MARTINREA INTERNATIONAL INC.

REPORT TO SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2014

MESSAGE TO SHAREHOLDERS

The year 2014 was a watershed year for us at Martinrea, as we continue to build our company and our business. For the fourth consecutive year, we enjoyed record revenues, adjusted earnings and adjusted earnings per share. We generated positive cash flow from our operations. We continued to invest in our business and our people, so that today we have a record 44 plants built or being built, over 14,000 employees in eight countries on four continents, and a stronger footprint than ever before. We acquired the balance of our interest in Martinrea Honsel, and thus are able to fully incorporate our aluminum based business into our worldwide operations, to take advantage of our opportunities in lightweighting the vehicle.

As we look to the future, we can briefly recall our short history to date. You can never live in the past, but you can never forget it either. As Santayana famously observed, "Those who forget the past are condemned to repeat it." There are lessons to be learned from, to make us better today and in the future. We have had some bumps over the years, but they have made us experienced and wiser, and we feel good about the future.

We at Martinrea take great pride in our work and our history, and we are proud about what we have built at this company, and here are some highlights:

- In just over 13 years, we have grown revenues from nominal to more than $3.5 billion
- We have grown into a leading Tier 1 supplier in North America and in the world
- We are now a market leader in our areas of business – steel metallic, fluid systems, aluminum, assemblies
- We have grown from 3 plants in Toronto to over 40 globally, including those being built, in eight countries on four continents
- Our employees have grown in number to over 14,000
- We have completed seven successful acquisitions and built many plants from the ground up
- We have survived and grown through customer bankruptcies, competitor challenges and a major recession
- We are in the Top 25 suppliers to a number of our customers, and have won many awards over the years
- As noted, in each of the last several years, we have had record revenues and record adjusted earnings while still investing in and growing new and existing plants

Few parts suppliers in the world have done this. Our people are proud of these accomplishments. Our company has been blessed on this journey with many great people working hard to do great things.

To become a leading market player, we had to grow. We had to build a footprint, so that our customers could be better served by us, and so that we could be a go to supplier to them in each of our product groups. We had to build or buy plants. We often bought distressed assets, because they were affordable, and fixable, over time.

- In Fluid Systems, our group was put together in 2002, with two purchases. There have been no acquisitions since, and the 2002 companies are now a relic of the past – today we have world class facilities in Canada, the US, Mexico, Slovakia (for Europe) and China. We are in the Top 3 in North America, and compete well against our largest competition. We are also competing well with them and others outside North America, and we are growing. All our North American facilities are profitable, so is Slovakia now, and China will be by year end.

- In Steel Metallics, our group started in Toronto in 2001 with the purchase of some press lines at Hydroform Solutions and a plant at Alfield in 2002. Other plants were added subsequently, with greenfield plants in Mexico and elsewhere, and most significantly, the purchase of the body and chassis business of TK Budd in 2006. The TK Budd plants were half full at best, some needed to be closed, some needed to be built up and some needed to be rebuilt from the ground up, but they provided the North American footprint we needed to be a go to supplier for our key customers. We bought SKD assets in 2009, at the height of the recession, to further fulfill the footprint. Today, we are one of the largest steel metalformers in North America, and a key supplier to our customers. We are profitable in many of our plants, especially Mexico and Canada, and becoming more so in our US metallic plants where we have had some challenges - but we needed the footprint and the future looks increasingly better.

- In Honsel Aluminum, we bought the Honsel assets in 2011, with a 55% interest. That interest is now 100% after our purchase of the minority interest last August. We bought Honsel because of the strategic need to be in aluminum, as a complement to our steel business and also to take advantage of the growing emphasis on aluminum in several product areas. Honsel needed significant restructuring, especially in Germany. We did that. Our people heroically turned around some major operations, and today we are a growing market leader in the aluminum space - especially engine blocks and structural parts. The operations have performed well, and the future looks great. We have built a footprint with plants in Europe, Mexico, Brazil and China.

- In Assembly, we have built a growing business. We felt assemblies could be a valuable part of our product offering to our customers, and the business has done well for us and our customers.

