of Canadian Dollars, except for earnings per share and number of shares)

	Dec 31-10	Sep 30-10	June 30-10	Mar 31-10	Dec 31-09	Sep 30-09	June 30-09	Mar 31-09
Sales	**494,420**	**395,087**	**418,392**	**381,480**	**395,965**	**293,786**	**243,317**	**205,072**
Cost of sales	437,968	346,827	367,164	333,906	356,840	255,077	215,443	189,557
Amortization of PP&E (production)	10,917	11,165	10,682	10,855	10,615	11,850	11,847	11,810
Gross profit	**45,535**	**37,095**	**40,546**	**36,719**	**28,510**	**26,859**	**16,027**	**3,705**
Expenses:								
Selling, general and administrative	24,263	19,880	19,852	19,669	21,692	17,949	17,553	16,942
Foreign exchange loss (gain)	969	(386)	147	(280)	1,637	2,741	1,503	1,461
Amortization of PP&E (non-production)	826	735	657	646	818	738	694	647
Amortization of intangible assets	1,184	1,167	1,164	1,168	1,176	1,279	1,137	1,111
Asset impairment charge	3,802	-	6,308	-	7,609	-	-	-
Restructuring costs	6,547	5,473	5,409	370	808	1,242	7,168	4,397
Interest on long-term debt	2,496	1,369	1,451	1,393	1,532	1,373	1,120	1,280
Other interest (income) expense net	(545)	(52)	106	(21)	(414)	147	(230)	121
Loss (gain) on disposal of PP&E	(37)	112	(10,671)	67	352	60	(126)	(3,963)
	39,505	**28,298**	**24,423**	**23,011**	**35,210**	**25,529**	**28,819**	**21,996**
Earnings (loss) before income taxes and non-controlling interest	**6,030**	**8,797**	**16,123**	**13,708**	**(6,700)**	**1,330**	**(12,792)**	**(18,291)**
Income taxes (recovery):								
Current	(385)	806	5,129	3,979	(8,680)	2,316	1,144	(1,588)
Future	1,502	2,195	(1,261)	37	7,269	(1,657)	(5,391)	(4,797)
	1,117	**3,001**	**3868**	**4016**	**(1,411)**	**659**	**(4,247)**	**(6,385)**
Earnings (loss) before non-controlling interest	**4,913**	**5,796**	**12,255**	**9,692**	**(5,289)**	**671**	**(8,545)**	**(11,906)**
Non-controlling Interest	(209)	50	(157)	(22)	89	(46)	(40)	(132)
Net earnings (loss)	**5,122**	**5,746**	**12,412**	**9,714**	**(5,378)**	**717**	**(8,505)**	**(11,774)**
Earnings (loss) per share								
Basic	**0.06**	**0.07**	**0.15**	**0.12**	**(0.06)**	**0.01**	**(0.12)**	**(0.16)**
Diluted	**0.06**	**0.07**	**0.15**	**0.12**	**(0.06)**	**0.01**	**(0.12)**	**(0.16)**
Weighted average number of common shares outstanding								
Basic	**83,325,386**	**83,326,018**	**83,326,018**	**83,326,018**	**83,326,018**	**83,326,018**	**72,464,907**	**71,826,018**
Diluted	**84,478,074**	**84,278,736**	**84,427,106**	**84,382,352**	**84,107,187**	**84,013,533**	**73,073,520**	**72,426,018**

Liquidity and Capital Resources

The Company's financial condition remains solid given its strong balance sheet which was enhanced with an equity issue in the second quarter of 2009 as described below, positive cash flow from operations, low cost structure, low level of debt, prospects for growth and new program launches. All future capital expenditures will be financed by cash flow from operations, utilization of existing financing facilities or asset backed financing.

As at year end, the Company had a $97.5 million revolving credit facility and a U.S. $40.0 million revolving credit facility with its senior lenders. The Canadian dollar revolving credit facility includes a $10 million swing line facility and the U.S. dollar revolving credit facility includes a U.S. $10 million swing line facility. As at December 31, 2010, the facilities had an accordion feature permitting the Company to request an increase of the Canadian revolving credit facility of up to $22.5 million to $120 million and an increase in the U.S. dollar revolving credit facility of U.S. $10 million to U.S. $50 million, with existing or new lenders. There are no mandatory principal repayment provisions on this facility.

On March 4, 2011, the Company amended the terms of its credit agreement to increase the revolving credit facility to $125 million and U.S. $50 million. The Canadian dollar revolving credit facility includes a $10 million swing line facility and the U.S. dollar revolving credit facility includes a US$10 million swing line facility. The amended facilities have an accordion feature permitting the Company to request an increase of the Canadian revolving credit facility of up to $50 million to $175 million and an increase in the U.S. dollar revolving credit facility of U.S. $25 million to U.S. $75 million, with existing or new lenders. There are no mandatory principal repayment provisions on this facility. The amended facility has a maturity date of March 2015. The amendment did not change any financial covenants, and borrowing spreads are reduced from the previous facility.

On June 25, 2009, the Company issued 11,500,000 common shares on a private placement basis pursuant to a bought deal financing agreement with a syndicate of underwriters. The shares were priced at $4.85 per share for gross proceeds of $55.8 million. Out of the net proceeds received of $54.0 million (after deduction of all transaction costs (net of tax) of $1.8 million), an amount of $31.7 million was used to pay down the revolving portion of the then outstanding five year commercial term loan facility.

At December 31, 2010, the Company had cash on hand of approximately $26.0 million compared to $22.8 million of cash on hand at December 31, 2009. Cash increased primarily due to improved cash flow from operations and working capital management.

Long-term debt has increased by approximately $15.7 million from $87.4 million at December 31, 2009 to $103.1 million at December 31, 2010 due to an additional draw-down of $51.4 million from the facility during 2010 offset by a voluntary repayment towards the facility of $20.2 million prior to the year-end and scheduled loan repayments. The draw-down was used to finance certain capital expenditures and customer tooling not part of the tooling finance program discussed below. As at December 31, 2010, the Company had a further $62.9 million available under its senior lending facilities for future borrowings. The Company was in compliance with its debt covenants at December 31, 2010.

The Company is a guarantor under certain tooling finance programs negotiated in 2004 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At December 31, 2010, the amount of program financing was $21.3 million. As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company.

The Company had a strong balance sheet as at December 31, 2010, with shareholders' equity of $519.2 million. Shareholders' equity was $502.9 million at December 31, 2009. The Company's working capital of $161.9 million and existing financing facilities should be sufficient to cover anticipated working capital needs. As at December 31, 2010, Martinrea's ratio of current assets to current liabilities was 1.6:1, compared to 1.7:1 as at December 31, 2009.

Acquisition of Certain Assets of SKD Automotive Group

In April and May 2009, the Company acquired certain equipment from SKD for a total cost of $12.8 million including transportation and installation costs. Approximately $0.6 million of the $12.8 million cost was incurred in the fourth quarter of 2009 relating to final integration and installation costs of these assets. In addition, the Company purchased inventory valued at $4.9 million as discussed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2010.

On February 27, 2009, the Company completed the acquisition of certain of the assets of two SKD facilities in Jonesville, Michigan and Mexico City, Mexico. The total cash paid was approximately $4.3 million with acquisition costs of $0.4 million. The results of the acquired facilities have been consolidated into the Company's consolidated financial statements from February 27, 2009.

Industry Highlights and Trends

The automotive industry remains one of North America's largest and most competitive industries, but, in 2008 and 2009, it faced monumental changes and challenges. 2008 was a very difficult year for the automotive industry, and 2009 was even more difficult until a period of stability and some improvement in the second half of 2009. Global and North American economic conditions, including weakening economies and a severe credit crisis, affected every major automotive market in the second half of 2008 and in 2009, especially in North America. The contraction in automotive sales and production negatively impacted the financial results and condition of essentially all industry participants. Many of the world's largest OEMs, including General Motors, Chrysler and Ford (the "Detroit 3") asked for some measure of government assistance, in some cases in order to avert the imminent need to file for bankruptcy protection. General Motors and Chrysler each received substantial financial support in loans from the U.S. and Canadian Governments. Chrysler and GM filed, in April and June 2009, respectively, for bankruptcy protection in the United States, emerging with newly constituted capital structures and reduced assets shortly thereafter.

In 2009, North American light vehicle production ("production") declined for the seventh straight year, to 8.6 million units in production volumes. Volumes had already declined substantially in 2008 from 2007 volumes. In 2009, North American vehicle production was down 32% from 2008 levels. In the first half of 2009, vehicle production in North America declined 50% as compared to the first half of 2008. For the Detroit 3, all of whom are significant Martinrea customers, the production decline was also compounded by a shift in consumer preferences away from certain light trucks, as well as continued market share erosion. The decline in North American production in 2008 and 2009 reflects the significant decline in vehicle sales, which in 2009 dropped to annualized sales levels not seen in more than 25 years. The deteriorating U.S. economy, low consumer confidence and limited availability of financing for automotive consumers were among the largest drivers of the decline in North American automotive sales.

The industry and economic crisis resulted in 2009 being a year of massive industry restructuring in North America and globally, involving a number of OEMs and auto suppliers. It also created a time of opportunity for strong, nimble, well-positioned and well-financed suppliers.

A number of trends apparent in 2009 continued to have a significant impact on the North American and global automotive industry and the business of the Company in 2010, including:

- the continuing low level of North American light vehicle production and sales, as production and sales trends remain below historical levels, although production and sales levels in 2010 improved compared to 2009;
- the continuing restructuring of the global and North American automotive industry;
- significant government financial intervention in the automotive and financial services industries;
- the deterioration of the financial condition of much of the automotive supply base, and the shrinking of the supply base as many suppliers still face financial difficulty; and
- the continuing and resulting consolidation of the supply base.

In 2010, North American production of light vehicles increased to approximately 12 million units, sharply higher than 2009 levels, although still significantly below pre-recession production levels. Similarly, sales of vehicles in North America were higher than in 2009. This resulted in increasing revenues for most automotive OEMs and for suppliers who survived the automotive crisis of 2008 and 2009, including Martinrea. The trends witnessed in 2010 that may continue in 2011 include the following:

- the improving financial position of a number of key customers of the Company, including the Detroit 3, who all posted significantly improved profits in 2010;
- an increasing availability of credit for automotive purchases, which will support increased sales and production levels;
- the development of a consensus that automotive demand recovery is likely to continue, given the need to replace an aging vehicle fleet, the increasing availability of credit and the belief that the economic recovery in North America and particularly the United States will continue; and
- the likelihood that supplier consolidation will continue, as customers award new programs to a smaller number of key suppliers and as suppliers continue to merge or go out of business.

These trends, and the risks related to them, are in addition to the competitive pressures and trends facing OEM suppliers such as Martinrea on an ongoing basis, as summarized below and also as more fully described in the Company's Annual Information Form in respect of the year ended December 31, 2010.

Risks and Uncertainties

The following risk factors, as well as the other information contained in this MD&A, the Company's Annual Information Form for the year ended December 31, 2010 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 North American car and light truck production by its customers and the relative amount of content the Company has on their various vehicle programs. OEM production volumes may be impacted by many factors including general economic and political conditions, interest rates, credit availability, energy and fuel prices, international conflicts, labour relations issues, regulatory requirements, trade agreements, infrastructure considerations, legislative changes, and environmental emissions standards and safety issues.

North American and Global Economic and Political Conditions

The automotive industry is global, cyclical and sensitive to changes in economic and political conditions, including, interest rates, currency issues, energy prices and international or domestic conflicts or political crises.

The Company operates in the midst of what has recently been a significant global recession, which has been particularly severe in North America. Although there has been stabilization and even growth in some areas, current conditions continue to cause economic uncertainty about the future recovery or its speed. 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, the recent recessionary impacts and lower sales and production volumes may last longer and/or be more severe than currently anticipated. An economic recovery, should it continue to occur, may be gradual and take a long time.

Automotive Industry Risks

The automotive industry is highly cyclical and dependent on, among other factors, consumer spending and general economic conditions in North America. Industry sales have dropped from historical levels and accordingly production has been cut significantly in order to reflect the current, historically low level of demand for vehicles, which in 2010 was still well below levels of the past decade. Future sales and production volumes are anticipated to grow over the next several years, and have grown in 2010 as compared to 2009, but most industry forecasters are predicting a slow rate of growth, and even that, is uncertain. Increased emphasis on the reduction of fuel consumption, fuel emissions and greenhouse gas emissions could also reduce demand for automobiles overall or specific platforms on which the Company has product, especially in the light truck segment. There can be no assurance that North American automotive production overall or on specific platforms will not continue to be lower than historical volumes, will not further 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 North American 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.

Dependence Upon Key Customers

Due to the nature of the Company's business, it is dependent upon a few large customers such that cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, or reduced sales of automotive platforms of such customers, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition. In addition, a work disruption at one or more of the Company's customers resulting from labour stoppages at or insolvencies of key suppliers to such customers or an extended customer shutdown could have a significant impact on the Company's revenue and/or profits. Most of the Company's sales are in North America to traditional North American OEMs, a sector which has experienced over-capacity, significant competition, "legacy cost" (pension and healthcare liabilities) issues, declining volumes overall and on key platforms, and declining market share. These pressures have contributed to some production losses and pricing pressures for suppliers.

While two of the Company's customers, Chrysler and GM, have recently restructured, it is unclear the extent to which their production volumes will grow in the future. There can be no assurance that restructuring actions taken by them or other OEMs will ultimately be successful over the long term. Nor is there assurance that future crises affecting key customers of the Company will result in the same or similar levels of government financial assistance to OEMs or protection of receivables to suppliers as occurred in 2009.

Financial Viability of Suppliers

The Company relies on a number of suppliers to supply a wide range of products and components required in connection with the business. Economic conditions, production volume cuts, intense pricing pressures, increased commodity prices and a number of other factors have left many automotive suppliers in varying degrees of financial distress. The continued financial distress or the insolvency or bankruptcy of any such supplier could disrupt the supply of products, materials or components to Martinrea or to customers, potentially causing the temporary shut-down of the Company's or customers' production lines. Some suppliers had to restructure severely in the recent recession, and may have reduced capacity. There is a risk some suppliers may not have adequate capacity to timely accommodate increases in demand for their products which could lead to production disruption for the customer. Any prolonged disruption in the supply of critical components, the inability to re-source production of a critical component from a financially distressed automotive components sub-supplier, or any temporary shut-down of production lines or the production lines of a customer, could have a material adverse effect on profitability. Additionally, the insolvency, bankruptcy or financial restructuring of any critical suppliers could result in the Company incurring unrecoverable costs related to the financial work-out of such suppliers and/or increased exposure for product liability, warranty or recall costs relating to the components supplied by such suppliers to the extent such supplier is not able to assume responsibility for such amounts, each of which could have an adverse effect on the Company's profitability. Also see "Dependence Upon Key Customers".

