



MARTINREA INTERNATIONAL INC.

SECOND QUARTER REPORT

JUNE 30, 2007

SECOND QUARTER REPORT

June, 2007

MESSAGE TO SHAREHOLDERS

The Company's operating results in the second quarter ended June 30, 2007 reflect continuing profitability and continuing improvement in operations. Our quarterly results reflect the inclusion of the North American body and chassis operations of the ThyssenKrupp Budd Company for the quarter, and also reflect the fact we have become a significantly larger company. Our integration process is going well to date. In the quarter, we achieved record revenues and profits.

We continue to build a great company, step by step, which I believe will result in long term prudent, profitable growth for the Company and all its shareholders. Thank you for your ongoing support.



Rob Wildeboer
Chairman

MARTINREA INTERNATIONAL INC.

Releases Second Quarter Results Highest Quarterly Revenues and Earnings To Date

August 2, 2007 – For Immediate Release

Toronto, Ontario – Martinrea International Inc., a leader in the production of quality metal parts, assemblies and modules and fluid management systems focused primarily on the automotive sector, announced today the release of its financial results for the quarter ended June 30, 2007. Martinrea currently employs approximately 7,200 skilled and motivated people in 32 plants in Canada, the United States, Mexico, and the United Kingdom. The Company completed two acquisitions in 2006, namely the acquisition of the assets of Depco International Inc., now Rollstar Metal Forming, on May 12, 2006 and the North American automotive body and chassis operations of ThyssenKrupp Budd Company (“TKB”) on December 1, 2006 and the financial position and results from those acquisitions have been included in the Company’s financial statements from the relevant acquisition dates. Given the size of the TKB acquisition in particular, the comparisons of quarterly and annual financial results with the previous fiscal period are affected by the high level of TKB revenues and expenses and the lower gross margins of TKB operations as compared to the former Martinrea operations. Year over year and quarter over quarter comparisons are not directly comparable.

Revenue for the second quarter of 2007 of \$537.9 million has increased as compared to \$204.3 million for the second quarter of 2006 primarily due to the inclusion of revenues from the acquisition of the TKB facilities, the acquisition of Rollstar, the launch of new organic programs such as the new GMT900 pick-up truck that were launched during the fourth quarter of 2006, takeover programs and an increase in tooling revenues of \$16 million. Revenue decreased by \$1.8 million in the second quarter of 2007 as compared to the second quarter of 2006 due to the change in the exchange rate between the Canadian dollar versus the U.S. dollar. Revenue in the second quarter of 2007 as compared to the second quarter of 2006 was impacted by customer pricing pressure that continues to be a normal part of the North American automotive parts industry. Production revenues are expected to continue to rise as new programs mature and launches are completed.

Revenue for the second quarter of 2007 was \$537.9 million as compared to \$525.8 million for the first quarter of 2007. The growth in revenue in the second quarter of 2007 as compared to first quarter of 2007 was reduced by approximately \$19 million of foreign exchange impact as a result of a 7.6 % appreciation of the Canadian dollar versus the U.S. dollar. The increase in revenues in the second quarter of 2007 as compared to first quarter of 2007 was primarily due to increased production volumes on most customer platforms. The most significant increases occurred on the GMT 900 program and Ford F series super duty trucks. Tooling revenues in the second quarter of 2007 were approximately the same as in the first quarter of 2007.

Gross margin percentage for the quarter ended June 30, 2007 was 12.9% as compared to 18.9% for the quarter ended June 30, 2006. Gross margin percentage for the second quarter of 2007 has decreased in comparison to the second quarter of 2006 primarily due to the inclusion of the TKB facilities acquired on December 1, 2006. The TKB facilities acquired have gross margins that are below those of the facilities

owned by the Company before the acquisition date. The Company anticipates an improvement in the gross margin as the newly acquired plants implement operational improvements such as the in-sourcing of metal stampings currently being purchased from third parties, the right sizing of operations and the award of new work to fill available capacity. The Company will continue its efficiency programs in all facilities as it continually tries to offset the price reductions granted to customers and increasing operational costs through cost reductions in the Company's manufacturing processes and materials purchased.

Gross margin percentage of 12.9% for the second quarter of 2007 is higher than the 11.8% gross margin percentage in the first quarter of 2007 primarily due to an increase in customer production volumes, implementation of operational improvements and the in-sourcing of metal stampings.

Net earnings in the second quarter of 2007 increased to \$19.5 million as compared to \$11.9 million in the second quarter of 2006. The earnings per share for the second quarter of 2007 was \$0.30 on a basic and fully diluted basis as compared to earnings per share in the second quarter of 2006 of \$0.20 on a basic and \$0.19 on a fully diluted basis. The increase in net earnings and earnings per share is primarily attributable to the net earnings accretion arising from the acquisition of the TKB and Rollstar operations, the launch of incremental business and continuing operational improvements. The foreign exchange impact on net earnings resulting from the appreciation of the Canadian dollar versus the U.S. dollar was not significant. The loss resulting from the translation of U.S. dollar denominated profits was offset by gains in the Company's Canadian divisions that purchase raw material in U.S. dollars. The Company realized a foreign exchange loss of \$1.7 million in Canada primarily in regards to the revaluation of U.S. dollar denominated working capital. The Company will continue to manage foreign currency exposures to minimize the impact of foreign exchange fluctuations.

Net earnings in the second quarter of 2007 include a gain on the disposition of the land and building in the amount of \$1.3 million and the Company recorded capital impairment charges of \$1.3 million on idle assets at one division.

Net earnings in the second quarter of 2007 were \$19.5 million and earnings per share was \$0.30 on a basic and fully diluted basis as compared to net earnings of \$14.7 million for the first quarter of 2007 and earnings per share of \$0.23 on a basic and fully diluted basis. The improvement in the second quarter of 2007 as compared to the first quarter of 2007 is primarily due to higher customer production volumes and continuing efforts made by the Company to improve operational efficiencies.

Capital expenditures in the second quarter of 2007 totaled \$28.8 million as compared to \$18.2 million for the second quarter of 2006. The capital expenditures in the second quarter of 2007 are attributable to program capital and the purchase of equipment for new stamping facilities being established by the Company in Tupelo, Mississippi and Hermosillo, Mexico. The Company's anticipated capital expenditures for the 2007 year are estimated at \$70 million.

Fred Jaekel, Martinrea's Chief Executive Officer, stated: "Our second quarter performance was very good and I am very pleased with our progress in many areas. Martinrea achieved record revenues and, once again, our best quarterly profits ever. Operationally, we continue to integrate all our acquired plants into our operations and instill our decentralized and entrepreneurial approach into our people. We continue to focus on developing each of our plants into centres of excellence. Our integration of acquired operations is going well. We continue to educate our people and work closely with them, on improving process and on developing innovative approaches. And I see areas that we can, and will, improve to continue to make us

more competitive. I want to thank all our people for their dedication and enthusiasm, which are the basis for our good performance in the quarter and are fundamental to our ongoing success.”

“We continue to add business where we can, to fill capacity and increase throughput, which will help drive performance,” Mr. Jaekel added. “We have insourced a significant amount of work that was previously outsourced from recently acquired facilities, and that has improved and should continue to improve the returns from our plants. We have completed to a large extent the rationalization of production among our recently acquired and previous plants, so that, where we can, we produce parts as close as we can to the customer. We see many quoting opportunities also, from our existing great customers but also from new potential customers.”

Nick Orlando, Martinrea’s President and Chief Financial Officer, stated: “The Company’s financial performance was very good in the second quarter of 2007. Our financial position remains strong and our cash flow is solid. We have paid down significant debt in 2007 to date, despite our acquisitions, our capital spending and our tooling programs. Our financial strength and conservative balance sheet is, I believe, a competitive advantage in a time of economic uncertainty, which extends to the credit markets and interest rates. In the third quarter of 2007 the Company estimates that revenues will range from \$450 million to \$480 million reflecting primarily lower revenue from the traditional July shutdown period. Earnings per share for the third quarter of 2007 will range from \$0.22 to \$0.24 per share on a basic and fully diluted basis. This again reflects the traditional softness in third quarter production. At the same time, our third quarter is shaping up to be a record third quarter for us. The Company’s integration and profit improvement plans continue and net earnings are expected to continue improving over time. The TKB facilities purchased on December 1, 2006 were accretive to net earnings in the first half of 2007 and will be accretive to net earnings in the second half of 2007.”