In terms of customers, over all our units, we have many great customers. We are one of the largest suppliers in the world to some of them. But we are adding customers also. One very interesting reality is our ability to build relationships across groups. For example, traditional Martinrea

Classic customers are growing customers of Martinrea Honsel. Some of our steel metallics plants have won work from our fluids relationships in the past, and vice versa.

In terms of the overall auto parts market, we remain positive about North American volumes for the next several years, which will support our plants here. We believe the European market overall will not be a growth story, but we should see growth in our business over time given the new product wins we anticipate in aluminum and growth in fluid systems. In China, regardless of the growth in the overall market, our growth should increase, as we are just beginning to build our base there.

Our footprints are largely in place. A lot of heavy lifting has been done. Investments have been made. Lessons have been learned. But we are largely there with the footprint. To create long term value, to create a business that is sustainable, you need to build a footprint.

Martinrea is writing its story. It will, we expect, be a long book, with many chapters. We are still in many ways a young company. But we think it is fair to say Part 1 of the book is done. We grew to be a key supplier from nothing, but now we are a much larger company, and a critical supplier to our customers. And now it is time for a new part to our book. And that is what we are going to focus on going forward.

We have spent some time over the past several months focusing on our vision and strategy for the future. It has been a stimulating exercise, a time for reflection on lessons learned as well as critical analysis of things done well also.

As a start up and then a growing company with many acquisitions, we were sometimes too busy focusing on the various immediate crises of the day – such as massive launches, turnaround situations – to focus on developing the core principles of the company. What do they mean, how are they taught, how are they lived?

But now, as part of our process of renewal, we have a renewed focus.

Our Vision for the future is to be the best, preferred and most valued automotive parts supplier in the world in the products and services we provide our customers.

This is what we intend to be. Where we want to get to.

Our Mission, which is what we do to become who we intend to be, is to deliver:

- Outstanding quality products and services to our customers
- Meaningful opportunity, job satisfaction and job security to our people through competitiveness and prudent growth
- Superior long term investment returns to our stakeholders
- Positive contributions to our communities as good corporate citizens

We’re not there yet, but we’re working hard on it.

In sum, keep our customers happy, keep our people happy, keep our shareholders and lenders happy, and keep our communities happy. Pretty simple concepts, but foundational.

We will focus our strategies on four major pillars: the development of a high performance culture; emphasis on operational excellence; strong financial management; and a recognition that customer is king.

In order to perform our mission and fulfill our vision, we have also developed, in conjunction with our people at the corporate level, in the groups and in the plants, the principles that will guide how we do business. We believe our success will ultimately be based on the application and execution of our guiding principles, applied with integrity, in all that we do. We firmly believe that if you lose the principles, and don't follow them, you lose your way. The people we have the pleasure to serve here feel the same way. At every offsite, and at every meeting of our senior executives, we go over our principles and we are trying to live them, not just preach about them.

So briefly stated, here is the list:

1. We make great, high quality products
2. Every plant/division must be a centre of excellence
3. Be disciplined. Discipline is Key
4. We attract, train and work with excellent people, and we get our people to perform well
5. We are a team
6. Challenges make us better
7. Think Different
8. Work hard, play hard
9. The Golden Rule – Show Dignity and Respect
10. Our leadership team has to drive these messages consistently and simply. Leadership means having the will to ensure we get the right things done the right way.

And in all this, leadership has to act with integrity. If we strive to do the right thing, things will work out ok. That is our tone at the top, with our board, with our senior management, and with us.

We would like to acknowledge two of our Company founders who left us in different ways in 2014. Fred Jaekel, a co-founder and our first CEO, passed away in the spring. He was instrumental in our creation, and a driving force of this business in its formative years prior to his leaving the business several years ago. Nick Orlando, a co-founder and our first CFO, and then later President and CEO, announced he was stepping down in March, and left the company as an officer in

November after our CEO search was complete with a smooth succession plan. Nick's dedication to this company was tremendous and unwavering, as he gave his best even while dealing with some personal health issues. In every challenge our company faced, Nick was there to do his best, and his best helped us grow, helped us through the automotive crisis, helped us in our key acquisitions, and helped us build our team. This company acknowledges and will always remember the positive contributions of both Fred and Nick, as we continue to build the company they helped to create.