Competition

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

Cost Absorption and Purchase Orders

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

Material Prices

Prices for key raw materials and commodities used in parts production, particularly steel, resin, paints, chemicals and other raw materials, as well as energy prices, have proven to be volatile at certain times. Martinrea has attempted to mitigate its exposure to price increases of key commodities, particularly steel (through participation in steel resale programs or price adjustment mechanisms); however, to the extent the Company is unable to fully do so through engineering products with reduced commodity content, by passing commodity price increases to customers or otherwise, such additional commodity costs could have a material adverse effect on profitability. Increased energy prices also impact on transportation costs which in turn could affect competitiveness.

Outsourcing and Insourcing Trends

The Company is dependent on the outsourcing of components, modules and assemblies by OEMs. The extent of OEM outsourcing is influenced by a number of factors, including relative cost, quality and timeliness of production by suppliers as compared to OEMs, capacity utilization, and labour relations among OEMs, their employees and unions. As a result of favourable terms in collective bargaining agreements recently concluded which have lowered cost structures, the Detroit 3 OEMs may insource some production which had previously been outsourced. 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.

Competition with Low Cost Countries

The competitive environment in the automotive industry has intensified as customers seek to take advantage of low wage costs in China, Korea, Thailand, India, Brazil and other low cost countries. As a result, there is potentially increased competition from suppliers that have manufacturing operations in low cost countries. The establishment of manufacturing operations or establishing relationships with firms in emerging market countries carries its own risks, including those relating to political and economic instability; trade, customs and tax risks; currency exchange rates; currency controls; insufficient infrastructure; and other risks associated with conducting business internationally. 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.

Product Warranty, Recall and Liability Risk

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

Product Development and Technological Change

The automotive industry is characterized by rapid technological change and frequent new product introductions. Downward price pressure 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. The Company's inability, for technological or other reasons, to enhance operations in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect on the Company's results of operations. The ability of the Company to compete successfully will depend in large measure on its ability to maintain a technically competent workforce and to adapt to technological changes and advances in the industry, including providing for the continued compatibility of its products with evolving industry standards and protocols. There can be no assurance that the Company will be successful in its efforts in these respects.

Dependence Upon Key Personnel

The success of the Company is dependent on the services of a number of the members of its senior management. The experience and talents of these individuals will be a significant factor in the Company's continued success and growth. The loss of one or more of these individuals without adequate replacement measures could have a material adverse effect on the Company's operations and business prospects. The Company does not currently maintain key man insurance.

Limited Financial Resources/Uncertainty of Future Financing/Banking

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

Acquisitions

The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products. The completion of such transactions poses additional risks to the Company's business. The benefit to the Company of previous and future acquisitions is highly dependent on the Company's ability to integrate the acquired businesses and their technologies, employees and products into the Company. The Company cannot be certain that it will successfully integrate acquired businesses or that acquisitions will ultimately benefit the Company. Any failure to successfully integrate businesses or failure of the businesses to benefit the Company could have a material adverse effect on its business and results of operations. Such transactions may also result in additional dilution to the Company's shareholders or increased debt.

Potential Rationalization Costs

The Company incurred restructuring costs in 2008, 2009 and 2010. In response to the increasingly competitive automotive industry conditions, the Company may continue to rationalize some production facilities. In the course of such rationalization, restructuring costs related to plant closings, 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 could 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.

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, and general market or economic conditions.

Changes in Laws and Governmental Regulations

A significant change in the regulatory environment in which the Company currently carries on business could adversely affect the Company's operations. The Company's operations could be adversely impacted by significant changes in tariffs and duties imposed on its products, particularly significant changes to the North American Free Trade Agreement or the adoption of domestic preferential purchasing policies in other jurisdictions, particularly the United States.

Labour Relations Matters

The Company has a significant number of its employees subject to collective bargaining agreements. To date, it has had no material labour relations disputes. However, production may be affected by work stoppages and labour-related disputes, 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.

Potential Litigation

The Company has received, in the past, letters from third parties alleging claims and claims have been made against it. Although such claims may ultimately prove to be without merit, they can be time-consuming and expensive to defend. Although the Company is unaware of any material claims against it, 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. Any of these events may have a material adverse effect on the Company's business, financial condition and results of 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 exchange rate hedging activities. To the extent the Company may seek to implement more substantial hedging techniques in the future with respect to its foreign currency transactions, there can be no assurance that the Company will be successful in such hedging activities.

Currency Risk – Competitiveness in Certain Jurisdictions

The appreciation of the Canadian dollar against the U.S. dollar (and other currencies) over the past several years has negatively affected the competitiveness of the Company's Canadian operations in this respect against the operations in the U.S. and Mexico, as well as other jurisdictions, of competitors and the operations of the Company in those jurisdictions. One result affecting the Company has been that some existing work has been moved to the U.S. or Mexico, or work has been sourced to U.S. or Mexican divisions as opposed to Canadian divisions, in order for the Company to remain or become competitive. These work shifts may entail significant restructuring and other costs as work is shifted, as Canadian plants are consolidated, downsized or closed, or as plants in the U.S. or Mexico are expanded.

Fluctuations in Operating Results

The Company's operating results have been and are expected to continue to be subject to quarterly and other fluctuations due to a variety of factors including changes in purchasing patterns, production schedules of customers (which tend to include a shutdown period in each of July and December), pricing policies or product introductions by competitors. This could affect the Company's ability to finance future activities. Operations could also be adversely affected by general economic downturns or limitations on spending.

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

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

Environmental Regulation

The Company is subject to a variety of environmental regulations by the federal, provincial and municipal authorities in Canada, the United States, Mexico and Europe that govern, among other things, soil, surface water and groundwater contamination; the generation, storage, handling, use, disposal and transportation of hazardous materials; the emission and discharge of materials, including greenhouse gases, into the environment; and health and safety. If the Company fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators or become subject to litigation. Environmental and pollution control laws, regulations and permits, and the enforcement thereof, change frequently, have tended to become more stringent over time and may necessitate substantial capital expenditures or operating costs.

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

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

The Company cannot provide assurances that the Company's costs, liabilities and obligations relating to environmental matters (or any issues that may arise as a result of its customers' own environmental compliance) will not have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

<u>Pension Plans and other post employment benefits</u>

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, 2010, based on an actuarial estimate for financial reporting. The unfunded liability at December 31, 2010, 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 significant amounts in 2011 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 11 ("Pension Benefits") to the Company's annual consolidated financial statements for the year ended December 31, 2010, which reflects the financial position of the Company's defined benefit pension plans at December 31, 2010.

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, 2010, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2011 and beyond are significant. The Company's obligation for these benefits could increase in the future due to a number of factors including changes in interest rates, changes to the collective bargaining agreements, increasing costs for these benefits, particularly drugs, and any transfer of costs currently borne by government to the Company. The Company has in the past negotiated changes to its post-employment benefits package in several of its facilities with its employees, in conjunction with the applicable union for the facility, setting maximum limits on future post-employment benefits payments. The Company may negotiate similar arrangements in future in respect of such benefits at other facilities, as applicable. See also Note 12 ("Other Post-Employment Benefits") to the Company's annual consolidated financial statements for the year ended December 31, 2010, which reflect the financial position of the Company's post-employment benefits other than pension plans at December 31, 2010.

During the second quarter of 2010, the Company sold the shares of Kitchener Frame Limited ("KFL") back to ThyssenKrupp Budd, which removed the pension and OPEB liabilities related to KFL from the liabilities side of the Company's balance sheet and the corresponding note receivable from ThyssenKrupp Budd to cover those liabilities.

Disclosure of Outstanding Share Data

As at March 15, 2011, the Company had 83,897,550 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at March 15, 2011, options to acquire 8,453,501 common shares were outstanding.

In the fourth quarter of 2010, the Company received approval from the Toronto Stock Exchange to acquire for cancellation, by way of normal course issuer bid, up to 4,196,800 common shares of the Company. The bid commenced on November 12, 2010 and will expire on November 11, 2011. Prior to December 31, 2010, the Company acquired an aggregate of 81,500 common shares of the Company at an aggregate cost of $0.7 million. All common shares purchased pursuant to the normal course issuer bid have been cancelled. Shareholders may obtain the notice of the Company's intention to commence a normal course issuer bid, at no cost, from the Secretary of the Company. Subsequent to year end, the Company acquired an aggregate of 25,300 common shares of the Company at an aggregate cost of $0.2 million.

Contractual Obligations and Off Balance Sheet Financing

At December 31, 2010 the Company had contractual obligations requiring annual payments as follows (all figures in thousands):

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter	Total
Purchase obligations (i)	218,584	469	408	135	112	-	219,708
Long-term debt	15,735	9,001	2,466	1,332	74,600	-	103,134
Rent Commitments	11,630	7,031	5,483	3,640	3,491	10,135	41,410
Operating leases with third parties	605	314	215	124	44	33	1,335
Pension funding & post-employment benefit payments	10,673	-	-	-	-	-	10,673
Total contractual obligations	257,227	16,815	8,572	5,231	78,247	10,168	376,260

(i) The Company had no purchase obligations other than those related to inventory, services, tooling and fixed assets in the ordinary course of business.

Future contractual obligations also include pension funding obligations and post-employment benefit payments. Pension funding requirements for 2011 as determined by the Company's actuaries are expected to be $8.4 million. Post-employment benefit payments in 2011 are expected to be $2.3 million. Pension funding and post-employment benefit payment requirements beyond 2011 have been excluded due to the uncertainty as to the amount and timing of these obligations.

The Company utilizes certain financial instruments, principally forward currency exchange contracts to manage the risk associated with fluctuations in currency exchange rates. The Company's policy does not utilize financial instruments for trading or speculative purposes. Forward currency exchange contracts are used to reduce the impact of fluctuating exchange rates on the Company's foreign denominated revenue and the Company's purchases of materials and equipment. Gains and losses on forward foreign exchange contracts are reflected in the consolidated financial statements in the same period as the hedged item. In the event that a hedged item is sold or cancelled prior to the termination of the related hedging item, any unrealized gain or loss on the hedging item is immediately recognized in income.

As at December 31, 2010 the Company had committed to sell 28 million Mexican pesos at an average exchange rate of 12.436. At December 31, 2010, the aggregate value of these forward contracts was a gain of $15 which was recorded in accounts receivable.

At December 31, 2009, the Company had committed to sell a total of US$4.0 million and buy 51 million Mexican pesos at an average rate of 12.864. At December 31, 2009, the aggregate value of these forward contracts was a loss of $67 which was recorded in accounts payable and accrued liabilities.

The Company has negotiated tool financing facilities that will 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, 2010, the amount of program financing was $21.3 million. The maximum amount of undiscounted future payments the Company could be required to make under the guarantee is $21.3 million. 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 tooling supplier default as remote. 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 ranges between 6-18 months.

Related Parties

During 2008, the Company advanced loans to some of its principal officers and employees with interest charged at market rates for an amount of $2.0 million to acquire shares of the Company. The loans were all repaid by December 31, 2010.

Effectiveness of Disclosure Controls and Internal Controls

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, 2010, based on the criteria set forth in the Internal Control-Integrated Framework 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 Canadian GAAP. Our 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, 2010. This evaluation included documentation activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and nature of the Company's business. 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, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There have been no changes in the Company's internal controls over financial reporting during the most recent annual period that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Critical Accounting Estimates

The Company's discussion and analysis of its results of operations and financial position is prepared with reference to and based upon the 2010 consolidated financial statements and notes thereto, which have been prepared in accordance with Canadian GAAP. The preparation of these 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 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 "Industry Highlights and Trends and Risks and Uncertainties".

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.

Revenue Recognition on Separately Priced Tooling Contracts

Revenue from tooling contracts is recognized substantially on a completed contract basis. The completed contract method recognizes revenue and cost of sales upon completion of the tooling project, which is typically defined as the PPAP (production part approval process or customer acceptance) date. Under tooling contracts, the related receivables could be paid in full upon completion of the contract, or in installments.

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. 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 forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes.

The Company expenses all costs as incurred related to the design and development of moulds, dies and other tools that it will not own and that will be used in, and reimbursed as part of the piece-price amount for, subsequent related parts production unless the supply agreement provides the Company with a contractual guarantee for reimbursement of costs or the non-cancelable right to use the moulds, dies and other tools during the supply agreement or the costs meet the criteria under Canadian GAAP for deferral and amortization as development costs, in which case the costs are capitalized.

Intangible Assets

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

Customer contracts are amortized over their estimated economic life of up to 10 years on a straight line basis which approximates a pro-rata basis consistent with the relative contract value initially established.

Development costs are capitalized when the Company can demonstrate:

- that it has the intention and the technical and financial resources to complete the development;
- that the intangible asset will generate future economic benefits; and
- that 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 a maximum period of five years from the start of volume production.

Research costs, including costs of market research and new product prototyping during the marketing stage, are expensed in the period in which they are incurred.

Impairment of Intangibles and Other Long-lived Assets

Indefinite life intangibles are subject to an annual impairment test or more frequently when an event or circumstance occurs that more likely than not reduces the fair value of indefinite life intangible below its carrying amount.

The fair value estimate of indefinite life intangibles depends on uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches and production volumes.

Management evaluates property, plant and equipment and other long-lived assets for impairment whenever indicators of impairment exist. Indicators of impairment include prolonged operating losses or a decision to dispose of, or otherwise change the use of, an existing property, plant and equipment or other long-lived asset. If the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges, is less than the reported value of the asset, asset impairment must be recognized in the financial statements. The amount of impairment to be recognized is calculated by subtracting the fair value of the asset from the carrying amount of the asset. Uncertain changes in the discount rate used, and forward looking assumptions regarding improvement plans, costing assumptions, timing of program launches, and production volumes, may affect the fair value of estimates used. See "Adjustments to Net Income" – (1) Impairment of property, plant and equipment.

Management believes that accounting estimates related to intangible and other long-lived asset impairment assessments 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 and on the amount of assets reported on the Company's consolidated balance sheet.