Rob Wildeboer, Martinrea’s Executive Chairman, stated: “Martinrea continues to strive towards our objective to be the best automotive parts supplier in the world in what we do. Our entrepreneurial and decentralized approach remains the foundation of our company, and we constantly encourage our people, whether it be on working together on a particular program, training, or visiting our plants to share our experiences and our philosophy. We pride ourselves on being the best we can be--more efficient, more focused, more lean, more creative, more nimble and responsive, more productive, and so on--to be better than our competitors and to service our customers. Our industry has been extremely challenging, and we do not see that changing. We have to be as competitive as we can be to have success and to provide security and opportunity for our people. And, if we can do that, there will continue to be many opportunities for Martinrea, to quote business, for takeover work, or to acquire assets or businesses, and we intend to take advantage of as many as are prudent and profitable for us. We are poised to do so, as we have done in the past.”

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

This press release contains forward-looking statements based on assumptions, uncertainties and management’s best estimates of future events. When used herein, words such as “intend” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on assumptions by and information available to the Company. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include such risks and factors as are detailed from time to time in the Company’s periodic reports filed with the Ontario

Securities Commission and other regulatory authorities. Actual results may differ materially from those currently anticipated. The Company has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

A conference call to discuss those results will be held on Friday August 3, 2007 at 8:00 a.m. (Toronto time) which can be accessed by dialing **(416) 340-2216** or toll free **(866) 898-9626**. Please call 10 minutes prior to the start of the conference call.

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

There will also be a rebroadcast of the call available by dialing **(416) 695-5800** or toll free number **(800) 408-3053** (conference id – **3230620#**). The rebroadcast will be available until Friday August 17, 2007.

For further information please contact:

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MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the Quarter ended June 30, 2007

The following management discussion and analysis (“MD&A”) was prepared as of August 2, 2007 and should be read in conjunction with the Company’s unaudited consolidated financial statements for the quarter ended June 30, 2007 and the annual audited consolidated financial statements of the Company for the year ended December 31, 2006. 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.

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 approximately 7,200 skilled and motivated people in 32 plants in Canada, the United States, Mexico, and the United Kingdom. The Company completed two acquisitions in 2006, namely the acquisition of the assets of Depco International Inc. (now Rollstar Metal Forming or “Rollstar”) on May 12, 2006 and the North American automotive body and chassis operations of ThyssenKrupp Budd Company (“TKB”) on December 1, 2006 and the financial position and results from those acquisitions have been included in the Company’s financial statements from the relevant acquisition dates. Year over year and quarter over quarter comparisons are not directly comparable.

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 and growing profitability of the Company.

Results of Operations

REVENUE

<i>3 months ended</i>	June 30, 2007	June 30, 2006	Change	% Change
Revenue	537,924	204,318	+333,606	+163.3%

Revenue for the second quarter of 2007 of \$537.9 million has increased as compared to \$204.3 million for the second quarter of 2006 primarily due to the inclusion of revenues from the acquisition of the TKB facilities, the acquisition of Rollstar, the launch of new organic programs such as the new GMT900 pick-up truck that were launched during the fourth quarter of 2006, takeover programs and an increase in tooling revenues of \$16 million. Revenue decreased by \$1.8 million in the second quarter of 2007 as compared to the second quarter of 2006 due to the change in the exchange rate

between the Canadian dollar versus the U.S. dollar. Revenue in the second quarter of 2007 as compared to the second quarter of 2006 was impacted by customer pricing pressure that continues to be a normal part of the North American automotive parts industry. Production revenues are expected to continue to rise as new programs mature and launches are completed.

Revenue for the second quarter of 2007 was \$537.9 million as compared to \$525.8 million for the first quarter of 2007. The growth in revenue in the second quarter of 2007 as compared to first quarter of 2007 was reduced by approximately \$19 million of foreign exchange impact as a result of a 7.6 % appreciation of the Canadian dollar versus the U.S. dollar. The increase in revenues in the second quarter of 2007 as compared to first quarter of 2007 was primarily due to increased production volumes on most customer platforms. The most significant increases occurred on the GMT 900 program and Ford F series super duty trucks. Tooling revenues in the second quarter of 2007 were approximately the same as in the first quarter of 2007.

GROSS MARGIN

<i>3 months ended</i>	June 30, 2007	June 30, 2006	Change	% Change
Gross margin	69,176	38,651	+30,525	+79.0%
% of sales	12.9%	18.9%		

Gross margin percentage for the second quarter of 2007 has decreased in comparison to the second quarter of 2006 primarily due to the inclusion of the TKB facilities acquired on December 1, 2006. The TKB facilities acquired have gross margins that are below those of the facilities owned by the Company before the acquisition date. The Company anticipates an improvement in the gross margin as the newly acquired plants implement operational improvements such as the in-sourcing of metal stampings currently being purchased from third parties, the right sizing of operations and the award of new work to fill available capacity. The Company will continue its efficiency programs in all facilities as it continually tries to offset the price reductions granted to customers and increasing operational costs through cost reductions in the Company's manufacturing processes and materials purchased.

Gross margin percentage of 12.9% for the second quarter of 2007 is higher than the 11.8% gross margin percentage in the first quarter of 2007 primarily due to an increase in customer production volumes, implementation of operational improvements and the in-sourcing of metal stampings.

SELLING, GENERAL & ADMINISTRATIVE

<i>3 months ended</i>	June 30, 2007	June 30, 2006	Change	% Change
Selling, general & administrative	25,580	12,901	+12,679	+ 98.3%
% of sales	4.8%	6.3%		

Selling, general and administrative expenses for the second quarter of 2007 of \$25.6 million have increased as compared to \$12.9 million in the second quarter of 2006 primarily due to the inclusion of the TKB operations, increases in engineering costs on newly awarded programs and increased management compensation costs. On a percentage basis selling, general and administrative expenses of the Company were 4.8% of revenues in the second quarter of 2007 as compared to 6.3% in the

second quarter of 2006. The Company will continue its review of its selling, general and administrative costs to eliminate non-value added expenses.

Selling, general and administrative expenses for the second quarter of 2007 of \$25.6 million were lower than the expense incurred of \$26.2 million in the first quarter of 2007 mainly due to the foreign exchange impact attributable to the strengthening of the Canadian dollar versus the U.S. dollar.

AMORTIZATION

<i>3 months ended</i>	June 30, 2007	June 30, 2006	Change	% Change
Amortization	11,797	10,122	+ 1,675	+ 16.5%

Amortization expense for the second quarter of 2007 is higher than the second quarter of 2006 due to the amortization of capital assets previously purchased that are now production ready, amortization of Rollstar and TKB assets, and the write-down of approximately \$1.3 million in capital assets. The write-down of capital assets relates primarily to impairment charges on idle assets. As such, the Company determined that an impairment charge was appropriate for the related assets. The impairment charges were determined by comparing the carrying amount of the impaired assets to their fair value. The fair value of the impaired capital assets was determined by reference to market prices or an analysis of future cash flows. In the absence of the impairment charge, amortization expense would have been \$10.5 million for the quarter ended June 30, 2007.

Amortization expense for the second quarter of 2007 is lower than the first quarter of 2007 of \$13.0 million primarily because the first quarter of 2007 amortization included a one time impairment expense of \$2.6 million as compared to \$1.3 million recorded in second quarter of 2007, each related to plant rationalization.