We want to thank all of our stakeholders for their tremendous support in 2014. Our employees have helped build a company that is getting better all the time. They are dedicated and they work hard. Our customers continue to value us and show their faith in us by allowing us to help build their vehicles. Our lenders have always been there for us, and financed our Martinrea Honsel purchase wholeheartedly. Our shareholders have supported us and have continued to appoint boards of directors dedicated to act in the best interests of the company in all things. While we believe that support has been rewarded in positive returns since the beginning of 2014, we believe that there remains opportunity and work to be done. We will continue to focus on improving shareholder value over time, as we have done.

It is with immense pride and respect that we serve you all, and we will continue to do our very best to serve you well. We really have fun doing what we do, as do our people, and we believe our efforts in 2015 will result in our best year to date.

We look forward to the future.

(Signed) *"Rob Wildeboer"*

Rob Wildeboer
Executive Chairman

(Signed) *"Pat D'Eramo"*

Pat D'Eramo
President and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

For the Year ended December 31, 2014

The following management discussion and analysis ("MD&A") was prepared as of March 19, 2015 and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2014 together with the notes thereto. All amounts in this MD&A are in Canadian dollars, unless otherwise stated; and all tabular amounts are in thousands of Canadian dollars, except earnings per share and number of shares. Additional information about the Company, including the Company's Annual Information Form for the year ended December 31, 2014, can be found at www.sedar.com.

OVERVIEW

Martinrea International Inc. (TSX:MRE) ("Martinrea" or the "Company") is a leader in the production and development of quality metal parts, assemblies and modules, fluid management systems and complex aluminum products focused primarily on the automotive sector. Martinrea currently employs over 14,000 skilled and motivated people in 44 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain and China.

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

Results of operations include certain unusual and other items which have been separately disclosed, where appropriate, in order to provide a clear assessment of the underlying Company results. This has required the use of non-IFRS measures in the Company's disclosures that management believes provides the most appropriate basis on which to evaluate the Company's results.

OVERALL RESULTS

The following table sets out certain highlights of the Company's performance for the years ended December 31, 2014 and 2013. Refer to the Company's audited consolidated financial statements for the year ended December 31, 2014 for a detailed account of the Company's performance for both years presented in the table below.

		Year ended December 31, 2014		Year ended December 31, 2013	$ Change	% Change
Sales	$	3,598,645	$	3,221,881	376,764	11.7%
Gross Margin		347,892		324,036	23,856	7.4%
Operating Income		131,900		105,237	26,663	25.3%
Net Income for the period		89,416		37,929	51,487	135.7%
Net Income Attributable to Equity Holders of the Company	$	71,304	$	16,950	54,354	320.7%
Net Income per Share – Basic	$	0.84	$	0.20	0.64	320.0%
Net Income per Share – Diluted	$	0.83	$	0.20	0.63	315.0%
Non-IFRS Measures*						
Adjusted Operating Income	$	147,748	$	147,384	364	0.2%
as a % of Sales		*4.1%*		*4.6%*		
Adjusted EBITDA		270,370		255,889	14,481	5.7%
as a % of Sales		*7.5%*		*7.9%*		
Adjusted Net Income Attributable to Equity Holders of the Company		83,386		82,442	944	1.1%
Adjusted Net Income per Share – Basic	$	0.99	$	0.98	0.01	1.0%
Adjusted Net Income per Share – Diluted	$	0.98	$	0.97	0.01	1.0%

The following table sets out a detailed account of the Company's performance for the fourth quarters of 2014 and 2013.