Income Tax Estimates

At December 31, 2010, the Company had recorded a net future income tax asset (net of related valuation allowances) in respect of pensions and other post retirement benefits, loss carry-forwards and other temporary differences of $31.4 million.

Future tax assets in respect of loss carry-forwards relate primarily to legal entities in Canada, the United States and Europe. The Company evaluates quarterly the realization of its future tax assets by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The Company considers this allowance a critical accounting estimate as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period and may have a material impact on the Company's consolidated financial statements. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the future tax assets. The Company has and continues to use tax planning strategies to realize future tax assets in order to avoid the potential loss of benefits. 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, 2010 the Company had gross non-capital income tax loss carry-forwards of approximately $209.8 million. Of these total losses, approximately $79.0 million relate primarily to operations in Canada, approximately $100.8 million relate to operations in the United States, approximately $24.0 million relate to operations in Europe and approximately $6.0 million relate to operations in Mexico. The tax benefits of $163.1 million of these losses have been recognized in the Company's consolidated financial statements. Of the total losses, $202.0 million expire between 2011 and 2030 and the remainder have no expiry date.

At December 31, 2010, the Company had net capital loss carry-forwards of approximately $4.7 million which have no expiry date.

Stock-based Compensation

The Black-Scholes option valuation model was used by the Company to determine fair values of options granted during the year. The Black-Scholes model 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 restrictions 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. During the year ended December 31, 2010, the Company used the following assumptions to determine the stock-based compensation expense under the Black-Scholes option pricing model: risk free interest rate – 2.4%, expected life – 4 years and expected volatility – 49.1%. The Company believes that the estimate of stock-based compensation is a critical accounting estimate because management is required to make significant forward looking assumptions. The varying inputs on which the Black-Scholes option pricing model is based can result in significantly different results and there may be a material impact on the Company's consolidated balance sheets, statements of cash flows, and statements of earnings. Uncertain changes in expected stock volatility, the change in expected dividend yields, the expected option life, and changes in assumptions used to form a risk free rate during the expected option term may affect the value derived for stock-based compensation.

Employee Future Benefits

The Company provides pensions and 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 Notes 11 and 12 to the Company's annual consolidated financial statements for the year ended December 31, 2010 the most significant of which are the discount rate, expected rates of return on plan assets, 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 as disclosed in Notes 11 and 12 to the annual consolidated financial statements for the year ended December 31, 2010. 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.

Allowance for Doubtful Accounts

A significant portion of the Company's revenue is earned from selling products to OEMs. The Company establishes an appropriate provision for non-collectible or doubtful accounts. Given the recent downturn in the overall economy and automotive industry in particular, the Company has considered a provision for non-collectible or doubtful accounts to be a critical accounting estimate. Estimates of recoverable amounts are based on best estimates of the amount a customer will pay. Actual amounts received may be affected by various factors, including the resolution of disputed amounts and the customer's financial condition. As at December 31, 2010, the Company had a reserve for doubtful accounts of $0.4 million.

Provision for Inventory

The valuation of inventory requires an estimate of obsolete or damaged inventory. A review has been conducted by the Company to determine this amount and an estimated provision for inventory of $1.8 million has been recorded as at December 31, 2010. The Company has considered a provision for inventory to be a critical accounting estimate because of the recent downturn in the overall economy and automotive industry in particular and the potential that the cancellation of program platforms may render some inventory obsolete.

Reserves for Severance and Restructuring Costs

The Company has accrued an amount for severance and other restructuring costs using its best estimates of the amounts owed by the Company. Actual amounts payable may vary based on final negotiations. At December 31, 2010, the Company had accrued an amount of $2.6 million towards severance and restructuring costs. The Company has considered reserves for severance and restructuring costs to be critical accounting estimates because of the recent downturn in the overall economy and automotive industry in particular and the significant amount of severance and restructuring costs that resulted from the actions the Company needed to take in response, including closing and consolidation of some plants and reduction in personnel. See "Adjustments to Net Income" – (3) Employee Related Severance and (4) Other Restructuring Costs.

In 2008 and 2009, the Company considered reserves for severance and restructuring costs to be critical accounting estimates because of the economic and automotive crises and the significant amount of severance and restructuring costs that resulted from the actions the Company needed to take in response, including closing and consolidation of some plants and reduction in personnel.

New Accounting Policies adopted in 2010

Pension and Other Post-employment Benefits

In 2009, the Company changed its accounting policy on the treatment of actuarial gains and losses for the pension and other post-employment benefit plans for the Kitchener Frame facility (the "KFL plans"). Prior to the change, the Company recognized actuarial gains and losses in the KFL plans over the expected remaining service period of active members expected to receive benefits under the KFL plans. The change in accounting policy resulted in the Company recognizing any actuarial gains and losses in the year they occur. See Note 6 to the annual consolidated financial statements for a full explanation of the relationship between the KFL plans and the note receivable.

Recently Issued Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable entities will be required to report under IFRS for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Starting in the first quarter of 2011, the Company will provide unaudited consolidated financial information in accordance with IFRS including comparative figures for 2010.

During 2008, a detailed project plan with expected milestones was established and approved by the steering committee appointed by senior management of the Company. There are three phases to the plan: a diagnostic phase, a solution development phase and an implementation phase. The overall plan involves an assessment of the impact of the move to IFRS on accounting and reporting (including any impact on the Company's internal controls over financial reporting) and disclosure controls and procedures, IT systems and processes, and the business implications of this conversion. The Company has allocated sufficient resources and included in its project plan training required for both the conversion team and all impacted employees of the organization.

The Company has completed the diagnostic phase and continued to execute on the implementation of the second and third phases of its changeover plan during the fourth quarter of 2010. During this period, specific project milestones include further progression in the following activities:

- a detailed analysis of the differences between IFRS and Canadian GAAP;
- an analysis of the accounting policy choices available under IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") and other individual IFRS standards that are relevant to the Company;
- the quantification of impact of the conversion to IFRS on the financial statements;
- the evaluation and preparation of IFRS financial statement disclosure requirements;
- the creation of accounting policies; and
- the execution of changes in information systems and business processes.

The Company continues to make progress on all conversion activities and expects to meet all established milestones leading up to the conversion in 2011. Although the Company has not completed the solution development and implementation phases of its changeover plan, the Company does not expect any significant changes in its business activities as a result of the IFRS transition. The Company will continue to evaluate any such impact, if any, throughout the remainder of the conversion process.

IFRS Accounting Changes

The Company has identified the areas noted below as those most relevant to the Company or expected to have the most significant impact on the financial statements. Differences between IFRS and Canadian GAAP, in addition to those referred to below, may still be identified based on further detailed analysis by the Company and other changes in IFRS prior to the Company's conversion to IFRS in 2011. As a result, accounting policy choices may change prior to the adoption of IFRS.

First-time adoption of IFRS (IFRS 1):

Upon transition, the Company is required to apply each IFRS on a retrospective basis. However, IFRS 1 has certain mandatory exceptions, as well as limited optional exemptions in specific areas of certain standards that do not require retrospective application of IFRS. The most relevant to the Company include:

Mandatory exceptions

Estimates – Hindsight cannot be used to create or revise estimates. As a result, past estimates previously made by the Company under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any differences in accounting standards.

Optional exemptions

Business Combinations – The Company may elect to apply IFRS 3 *Business Combinations* ("IFRS 3") prospectively from January 1, 2010 or to restate all past business combinations from a certain date forward in accordance with IFRS 3. The Company has elected to apply IFRS 3 prospectively from January 1, 2010 and, as a result, not restate any business combinations that occurred prior to January 1, 2010.

Cumulative Translation Differences – The Company may elect to reclassify cumulative translation differences for foreign operations in accumulated other comprehensive income to accumulated deficit. If not elected, all cumulative translation differences must be recalculated in accordance with IFRS from inception. The Company has elected the IFRS 1 exemption to reclassify the cumulative translation differences as at January 1, 2010 to accumulated deficit upon transition to IFRS. As such, all cumulative translation gains and losses will be reset to zero with no impact on shareholders' equity. The Company had cumulative translation losses of $59.3 million at December 31, 2009 as reported under Canadian GAAP.

Property, Plant and Equipment – IFRS 1 contains optional exemptions from the retrospective restatement of cost accounted for in accordance with IFRS. The "fair value or revaluation as deemed cost" optional exemption (also referred to as the "deemed cost exemption") permits the carrying amount of an item of property, plant and equipment to be measured at the date of transition based on a deemed cost. If elected, then the deemed cost exemption may be based on any of the following: fair value, a previous GAAP revaluation based on cost, a depreciated cost measure broadly comparable to IFRS or an event driven valuation. The Company has elected to use depreciated cost as its deemed cost to measure an item of property, plant and equipment at the date of transition and to continue to use the cost model for measurement under IFRS thereafter, both of which are consistent with the Company's current accounting policies.

Defined Pension Plans – The Company may elect to recognize immediately in accumulated deficit all cumulative actuarial gains and losses existing as at the date of transition to IFRS. The Company has elected to apply this exemption and, as a result, will recognize immediately into accumulated deficit all cumulative actuarial gains and losses previously unrecognized under Canadian GAAP as at January 1, 2010. As at December 31, 2009, the Company had $12.2 million of unamortized net actuarial losses as reported under Canadian GAAP.

Share-based Payments – IFRS 2 *Share-based Payments* ("IFRS 2") encourages its application to equity instruments that were granted on or before November 7, 2002, but IFRS 1 permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has elected to apply the exemption provided under IFRS 1 and will apply IFRS 2 to all equity instruments granted after November 7, 2002 that had not vested at January 1, 2010.

Borrowing Costs – IAS 23 *Borrowing Costs* ("IAS 23") requires that borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale be capitalized. A first-time adopter is permitted to apply the transitional requirements of the 2007 revision to IAS 23. To the extent that the adoption of IAS 23 upon transition is a change in accounting policy, which it is for the Company, these transitional requirements provide a first-time adopter relief from applying the standard retrospectively. Instead, IAS 23 is applied to qualifying assets for which the commencement date for capitalization is on or after the later of January 1, 2009 and the date of transition or an earlier date chosen by the first-time adopter. The Company has elected to apply the requirements of IAS 23 prospectively from January 1, 2010 but does not expect the change to have a significant impact on the financial results of the Company.

IFRS to Canadian GAAP Differences

In addition to the IFRS 1 exceptions and exemptions noted above, the following are the key differences between the Company's current Canadian GAAP accounting policies and those under IFRS that the Company believes are most relevant or significant to the Company. The table is not comprehensive and does not include all of the differences from Canadian GAAP for the standards noted. Also, the table does not include all the standards that may require changes for the transition to IFRS.

Standards	**Difference from Canadian GAAP**
Presentation and Disclosure	IFRS requires significantly more disclosure than Canadian GAAP for certain standards. In some cases, IFRS also requires different presentation on the balance sheet and income statement. The increased disclosure requirement will cause the Company to change current processes and implement additional financial reporting processes with respect to note disclosure to ensure that appropriate data is collected for financial statement purposes. The Company is currently in the process of preparing IFRS-compliant financial statements including all required note disclosures in preparation for the transition in 2011.
Impairment of Assets	IFRS requires the assessment of asset impairment to be based on discounted future cash flows as opposed to Canadian GAAP which first uses undiscounted cash flows to determine if an impairment trigger exists, and then discounted cash flows to calculate the impairment. This may result in more frequent write-downs in the carrying value of assets under IFRS since asset carrying values that were previously recoverable under Canadian GAAP based on undiscounted cash flows may not be supported on a discounted cash flow basis under IFRS. Impairment tests as at the transition date of January 1, 2010 were conducted for property, plant and equipment and intangible assets where there were indications of impairment based on the operational split of the Company into Cash Generating Units (CGUs) as defined in IAS 36 *Impairment of Assets* ("IAS 36"). Based on analysis performed, the Company has identified further impairments under IFRS as at January 1, 2010 not required under Canadian GAAP at December 31, 2009. Under IFRS, the recoverable amount of the CGUs was estimated based on their value in use, which requires estimated future cash flows to be discounted. The additional impairment under IFRS as at January 1, 2010 is estimated at $25.6 million. The estimated opening balance sheet adjustment will increase the Company's accumulated deficit as reported under Canadian GAAP at December 31, 2009 by $25.6 million and decrease property, plant and equipment and intangible assets as reported

<table>
<tr><th>Standards</th><th>Difference from Canadian GAAP</th></tr>
<tr><td></td><td>
under Canadian GAAP at December 31, 2009 as shown in the table below:
<table>
<tr><th>(in thousands of dollars)</th><th>Property, plant and equipment</th><th>Intangible assets</th><th>Total</th></tr>
<tr><td>Balance at December 31, 2009 – Canadian GAAP</td><td>$ 395,855</td><td>$ 18,315</td><td>$ 414,170</td></tr>
<tr><td>Additional impairment under IAS 36</td><td>(24,902)</td><td>(736)</td><td>(25,638)</td></tr>
<tr><td>Balance at January 1, 2010 - IFRS</td><td>$ 370,953</td><td>$ 17,579</td><td>$ 388,532</td></tr>
</table>
Further, IAS 36 requires the reversal of past impairment losses (other than goodwill and indefinite life intangible assets) where circumstances change such that the impairment is no longer present, as opposed to Canadian GAAP which does not permit impairment losses to be reversed. The Company has assessed past impairment losses and does not believe any past impairments recorded will be reversed at the transition date of January 1, 2010. The Company is in the process of assessing on the potential for impairment reversals on its 2010 consolidated financial results prepared under IFRS.
</td></tr>
<tr><td>Defined Pension Plans</td><td>
The Company has conducted a comprehensive review of its obligations in relation to the Company's defined benefit pension plans that fall within the scope of IAS 19 Employee Benefits ("IAS 19"). The Company's actuaries have re-measured the obligations concerning these plans in accordance with IAS 19 as at January 1, 2010. The application of IAS 19 will result in the following estimated adjustment to the Company's balance sheet as reported under Canadian GAAP as at December 31, 2009:
<table>
<tr><th>(in thousands of dollars)</th><th>Accumulated Deficit</th><th>Pension and other post-retirement liabilities</th><th>Note Receivable</th></tr>
<tr><td>Balance at December 31, 2009 – Canadian GAAP</td><td>$ (155,479)</td><td>$ 237,239</td><td>$ 199,666</td></tr>
<tr><td>Change as a result of the application of IAS 19 on KFL pension and OPEB plans</td><td>-</td><td>(68,861)</td><td>(68,861)</td></tr>
<tr><td>Change as a result of the application of IAS 19 on all other pension and OPEB plans</td><td>(29,455)</td><td>29,455</td><td>-</td></tr>
<tr><td>Balance at January 1, 2010 - IFRS</td><td>$ (184,934)</td><td>$ 197,833</td><td>$ 130,805</td></tr>
</table>
</td></tr>
</table>