NET EARNINGS

<i>3 months ended</i>	June 30, 2007	June 30, 2006	Change	% Change
Net earnings	19,518	11,915	+7,603	+ 63.8 %
Earnings per common share				
Basic	0.30	0.20	0.10	
Diluted	0.30	0.19	0.11	

Net earnings in the second quarter of 2007 increased to \$19.5 million as compared to \$11.9 million in the second quarter of 2006. The earnings per share for the second quarter of 2007 was \$0.30 on a basic and fully diluted basis as compared to earnings per share in the second quarter of 2006 of \$0.20 on a basic and \$0.19 on a fully diluted basis. The increase in net earnings and earnings per share is primarily attributable to the net earnings accretion arising from the acquisition of the TKB and Rollstar operations, the launch of incremental business and continuing operational improvements. The foreign exchange impact on net earnings resulting from the appreciation of the Canadian dollar versus the U.S. dollar was not significant. The loss resulting from the translation of U.S. dollar denominated profits was offset by gains in the Company's Canadian divisions that purchase raw material in U.S. dollars. The Company realized a foreign exchange loss of \$1.7 million in Canada primarily in regards to the revaluation of U.S. dollar denominated working capital. The Company will continue to manage foreign currency exposures to minimize the impact of foreign exchange fluctuations.

Net earnings in the second quarter of 2007 include a gain on the disposition of the land and building in the amount of \$1.3 million and the Company recorded capital impairment charges of \$1.3 million on idle assets at one division (as discussed in the “Amortization” section above).

Net earnings in the second quarter of 2007 were \$19.5 million and earnings per share was \$0.30 on a basic and fully diluted basis as compared to net earnings of \$14.7 million for the first quarter of 2007 and earnings per share of \$0.23 on a basic and fully diluted basis. The improvement in the second quarter of 2007 as compared to the first quarter of 2007 is primarily due to higher customer production volumes and continuing efforts made by the Company to improve operational efficiencies.

CAPITAL EXPENDITURES

Capital expenditures in the second quarter of 2007 totaled \$28.8 million as compared to \$18.2 million for the second quarter of 2006. The capital expenditures in the second quarter of 2007 are attributable to program capital and the purchase of equipment for new stamping facilities being established by the Company in Tupelo, Mississippi and Hermosillo, Mexico.

Selected Quarterly Information

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

	Jun 30-07	Mar 31-07	Dec 31-06	Sep 30-06	Jun 30-06	Mar 31-06	Dec 30-05	Sep 30-05
Sales	\$537,924	\$525,776	\$299,380	\$174,120	\$204,318	\$193,688	\$185,224	\$161,408
Gross margin	69,176	61,956	40,618	31,320	38,651	36,194	32,126	27,004
Selling, general and administrative	25,580	26,191	20,765	11,738	12,901	11,972	13,812	10,879
Amortization	11,797	12,994	7,934	10,676	10,122	7,157	8,321	7,198
Interest	2,484	3,487	2,359	611	567	1,068	1,053	1,713
Net earnings	19,518	14,658	8,657	7,517	11,915	10,197	4,450	4,558
Earnings per share								
Basic	0.30	0.23	0.13	0.12	0.20	0.18	0.08	0.08
Diluted	0.30	0.23	0.13	0.12	0.19	0.18	0.07	0.08
Weighted average number of common shares outstanding								
Basic	64,026,466	62,521,484	62,333,377	61,303,351	59,586,208	55,293,351	55,290,392	55,290,351
Diluted	65,967,940	65,128,442	64,273,688	64,003,355	62,384,835	57,966,040	57,840,841	57,887,808

Liquidity and Capital Resources

The Company's financial condition remains strong given the continuing profitability of its operations and its prospects for growth and new program launches.

On November 29, 2006, the Company amended its lending arrangements to provide the Company with a \$172 million term facility and a \$100 million revolving facility. The term to maturity of the facility is five years. The Company used the proceeds to purchase the TKB assets and repay the outstanding loan balance of its previous loan agreement.

The Company had cash of approximately \$6.0 million at June 30, 2007. Cash has decreased from \$63.5 million at December 31, 2006 primarily due to the increased level of customer production volumes requiring additional working capital, purchases of capital assets, funding of tooling programs and repayment requirements on long-term debt. The Company has not drawn any amount under the \$100 million revolving banking facility discussed above.

Long-term debt has decreased from \$221.6 million at December 31, 2006 to \$207.6 million at June 30, 2007. The decrease is due to the two quarterly repayments under the new long-term debt facility and continuing payments on other loans. Effective January 1, 2007 the Company had a change in accounting policy which required that deferred financing fees related to the long-term debt previously reported as other long-term assets be reclassified and netted against the long-term debt with which the balance relates to. The deferred financing fees are expensed to interest expense using a straight-line method over the five year term of the debt agreement.

The Company is a guarantor under certain tooling finance programs negotiated in 2004 that provide direct financing for tooling on specific programs. The tool finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At June 30, 2007, the amount of program financing was \$19.1 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 June 30, 2007, with shareholders' equity of \$592.6 million, as compared to \$570.3 million as at December 31, 2006. The Company's working capital of \$194.6 million together with internally generated cash flow and existing financing facilities should be sufficient to cover anticipated working capital needs. As at June 30, 2007, Martinrea's ratio of current assets to current liabilities was 1.5:1 as compared to 1.4:1 at December 31, 2006. The improvement in the working capital ratio is a result of the continuing profitability of the Company.

As a result of growth and ongoing expansion programs, the Company anticipates capital expenditures of approximately \$70 million for all of fiscal year 2007. All capital expenditures will be financed by cash flow from operations, utilization of existing financing facilities and asset backed financing.

Acquisitions

ThyssenKrupp Budd

On December 1, 2006, the Company purchased the North American automotive body and chassis operations of TKB. The price for the transaction negotiated by the parties was approximately US\$275 million, comprised of a cash payment and the balance in assumed liabilities. The closing date cash payment of US\$121 million included the agreed-upon US\$95 million cash payment plus payment of an additional US\$26 million for preliminary closing adjustments and working capital (including cash on hand of the acquired operations). The cash portion of the transaction was funded from Martinrea's credit facilities. In March 2007, the working capital adjustments (including cash on hand of the acquired operations) were finalized, and the cash payment in connection with the TKB acquisition was adjusted to US\$103 million.

The liabilities recorded by the Company on December 1, 2006 from the TKB transaction and included in the Company's financial statements for the year ending December 31, 2006 were reduced from the assumed liabilities as negotiated by the parties of US\$180 million as disclosed by the Company on December 1, 2006 to US\$74 million. The reduction in the liability recognized for financial statement purposes by the Company is a result of the Company's negotiations with Company employees that reduced post retirement benefits in one facility in the United States, additional reductions in post retirement employee liabilities resulting from the fair value calculation of the post retirement employee liabilities at December 1, 2006 in accordance with Canadian accounting standards and the application of accounting pronouncement EIC-114 (Liability Recognition for Costs Incurred on Purchase Business Combinations) to anticipated costs related to potential exiting activities that have not been recognized as a liability assumed in the purchase business combination at December 31, 2006. The current plan formulated by management for exit activities is subject to change and finalization of the plan is dependent on future events which were not determinable with certainty at December 31, 2006. Additionally, the final decision on exit activities will likely not be made and announced within the time constraint specified in EIC-114 which requests that the finalization of a plan of termination and the communication of the termination arrangement cannot occur beyond one year from the consummation date of the acquisition which would be December 1, 2007.

The North American body and chassis operations acquired by Martinrea specialize in a wide variety of metal forming activities, including Class A body stamping, metallic welded assemblies, hot metal stampings, automotive sheet metal stamping and the module assembly of a wide variety of chassis component parts. The acquired operations cover 13 plants throughout North America, with over 3,500 employees, as well as a technical centre in Michigan. The four largest customers of the acquired business are DaimlerChrysler, Ford, General Motors and Nissan, each with over 10% of the revenues generated.