		Three months ended December 31, 2014		Three months ended December 31, 2013	$ Change	% Change
Sales	$	943,781	$	858,624	85,157	9.9%
Cost of sales (excluding depreciation)		(828,698)		(759,262)	(69,436)	9.1%
Depreciation of property, plant and equipment (production)		(28,609)		(25,887)	(2,722)	10.5%
Gross Margin		86,474		73,475	12,999	17.7%
Research and development costs		(4,415)		(6,089)	1,674	(27.5%)
Selling, general and administrative expense		(56,112)		(51,434)	(4,678)	9.1%
Depreciation of property, plant and equipment (non-production)		(1,844)		(1,838)	(6)	0.3%
Amortization of customer contracts and relationships		(670)		(497)	(173)	34.8%
Impairment charges		-		(29,078)	29,078	100.0%
Restructuring costs		(3,542)		-	(3,542)	-
Loss on disposal of property, plant and equipment		(234)		(491)	257	(52.3%)
Operating Income(loss)	$	19,657	$	(15,952)	35,609	223.2%
Finance costs		(6,379)		(4,182)	(2,197)	52.5%
Other finance income		1,246		1,957	(711)	(36.3%)
Income(loss) before income taxes	$	14,524	$	(18,177)	32,701	179.9%
Income tax expense		(2,598)		(25,897)	23,299	90.0%
Net Income(loss) for the period		11,926		(44,074)	56,000	127.1%
Net Income(loss) Attributable to Equity Holders of the Company	$	11,921	$	(51,425)	63,346	123.2%
Net Income(loss) per Share – Basic	$	0.14	$	(0.61)	0.75	123.0%
Net Income(loss) per Share – Diluted	$	0.14	$	(0.61)	0.75	123.0%
Non-IFRS Measures*						
Adjusted Operating Income	$	33,944	$	26,195	7,749	29.6%
as a % of Sales		*3.6%*		*3.1%*		
Adjusted EBITDA		67,935		56,962	10,973	19.3%
as a % of Sales		*7.2%*		*6.6%*		
Adjusted Net Income Attributable to Equity Holders of the Company		22,832		14,067	8,765	62.3%
Adjusted Net Income per Share - Basic and Diluted	$	0.27	$	0.17	0.10	58.8%

***Non-IFRS Measures**

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"). However, the Company considers certain non-IFRS financial measures as useful information in measuring the financial performance and financial condition of the Company. These measures, which the Company believes are widely used by investors, securities analysts and other interested parties in evaluating the Company's performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted Net Income", "Adjusted Net Income per Share (on a basic and diluted basis)", "Adjusted Operating Income" and "Adjusted EBITDA". Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A.

The following tables provide a reconciliation of IFRS "Net Income Attributable to Equity Holders of the Company" to Non-IFRS "Adjusted Net Income Attributable to Equity Holders of the Company", "Adjusted Operating Income" and "Adjusted EBITDA":

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Net Income(loss) Attributable to Equity Holders of the Company	$ 11,921	$ (51,425)	$ 71,304	$ 16,950
Unusual and Other Items(after-tax)*	10,911	65,492	12,082	65,492
Adjusted Net Income Attributable to Equity Holders of the Company	$ 22,832	$ 14,067	$ 83,386	$ 82,442

** Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A*

	Three months ended December 31, 2014	Three months ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
Net Income(loss) Attributable to Equity Holders of the Company	$ 11,921	$ (51,425)	$ 71,304	$ 16,950
Non-controlling interest	5	7,351	18,112	20,979
Income tax expense	2,598	25,897	21,823	51,356
Other finance income	(1,246)	(1,957)	(2,137)	(2,916)
Finance costs	6,379	4,182	22,798	18,868
Unusual and Other Items(before-tax)*	14,287	42,147	15,848	42,147
Adjusted Operating Income	$ 33,944	$ 26,195	$ 147,748	$ 147,384
Depreciation of property, plant and equipment	30,453	27,725	110,783	99,258
Amortization of intangible assets	3,304	2,551	11,518	8,871
Loss on disposal of property, plant and equipment	234	491	321	376
Adjusted EBITDA	$ 67,935	$ 56,962	$ 270,370	$ 255,889

** Unusual and other items are explained in the "Adjustments to Net Income" section of this MD&A*

The year-over-year changes in significant accounts and financial highlights are discussed in detail in the sections below.

SALES

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
North America	$ 756,716	$ 670,540	86,176	12.9%
Europe	171,503	173,420	(1,917)	(1.1%)
Rest of the World	15,562	14,664	898	6.1%
Total Sales	$ 943,781	$ 858,624	85,157	9.9%

The Company's consolidated sales for the fourth quarter of 2014 increased by $85.2 million or 9.9% to $943.8 million as compared to $858.6 million for the fourth quarter of 2013. The total overall increase in sales was driven by increases in the Company's North America and Rest of the World operating segments, partially offset by a year-over-year decrease in sales in Europe.