Standards	Difference from Canadian GAAP
	The decrease in pension and post-retirement liabilities includes the following: • Fully recognizing (in accordance with IFRS 1) the actuarial gains and losses unrecognized at December 31, 2009 under Canadian GAAP. These actuarial gains and losses usually arise due to changes in actuarial assumptions or experience adjustments (the effects of differences between the previous assumptions and what has actually occurred). As at December 31, 2009, the Company had $12.2 million of unamortized net actuarial losses as reported under Canadian GAAP. • No longer recognizing the economic benefit of a refund of contributions or reduction in future contributions for pension plans with minimum funding requirements and for which the Company's right to a refund of any surplus is conditional (in accordance with the provisions of IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*). • Redefining certain assumptions, as these have to be determined differently under IFRS. For instance, discount rates must be determined by reference to market yields at the valuation date on high quality corporate bonds with a term consistent with that of the employee benefits concerned. • The consistent application of the Company's accounting policy on the treatment of actuarial gains and losses to all plans. Prior to the Company's transition to IFRS, the Company utilized the corridor method which entailed amortizing cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets over the expected remaining service period of active members expected to receive benefits for all the plans except for the KFL plans which recognized any actuarial gains and losses in the year they occur.
Property, Plant and Equipment	IFRS and Canadian GAAP contain the same basic principles for property, plant and equipment; however, there are some differences. Specifically, IFRS requires property, plant and equipment to be measured at cost in accordance with IFRS, breaking down material items into components and amortizing each one separately. This method of componentizing property, plant and equipment may result in an increase in the number of component parts that are recorded and depreciated and, as a result, may impact the calculation of depreciation expense. The Company does not expect the change to have a significant impact on the Company's consolidated financial statements. In addition, upon transition to IFRS, an entity has the option to use either the cost model or the revaluation model to measure its property, plant and equipment subsequent to transition. The Company has elected to

Standards	Difference from Canadian GAAP
	use the cost model subsequent to the initial transition to IFRS.
Provisions	Provisions as at December 31, 2009 as reported under Canadian GAAP were re-assessed in accordance with the provisions of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. As a result of measurement differences between Canadian GAAP and IFRS, the Company will increase its provision for outstanding litigation as reported under Canadian GAAP as at December 31, 2009 by an estimated $1.25 million as at January 1, 2010. In accordance with IFRS presentation requirements, provisions will be reclassified from Accounts Payable and Accrued Liabilities as reported under previous Canadian GAAP to Provisions on the face of the consolidated balance sheet.
Functional Currency of Operating Divisions	Under IFRS, an entity's functional currency is the currency of the primary economic environment in which it operates. IFRS includes a hierarchy of indicators to assist in the determination of functional currency. The indicators of functional currency under Canadian GAAP are similar, however, unlike IFRS, there is no hierarchy of indicators. The Company is currently assessing the functional currency of each of its operating divisions under the IFRS hierarchy of indicators. Based on current facts and circumstances, the Company does not expect the functional currency of any of its operating divisions to change under IFRS.
Borrowing Costs	IFRS requires the capitalization of borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset. Canadian GAAP offers the choice of capitalizing or expensing the borrowing costs. As discussed above, under the provisions of IFRS 1, the Company has elected to apply the requirements of IAS 23 *Borrowing Costs* prospectively from January 1, 2010 but does not expect the change to have a significant impact on the financial results of the Company.
Business Combinations	IFRS requires that all transaction costs of a business combination be expensed and that the fair value of contingent consideration be recognized on acquisition rather than only when probable. IFRS requires that when the fair value of consideration received exceeds the fair value of consideration given in a business combination, a gain should be recorded in the period in which the transaction occurs. Under Canadian GAAP the fair value of non-financial assets would be reduced to allocate the difference sometimes referred to as "negative goodwill". The Company will apply these changes to any business combinations executed after January 1, 2010.

Standards	Difference from Canadian GAAP
Income Taxes	Both Canadian GAAP and IFRS follow the liability method of accounting for income taxes, where tax liabilities and assets are recognized on temporary differences. However, there are certain exceptions to the treatment of temporary differences under IFRS that may result in an adjustment to the Company's future tax liabilities and assets under IFRS. In addition, reporting under IFRS may create a difference in the measurement of tax uncertainties. IFRS does not provide explicit guidance for accounting for uncertain tax positions. There are generally two methods being used to measure and report tax uncertainties; the best estimate approach and the probability weighted average approach. The Company has a policy choice regarding its method of measurement for tax uncertainties. The best estimate approach records tax uncertainties based on the most likely outcome. The weighted average probability method includes estimating the probability of a range of potential outcomes. Under Canadian GAAP, the Company is using the best estimate approach which the Company will continue to use under IFRS. As a result, an opening adjustment to shareholders' equity is not anticipated for this IFRS policy choice. IFRS also requires the recognition of a deferred tax liability or asset for temporary differences that arise on translation of non-monetary assets that are re-measured from the local currency to the functional currency using historical rates and result from changes in exchange rates and indexing for tax purposes. The Company does not expect an opening adjustment to shareholders' equity due to this requirement.

The impact of IFRS at transition will depend on the IFRS standards in effect at the time, accounting elections that have not yet been made and the prevailing business and economic facts and circumstances. The evolving nature of IFRS may also result in additional future accounting changes, some of which may be significant. The Company will continue to monitor changes in the IFRS standards and will adjust its transition plans accordingly. The Company has involved its external advisors in making its elections and assessing their resulting implications.

Internal control over financial reporting and disclosure controls and procedures:

In accordance with the Company's approach to the certification of internal controls required under Canadian Securities Administrators' National Instrument 52-109, all entity level, information technology, disclosure and business process controls will require updating and testing to reflect changes arising from the Company's conversion to IFRS. Where material changes are identified, these changes will be mapped and tested to ensure that no material deficiencies exist as a result of the Company's conversion to these new accounting standards. While the Company is completing its assessment of the accounting and reporting implications of the conversion to IFRS, at this stage, the Company does not expect to make a change that materially affects or is reasonably likely to materially affect its internal controls over financial reporting.

Financial reporting expertise

Training of key finance staff has commenced and will continue throughout the conversion process. The Audit Committee and Board of Directors will continue to receive presentations and project status updates from management leading up to the transition.

Information systems

While the Company is completing its assessment of the accounting and reporting implications of the conversion to IFRS, at this stage, it is not anticipated that the adoption of IFRS will have a significant impact on the Company's information systems.

Selected Annual Information

The Company as of January 1, 2008 was one of the largest fluid management systems groups and metal formers in North America, primarily as a growing Tier 1 automotive supplier to major original equipment manufacturers or OEMs.

Revenue for the year ended December 31, 2010 totaled $1,689.4 million as compared to $1,138.1 million for the year ended December 31, 2009. The increase in revenue was primarily due to improved production volumes in North American light vehicle platforms, the launch of new programs during the year and an increase in tooling revenue relating to new program launches. Net earnings for the year ended December 31, 2010 of $33.0 million increased by $57.9 million from a net loss of $24.9 million for the year ended December 31, 2009. The increase was primarily on account of increased customer production volumes and a decrease in the net impact of one time items as described in Table C under "Adjustments to Net Income".

The revenue and net earnings comparison of 2010 versus 2009 is discussed above.

No dividends were declared in the above periods, given the investments in tooling and capital required to support the Company's growth during this timeframe.

The following table sets forth selected information from the Company's consolidated financial statements for the years ended December 31, 2010, December 31, 2009 and December 31, 2008.

Fiscal Period Ended

		2010	2009	2008
Sales		1,689,379	1,138,140	1,557,021
Earnings/(loss) from continuing operations		44,658	(36,453)	(273,403)
Net earnings/(loss)		32,993	(24,940)	(261,088)
Net earnings/(loss) per share	Basic	0.40	(0.32)	(3.64)
	Diluted	0.39	(0.32)	(3.64)
Total assets		931,122	1,083,763	1,092,586
Total interest bearing debt		103,134	87,400	121,792
Dividends declared		Nil	Nil	Nil

Outlook

The automotive industry is traditionally an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers and drives for quality and profits and characterized at the supplier level by price reductions, increasing quality standards, higher input prices and a declining number of qualified suppliers in the normal course or as a result of insolvencies. The challenges of the industry have been exacerbated by the 2008-2009 economic recession and the financial distress in the industry involving both OEMs and suppliers particularly evidenced by the bankruptcy filings of Chrysler and General Motors in the United States in 2009. The Company believes that the long term outlook of the automotive industry overall remains challenging but much improved from 2008 and 2009, although the recovery of the overall North American market will take time. In 2010, the North American automotive industry experienced a recovery in volume and revenues, as sales and production volumes increased from 2009 levels, although not to pre-recession levels. Production may continue to improve in 2011 and beyond. Similarly, sales of vehicles in North America were higher than in 2009. This has resulted in increasing revenues for most automotive OEMs and for suppliers who survived the automotive crisis of 2008 and 2009, including Martinrea.

There are many challenges, but opportunities will exist for innovative and cost effective suppliers who build great products in the short, medium and longer term, and who have survived automotive and economic crises. Growth in business for individual suppliers will occur as OEMs reduce the number of Tier 1 suppliers, continue to outsource product, and provide opportunities for new work and takeover business. The Company believes that an industry slow-down or consolidation can be viewed as a strategic opportunity to win additional business from competitors producing fluid management systems or metal formed products. The Company also believes that its capabilities provide it with the ability to capitalize on a broad range of opportunities. In 2003, the Company streamlined operations, managed the integration of acquisitions to create efficiencies, strengthened product offerings, took advantage of technological capabilities and created more profitability. The Company built on this in 2004 and in 2005, building a base for the future. In 2006, the Company again pursued this strategy, and added a major complementary acquisition to broaden its base. In 2007 and 2008, the Company focused on integrating its acquisitions and continued with its traditional strategic focus. The Company continued to pursue its strategies in 2009 despite the automotive and economic crisis, and acquired assets, customers and new work. The Company's perseverance and focus continued throughout 2010, as the Company continued to build for the future. The Company will continue to pursue its strategies in 2011 and beyond with a view to increasing revenue and profits over the longer term.

Forward-Looking Information

Special Note Regarding Forward-Looking Statements

This MD&A contains forward-looking statements within the meaning of applicable Canadian securities laws including related to the Company's expectations as to gross margin percentage, the launching of new metal forming and fluid systems programs, pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the increase in foreign owned OEM production in relation to vehicle importation, the increased reliance on outsourcing by foreign-owned OEMs, anticipated growth in the automotive industry in emerging markets, the increased reliance on forming technologies, future investments in leading edge technology, equipment and processes, the opportunity to increase sales, broad geographic penetration, increased relationships with intermediary suppliers, and the nature and duration of the economic recession to the continuation of monitoring, managing and rationalization of expenses, the Company's expectations regarding the amount of restructuring expenses to be expensed, the Company's expectation regarding the financing of future capital expenditures, the Company's views of the likelihood of tooling and component part supplier default, the Company's view on the financial viability of its customers, the impact of environmental regulation on the demand for automobiles, statements on the Company's conversion to IFRS including quantification of the expected impact of the conversion, the Company's views on the long term outlook of the automotive industry and availability of credit for automotive purchases, and corresponding increased sales and production, the Company's statements on labour relations, and the Company's ability to capitalize on opportunities in the automotive industry 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 this MD&A and which are also discussed in the Company's Annual Information Form and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers, 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.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements for Martinrea International Inc. are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect estimates based on management’s judgment. In addition, all other information contained in this annual report to shareholders 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 and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors is ultimately responsible for overseeing management’s performance of it financial reporting responsibilities. 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, at least once a year to review among other things accounting policies, internal controls over the financial reporting process, annual financial statements, the results of the external audit examination and the Management Discussion and Analysis included in this report to shareholders. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the Financial Statements.

(Signed)
Fred Jaekel
Chief Executive Officer

(Signed)
Nick Orlando
President & Chief Financial Officer

Vaughan, Ontario
March 15**,** 2011

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Martinrea International Inc.

We have audited the accompanying consolidated financial statements of Martinrea International Inc. ("the Entity"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Martinrea International Inc. as at December 31, 2010 and 2009, and consolidated results of its operations and consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 15, 2011

Toronto, Canada

MARTINREA INTERNATIONAL INC.
Consolidated Balance Sheets

December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 26,027	$ 22,769
Accounts receivable	243,912	221,591
Other receivables	6,492	7,380
Income tax recoverable	-	13,369
Inventories (note 3)	145,614	136,050
Prepaid expenses and deposits	4,401	4,389
Current portion of promissory note (note 8)	5,994	-
	432,440	405,548
Property, plant and equipment (note 4)	413,978	395,855
Future income tax assets (note 13)	65,310	64,379
Intangible assets (note 5)	14,753	18,315
Promissory note (note 8)	4,641	-
Note receivable (note 6)	-	199,666
	$ 931,122	$ 1,083,763
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 254,470	$ 224,097
Income tax payable	372	-
Current portion of long-term debt (note 10)	15,735	14,845
	270,577	238,942
Long-term debt (note 10)	87,399	72,555
Pension and other post-retirement benefits (notes 11 and 12)	19,145	237,239
Future income tax liabilities (note 13)	33,874	30,824
Non-controlling interest	922	1,259
Shareholders' equity:		
Share capital (note 14)	682,495	683,057
Notes receivable for share capital (note 14)	(2,700)	(2,700)
Contributed surplus (note 15)	41,270	37,402
Accumulated other comprehensive loss	(79,311)	(59,336)
Accumulated deficit	(122,549)	(155,479)
	519,205	502,944
Guarantees and commitments (note 21)		
	$ 931,122	$ 1,083,763

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Fred Jaekel" Director

"Robert Wildeboer" Director

15/03/2011

MARTINREA INTERNATIONAL INC.
Consolidated Statements of Operations

For the years ended December 31, 2010 and 2009
(in thousands of dollars, except per share amounts)

	2010	2009
Sales	$ 1,689,379	$ 1,138,140
Cost of sales (excluding amortization of property, plant and equipment)	1,485,865	1,016,917
Amortization of property, plant and equipment (production)	43,619	46,122
Total cost of sales	1,529,484	1,063,039
Gross profit	159,895	75,101
Expenses:		
Selling, general and administrative	83,664	74,136
Foreign exchange loss	450	7,342
Amortization of property, plant and equipment (non-production)	2,864	2,897
Amortization of intangible assets (note 5)	4,683	4,703
Impairment charge on intangible assets and plant and equipment (notes 4 and 5)	10,110	7,609
Restructuring costs (note 7)	17,799	13,615
Interest on long-term debt	6,708	5,305
Other interest income, net	(512)	(376)
Gain on disposal of property, plant and equipment	(10,529)	(3,677)
	115,237	111,554
Income (loss) before income taxes and non-controlling interest	44,658	(36,453)
Income taxes (recovery) (note 13):		
Current	9,529	(6,808)
Future	2,473	(4,576)
	12,002	(11,384)
Income (loss) before non-controlling interest	32,656	(25,069)
Non-controlling interest	(337)	(129)
Net income (loss)	$ 32,993	$ (24,940)
Income (loss) per common share (note 16):		
Basic	$ 0.40	$ (0.32)
Diluted	0.39	(0.32)

See accompanying notes to consolidated financial statements.