The acquired assets included a large Class A body stamping facility in Shelbyville, Kentucky, which produces sheet metal automotive body stampings and assemblies, such as doors and fenders, in a facility approximating one million square feet. This became Martinrea's first Class A facility (now called Martinrea Heavy Stampings). A 200,000 square foot facility in Hopkinsville, Kentucky (now called Martinrea Hopkinsville) produces chassis frame modules, components and suspension assemblies. A facility in Hermosillo, Mexico, located near Martinrea's existing fuel tank plant,

assembles chassis products such as engine cradles. Included in the asset package were six plants formerly operated by ThyssenKrupp Fabco (now Martinrea Fabco), which produce medium and heavy metal stampings, weldments and major tubular fabrications, in the southern state locations of Springfield, Tennessee and Tupelo, Mississippi, thus giving Martinrea a metal manufacturing base in the southern United States as well as in the midwest and northern states; as well as Fabco plants in Michigan and three locations in southern Ontario. A facility in Kitchener, Ontario, builds full sized chassis frames and frame components, bumpers and bumper reinforcements (now called Kitchener Frame). The purchased assets also included the systems assembly facilities of Thyssenkrupp Budd Systems (now called Martinrea Automotive Systems), that will allow Martinrea to become an integrator of customer modules including rear suspension modules for cars and sport utility vehicles in locations in the United States, Canada and Mexico. Since the acquisition, all of the facilities have been renamed.

This acquisition made the Company a significantly larger player in the North American metal forming market, with sales putting it in the group of the four or five largest suppliers in this area, along with Magna (Cosma), Tower Automotive and Dana Corporation. The acquisition expanded Martinrea's customer base in the metal forming area, with Nissan becoming a significant customer for the Company, and the Company's General Motors, DaimlerChrysler and Ford metallic business was expanded. Martinrea expanded its manufacturing footprint in new regions, especially the southern United States, where there are many metal forming opportunities to service the OEMs who have established assembly plants there. After closing Martinrea became a more fully ranged metal forming supplier, with Class A ability, hot stamping technology and operations that are currently in great demand by OEMs, as well as additional metal stamping, a wider base of welded assemblies, hydroforming in the United States, the engineering capability to manufacture entire truck frames, and module assembly facilities that complement Martinrea's broad existing capabilities.

The financial position and results of TKB have been included in the Company's financial statements commencing December 1, 2006.

Depco International Inc.

On May 12, 2006, the Company completed the acquisition of the assets of Depco International Inc. Martinrea purchased Depco's manufacturing equipment for approximately \$4.4 million, working capital of \$13.0 million and customer contracts of \$3.0 million. The asset purchase was funded through the payment of approximately \$20 million in cash. Depco was a leading manufacturer of roll formed metal products that incorporate injection molded plastic to produce finished exterior products, and interior trim products and assemblies. The company had successfully been in business for over four decades, and had a recognized name and a good reputation for high quality product and services. Depco was a Tier One supplier, primarily to General Motors and DaimlerChrysler, with an outstanding reputation for quality. Depco's facility was located in Brampton and has achieved all required quality standards, and a superior quality assurance record. Martinrea renamed the business Rollstar Metal Forming.

The financial position and results of Depco International Inc. have been included in the Company's financial statements commencing May 12, 2006.

Risks and Uncertainties

The Company is exposed to a number of risks and uncertainties that could impact future results. The nature of the Company's business, especially in the automotive sector, means that it is affected by general economic conditions and competitive factors, both domestic and from foreign sources. The Company operates in a capital intensive business environment and therefore needs to be financially able to purchase new equipment and technology on a timely basis. The Company has a strong balance sheet and, to ensure future tooling and capital requirements are satisfied, the Company has negotiated capital equipment financing facilities to supplement cash flow generation from Company operations.

The automotive industry is currently an extremely challenging business characterized by rapid technological change, frequent new product introductions, customer pricing pressures, and supplier insolvencies. 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.

The Company has acquired and anticipates that it may continue to acquire complementary businesses, assets, technologies, services or products. In 2006, the Company completed two acquisitions, Rollstar and the TKB assets. The completion of such transactions poses additional risks to the Company's business. The benefit to the Company of these acquisitions is highly dependent on the Company's ability to integrate the acquired businesses and their technologies, employees and products. Any failure to successfully integrate businesses or failure of the businesses to benefit the Company could have a material adverse effect on the Company's business and results of operations. Such transactions may also result in additional dilution to the Company's shareholders or increased debt.

The success of the Company is also dependent on a variety of risk factors, which could materially and adversely affect Martinrea's future operating results, including, but not limited to:

- the dependence upon a few large customers such that cancellation of a significant order or a loss or insolvency of a major customer would reduce the Company's revenues and/or profits;
- a potential work disruption at one or more of the Company's customers resulting from labour stoppages at or insolvencies of key suppliers to such customers could have a significant impact on the Company's revenues and/or profits;
- the high level of competition in the industry, and the fact that some of Martinrea's competitors have significant financial or other resources;
- the cyclical nature of the automotive industry and other risks inherent to the automotive industry;
- the pressure to absorb additional costs from the customer and the pressure of price reduction programs typical in the automotive industry, which have become increasingly intense over the past several years, together with the fact that 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;

- production volumes on vehicle platforms may vary to reflect consumer demand, and the Company's revenues per platform are highly dependent on such platform volumes;
- the dependence of the Company's success 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;
- risks relating to product warranty, recall and liability;
- uncertainty of financing a capital intensive business should the Company seek additional equity or debt financing;
- changes in the regulatory environment;
- ongoing health and labour relations issues;
- financial obligations relating to pension plans and post-employment benefits, and financial obligations imposed by potential under-funding of pension plans;
- currency and interest rate risks; and
- increases in the price of raw materials upon which the Company is directly or indirectly dependent, including electricity, oil and steel, although most of the Company's steel requirements are purchased from its original equipment manufacturing customers, thus reducing the direct exposure to steel prices.

For a more detailed discussion of some of these factors, and a broader description of the Company's business, reference is made to the disclosure regarding Martinrea's operations and the risks and uncertainties facing the Company set forth in the Company's Annual Information Form and other public filings which can be found at www.SEDAR.com.

Disclosure of Outstanding Share Data

As at August 2, 2007 the Company had 65,146,018 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at August 2, 2007, options to acquire 3,273,833 common shares were outstanding.

Related Parties

A director of the Company is also a director and officer of a Company which purchased \$1.5 million of products from the Company for the quarter ended June 30, 2007 (2006 - \$0.4 million). These sales were in the normal course of business and were at fair market value.

Critical Accounting Estimates

The Company's discussion and analysis of its results of operations and financial position is based upon the consolidated financial statements, which have been prepared in accordance with Canadian GAAP. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues 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 carrying value of assets and liabilities. On an ongoing basis, management evaluates these estimates. However, actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements of the Company. Management has discussed the development and selection of the following critical accounting policies with the Audit Committee of the Board of Directors and the Audit Committee has reviewed its disclosure relating to critical accounting policies in this MD&A.

Revenue Recognition on Separately Priced Tooling Contracts

Revenues from tooling contracts are 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 (customer acceptance) date. Under such contracts, the related receivables could be paid in full upon completion of the contract, or in installments.

Revenues and cost of sales from tooling contracts are presented on a gross basis in the consolidated statements of income.

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, in which case the costs are capitalized.

Impairment of Goodwill, Intangibles and Other Long-lived Assets

Goodwill and 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 a reporting unit or indefinite life intangible below its carrying value.

Management evaluates fixed assets 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 fixed 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 reported value of the asset.

Management believes that accounting estimates related to goodwill, 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, insourcing 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.

Future Income Taxes

At June 30, 2007, 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 \$13.5 million.

Future tax assets in respect of loss carry forwards relate primarily to the Company’s Canadian and European operations. 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 factors used to assess the likelihood of realization are a 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.

At June 30, 2007, the Company had gross income tax loss carry forwards of approximately \$51.5 million, of which \$47.4 million expire between 2009 and 2026 and the remainder have no expiry date. In addition, approximately \$39.3 million, of the \$51.5 million loss carry forwards above, relates primarily to operations in Europe, the tax benefits of which have not been recognized in the Company’s consolidated financial statements.

At June 30, 2007, the Company had net capital loss carry-forwards of approximately \$4.4 million which have no expiry date.

Stock-based Compensation

The Black-Scholes option valuation model is used by the Company to determine fair values of options granted. 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.

Employee Future Benefits

Due to the acquisition of TKB, 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 10 and 11 to the Company's 2006 consolidated annual financial statements, 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. 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.