Sales for the fourth quarter of 2014 in the Company's North America operating segment increased by $86.2 million or 12.9% to $756.7 million from $670.5 million for the fourth quarter of 2013. The increase was due to an overall increase in North American OEM light vehicle production, including year-over-year increased production volumes on the Ford Escape/Lincoln MKC and GM Equinox/Terrain, two of the Company's largest platforms; the launch of new programs during or subsequent to the fourth quarter of 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a $21.3 million increase in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the fourth quarter of 2014 of $40.1 million as compared to the fourth quarter of 2013.

Sales for the fourth quarter of 2014 in the Company's Europe operating segment decreased by $1.9 million or 1.1% to $171.5 million from $173.4 million for the fourth quarter of 2013. The decrease can be attributed to a $13.1 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer, partially offset by a year-over-year increase in overall production volumes due generally to Company specific platform mix and a benefit from the impact of foreign exchange on the translation of Euro denominated production sales, which had a positive impact on overall sales for the fourth quarter of 2014 of $1.6 million as compared to the fourth quarter of 2013.

Sales for the fourth quarter of 2014 in the Company's Rest of the World operating segment increased by $0.9 million or 6.1% to $15.6 million from $14.7 million in the fourth quarter of 2013. The increase can be attributed to a $1.1 million increase in tooling sales and an increase in production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business, partially offset by a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil.

Overall tooling sales increased by $9.3 million from $72.4 million for the fourth quarter of 2013 to $81.7 million for the fourth quarter of 2014.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

		Year ended December 31, 2014		Year ended December 31, 2013	$ Change	% Change
North America	$	2,851,370	$	2,523,697	327,673	13.0%
Europe		687,566		631,184	56,382	8.9%
Rest of the World		59,709		67,000	(7,291)	(10.9%)
Total Sales	$	3,598,645	$	3,221,881	376,764	11.7%

The Company's consolidated sales for the year ended December 31, 2014 increased by $376.8 million or 11.7% to $3,598.6 million as compared to $3,221.9 million for the year ended December 31, 2013. The total overall increase in sales was driven by increases in the Company's North America and Europe operating segments, partially offset by a year-over-year decrease in sales in the Rest of the World.

Sales for the year ended December 31, 2014 in the Company's North America operating segment increased by $327.7 million or 13.0% to $2,851.4 million from $2,523.7 million for the year ended December 31, 2013. The increase was due to an overall increase in North American OEM light vehicle production, including year-over-year increased production volumes on the Ford Escape/Lincoln MKC and GM Equinox/Terrain, two of the Company's largest platforms; the launch of new programs during 2013, including GM's full size pick-up trucks and SUVs, BMW X5, Ford Transit and the new Chrysler 200; a year-over-year increase in tooling sales of $55.6 million; and the impact of foreign exchange on the translation of U.S. denominated production sales, which had a positive impact on overall sales for the year ended December 31, 2014 of $147.5 million as compared to the comparative period of 2013.

Sales for the year ended December 31, 2014 in the Company's Europe operating segment increased by $56.4 million or 8.9% to $687.6 million from $631.2 million for the year ended December 31, 2013. The increase was due to the ramp up of new incremental aluminum business with Jaguar Land Rover including the sub-frame and shock towers for the new Range Rover Sport; a $49.5 million benefit from the impact of foreign exchange on the translation of Euro denominated production sales; and year-over-year increased production sales in the Company's plant in Slovakia, which continues to ramp up and launch its backlog of business; partially offset by a $10.8 million decrease in tooling sales, which is typically dependent on the timing of tooling construction and final acceptance by the customer.

Sales for the year ended December 31, 2014 in the Company's Rest of the World operating segment decreased by $7.3 million or 10.9% to $59.7 million from $67.0 million for the year ended December 31, 2013. The decrease can be attributed to a year-over-year decrease in overall OEM light and medium-heavy vehicle production in Brazil and a $2.5 million decrease in tooling sales, which are typically dependent on the timing of tooling construction and final acceptance by the customer; partially offset by an increase in production sales in the Company's new fluids systems plant in China, which began operations in 2013 and continues to ramp up its backlog of business, and the translation of foreign denominated production sales which had a positive impact on overall sales for the year ended December 31, 2014 of $0.6 million.