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

For the years ended December 31, 2010 and 2009
(in thousands of dollars)

		2010		2009
Net income (loss)	$	32,993	$	(24,940)
Other comprehensive income (loss), net of tax:				
Unrealized loss on translation of financial statements of self-sustaining operations		(19,975)		(46,124)
Other comprehensive loss		(19,975)		(46,124)
Comprehensive income (loss)	$	13,018	$	(71,064)

See accompanying notes to consolidated financial statements.

MARTINREA INTERNATIONAL INC.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2010 and 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	-	-	-	-	(24,940)	(24,940)
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	-	-	2,924	-	-	2,924
Other comprehensive loss	-	-	-	(46,124)	-	(46,124)
Balances, December 31, 2009	683,057	(2,700)	37,402	(59,336)	(155,479)	502,944
Net income	-	-	-	-	32,993	32,993
Compensation expense related to stock options	-	-	3,897	-	-	3,897
Exercise of employee stock options	101	-	(29)	-	-	72
Repurchase of common shares (note 14)	(663)	-	-	-	(63)	(726)
Other comprehensive loss	-	-	-	(19,975)	-	(19,975)
Balances, December 31, 2010	$ 682,495	$ (2,700)	$ 41,270	$ (79,311)	$ (122,549)	$ 519,205

See accompanying notes to consolidated financial statements.

MARTINREA INTERNATIONAL INC.
Consolidated Statements of Cash Flows

For the years ended December 31, 2010 and 2009
(in thousands of dollars)

	2010	2009
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 32,993	$ (24,940)
Items not involving cash:		
Amortization of property, plant and equipment	46,483	49,019
Amortization of intangible assets (note 5)	4,683	4,703
Impairment charge on intangible assets and plant and equipment (notes 4 and 5)	10,110	7,609
Amortization of deferred financing costs	287	237
Accretion of interest on promissory note	(321)	-
Unrealized (gains) losses on foreign exchange forward contracts	(15)	67
Future income taxes	2,473	(4,576)
Non-controlling interest	(337)	(129)
Gain on disposal of property, plant and equipment	(10,529)	(3,677)
Stock-based compensation	3,897	2,924
Pension and other post-employment benefits	2,554	5,200
Contribution made to pension and other post-employment benefits	(19,895)	(12,778)
	72,383	23,659
Changes in non-cash working capital items:		
Accounts receivable	(29,534)	(24,296)
Other receivables	627	(238)
Inventories	(13,848)	(9,452)
Prepaid expenses and deposits	(12)	742
Accounts payable and accrued liabilities	37,634	(1,015)
Income taxes payable / recoverable	12,878	6,915
	80,128	(3,685)
Financing activities:		
Issue of share capital (net of share issuance costs) (note 14)	-	54,005
Repurchase of common shares	(726)	-
Exercise of employee stock options	72	-
Increase in long-term debt	51,447	29,503
Repayment of long-term debt	(35,545)	(62,030)
	15,248	21,478
Investing activities:		
Acquisition of SKD Automotive Group (net of acquisition costs) (note 2)	-	(4,267)
Purchase of property, plant and equipment	(90,932)	(51,413)
Promissory note (net of principal repayments)	(10,314)	-
Development costs	(1,288)	-
Proceeds on disposal of property, plant and equipment	13,857	6,072
	(88,677)	(49,608)
Effect of foreign exchange rate changes on cash and cash equivalents	(3,441)	(6,381)
Increase (decrease) in cash and cash equivalents	3,258	(38,196)
Cash and cash equivalents, beginning of year	22,769	60,965
Cash and cash equivalents, end of year	$ 26,027	$ 22,769
Supplemental cash flow information:		
Cash paid for interest, net	$ 5,299	$ 4,440
Cash received for income taxes, net	$ (5,365)	$ (8,670)

See accompanying notes to consolidated financial statements.

Martinrea International Inc. (the "Company") was formed by the amalgamation under the Ontario Business Corporations Act of several predecessor Corporations by articles of amalgamations dated May 1,1998. It designs, engineers, manufactures and sells quality metal parts, assemblies and fluid management systems and is focused on the automotive sector.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and those of its subsidiaries. The results of subsidiaries are consolidated from their respective dates of acquisition. All inter-company transactions and balances have been eliminated on consolidation.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on deposit, amounts deposited in money market funds, and term deposits maturing within 90 days of acquisition and are valued at fair value.

(d) Revenue recognition:

Revenue from the sale of manufactured products is recognized when the price is fixed or determinable, collectibility is reasonably assured and upon shipment to, or receipt by, customers (depending on contractual terms) and acceptance by customers at which time a provision for estimated returns is established.

Separately priced tooling and engineering services are accounted for as a separate revenue element in circumstances where the tooling and engineering has value to the customer on a stand alone basis and there is objective and reliable evidence of the fair value of the subsequent parts production. Revenue from engineering and tooling contracts is recognized on a completed contract basis. The contract is determined to be complete when the tool has been inspected and accepted by the customer.

(e) Inventories:

Inventories are valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis. In determining the net realizable value, the Company considers factors such as yield, turnover, expected future demand and past experience. Cost includes the cost of raw materials, direct labour and the applicable share of manufacturing overhead which includes the amortization of production plant and equipment.

(f) Property, plant and equipment:

Property, plant and equipment ("PP&E") are recorded at cost, net of related investment tax credits, less accumulated amortization. Amortization is provided for over the estimated useful lives of PP&E at the following rates and basis:

Asset	Basis	Rate
Buildings and improvements	Declining balance	4%
Leasehold improvements	Straight line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance	15%
Stamping equipment	Straight line	7-10%
Tooling and fixtures	Straight line	Life of program
Motor and delivery vehicles	Declining balance	30%
Office and computer equipment	Declining balance	20%

Construction-in-progress and spare parts are not amortized until the related assets are placed into productive use.

PP&E are tested for impairment as described in note 1(m).

(g) Intangible assets:

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

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

(ii) Development costs are capitalized when the Company can demonstrate:
- that it has the intention and the technical and financial resources to complete the development;
- that the intangible asset will generate future economic benefits;
- that the cost of the intangible asset can be measured reliably.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a maximum period of five years from the start of volume production.

Research costs, including costs of market research and new product prototyping during the marketing stage, are expensed in the period in which they are incurred.

(h) Stock-based compensation:

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 to employees at the grant date using the Black-Scholes option pricing 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. Actual forfeitures are accounted for as they occur.

(i) Foreign currency translation:

The functional currency of the vast majority of the Company's subsidiaries is either the Canadian dollar or US dollar.

The monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the year-end exchange rate. Revenue and expenses denominated in foreign currencies are translated at rates of exchange prevailing on transaction dates, with any exchange gain or loss being recorded in the consolidated statement of operations.

The Company's foreign subsidiaries are predominately defined as self-sustaining. Revenue and expense items, including depreciation and amortization, are translated at the average exchange rates for the year. All assets and liabilities are translated at year-end exchange rates and any resulting exchange gains or losses are included in shareholders' equity as part of accumulated other comprehensive income. Movements in the accumulated other comprehensive income during the year results from the changes in the value of the Canadian dollar in comparison to the US dollar, the Mexican Peso and Euro.

(j) Deferred financing fees:

Deferred financing fees are netted against the carrying value of the related debt and amortized into interest expense using the effective interest rate method.

(k) Income taxes:

The Company applies the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax laws and rates is recognized in earnings in the year that includes the enactment date.

The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences and loss carry forwards become deductible. Future tax assets are evaluated, and if their realizability is not "more likely than not", a valuation allowance is provided.

(l) Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

(m) Impairment of long-lived assets:

The Company reviews long-lived assets, which include PP&E, intangible assets with finite useful lives and intangible assets not amortized, being development costs prior to the start of volume production, for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered to be impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Asset retirement obligations:

The Company accounts for asset retirement obligations associated with the retirement of capital assets when those obligations result from the acquisitions, construction, development or normal operation of the asset. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. Following the initial recognition of an asset retirement obligation, the carrying amount of the obligation is increased for the passage of time and adjusted for revisions to the amount or timing of the underlying cash flows needed to settle the obligation. The cost is amortized into earnings subsequently on the same basis as the related asset.

(o) Guarantees:

The Company accounts for guarantees in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. 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 an 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 reported at fair value.

(p) Pension and other post-employment benefits ("OPEB"):

The Company accrues its obligation under employee benefit plans and related costs net of plan assets. The accrued benefit obligations and the benefit costs are actuarially determined using the projected benefit method pro-rated on services which incorporates management's best estimate of future salary levels, other cost escalations, retirement ages of employees and other actuarial factors. Cumulative gains and losses (such as adjustments arising from experience gains and losses and changes in assumptions) in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the expected remaining service period of active members expected to receive benefits for all the plans except for those of Kitchener Frame Limited ("KFL"), namely, the KFL hourly pension plan, KFL salaried affiliated employees pension plan and KFL affiliated OPEB plans (collectively the "KFL Plans"). In 2009, the Company changed its accounting policy on the treatment of actuarial gains and losses for the KFL Plans to recognise in the year they occur.

The Company also provides for other post-employment benefits upon retirement for employees and their dependents. The cost of these benefits is accrued over the service lives of the employees based on actuarial estimates.

(q) Use of estimates:

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates and assumptions. Significant areas requiring the use of management estimates include the net realizable values of inventories, the fair value of long-lived assets and the determination of impairment thereon, the economic lives of intangible assets, the recoverability of future income tax assets, assumptions used in the determination of pension and other post-retirement benefits, and the determination of fair values of financial instruments, as well as the determination of stock-based compensation.

(r) Financial Instruments:

Financial Instruments must be classified into one of these five categories: held for trading, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value depend on their initial classification as follows: held for trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts will be recorded in net earnings.

The Company has designated its cash and cash equivalents as held for trading and measures them at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The Company has elected to designate the Note Receivable (note 6) as held for trading and consequently measured it at fair value. The Company has also elected to amortize all its transaction costs related to long-term debt over the life of the debt using the effective interest rate method.

(s) Changes in accounting policies:

Pension and other post-employment benefits:

In 2009, the Company changed its accounting policy on the treatment of actuarial gains and losses for the KFL Plans. Prior to the change, the Company recognized actuarial gains and losses in the KFL Plans over the expected remaining service period of active members expected to receive benefits under the KFL Plans. The change in accounting policy resulted in the Company recognizing any actuarial gains and losses in the year they occur.

(in thousands of dollars, except per share amounts)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Recently issued accounting pronouncements:

International Financial Reporting Standards ("IFRS"):

In February 2008, the AcSB confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company's first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Commencing in the first quarter of 2011, the Company will provide unaudited quarterly consolidated financial information in accordance with IFRS including comparative figures for 2010.

NOTE 2: ACQUISITIONS

SKD Automotive Group:

On February 27, 2009 the Company completed the acquisition of certain assets of SKD Automotive Group which included a facility in Jonesville, Michigan and a facility in Mexico City, Mexico. The total cash paid was approximately US$3,483 ($4,267) with acquisition costs of approximately US$323 ($395). The results of the acquired operations have been consolidated into the Company from February 27, 2009.

Management's determination of the final purchase price allocation of the fair market value of the assets acquired and liabilities assumed is detailed below:

		Total
Inventories	$	4,475
Property, plant and equipment		8,466
Future income tax asset		366
Customer contracts - amortized over a 10 year period		3,230
Receivable from SKD Automotive Group		75
Accounts payable and accrued liabilities		(12,345)
	$	4,267
Total consideration was paid as follows:		
Cash	$	4,662
Cost of acquisition		(395)
	$	4,267

The following table details the activity in the accrued restructuring liability set up in the above purchase equation:

		February 27, 2009		Cash Payments		December 31, 2009
Severance	$	135	$	(135)	$	-
	$	135	$	(135)	$	-

In April 2009, the Company also acquired certain equipment and inventory not part of the acquisition of the facilities in Jonesville, Michigan and Mexico City, Mexico reported in the purchase price allocation above, from the Canadian operations of SKD Automotive Group for an amount of $9,077. In addition, the Company incurred transportation and installation costs of approximately $8,621 to transport and install this equipment at various Company plants within Canada, the US and Mexico.