Changes in Accounting Policy

Financial instruments, comprehensive income, hedges

In January 2005, the CICA issued Handbook Section 1530, Comprehensive Income ("Section 1530"), Handbook Section 3855, Financial Instruments - Recognition and Measurement ("Section 3855"), and Handbook Section 3865, Hedges ("Section 3865"). Section 1530 requires the financial statements to present certain gains and losses outside net income in a new component of shareholders' equity entitled Comprehensive Income. Section 3855 establishes standards for the recognition and measurement of all financial instruments, provides character-based definition of a derivative, provides criteria to be used to determine when a financial instrument should be recognized and provides criteria to be used to determine when a financial liability is considered to be extinguished. Section 3865 established standards for when and how hedge accounting may be applied. The use of hedge accounting is optional. These standards are effective beginning January 1, 2007.

Recently Issued Pronouncements

Accounting changes

In July 2006, the CICA revised Handbook Section 1506, Accounting Changes, which requires that voluntary changes in accounting policy are made only if they result in the financial statements providing more reliable and more relevant information and that material prior period errors are corrected

retrospectively. The Section applies to interim and annual financial statements commencing January 1, 2007. The adoption of this section is not expected to have a material impact on the consolidated financial statements.

Financial instruments - disclosure and presentation

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, which together replace Section 3861, Financial Instruments - Disclosures and Presentation. These new standards carry forward unchanged the presentation requirements and revise and enhance the disclosure requirements, such as specific disclosures to be made when an entity defaults or breaches a loan agreement. The new sections are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, with earlier adoption encouraged.

Capital disclosures

The CICA issued Handbook Section 1535, Capital Disclosures, which provides standards for disclosures regarding a company's capital and how it is managed. Enhanced disclosure with respect to the objectives, policies and processes for managing capital and quantitative disclosures about what a company regards as capital are required. These recommendations are effective for fiscal years beginning on or after October 1, 2007 and, therefore, the Company will be required to implement these standards on January 1, 2008. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

Stock-based compensation for employees eligible to retire before the vesting date

Emerging Issues Committee Abstract 162, Stock-based Compensation for Employees Eligible to Retire Before the Vesting Date ("EIC-162") addresses how compensation cost should be accounted for in the case of a stock-based award that contains provisions that allow for the option to continue vesting in accordance with the stated vesting terms after the employee has retired from the entity when the grantee is an employee who is eligible to retire during the vesting period. EIC 162 requires the reporting enterprise to consider the substantive vesting period rather than the stated vesting terms. The abstract is to be retrospectively applied, with restatement of prior periods, to all stock-based compensation awards accounted for in accordance with CICA Handbook Section 3870 in financial statements issued for interim and annual periods on or after December 31, 2006. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

Outlook

The automotive industry is an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers, declining profits and/or losses at North American OEMs, 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 Company believes that the long term outlook of the automotive industry overall is mixed with some good prospects. There are many challenges, but opportunities will exist for innovative and cost effective suppliers who build great products. Growth at the supplier level will occur as OEMs reduce the number of Tier 1 suppliers, continue to outsource product, and provide opportunities for new work and takeover business. Given the Company's stage of its growth, an industry slow-down or consolidation can still 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, an ability enhanced by recent acquisitions. 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. The Company will continue to pursue its strategies in 2007 and beyond with a view to increasing revenues and profits.

Forward-Looking Information

In various places in Management's Discussion and Analysis and in other sections of this document, management's expectations regarding future performance of Martinrea was discussed. These "forward-looking" statements are based on currently available competitive, financial and economic data and operating plans but are subject to risks and uncertainties. Forward-looking statements include information concerning possible or assumed future results of operations or financial position of Martinrea, as well as statements preceded by, followed by, or that include the words "believes", "expects", "anticipates", "estimates", "projects", "intends", "should" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of Martinrea and could cause those results to differ materially from those expressed in any forward looking statements.

MARTINREA INTERNATIONAL INC.
Interim Consolidated Balance Sheets

As at June 30, 2007 (unaudited) with comparative figures for December 31, 2006
(in thousands of dollars)

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,965	\$ 63,496
Accounts receivable	361,820	328,571
Other receivables	22,470	16,673
Income taxes recoverable	-	-
Inventories (note 3)	169,259	181,689
Prepaid expenses and deposits	9,195	8,083
	<u>568,709</u>	<u>598,512</u>
Future income tax assets	41,213	42,325
Investment (note 4)	-	1,540
Capital assets (note 5)	369,314	371,843
Goodwill	230,558	230,558
Intangible assets (note 6)	26,930	29,333
Note receivable (note 7)	143,177	154,508
	<u>\$ 1,379,901</u>	<u>\$ 1,428,619</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 327,503	\$ 364,214
Income taxes payable	9,436	11,332
Future income tax liabilities	7,868	9,842
Current portion of long-term debt (note 8)	29,350	29,263
	<u>374,157</u>	<u>414,651</u>
Long-term debt (note 8)	178,201	192,379
Pension & other post-retirement benefits	213,798	233,965
Future income tax liabilities	19,871	16,063
Non-controlling interest	1,314	1,228
Shareholders' equity:		
Share capital (note 9)	502,740	493,358
Notes receivable for share capital (note 9)	(2,700)	(6,750)
Contributed Surplus (note 10)	26,273	25,632
Accumulated other comprehensive income (note 11)	(38,518)	-
Cumulative translation adjustment	-	(12,496)
Retained earnings	104,765	70,589
	<u>592,560</u>	<u>570,333</u>
Guarantees (note 14)		
	<u>\$ 1,379,901</u>	<u>\$ 1,428,619</u>

On behalf of the Board:

"Fred Jaekel" Director
"Robert Wildeboer" Director

MARTINREA INTERNATIONAL INC.
Interim Consolidated Statements of Earnings and Retained Earnings

Three and six months ended June 30, 2007 and 2006 (unaudited)
(In thousands of dollars - except per share amounts)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Sales	\$ 537,924	\$ 204,318	\$ 1,063,700	\$ 398,006
Cost of sales	468,748	165,667	932,568	323,161
Gross profit	69,176	38,651	131,132	74,845
Expenses:				
Selling, general and administrative	25,580	12,901	51,771	24,873
Foreign exchange	1,726	7	2,334	(83)
Amortization - capital assets (note 5)	10,710	9,220	22,578	15,511
Amortization - intangible assets (note 6)	1,087	902	2,213	1,768
Interest on long term debt	3,048	816	6,909	1,735
Other interest expense (income), net	(564)	(249)	(938)	(100)
(Gain) loss on disposal of capital assets	(1,253)	41	(1,436)	8
Gain on sale of investment in Hy-Drive Technologies Ltd.	-	(2,896)	(2,205)	(2,896)
	40,334	20,742	81,226	40,816
Earnings before income taxes and non-controlling interest	28,842	17,909	49,906	34,029
Income taxes				
Current	8,076	5,088	12,697	10,980
Future	1,205	840	2,946	807
	9,281	5,928	15,643	11,787
Earnings before non-controlling interest	19,561	11,981	34,263	22,242
Non-controlling interest	43	66	87	130
Net earnings	\$ 19,518	\$ 11,915	\$ 34,176	\$ 22,112
Retained earnings, beginning of period	85,247	42,500	70,589	32,303
Retained earnings, end of period	\$ 104,765	\$ 54,415	\$ 104,765	\$ 54,415
Earnings per common share (note 12)				
Basic	\$ 0.30	\$ 0.20	\$ 0.53	\$ 0.38
Diluted	\$ 0.30	\$ 0.19	\$ 0.52	\$ 0.37

MARTINREA INTERNATIONAL INC.