Overall tooling sales increased $42.3 million from $202.7 million for the year ended December 31, 2013 to $245.0 million for the year ended December 31, 2014.

GROSS MARGIN

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

		Three months ended December 31, 2014		Three months ended December 31, 2013	$ Change	% Change
Gross margin	$	86,474	$	73,475	12,999	17.7%
% of sales		9.2%		8.6%		

The gross margin percentage for the fourth quarter of 2014 of 9.2% increased as a percentage of sales by 0.6% as compared to the gross margin percentage for the fourth quarter of 2013 of 8.6%. Excluding the impact of the unusual and other items recorded as cost of sales for the fourth quarter of 2013 as explained in Table A under "Adjustments to Net Income", the Company's gross margin percentage for the fourth quarter of 2014 increased as a percentage of sales by 0.2% to 9.2% from 9.0% in the fourth quarter of 2013. The increase in gross margin as a percentage of sales was generally due to:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the fourth quarter of 2013 (as noted above under "Sales"); and
- productivity and efficiency improvements at certain operating facilities, in particular in the Company's U.S. Metallic operations.

These factors were partially offset by:

- increased pre-operating costs at new operating facilities, in particular in Spain, Mexico, China and Riverside, Missouri as these new plants prepare for upcoming new program launches;
- operational inefficiencies and other costs at certain other facilities;
- the resolution of commercial disputes in the Company's European operations;
- an overall increase in tooling sales which typically earn low or no margins for the Company; and
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

		Year ended December 31, 2014		Year ended December 31, 2013	$ Change	% Change
Gross margin	$	347,892	$	324,036	23,856	7.4%
% of sales		9.7%		10.1%		

The gross margin percentage for the year ended December 31, 2014 of 9.7% decreased as a percentage of sales by 0.4% as compared to the gross margin percentage for the year ended December 31, 2013 of 10.1%. Excluding the unusual and other items recorded as cost of sales during the year ended December 31, 2013 as explained in Table B under "Adjustments to Net Income", the gross margin percentage for the year ended December 31, 2014 decreased as a percentage of revenue by 0.5% to 9.7% from 10.2% for the year ended December 31, 2013. The decrease in gross margin as a percentage of sales was generally due to:

- an increase in tooling sales which typically earn low or no margins for the Company;
- operational inefficiencies and other costs at certain operating facilities in the United States, in particular, in Hopkinsville, Kentucky during the first half of the year (see below);
- increased pre-operating costs at new operating facilities, in particular in Spain, Mexico, China and Riverside, Missouri as these new plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch and/or ramp up over the next while including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- an increase in integrator or assembly work which typically generates lower margins as a percentage of sales, although return on capital tends to be higher.

These factors were partially offset by:

- higher capacity utilization from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013 (as noted above under "Sales");
- productivity and efficiency improvements at certain operating facilities; and
- improved pricing on certain long-term customer contracts in the Company's European operations.

The performance of the Company's operating facility in Hopkinsville, Kentucky continued to be impacted in 2014 by operational expenses stemming from issues experienced by the facility at the end of 2013. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which resulted in incremental premium costs as the facility was dealing with new programs, customer-requested engineering changes, which have impacted productivity, and the overall ramp-up in production volumes being experienced in the automotive industry. Since the equipment failures at the end of 2013, the presses have been operational but were not performing at optimal levels during 2014. Upgrades to the presses were successfully completed during the 2014 summer and December holiday shutdowns in order to reduce the risk of any further failures and improve the performance of the presses. Progress was made throughout the year and continues to be made at improving efficiencies. Costs have subsided, costs are expected to subside further, and margins are expected to improve at this facility as well as others, as operational improvements continue to be made.

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

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
Selling, general & administrative	$ 56,112	$ 51,434	4,678	9.1%
% of sales	5.9%	6.0%		

SG&A expense, before adjustments, for the fourth quarter of 2014 increased by $4.7 million to $56.1 million as compared to $51.4 million for the fourth quarter of 2013. Excluding the unusual and other items recorded in SG&A expense incurred in both these quarters as explained in Table A under "Adjustments to Net Income", SG&A expense for the fourth quarter of 2014 increased by $2.9 million to $45.4 million from $42.5 million for the comparative period of 2013. The increase is predominantly due to costs incurred at new and/or expanded facilities, including incremental employment levels to support the growth in the business, and an increase in travel related costs. SG&A expenses are being monitored and managed on a continuous basis in order to optimize costs.