The following table is a summary of the equipment and inventory purchased:

Property, plant and equipment (including installation and transportation costs)	$	12,761
Inventories		4,937
	$	17,698

NOTE 3: INVENTORIES

		2010		2009
Raw materials	$	53,465	$	52,130
Work in progress		20,076		18,658
Finished goods		30,110		25,204
Tooling work in progress and other inventory		41,963		40,058
	$	145,614	$	136,050

(in thousands of dollars, except per share amounts)

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

At December 31, 2010:	Cost	Accumulated amortization	Net book value
Land	$ 9,190	$ -	$ 9,190
Buildings and improvements	72,255	18,088	54,167
Leasehold improvements	27,673	11,531	16,142
Manufacturing and stamping equipment	523,291	267,470	255,821
Tooling and fixtures	22,140	17,171	4,969
Motor and delivery vehicles	2,152	821	1,331
Office and computer equipment	12,840	9,180	3,660
Construction-in-progress and spare parts	68,698	-	68,698
	$ 738,239	$ 324,261	$ 413,978

At December 31, 2009:	Cost	Accumulated amortization	Net book value
Land	$ 9,415	$ -	$ 9,415
Buildings and improvements	71,726	16,612	55,114
Leasehold improvements	23,180	10,240	12,940
Manufacturing and stamping equipment	491,292	221,905	269,387
Tooling and fixtures	33,500	25,757	7,743
Motor and delivery vehicles	2,037	580	1,457
Office and computer equipment	12,018	8,539	3,479
Construction-in-progress and spare parts	36,320	-	36,320
	$ 679,488	$ 283,633	$ 395,855

Construction-in-progress as at December 31, 2010 consists of property, plant & equipment ('PP&E') under construction of $64,205 (2009 - $30,111) and spare parts not put to use of $4,493 (2009 - $6,209). PP&E under construction are expected to be placed into productive use during the following 12 month period.

During 2010, the Company determined that the carrying value of certain dedicated manufacturing and stamping equipment exceeded its recoverable amount. Consequently, the carrying amount of the PP&E was written down by $10,110. A similar impairment charge of $7,322 was recorded in 2009. The impairment charges were determined as the excess of the carrying amount of the PP&E over their estimated fair values.

NOTE 5: INTANGIBLE ASSETS

	2010			2009		
	Cost	Accumulated amortization and impairment losses	Net carrying amount	Cost	Accumulated amortization and impairment losses	Net carrying amount
Customer contracts	$ 47,078	$ (33,613)	$ 13,465	$ 47,078	$ (28,763)	$ 18,315
Development costs	1,288	-	1,288	-	-	-
	$ 48,366	$ (33,613)	$ 14,753	$ 47,078	$ (28,763)	$ 18,315

The changes in intangibles assets in 2010 and 2009 are analyzed below:

	Customer contracts	Development costs	Total
Net intangible assets at December 31, 2008	$ 20,502	$ -	$ 20,502
Additions	3,230	-	3,230
Amortization	(4,703)	-	(4,703)
Impairment	(287)	-	(287)
Foreign exchange translation adjustment	(427)	-	(427)
Net intangible assets at December 31, 2009	$ 18,315	$ -	$ 18,315
Additions	-	1,288	1,288
Amortization	(4,683)	-	(4,683)
Foreign exchange translation adjustment	(167)	-	(167)
Net intangible assets at December 31, 2010	$ 13,465	$ 1,288	$ 14,753

(in thousands of dollars, except per share amounts)

NOTE 6: NOTE RECEIVABLE

	2010	2009
Note receivable	$ -	$ 199,666

Pursuant to the acquisition agreement (the "Purchase Agreement") among Kitchener Frame Limited ("KFL"), a wholly-owned subsidiary of the Company, the Company and ThyssenKrupp Budd Canada Inc. ("TK Budd Canada") whereby KFL purchased the assets of TK Budd Canada, KFL assumed the obligations of TK Budd Canada under the defined pension plan for the Kitchener plant's hourly and salaried affiliated employees (the "DPP") as well as the obligations of TK Budd Canada under certain plans for certain other post-employment benefits for hourly and salaried affiliated employees of the Kitchener plant ("OPEB Plans").

TK Budd Canada was required pursuant to the terms of the Purchase Agreement to make the following payments (the "TK Budd Canada Pension Payments"), on behalf of KFL, on each applicable payment date: all payments required to be made under the DPP other than (i) certain current service costs in the aggregate amount of $15,608; (ii) any additional payments required to be made as a result of KFL making any changes to the DPP or the terms of the Kitchener Canadian Auto Workers ("CAW") agreements that increase the liabilities under the DPP after closing of the acquisition ("Post-Closing Enhancements") and (iii) in certain circumstances, monthly normal cost payments on and after January 1, 2010. TK Budd Canada was also required pursuant to the terms of the Purchase Agreement to make the following payments (the "TK Budd Canada OPEB Payments"), on behalf of KFL, on each applicable payment date; all payments required to be made in respect of OPEB Plans other than (i) any additional payments required to be made as a result of changes made by KFL after the closing to the terms of the OPEB Plans in effect at the time of closing of the acquisition; and (ii) in certain circumstances, the current OPEB service costs on and after January 1, 2010.

In addition, pursuant to the terms of the Purchase Agreement, TK Budd Canada was required to make all payments required in connection with a wind-up or partial wind-up of the DPP other than any payments related to Post-Closing Enhancements.

To evidence TK Budd Canada's obligations in respect of the TK Budd Canada Pension Payments and the TK Budd Canada OPEB Payments, TK Budd Canada issued to KFL an unsecured non-negotiable promissory note equal to the amount of unfunded liabilities in respect of which TK Budd Canada agreed to make TK Budd Canada Pension Payments and TK Budd Canada OPEB Payments, which amount was initially $155,348 (the "Note") as measured in accordance with Canadian GAAP. The amount of the Note was automatically adjusted quarterly to an amount equal to the portion of unfunded liabilities as at each quarter that related to the amounts in respect of which TK Budd Canada agreed to make related to the TK Budd Canada Pension Payments and the TK Budd Canada OPEB Payments. The Note as of December 31, 2009 was $199,666.

As security for TK Budd Canada's obligations to make the TK Budd Canada Pension Payments and the TK Budd Canada OPEB Payments, TK Budd Canada delivered letters of credit for the benefit of the Company in an aggregate amount equal to $320,000. The Company was generally permitted to draw upon the letters of credit if TK Budd Canada failed to make a TK Budd Canada Pension Payment or a TK Budd Canada OPEB Payment when due (after adequate notice and verification) in an amount equal to the amount in default rounded up to the nearest multiple of $3,000. In the event that TK Budd Canada failed to renew a letter of credit or provide adequate replacement security to the Company prior to the date which is thirty days prior to the expiry of a letter of credit, then the Company was permitted to draw upon the entire amount of the letters of credit. If there remain letters of credit outstanding after July 1, 2010, the aggregate amount of the letters of credit was to be reduced to an aggregate amount equal to the product of (i) $320,000 and (ii) a fraction, the numerator of which would be the amount evidenced by the Note as at July 1, 2010 and the denominator of which is $175,005.

Pursuant to the Purchase Agreement, the Company granted to TK Budd Canada an option to purchase all of the outstanding equity securities of KFL for an exercise price of $1 (the "Call Option"). Unless otherwise specified, the Call Option was exercisable by TK Budd Canada on or after January 1, 2010. The Company agreed to use its commercially reasonable efforts such that if the Call Option was exercised the liabilities of KFL would be limited to the DPP and OPEB liabilities in respect of which TK Budd Canada agreed to make the TK Budd Canada Pension Payments and the TK Budd Canada OPEB Payments. Other assets and liabilities at the time would be transferred from KFL to a new entity. If and for so long as the Call Option remained unexercised, the letters of credit would remain outstanding as security. The carrying amount of the Note was adjusted at each reporting date to equal the carrying value of the DPP and OPEB pension liabilities as its fair value.

In 2009, KFL ceased operations at its plant, and applied to wind up the DPP with an effective wind up date of April 23, 2009. On May 27, 2010, TK Budd Canada exercised the Call Option and purchased all of the outstanding equity securities of KFL. Prior to May 27, 2010, the assets and liabilities of KFL, other than the DPP and OPEB liabilities and the Note, were transferred to new entities of the Company. Thus, at the time TK Budd Canada exercised the Call Option, the liabilities of KFL were limited to the DPP and OPEB Plans and other assets and liabilities of KFL were transferred to new entities or the Company. Accordingly, the KFL DPP and OPEB Plans and the Note are no longer reflected on the Company's consolidated balance sheet.

NOTE 7: RESTRUCTURING COSTS

As part of the Company's continuing efforts to rationalize excess capacity at certain facilities, the Company closed its manufacturing facility in Windsor, Ontario on June 30, 2010 and another facility in Mississauga, Ontario on December 13, 2010. The closures have resulted in restructuring costs consisting primarily of employee related severance and the dismantling and transporting of PP&E between Company facilities.

During 2010 and 2009, the Company also incurred employee related severance and restructuring costs related to the closure of the Kitchener, Ontario facility in 2009 and the right sizing of operating facilities in Shelbyville, Kentucky and southwestern Ontario.

(in thousands of dollars, except per share amounts)

NOTE 7: RESTRUCTURING COSTS (continued)

The summary of expenses associated with the restructuring activities is as follows:

		2010		2009
Employee related severance	$	6,325	$	8,430
Other restructuring costs		11,474		5,185
Recorded as restructuring costs (A)	$	17,799	$	13,615
Period costs associated with facilities closed during restructuring		1,519		3,395
Pension expenses related to facilities closed during restructuring		321		3,065
Recorded as cost of sales (B)	$	1,840	$	6,460
Period costs associated with facilities closed during restructuring		504		1,335
Recorded as selling, general and administrative (C)	$	504	$	1,335
Total (A + B + C)	$	20,143	$	21,410

Other restructuring costs include directly attributable facility closure and right-sizing costs and costs relating to the dismantling and transportation of PP&E between Company facilities. As at December 31, 2010, $2,589 (2009 - $678) of the restructuring costs were unpaid and included in accounts payable and accrued liabilities. The details of the movements in the liability related to restructuring are as follows:

		Employee related severance		Contract termination costs		Other restructuring costs		Total
Total restructuring liability at December 31, 2008	$	27,984	$	10,644	$	-	$	38,628
Expensed during the year		8,430		-		5,185		13,615
Paid during the year		(35,736)		(10,644)		(5,185)		(51,565)
Total restructuring liability at December 31, 2009	$	678	$	-	$	-	$	678
Expensed during the year		6,325		-		11,474		17,799
Paid during the year		(5,978)		-		(9,910)		(15,888)
Total restructuring liability at December 31, 2010	$	1,025	$	-	$	1,564	$	2,589

NOTE 8: PROMISSORY NOTE

Prior to the exercise of the call option by TK Budd Canada, as described in Note 6 ("Note Receivable"), the land and building owned by KFL was transferred to a new wholly-owned subsidiary of the Company. On June 25, 2010, this subsidiary sold the land and building ("Kitchener Real Property") on an "as is" basis resulting in a gain on sale of $10,675 for the year ended December 31, 2010. The gain on sale has been included in gain on disposal of PP&E in the consolidated statements of operations. The fair value of the proceeds on disposition of the Kitchener Real Property amounted to $13,737 of which $1,100 was paid in cash and the remainder in the form of a promissory note with a face value of $13,900. Scheduled repayments of $2,400 were received in 2010. The promissory note has been fair valued by discounting future scheduled repayments using discount rates indicative of market interest rates prevailing at the inception of the transaction. The promissory note is secured by the Kitchener Real Property with the following balance owing and remaining repayment schedule as at December 31, 2010:

Date of Scheduled Repayment		Total
June 30, 2011		1,500
December 31, 2011		5,000
December 31, 2012		2,500
December 31, 2013		2,500
	$	11,500
Imputed interest		(865)
	$	10,635
Less : Current portion		5,994
	$	4,641

As part of the terms of the sale transaction, if the purchaser re-sells the Kitchener Real Property, whether directly or indirectly through an asset or share purchase transaction, within the first year after closing, then 75% of any profit over the purchase price generated from the sale will be paid to the Company. If the purchaser re-sells after the first year but before the end of the third year, then 50% of the profit will be paid to the Company and if the purchaser re-sells after the third year, but before the end of the fourth, then 25% of the profit will be paid to the Company. The term “profit” will be defined as the proceeds of sale above $15,000, less legitimate expenses incurred by the Purchaser in connection with the development of the property completed prior to such sale.

(in thousands of dollars, except per share amounts)

NOTE 9: BANK INDEBTEDNESS

At December 31, 2010, the Company had available to it swing line credit facilities of $10,000 and US$10,000, and revolving credit lines of $87,500 and US$30,000. The Company has drawn $74,600 (2009 - $43,665) against the revolving credit line and the remainder of the facility remains unused at December

Subsequent to year-end on March 4, 2011, the Company's credit agreement was amended. The amendments to the agreement included the following:
- an increase to the available revolving credit lines from $97,500 and US$40,000 to $125,000 and US$50,000;
- amended pricing terms resulting in a decrease in applicable interest rates and standby fees;
- no change in financial covenants; and
- an extension of the maturity date from November 2011 to March 2015.

NOTE 10: LONG-TERM DEBT

		2010		2009
Commercial loan secured by a registered general security agreement and a first charge on the assets of all the Company's material subsidiaries, with interest payable at a variable rate not exceeding bankers acceptance plus 3.0% or prime plus 2.0%. At December 31, 2010 the effective yield was 4.1% (2009 - 3.4%). Interest rates vary depending on the Company's funded debt to earnings ratio before interest, taxes, amortization and other items. Prior to September 30, 2009, equal quarterly principal payments of $1,344 were payable. In September 2009 the commercial loan was amended to a fully revolving credit facility, with no mandatory quarterly repayments. The maturity date of the loan is March 2015 as amended subsequent to year-end. The commercial loan requires the maintenance of certain financial ratios with which the Company was in compliance as of December 31, 2010. Deferred financing fees of $263 (2009 - $550) have been netted against the carrying value of the long term debt.	$	74,337	$	43,115
Five year equipment loan with monthly principal payments of $198, a variable rate of prime plus 0.3% and maturing in July 2014. The loan is secured by the underlying equipment.		8,443		10,814
Three year equipment loan with monthly principal and interest payments of $278, a fixed rate of 6.25% and maturing in March 2012. During 2009, an additional $5,444 was funded under the agreement. The loan is secured by the underlying equipment.		4,266		7,233
Four to seven year equipment loans with interest thereon payable monthly at a floating rate of bankers acceptance plus 2.25%, with a one-time option to fix the variable rate, and maturing up to December 2012. These loans are secured by the underlying equipment.		3,263		6,122
Four to seven year equipment loans with interest thereon payable monthly at fixed rates of between 5.1% and 5.8%, and maturing from November 2011 to September 2012. These loans are secured by the underlying equipment.		4,850		6,730
US dollar equipment loan in the amount of US$2,248 with monthly principal and interest payments of US$97, a fixed rate of 7.2% per annum, and maturing in January 2013. This loan is secured by the underlying equipment.		2,235		3,377
US dollar equipment loan in the amount of US$1,212 with monthly principal and interest payments of US$97, fixed rate of 7.5% and maturing in January 2012. This loan is secured by the underlying equipment.		1,206		2,362
Five year equipment loan with interest thereon payable monthly at a nominal annual rate of 5.7% and maturing in July 2011. The loan is secured by the underlying equipment.		1,563		2,501
US dollar equipment loans in the amount of US$1,460 with monthly principal and interest payments of US$42, variable rates of LIBOR plus 2.5%, and maturing from March 2010 to March 2012, with a one-time lump-sum payment of US$1,000 owing in March 2012. These loans are secured by the underlying equipment.		1,452		2,023
Three year equipment loan with monthly principal and interest payments of $58, a fixed rate of 5.5% and maturing in April 2012. The loan is secured by the underlying equipment.		895		1,525
US dollar equipment loan in the amount of US$439 with monthly principal and interest payments of US$29, variable rate of US prime plus 1% and maturing in June 2012. This loan is secured by the underlying equipment.		436		776
Four year term loan to refinance capital equipment with a monthly payment of $40 plus interest at prime plus 1% and maturing between April 2009 and January 2011. The loan is secured by the underlying equipment.		188		519
US dollar equipment loan in the amount of US$288 with monthly principal and interest payments of US$59, fixed interest rates of 7.5% and maturing in May 2010. This loan is secured by the underlying equipment.		-		303
		103,134		87,400
Less: Current portion		15,735		14,845
	$	87,399	$	72,555

(in thousands of dollars, except per share amounts)

NOTE 10: LONG-TERM DEBT (continued)

Future annual minimum principal repayments are as follows:

2011	$	15,735
2012		9,001
2013		2,466
2014		1,332
2015 onwards		74,600
	$	103,134

NOTE 11: PENSION BENEFITS

The Company maintains defined benefit pension plans for certain of its employees. The defined benefit plans provide pensions based on length of service and final average pay.