Consolidated Statements of Changes in Shareholders' Equity

Six months ended June 30, 2007 (unaudited)
(in thousands of dollars)

	Share capital	Notes receivable for share capital	Contributed Surplus	Accumulated other comprehensive income	Cumulative Translation Adjustment	Retained Earnings	Total
Balance, December 31, 2006	\$ 493,358	\$ (6,750)	\$ 25,632	\$ -	\$ (12,496)	\$ 70,589	\$ 570,333
Exercise of employee options	9,382	-	-	-	-	-	9,382
Compensation expense related to options	-	-	641	-	-	-	641
Change in accounting policies (note 1, 11)	-	-	-	(10,580)	12,496	-	1,916
Repayment of note receivable for share capital	-	4,050	-	-	-	-	4,050
Comprehensive income							
Net earnings	-	-	-	-	-	34,176	34,176
Other comprehensive income							
Unrealized loss on translation of financial statements of self-sustaining foreign operations	-	-	-	(26,022)	-	-	(26,022)
Unrealized loss up to the date of disposal on assets- available-for-sale, net of income tax of \$18	-	-	-	(87)	-	-	(87)
Reclassification adjustment for gains on assets- available-for-sale transferred to net earnings in the current period, net of income tax of \$376	-	-	-	(1,829)	-	-	(1,829)
Total comprehensive income	-	-	-	(27,938)	-	34,176	6,238
Balance, June 30, 2007	\$ 502,740	\$ (2,700)	\$ 26,273	\$ (38,518)	\$ -	\$ 104,765	\$ 592,560

See accompanying notes to consolidated financial statements.

MARTINREA INTERNATIONAL INC.
Interim Consolidated Statements of Cash Flows

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Cash provided by (used in):				
Operating activities:				
Net earnings	\$ 19,518	\$ 11,915	\$ 34,176	\$ 22,112
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:				
Amortization - capital assets (note 5)	10,710	9,220	22,578	15,511
Amortization - intangible assets (note 6)	1,087	902	2,213	1,768
Future income taxes	1,205	(265)	2,946	(298)
Non-controlling interest	43	66	87	130
(Gain) loss on disposal of capital assets	(1,253)	41	(1,436)	8
Gain on sale of investment in Hy-Drive Technologies Ltd.	-	(2,896)	(2,205)	(2,896)
Stock-based compensation	596	58	641	108
Pension & other post employment benefits	2,018	-	4,578	-
Cash contribution made to pension and other post employment benefits	(8,974)	-	(13,414)	-
Other	107	-	214	-
	25,057	19,041	50,378	36,443
Changes in non-cash working capital items:				
Accounts receivable	(24,989)	(1,238)	(33,249)	(14,899)
Other receivables	(503)	(1,376)	(5,797)	(2,372)
Income taxes	(2,492)	464	(1,896)	5,682
Inventories	10,876	(3,390)	12,430	(13,427)
Prepaid expenses and deposits	(2,203)	1,035	(1,112)	(320)
Accounts payable and accrued liabilities	(21,726)	(5,613)	(36,711)	4,148
	(15,980)	8,923	(15,957)	15,255
Financing activities:				
Exercise of warrants and employee options	9,372	-	9,382	-
Issue of share capital (net of share issuance costs)	-	52,395	-	52,395
Repayment of note receivable for share capital	4,050	-	4,050	-
Increase in long-term debt	542	5,441	542	6,000
Repayment of long-term debt	(6,818)	(3,264)	(13,665)	(10,564)
Decrease in bank indebtedness	-	(5,765)	-	-
	7,146	48,807	309	47,831
Investing activities:				
Acquisition of Corydon Manufacturing LLC	-	-	-	-
Acquisition of Depco International Inc. (net of cash acquired)	-	(20,239)	-	(20,239)
Investment in Hy-Drive Technologies Ltd.	-	(1,780)	-	(1,780)
Purchase of capital assets	(28,787)	(18,226)	(42,727)	(26,192)
Proceeds on disposal of capital assets	2,737	102	2,992	148
Proceeds on disposal of investment in Hy-Drive Technologies Ltd.	-	3,731	3,745	3,731
	(26,050)	(36,412)	(35,990)	(44,332)
Effect of exchange rate changes on cash and cash equivalents	(4,795)	(1,582)	(5,893)	(1,077)
Increase (decrease) in cash and cash equivalents	(39,679)	19,736	(57,531)	17,677
Cash and cash equivalents, beginning of period	45,644	-	63,496	2,059
Cash and cash equivalents, end of period	\$ 5,965	\$ 19,736	\$ 5,965	\$ 19,736
Supplemental cash flow information:				
Cash paid for interest, net	\$ 2,086	\$ 685	\$ 5,572	\$ 1,703
Cash paid for income taxes, net	\$ 10,473	\$ 4,737	\$ 15,051	\$ 5,209

MARTINREA INTERNATIONAL INC.

Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 1: Significant accounting policies

(a) Basis of presentation:

Not all disclosures required by generally accepted accounting principles for annual financial statements are presented and, accordingly, the interim financial statements should be read in conjunction with the most recent annual financial statements. The interim financial statements follow the same accounting policies and methods of their application as presented in the December 31, 2006 annual financial statements, except for changes in (b) noted below.

(b) Change in accounting policies:

Changes in accounting policies have been made in accordance with the transitional provisions as set out in the respective Handbook Sections.

(i) Financial instruments - recognition and measurement and disclosure and presentation:

On January 1, 2007, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation. They establish standards for the recognition and measurement and disclosure and presentation of all financial instruments, provide character-based definition of a derivative, provide criteria to be used to determine when a financial instrument should be recognized and provide criteria to be used to determine when a financial liability is considered to be extinguished. Financial assets available-for-sale, assets and liabilities held-for-trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value.

The Company has made the following classifications:

Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodic revaluations are recorded in net income.

Other than temporary investments will be classified as either financial assets held-to-maturity and will be measured at cost or as available-for-sale and will thus be marked-to-market through comprehensive income at each period end.

Accounts receivables and other receivables are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and long-term debt are classified as other liabilities and are measured at amortized cost using the effective interest rate method.

The adoption of this Section is done prospectively without restatement of the consolidated financial statements of prior periods. As a result of the adoption of these standards, the Company has made the following changes:

The investment in Hy-Drive was classified as an available-for-sale financial asset and is measured at fair market value. Previously, this investment was recorded at the lower of cost and fair market value. On January 1, 2007, the impact of \$1,916 (net of tax) on these changes in accounting policies is included in the opening balance of accumulated other comprehensive income.

Deferred financing costs of \$2,098 at December 31, 2006, that were previously reported in other long-term assets, are now reclassified and netted against the carrying value of the related debt and amortized into interest expense. Prior to the adoption of the new standards, the amortization of deferred financing costs was reported in selling, general and administrative costs in the consolidated statement of earnings. The Company's policy is to capitalize such costs and amortize them over the life of the underlying contract. Amortization has been calculated on a straight-line basis over the term of the debt.

The impact on the consolidated balance sheet of measuring derivatives at fair market value as at January 1, 2007, was nil. The Company utilizes forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates. The Company has not met the requirements under Section 3865, Hedges, on its forward contracts; they have been marked-to-market and therefore have no impact on the implementation of this Section.

(ii) Comprehensive income:

On January 1, 2007, the Company adopted Section 1530 of the CICA Handbook, Comprehensive Income. It describes reporting and disclosure recommendations with respect to comprehensive income and its components. Comprehensive income is the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments.

MARTINREA INTERNATIONAL INC.
Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 1: Significant accounting policies (continued)

The adoption of this Section allows the Company to present a consolidated statement of shareholders' equity as a part of the consolidated financial statements which includes the components of comprehensive income. The impact to the Company's consolidated balance sheet is that opening Cumulative translation adjustment account of (\$12,496) is included in the opening balance of accumulated other comprehensive income.

(iii) Equity:

On January 1, 2007, the Company adopted Section 3251 of the CICA Handbook, Equity, replacing Section 3250, Surplus. It describes standards for the presentation of equity and changes in equity for reporting period as a result of the application of Section 1530, Comprehensive Income. It also introduces the concept of Accumulated other comprehensive income on the consolidated balance sheet as a separate component of shareholders' equity, and includes unrealized gains or losses on the translation of financial statements of self-sustaining foreign operations and unrealized gains or losses on assets-held-for-sale.

(iv) Hedges:

On January 1, 2007, the Company adopted Section 3865 of the CICA Handbook, Hedges. The recommendations of this Section expand the guidelines required by Accounting Guideline 13 (AcG-13), Hedging Relationships. This Section describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from the derivative financial instruments in the same period as for those related to the hedged item.

There is no impact to the financial statements due to the adoption of this Section. As stated above, all forward foreign exchange contracts have been marked-to-market and any gains and losses have been included in net income.

Note 2: Acquisitions

ThyssenKrupp Budd Company

On December 1, 2006, the Company purchased the automotive body and chassis operations of ThyssenKrupp Budd Company. The purchase price was approximately US \$275,000, comprised of approximately US \$103,000 in cash and the balance in assumed liabilities.

The fair market value of the assets and assumed acquired liabilities is detailed below:

Accounts receivable	\$ 182,236
Inventories	119,595
Prepaid expenses and deposits	2,587
Capital assets	99,311
Customer contracts	5,936
Note receivable (note 7)	155,348
Future income tax assets	17,700
Accounts payable and accrued liabilities	(244,434)
Pension and other post-employment benefits	(234,648)
	103,631

Total consideration was paid as follows:

Cash (net of cash acquired)	\$ 103,631
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The following table details the components of the restructuring charges that were set up in the above balance sheet.

	December 31, 2006	Cash payments	Foreign Exchange	June 30, 2007
Severance	\$ 900	\$ (498)	\$ (50)	\$ 352
Lease and other contract obligations	1,604	(433)	(106)	1,065
Other	1,608	(1,615)	7	-
	\$ 4,112	\$ (2,546)	\$ (149)	\$ 1,417

The restructuring charges are included in the accounts payable and accrued liabilities acquired. The remaining balance in accounts payable and accrued liabilities relates to trade payables and accruals within the ordinary course of business.

The acquisition equation is still preliminary and subject to change within the first twelve months after the acquisition date.

MARTINREA INTERNATIONAL INC.

Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 2: Acquisitions (continued)

Depco International Inc.

On May 12, 2006, the Company purchased the net assets of a metal forming plant in Brampton, Ontario for approximately \$20,400. The purchase price was funded through a combination of asset-based financing and cash.

The fair market value of the assets and liabilities acquired is detailed below:

Cash	\$	112
Accounts receivable		7,479
Other receivables		321
Inventories		6,139
Prepaid expenses and deposits		2,160
Capital assets		4,370
Customer Contracts		3,005
Accounts payable and accrued liabilities		(3,234)
	\$	20,352

Total consideration was paid as follows:

Cash	\$	14,956
Asset-based financing		5,396
	\$	20,352

The acquisition was funded by a portion of the \$52,345 proceeds from the share issuance of 6 million shares done in 2006.

Note 3: Inventories

	June 30, 2007	December 31, 2006
Raw materials	\$ 53,552	\$ 48,252
Work in progress	24,727	27,902
Finished goods	27,680	32,578
Tooling work in progress and other inventory	63,300	72,957
	\$ 169,259	\$ 181,689

Note 4: Investment in Hy-Drive Technologies Ltd. ("Hy-Drive")

In January 2007, the Company sold 900,000 common shares of Hy-Drive for net proceeds of \$3,407, resulting in a net gain of \$2,057. In February 2007, the Company sold its remaining 100,000 common share interest in Hy-Drive for net proceeds of \$338, resulting in a net gain of \$148.

	June 30, 2007	December 31, 2006
Carrying value	\$ -	\$ 1,540
Fair value (fair market value)	-	3,850

Fair value is based on the market price of Hy-Drive common shares at the close of business on the last trading day of the period.

MARTINREA INTERNATIONAL INC.**Notes to Interim Consolidated Financial Statements**

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 5: Capital assets

June 30, 2007	Cost	Accumulated Amortization	Net book Value
Land	\$ 9,238	\$ -	\$ 9,238
Buildings and improvements	59,279	7,846	51,433
Leasehold improvements	15,194	8,217	6,977
Manufacturing and stamping equipment	353,719	155,972	197,747
Tooling and fixtures	24,046	10,630	13,416
Motor and delivery vehicles	2,582	1,305	1,277
Office and computer equipment	19,727	15,365	4,362
Construction-in-progress	83,539	-	83,539
	567,324	199,335	367,989
Assets held for sale	5,675	4,350	1,325
	\$ 572,999	\$ 203,685	\$ 369,314

December 31, 2006	Cost	Accumulated Amortization	Net book Value
Land	\$ 8,799	\$ -	\$ 8,799
Buildings and improvements	61,553	10,723	50,830
Leasehold improvements	15,175	7,476	7,699
Manufacturing and stamping equipment	344,917	145,557	199,360
Tooling and fixtures	17,677	9,407	8,270
Motor and delivery vehicles	1,964	1,194	770
Office and computer equipment	20,345	15,102	5,243
Construction-in-progress	89,503	-	89,503
	559,933	189,459	370,474
Assets held for sale	5,728	4,359	1,369
	\$ 565,661	\$ 193,818	\$ 371,843

Assets included in construction in progress are expected to be placed in productive use during 2007 and 2008. Construction in progress consists of equipment under construction of \$83,539 (2006 - \$89,503).

During the second quarter of 2007, the Company recorded impairment charges of \$1,344 (\$3,958 in 2007 to date) relating to plant rationalizations. The impairment charges are included in the amortization of capital assets.

Note 6: Intangibles

	June 30, 2007	December 31, 2006
Cost	\$ 43,401	\$ 43,602
Accumulated amortization	16,471	14,269
	\$ 26,930	\$ 29,333

MARTINREA INTERNATIONAL INC.
Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 7: Note receivable

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 is 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 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 is 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 is 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 has issued to KFL an unsecured non-negotiable promissory note equal to the amount of unfunded liabilities in respect of which TK Budd Canada has agreed to make TK Budd Canada Pension Payments and TK Budd Canada OPEB Payments, which amount was initially \$175,005 (the "Note"). The amount of the Note is automatically adjusted quarterly to an amount equal to the portion of unfunded liabilities as at each quarter that relate to the amounts in respect of which TK Budd Canada has agreed to make the TK Budd Canada Pension Payments and the TK Budd Canada OPEB Payments. The Note as of June 30, 2007 was \$143,177 (2006-\$154,508). The Note may be terminated upon the occurrence of an insolvency event of the Company or KFL.

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 is generally permitted to draw upon the letters of credit if TK Budd Canada fails 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 fails 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 is 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 are to be reduced to an aggregate amount equal to the product of (i) \$320,000 and (ii) a fraction, the numerator of which is 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 is exercisable by TK Budd Canada from and after January 1, 2010. The Company has agreed to use its commercially reasonable efforts such that if the Call Option is exercised the liabilities of KFL will be limited to the defined pension plan and OPEB liabilities in respect of which TK Budd Canada has 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 remains unexercised, the letters of credit shall remain outstanding as security.

MARTINREA INTERNATIONAL INC.**Notes to Interim Consolidated Financial Statements**

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 8: Long-term debt

	June 30, 2007	December 31, 2006
Five-year commercial term 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 ("BA") plus 2.00% or prime plus 0.75% on the remaining amount. As at June 30, 2007, the effective yield was at 5.88% (2006 - 6.18%). The rates vary depending on the Company's funded debt to earnings ratio before interest, taxes, and amortization. Commencing March 31, 2007, equal quarterly payments of \$4,290 are payable, with full repayment of all outstanding amounts on the maturity date of November 29, 2011. The term loan requires the maintenance of certain financial ratios. Net of deferred financing cost \$1,884 (2006 - \$2,098).	\$ 161,117	\$ 169,482
Fixed rate equipment loans with interest thereon payable monthly with fixed rates of 4.5% per annum, payable in aggregate monthly payments of \$3 (principal and interest), ending August 2009. These loans are secured by the underlying equipment.	33	47
US dollar equipment loans in the amount of US \$3,028 with semi-annual principal and interest payments, fixed rates of 5.8% to 6.2% per annum, payable in aggregate semi-annual principal payments of US \$654, maturing from February 2009 to May 2009. These loans are secured by the underlying equipment.	3,363	3,974
US dollar equipment loans in the amount of US \$4,654 with monthly payments of US \$155 (principal and interest), maturing from March 2010 to March 2012, and a one-time lump-sum payment of US \$1,000 owing at March 2012. These loans are secured by the underlying equipment.	4,483	5,886
US dollar equipment loans in the amount of US \$1,946 with monthly payments of US \$60 (principal and interest), maturing in May 2010. These loans are secured by the underlying equipment.	1,874	2,474
US dollar equipment loan in the amount of US \$4,725 with monthly payments of US \$97 (principal and interest), maturing in January 2012. This loan is secured by the underlying equipment.	4,993	5,664
Four to seven-year equipment loans with interest thereon payable monthly at a floating rate of BA plus 2.25%, with a one-time option to fix the variable rate, and maturing from March 2009 to May 2012. Interest on advances made before commencement of the loan is calculated at prime plus 1.75%. The actual rate payable will be dependent upon certain financial rates. These loans are secured by the underlying equipment.	25,511	27,296
Four-year term loan to refinance capital equipment with a monthly repayment of \$15 plus interest at prime plus 1%. The loan is secured by the underlying equipment.	1,551	1,803
Five-year equipment loan with interest thereon payable monthly at a nominal annual rate of 5.68% and maturing May 2011. The loan is secured by the underlying equipment.	4,626	5,016
	207,551	221,642
Less current portion	29,350	29,263
	\$ 178,201	\$ 192,379
Future annual minimum principal repayments are as follows:		
2007		\$ 29,350
2008		29,344
2009		26,379
2010		22,669
2011		100,811
Thereafter		882
		209,435
Less deferred financing fees		(1,884)
		\$ 207,551