The Company measures its accrued benefit obligations and fair value of plan assets for accounting purposes at December 31 of each year. The most recent actuarial valuations for the pension plans for funding purposes was at December 31, 2009 and the next required valuation will be as of December 31, 2012.

In 2009, KFL ceased operations at its plant, and applied to wind up the DPP with an effective wind up date of April 23, 2009. On May 27, 2010, TK Budd Canada exercised the Call Option and purchased all of the outstanding equity securities of KFL. Prior to May 27, 2010, the assets and liabilities of KFL, other than the DPP and OPEB Plans and the Note, were transferred to new entities of the Company. Thus, at the time TK Budd Canada exercised the Call Option, the liabilities of KFL were limited to the DPP and OPEB Plans and other assets and liabilities of KFL were transferred to new entities of the Company. Accordingly, the KFL DPP and OPEB plans are no longer reflected on the Company's consolidated balance sheet.

During 2010, the Company settled the pension plan and restructured the post employment benefits at its facility in Shelbyville, Kentucky, the effects of which are included in the table below and Note 12 of the consolidated financial statements and resulted in a net loss of $628.

The following tables reflect the financial position of the Company's defined benefit pension plans at December 31, 2010 and 2009.

(a) The following is a summary of all pension plans, excluding the KFL plans:

		2010		2009
Components of net periodic pension benefit cost				
Current service cost	$	669	$	564
Interest cost		8,424		9,132
Actual return on plan assets		(7,216)		(18,660)
Actuarial (gains) losses on accrued benefit obligation		11,772		(4,371)
Settlement loss		6,198		-
Difference between actual and expected return on plan assets		(2,380)		11,566
Difference between actual and recognized actuarial (gains) losses in the year		(9,980)		7,487
Net periodic pension cost	$	7,487	$	5,718
Changes in accrued benefit obligation				
Accrued benefit obligation - beginning of the year	$	(148,919)	$	(158,143)
Current service costs		(669)		(564)
Interest cost		(8,424)		(9,132)
Actuarial (gains) losses		(11,772)		4,371
Contributions made		27,521		9,158
Foreign exchange translation adjustment		1,250		5,391
Accrued benefit obligation - end of year	$	(141,013)	$	(148,919)
Changes in defined benefit pension plan assets				
Fair value of plan assets - beginning of the year	$	136,880	$	123,889
Employer contributions		17,649		6,759
Return on plan assets		7,216		18,660
Benefits paid		(27,521)		(9,158)
Foreign exchange translation adjustment		(883)		(3,270)
Fair value of plan assets - end of year	$	133,341	$	136,880

(in thousands of dollars, except per share amounts)

NOTE 11: PENSION BENEFITS (continued)

	2010	2009
Reconciliation of funded status		
Accrued benefit obligation	$ (141,013)	$ (148,919)
Fair value of plan assets	133,341	136,880
Funded deficit	(7,672)	(12,039)
Unamortized net actuarial losses	39,477	33,606
Accrued benefit asset - end of year	$ 31,805	$ 21,567
Asset allocation by major category weighted by plan assets		
Equity securities	18.6%	54.7%
Debt securities	81.3%	44.8%
Other	0.1%	0.5%
	100.0%	100.0%
The significant weighted-average actuarial assumptions are as follows:		
Discount rate used to calculate the net benefit plan expense	5.9%	6.2%
Discount rate used to calculate year-end benefit obligation	5.4%	5.3%
Expected long-term rate of return on plan assets	6.9%	5.8%

(b) The following is a summary of the KFL plans. As discussed above, the KFL DPP and OPEB Plans are no longer reflected on the Company's consolidated balance sheet at December 31, 2010.

	2010	2009
Components of net periodic pension benefit cost		
Current service cost	$ -	$ 609
Interest cost	-	19,452
Actual return on plan assets	-	(37,237)
Actuarial losses on accrued benefit obligation	-	103,177
Pension cost associated with TK as described in note 6	-	(82,935)
Difference between actual and expected return on plan assets	-	14,726
Difference between actual and recognized actuarial (gains) losses in the year	-	(102,946)
Immediate recognition of all actuarial gains and losses	-	88,219
Net periodic pension cost	$ -	$ 3,065
Changes in accrued benefit obligation		
Accrued benefit obligation - beginning of the year	$ -	$ (314,515)
Current service costs	-	(609)
Interest cost	-	(19,452)
Actuarial losses	-	(103,177)
Contribution made	-	31,717
Accrued benefit obligation - end of year	$ -	$ (406,036)
Changes in defined benefit pension plan assets		
Fair value of plan assets - beginning of the year	$ -	$ 286,459
Employer contributions	-	39,725
Return on plan assets	-	37,237
Benefits paid	-	(31,717)
Fair value of plan assets - end of year	$ -	$ 331,704
Reconciliation of funded status		
Accrued benefit obligation	$ -	$ (406,036)
Fair value of plan assets	-	331,704
Funded deficit	-	(74,332)
Accrued benefit liability - end of year	$ -	$ (74,332)

(in thousands of dollars, except per share amounts)

NOTE 11: PENSION BENEFITS (continued)

	2010	2009
Asset allocation by major category weighted by plan assets		
Equity securities	-	44.0%
Debt securities	-	52.0%
Other	-	4.0%
	-	100.0%

The significant weighted-average actuarial assumptions are as follows:

Discount rate used to calculate the net benefit plan expense	-	4.3%
Discount rate used to calculate year-end benefit obligation	-	5.6%
Expected long-term rate of return on plan assets	-	4.5%

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS

The Company offers post-employment health care, dental care and other post employment benefits to some of its retirees.

(a) The following is a summary of the other post-employment benefit plans, excluding other post-employment benefit plans associated with KFL:

	2010	2009
Components of net periodic post-employment benefit cost (recovery)		
Current service cost	$ 463	$ 736
Interest cost	2,145	2,638
Actuarial losses on accrued benefit obligation	3,322	5,740
Curtailment gain	(5,570)	(3,672)
Settlement gain	(979)	(2,002)
Difference between actual and recognized actuarial (gains) losses in the year	(4,314)	(7,001)
Amortization of past service costs	-	(22)
Recovery arising in the period	$ (4,933)	$ (3,583)
Change in post-employment benefit obligation		
Accrued benefit obligation - beginning of the year	$ (37,776)	$ (41,168)
Current service costs	(463)	(736)
Interest cost	(2,145)	(2,638)
Actuarial losses	(2,161)	(1,976)
Benefits paid	1,571	1,911
Curtailment	7,202	-
Settlement	675	2,324
Foreign exchange translation adjustment	985	4,507
Accrued benefit obligation - end of year	$ (32,112)	$ (37,776)
Reconciliation of funded status		
Funded deficit	$ (32,112)	$ (37,776)
Unamortized net actuarial gains	(18,838)	(21,364)
Accrued benefit liability - end of year	$ (50,950)	$ (59,140)

The significant weighted-average assumptions are as follows:

	2010	2009
Net periodic benefit costs		
Discount rate	5.9%	5.6%
Initial health care rate	7.5%	7.7%
Ultimate health care rate	5.2%	4.9%
Year ultimate rate reached	2012	2012

(in thousands of dollars, except per share amounts)

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS (continued)

		2010		2009
Accrued benefit obligation				
Discount rate		5.2%		6.1%
Initial health care rate		7.5%		7.6%
Ultimate health care rate		5.2%		5.0%
Year ultimate rate reached		2012		2012
Impact of 1% increase in assumed health care cost trend rate	$	2,972	$	3,460
Impact of 1% decrease in assumed health care cost trend rate	$	(2,455)	$	(2,867)

(b) The following is a summary of the other post-employment benefit plans associated with KFL. As discussed in note 11, the KFL DPP and OPEB Plans are no longer reflected on the Company's consolidated balance sheet as at December 31, 2010.

		2010		2009
Components of net periodic post-employment benefit cost				
Interest cost		-		7,885
Actuarial gains on accrued benefit obligation		-		(1,187)
Post-employment benefit cost associated with TK as described in note 6		-		(6,698)
Costs arising in the period	$	-	$	-
Change in post-employment benefit obligation				
Accrued benefit obligation - beginning of the year	$	-	$	(123,971)
Interest cost		-		(7,885)
Actuarial gains		-		1,187
Benefits paid		-		5,335
Accrued benefit obligation - end of year	$	-	$	(125,334)
Reconciliation of funded status				
Funded deficit	$	-	$	(125,334)
Accrued benefit liability - end of year	$	-	$	(125,334)

The significant weighted-average assumptions are as follows:

		2010		2009
Net periodic benefit costs				
Discount rate		-		6.3%
Initial health care rate		-		8.3%
Ultimate health care rate		-		8.6%
Year ultimate rate reached		-		2012
Accrued benefit obligation				
Discount rate		-		6.3%
Initial health care rate		-		8.3%
Ultimate health care rate		-		8.6%
Year ultimate rate reached		-		2012
Impact of 1% increase in assumed health care cost trend rate	$	-	$	16,773
Impact of 1% decrease in assumed health care cost trend rate	$	-	$	(14,488)

The pension and other post retirement benefits expense in connection with defined benefit pension plans and other post retirement benefit plans for the year ended December 31, 2010 was $2,554 (2009 - $5,200).

(in thousands of dollars, except per share amounts)

NOTE 13: INCOME TAXES

(a) Income taxes attributable to earnings differs from the amounts computed by applying statutory tax rates to pre-tax income as a result of the following:

	2010	2009
Basic statutory rates applied to earnings before income taxes 31% (2009 - 33%)	$ 13,844	$ (12,029)
Increase (decrease) in income taxes resulting from:		
Tax rate changes	(204)	(1,044)
Intangible assets	1,026	1,096
Manufacturing and processing profits deduction	(412)	394
Non-taxable portion of capital gains	(1,771)	(609)
Decrease due to deductions allowed and rate differences incurred in foreign jurisdictions	(1,056)	(3,886)
Increase (decrease) in valuation allowance	(451)	1,241
Stock compensation	1,118	905
Other	(92)	2,548
Income taxes	$ 12,002	$ (11,384)

(b) The tax effects of temporary differences that give rise to significant portions of future income tax assets and liabilities are presented below:

	2010	2009
Future income tax assets:		
Share issue costs	$ 769	$ 1,286
Investment tax credits	2,423	1,149
Capital loss carry forwards	1,170	1,134
Non-capital loss carry forwards	64,304	51,825
Pension and other post-employment benefits	6,722	12,216
Accounting accruals and deductible interest	4,956	12,821
Other	2,284	2,513
	82,628	82,944
Valuation allowance	(17,318)	(18,565)
Total future income tax assets	65,310	64,379
Future income tax liabilities:		
PP&E and intangible assets	(32,865)	(29,815)
Other	(1,009)	(1,009)
Total future income tax liabilities	(33,874)	(30,824)
Net future income tax asset	$ 31,436	$ 33,555

The valuation allowance for future taxes as at December 31, 2010 is $17,318 (2009 - $18,565) and primarily relates to non-capital losses. The valuation allowance was reduced in Canada, the US and Mexico but increased in Europe. In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which these temporary differences and loss carry forwards are deductible. Management considers the scheduled reversals of future tax liabilities, the character of future income tax assets and available tax planning strategies in making this assessment.

(c) The Company has accumulated approximately $209,793 in non-capital tax losses that are available to reduce taxable income in future years. If unused these losses will expire as follows:

Year	
2011	$ 7,704
2014	5,957
2016	878
2018	4,594
2019	2,139
2024	666
2025	892
2026	508
2027	40,271
2028	45,508
2029	66,645
2030	26,263
Indefinite	7,768
	$ 209,793

(in thousands of dollars, except per share amounts)

NOTE 14: SHARE CAPITAL

	Number		Amount
Common Shares			
Authorized - unlimited number of common shares			
Issued and outstanding:			
Balance, December 31, 2008	72,426,018	$	629,052
Issued in private placement	11,500,000		55,775
Share issue costs (net of future tax recovery of $716)	-		(1,770)
Balance, December 31, 2009	83,926,018	$	683,057
Exercise of employee stock options	10,000	$	101
Repurchase of common shares under Normal Course Issuer Bid	(81,500)	$	(663)
Balance, December 31, 2010	83,854,518		682,495

Share issuance:

On June 25, 2009, the Company issued 11,500,000 common shares on a private placement basis with a syndicate of underwriters. The common shares were priced at $4.85 per share for gross proceeds of $55.8 million. Out of the net proceeds received of $54.0 million (after deducting all transactions costs net of tax), a total of $31.7 million was used to pay down the term revolving credit line and the balance was used to finance working capital.