MARTINREA INTERNATIONAL INC.
Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 9: Share capital

	Number	Amount
<i>Common Shares</i>		
Authorized - unlimited number of common shares		
Issued and outstanding:		
Balance, December 31, 2005	57,793,351	\$ 437,897
Issued in public offering	6,000,000	\$ 54,000
Share issue costs (net of future tax recovery of \$857)	-	\$ (1,655)
Exercise of employee options	226,800	1,952
Balance, December 31, 2006	64,020,151	492,194
Exercise of warrants and employee options	1,110,867	10,546
Balance, June 30, 2007	65,131,018	502,740
<i>Warrants</i>		
Issued and outstanding:		
Balance, December 31, 2005, December 31, 2006	200,000	1,164
Exercise of warrants	(200,000)	(1,164)
Balance, June 30, 2007	-	-
Share capital, June 30, 2007		\$ 502,740

Notes receivable for share capital

The remaining notes receivable 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. In 2006 a former employee paid back his outstanding note in the amount of \$9,000 and in the second quarter of 2007 two senior officers repaid \$4,050.

Warrants

On April 29, 2002, the Company issued 200,000 warrants to its financial advisors. Each warrant entitled the holder to purchase one common share of the Company at a price of \$11.85 on or before April 29, 2007. All of the outstanding warrants were exercised in second quarter of 2007.

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 May 2007, the Company may grant options to its key employees for up to 6,400,000 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 summary sets out the activity in outstanding common share purchase options:

	June 30, 2007		December 31, 2006	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	3,812,200	\$ 8.96	3,909,000	\$ 8.97
Granted	395,000	16.47	140,000	7.82
Exercised	(910,867)	7.55	(226,800)	8.61
Cancelled	(7,500)	11.21	(10,000)	7.00
Balance, end of period	3,288,833	\$ 10.20	3,812,200	\$ 8.96
Options exercisable, end of period	2,982,000	\$ 9.99	3,623,533	\$ 9.07

MARTINREA INTERNATIONAL INC.
Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 9: Share Capital (continued)

The following is a summary of issued and outstanding common share purchase options:

Range of exercise price per share	Number outstanding at June 30, 2007	Date of grant	Expiry	Vesting period
\$4.50 - 6.00	277,833	2001-2005	2011-2015	Immediately and 1 to 4 years
\$6.00 - 6.50	45,000	2004-2006	2014 - 2016	Fully vested and 1 to 4 years
\$7.00 - 8.60	261,000	1999-2006	2009-2016	Fully vested and 1 to 4 years
\$10.00 - 10.35	1,975,000	2002	2012	Fully vested
\$11.00 - 12.00	355,000	1998 -2006	2008 - 2016	Fully vested and 1 to 4 years
\$16.00 - 17.75	375,000	2007	2013 - 2017	Immediately and 1 to 4 years
	3,288,833			

Note 10: Contributed Surplus

Contributed surplus includes the portion of stock-based compensation recognized to date that remains unexercised for stock-based compensation arrangements. Actual forfeitures are accounted for as they occur. The Company expensed \$641 for the six months ended 30th June 2007 (2006 - \$108) and to reflect compensation expense, as derived using the Black-Scholes option valuation model. Contributed surplus also includes the value of \$5,000 relating to expired warrants.

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

Assumptions	2007	2006
Risk free interest rate	4.10%	4.10%
Expected life (years)	4	4
Expected volatility	35%	35%
Weighted average fair value of options granted	\$ 5.50	\$ 2.61

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 11: Accumulated other comprehensive income

	June 30,
	2007
Balance, beginning of period, as previously reported	\$ -
Unrealized losses on translation of financial statements of self-sustaining foreign operations (note 1)	(12,496)
Unrealized gain of assets-available-for-sale, net of tax of \$394 (note 1)	1,916
Restated balance, beginning of period	(10,580)
Other comprehensive income	(27,938)
Balance, end of period	\$ (38,518)

MARTINREA INTERNATIONAL INC.

Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 12: Earnings per common share

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

Three months ended:	June 30, 2007		June 30, 2006	
	Weighed average number of common shares	Per common share amount	Weighed average number of common shares	Per common share amount
Basic	64,026,466	\$ 0.30	59,586,208	\$ 0.20
Effect of dilutive securities				
- Shares secured by notes receivable	600,000	-	2,500,000	(0.01)
- Stock options	1,341,474	-	298,627	-
- Warrants	-	-	-	-
Diluted	65,967,940	\$ 0.30	62,384,835	\$ 0.19

The dilutive effect of stock options excludes the effect of 75,000 (2006 - 2,730,000) out of the money options whose strike price is higher than the average market price for the period, as they are anti-dilutive.

Six months ended:	June 30, 2007		June 30, 2006	
	Weighed average number of common shares	Per common share amount	Weighed average number of common shares	Per common share amount
Basic	64,025,800	\$ 0.53	57,451,638	\$ 0.38
Effect of dilutive securities				
-Shares secured by notes receivable	600,000	-	2,500,000	(0.01)
-Stock options	648,113	(0.01)	228,664	-
Diluted	65,273,913	\$ 0.52	\$ 60,180,302	\$ 0.37

The dilutive effect of stock options excludes the effect of 375,000 (2006 - 2,925,000) out of the money options whose strike price is higher than the average market price for the period, as they are anti-dilutive.

Note 13: Financial instruments

Derivative financial instruments:

The Company utilizes forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates. The Company does not purchase or hold derivative financial instruments for speculative purposes.

As at June 30, 2007, the Company has committed to purchase a total of US \$2,813 at an average exchange rate of 1.20, with maturity dates ranging from September 2007 to April 2009. At June 30, 2007, the value of the total losses resulting from mark-to-market these contracts is \$30.

The Company also entered into forward contracts to purchase US \$32,403 by selling Mexican Pesos at an average exchange rate of 0.091, with maturity dates from July 2007 to May 2008. The Company did not meet the requirements under Section 3865 for the use of hedge accounting in case of certain contracts; as a result, they have been marked to market with a loss of \$193 recognized in consolidated net earnings.

MARTINREA INTERNATIONAL INC.

Notes to Interim Consolidated Financial Statements

Three and six months ended June 30, 2007 and 2006 (unaudited)
(in thousands of dollars - except per share amounts)

Note 14: Guarantees

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 June 30, 2007, the amount of program financing was \$19,127 (2006-\$14,400). The maximum amount of undiscounted future payments the Company could be required to make under the guarantee is \$19,127 (2006-\$14,400).

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 to 18 months.

Note 15: Other information

The pension and other post retirement benefits expense in connection with defined benefit pension plans and other post retirement benefit plans for the three months and six months ended June 30, 2007 was \$2,018 (2006 - nil) and \$4,578 (2006 - nil) respectively.

Note 16: Comparative figures

Certain comparative figures have been reclassified to conform to the current year's method of presentation.



MARTINREA INTERNATIONAL INC.

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