Notes receivable for share capital:

The notes receivable of $2,700 (2009 - $2,700) represent 10 year, non-interest bearing notes issued to two senior officers in 2001 in order to enable them to acquire an aggregate of 1,500,000 shares of the Company at a price of $4.50 per common share. These notes are secured by the acquired common shares and have been included as a component of shareholders' equity for presentation purposes. As shares of the Company are sold, the notes must be repaid, in proportion to the amount of shares sold.

Stock options:

The Company has one stock option plan for key employees. Under the plan as amended and approved at the Company's annual general meeting in June 2010, 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. The Company has, in the past, also granted options to officers and employees of Rea International Inc. and Pilot Industries Inc. in connection with the acquisitions thereof. Such options were granted outside 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 stock option plan and the policies of the Company, and the options have a maximum term of 10 years. Options are granted throughout the year and vest between 0 and 4 years.

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

	2010			2009		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Balance, beginning of year	6,740,833	$	10.94	6,143,833	$	11.34
Granted	1,935,000		7.56	632,000		7.21
Exercised	(10,000)		7.20	-		-
Cancelled	(144,000)		9.79	(35,000)		14.82
Balance, end of year	8,521,833	$	10.20	6,740,833	$	10.94
Options exercisable, end of year	6,659,333	$	10.95	5,686,333	$	10.97

(in thousands of dollars, except per share amounts)

NOTE 14: SHARE CAPITAL (continued)

The following is a summary of issued and outstanding common share purchase options as at December 31, 2010:

Range of exercise price per share	Number outstanding	Date of grant	Expiry	Vesting period
$3.00 - 6.00	301,833	2005 & 2008	2015 & 2018	Immediately and 1 to 4 years
$6.00 - 7.00	95,000	2004 - 2008	2014 - 2018	Fully vested and 1 to 4 years
$7.00 - 8.89	3,705,000	2002 - 2010	2012 - 2020	Fully vested and 1 to 4 years
$9.00 - 9.50	150,000	2008	2018	Fully vested and up to 1 year
$10.00 - 10.35	1,975,000	2002	2012	Fully vested
$11.00 - 12.00	250,000	2002 - 2006	2012 - 2016	Fully vested and 1 to 4 years
$16.00 - 17.75	2,045,000	2007	2017	Immediately and 1 to 4 years
	8,521,833			

NOTE 15: CONTRIBUTED SURPLUS

Contributed surplus represents the use of the fair value-based method for stock-based compensation arrangements. During 2010, the Company expensed $3,897 (2009 - $2,924) to reflect compensation expense, as derived using the Black-Scholes option valuation model. The opening balance of contributed surplus also includes the value of $5,000 relating to expired warrants.

The table below summarizes the assumptions used in determining stock-based compensation expense under the Black-Scholes option pricing model:

	2010	2009
Risk free interest rate	2.4%	2.4%
Expected life (years)	4	4
Expected volatility	49.1%	49.0%
Weighted average fair value of options granted	$ 3.07	$ 2.92

The Black-Scholes 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 restrictions 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.

NOTE 16: INCOME (LOSS) PER COMMON SHARE

Basic and diluted loss per common share have been calculated using the weighted average and maximum dilutive number of shares, using the treasury stock method.

	2010		2009	
	Weighted average number of common shares	Per common share amount	Weighted average number of common shares	Per common share amount
Basic	83,326,190	$ 0.40	77,797,172	$ (0.32)
Effect of dilutive securities:				
Shares secured by notes receivable	600,000	(0.01)	600,000	-
Stock options	529,662	-	29,098	-
Diluted	84,455,852	$ 0.39	78,426,270	$ (0.32)

The dilutive effect of stock options excludes the effect of 4,720,000 (2009 - 6,542,833) out of the money options whose strike price is higher than the average market price for the year, as they are anti-dilutive.

(in thousands of dollars, except per share amounts)

NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, Note receivable, accounts payable, accrued liabilities, long-term debt and foreign exchange forward contracts. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities as recorded in the consolidated balance sheets approximate their carrying amounts due to the short-term maturities of these instruments. The estimated fair value of the long-term debt approximates its carrying value since the long term debt 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. The Note receivable fair value has been determined as described in note 6 and the foreign exchange forward contracts have been marked to market for fair valuation purposes.

The carrying amounts of the financial instruments as at December 31, 2010 are as follows:

	Held for Trading	Loans and receivables / other financial liabilities	Carrying Amount	Fair value
Financial assets:				
Cash and cash equivalents	$ 26,027	$ -	$ 26,027	$ 26,027
Foreign exchange forward contracts	15	-	15	$ 15
Accounts receivable	-	243,897	243,897	243,897
	$ 26,042	$ 243,897	$ 269,939	$ 269,939
Financial liabilities:				
Accounts payable and accrued liabilities	$ -	$ 254,470	$ 254,470	$ 254,470
Long Term Debt	-	103,134	103,134	103,134
	$ -	$ 357,604	$ 357,604	$ 357,604
Net financial asset (liability)	$ 26,042	$ (113,707)	$ (87,665)	$ (87,665)

The carrying amounts of the financial instruments as at December 31, 2009 are as follows:

	Held for Trading	Loans and receivables / other financial liabilities	Carrying Amount	Fair value
Financial assets:				
Cash and cash equivalents	$ 22,769	$ -	$ 22,769	$ 22,769
Note receivable	199,666	-	199,666	199,666
Accounts receivable	-	221,591	221,591	221,591
	$ 222,435	$ 221,591	$ 444,026	$ 444,026
Financial liabilities:				
Accounts payable and accrued liabilities	$ -	$ 224,030	$ 224,030	$ 224,030
Foreign exchange contracts	67	-	67	67
Long Term Debt	-	87,400	87,400	87,400
	$ 67	$ 311,430	$ 311,497	$ 311,497
Net financial asset (liability)	$ 222,368	$ (89,839)	$ 132,529	$ 132,529

The Company has exposure to the following risks from its use of financial instruments, and manages these risk exposures as follows:

(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. The Company primarily sells to the North American automotive industry and provides credit to its customers in the normal course of business. The exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions which would impair the customers' ability to discharge their obligations to the Company.

Approximately 90% (2009 - 87%) of the Company's production sales are derived from four (2009 - four) customers. The Company manages this risk by ensuring that these customers continue to settle accounts under the agreed upon payment terms, and long outstanding balances are investigated and resolved on a timely basis.

(in thousands of dollars, except per share amounts)

NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The aging of accounts receivable at the reporting date was as follows:

		2010		2009
0-60 days	$	226,204	$	204,368
61-90 days		10,524		8,338
Greater than 90 days		7,184		8,885
	$	243,912	$	221,591

As the Company's most significant customers continue to make regular and consistent payments in accordance with agreed upon repayment terms, and given the history of good collections, a provision for doubtful accounts is made on a customer by customer and invoice by invoice basis, based on ongoing customer discussions. The reconciliation of the allowance for doubtful accounts is as follows:

Closing balance, December 31, 2008	$	4,519
Decrease during the year		(1,907)
Closing balance, December 31, 2009		2,612
Decrease during the year		(2,188)
Closing balance, December 31, 2010	$	424

The Company is exposed to the non-performance by counterparties to foreign currency forward contracts. These counterparties are large international financial institutions and, to date, no such counterparty has failed to meet its financial obligation to the Company. Management does not believe there is a significant risk of non-performance by these counterparties.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they come due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet the liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the budget process. At December 31, 2010, the Company had cash of $26,027 (2009 - $22,769), and the facilities available as discussed in note 9. All the Company's financial liabilities other than long term debt have maturities of approximately 60 days. A summary of the Company's contractual obligations and commitments is provided in note 21.

(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 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, 1 month LIBOR or the Bankers Acceptance rates. The interest rate on the commercial loan fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.25%. An increase or decrease of 1.0% in all variable interest rate debt would, everything else being equal, have an effect of approximately $873 (2009 - $829) on the Company's consolidated statement of operations for the year ended December 31, 2010.

(d) Foreign exchange risk:

Foreign exchange 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 the 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. The Company periodically enters into foreign exchange forward contracts to manage exposure of exchange rate fluctuations between the Mexican Peso and US Dollar.

At December 31, 2010, the Company had committed to sell 28 million Mexican Pesos at an average exchange rate of 12.436 and the aggregate value of these forward contracts was a gain of $15 recorded in accounts receivable.

At December 31, 2009, the Company had committed to sell a total of US$3,965 and buy 51 million Mexican Pesos at an average rate of 12.864. At December 31, 2009, the aggregate value of these forward contracts was a loss of $67 and was recorded in accounts payable and accrued liabilities.

The Company does not apply hedge accounting.

The Company does not use derivative financial instruments for speculative purposes.

(in thousands of dollars, except per share amounts)

NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company is exposed to the following currency risk on sales, purchases and borrowings at December 31, 2010, reported below in the foreign currency:

	USD	EURO	PESO
Accounts receivable	$ 168,692	771	13,307
Accounts payable and accrued liabilities	(178,799)	(947)	(30,809)
Long-term debt	(5,359)	-	-
	$ (15,466)	(176)	(17,502)

At December 31, 2010, a 5% rise or fall of the Canadian dollar against the other currencies, assuming all other variables remain the same, would have resulted in a $1,204 (2009 - $1,024) increase or decrease in the Company's net income (loss) for the year ended December 31, 2010.

The currency exposure risk on sales, purchases and borrowings as at December 31, 2009 reported in foreign currency are as follows:

	USD	EURO	GBP	PESO
Accounts receivable	131,692	684	-	16,016
Accounts payable and accrued liabilities	(135,219)	(80)	(8)	(27,922)
Long-term debt	(8,411)	-	-	-
	$ (11,938)	604	(8)	(11,906)

The following summary illustrates the fluctuations in the exchange rates applied during the year ended December 31, 2010:

	USD	EURO	GBP	PESO
Opening exchange rate	1.0510	1.5046	1.6986	0.0804
Closing exchange rate	0.9946	1.3319	1.5513	0.0806
Average exchange rate	1.0343	1.3837	1.6040	0.0817

The following summary illustrates the fluctuations in the exchange rates applied during the year ended December 31, 2009:

	USD	EURO	GBP	PESO
Opening exchange rate	1.2180	1.7046	1.7896	0.0885
Closing exchange rate	1.0510	1.5046	1.6986	0.0804
Average exchange rate	1.1564	1.5954	1.7908	0.0853

(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 shareholders' equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive loss and accumulated deficit.

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.

In addition to debt and equity the Company may use operating 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 subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

NOTE 18: RELATED PARTY TRANSACTIONS

During 2008, the Company advanced loans to some of its principal officers and employees with interest charged at market rates for an amount of $1,964. These loans were recorded in other receivables and were used to purchase shares of the Company from the open market. The loans have all been paid as at December 2010.

(in thousands of dollars, except per share amounts)

NOTE 19: ECONOMIC DEPENDENCE

The Company is economically dependent on three major customers namely General Motors, Ford Motor Company and Chrysler in order to generate operating profits and cash flows from operations and for the continued viability of the Company's business.

NOTE 20: SEGMENTED INFORMATION

The Company focuses its operations on the production of goods for the automotive industry. Sales by geographic region are summarized as follows:

December 31, 2010	Total Sales	External Sales
Canada	$ 884,276	$ 774,808
US	694,043	619,790
Mexico	295,522	292,080
Europe	2,701	2,701
Inter-company eliminations	(187,163)	-
	$ 1,689,379	$ 1,689,379

December 31, 2009	Total Sales	External Sales
Canada	$ 569,886	$ 498,970
US	492,291	444,336
Mexico	197,214	192,414
Europe	2,420	2,420
Inter-company eliminations	(123,671)	-
	$ 1,138,140	$ 1,138,140

Approximately 90% (2009 - 87%) of the Company's production sales are derived from four (2009 - four) customers. The Company manages this risk by ensuring that these customers continue to settle accounts under the agreed upon payment terms, and long outstanding balances are investigated and resolved on a timely basis.

Assets by geographic region are summarized as follows:

December 31, 2010	Current assets	Capital Assets	Intangibles and other assets	Total
Canada	$ 192,879	$ 172,215	$ 41,022	$ 406,116
US	149,585	172,531	40,626	362,742
Mexico	87,911	68,276	2,046	158,233
Europe	2,065	956	1,010	4,031
	$ 432,440	$ 413,978	$ 84,704	$ 931,122

December 31, 2009	Current assets	Capital Assets	Intangibles and other assets	Total
Canada	$ 200,225	$ 172,070	$ 237,455	$ 609,750
US	133,958	162,414	37,972	334,344
Mexico	68,320	60,549	4,458	133,327
Europe	3,045	822	2,475	6,342
	$ 405,548	$ 395,855	$ 282,360	$ 1,083,763

NOTE 21: GUARANTEES AND COMMITMENTS

The Company leases manufacturing premises, office equipment, vehicles and facilities under long term operating leases and enters into purchase obligations in its normal course of business. The aggregate expected payments towards these obligations are as follows:

2011	$ 230,820
2012	7,814
2013	6,107
2014	3,900
2015	3,647
Thereafter	10,165
	$ 262,453

NOTE 21: GUARANTEES AND COMMITMENTS (continued)

The Company is a guarantor under a tool financing program. 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 consolidated balance sheet. At December 31, 2010, the amount of program financing was $21,335 (2009 - $ 38,662). The maximum amount of undiscounted future payments the Company could be required to make under the guarantee is $21,335 (2009 - $38,662).

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 tooling supplier default as remote. No such defaults occurred during 2010 or 2009. 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 ranges between six to eighteen months.

CORPORATE INFORMATION

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Fred Jaekel, Chief Technical Officer
Martinrea International Inc.

Suleiman Rashid (1), (2)
Chartered Accountant and Business Consultant

Natale Rea, Vice Chairman
Martinrea International Inc

Zoran Arandjelovic (1), (2)
President and Executive Chairman, Epsilon Energy Ltd.

Fred Olson (1), (2), (3)
(Retired) President and CEO,
Webasto Product North America

(1) Member, Human Resources and Compensation Committee
(2) Member, Audit Committee
(3) Lead Director

Corporate Executive Officers

Nick Orlando	Chief Executive Officer, President & Chief Financial Officer
Fred Jaekel	Chief Technical Officer
Natale Rea	Vice Chairman
Rob Wildeboer	Executive Chairman
Armando Pagliari	Executive VP, Human Resources

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Stock Listing
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