Excluding the unusual and other items recorded in SG&A expense incurred in both the fourth quarters of 2014 and 2013 as explained in Table A under "Adjustments to Net Earnings", SG&A expense as a percentage of sales decreased slightly year-over-year to 4.8% for the fourth quarter of 2014 from 4.9% for the fourth quarter of 2013.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

	Year ended December 31, 2014	Year ended December 31, 2013	$ Change	% Change
Selling, general & administrative	$ 184,499	$ 163,984	20,515	12.5%
% of sales	5.1%	5.1%		

SG&A expense, before adjustments, for the year ended December 31, 2014 increased by $20.5 million to $184.5 million as compared to $164.0 million for the year ended December 31, 2013. Excluding the unusual and other items recorded in SG&A expense incurred during both these years explained in Table B under "Adjustments to Net Income", SG&A expense for the year ended December 31, 2014 increased by $17.1 million to $172.2 million from $155.1 million for the comparative period of 2013. The increase is predominantly due to costs incurred at new and/or expanded facilities, including incremental employment levels to support the growth in the business, and an increase in travel related costs.

Excluding the unusual and other items recorded in SG&A expense incurred in during both the years ended December 31, 2014 and 2013 as explained in Table B under "Adjustments to Net Income", SG&A expense as a percentage of sales remained consistent year-over-year at 4.8%.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT ("PP&E") AND AMORTIZATION OF INTANGIBLE ASSETS

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
Depreciation of PP&E (production)	$ 28,609	$ 25,887	2,722	10.5%
Depreciation of PP&E (non-production)	1,844	1,838	6	0.3%
Amortization of customer contracts and relationships	670	497	173	34.8%
Amortization of development costs	2,634	2,054	580	28.2%
Total depreciation and amortization	$ 33,757	$ 30,276	3,481	11.5%

Total depreciation and amortization expense for the fourth quarter of 2014 increased by $3.5 million to $33.8 million as compared to $30.3 million for the fourth quarter of 2013. The increase in total depreciation and amortization expense was primarily due to increases in depreciation expense on a larger PP&E base resulting from a growing book of business and amortization of development costs as new programs, specifically for which development costs were incurred, start production and reach peak volumes. A significant portion of the Company's recent investments relates to various new program launches put to use during or subsequent to the fourth quarter of 2013 as the Company has continued to work through a robust launch schedule. The Company continues to make significant investments in the business in light of a large backlog of business and a growing global footprint.

Depreciation of PP&E (production) expense as a percentage of sales remained relatively consistent year-over-over at 3.0%.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

	Year ended December 31, 2014	Year ended December 31, 2013	$ Change	% Change
Depreciation of PP&E (production)	$ 103,997	$ 92,680	11,317	12.2%
Depreciation of PP&E (non-production)	6,786	6,578	208	3.2%
Amortization of customer contracts and relationships	2,485	1,972	513	26.0%
Amortization of development costs	9,033	6,899	2,134	30.9%
Total depreciation and amortization	$ 122,301	$ 108,129	14,172	13.1%

Total depreciation and amortization expense for the year ended December 31, 2014 increased by $14.2 million to $122.3 million as compared to $108.1 million for the year ended December 31, 2013. Similar to the year-over-year quarterly trend, the increase in total depreciation and amortization expense was primarily due to increases in depreciation expense on a larger PP&E base resulting from a growing book of business and amortization of development costs as new programs, specifically for which development costs were incurred, start production and reach peak volumes.

Depreciation of PP&E (production) expense as a percentage of sales remained consistent year-over-over at 2.9%.

ADJUSTMENTS TO NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Adjusted net income exclude certain unusual and other items, as set out in the following tables and described in the notes thereto. Management uses adjusted net income as a measurement of operating performance of the Company and believes that, in conjunction with IFRS measures, it provides useful information about the financial performance and condition of the Company.

TABLE A

	For the three months ended December 31, 2014 (a)	For the three months ended December 31, 2013 (b)	(a)-(b) Change
NET INCOME (A)	**$11,921**	**$(51,425)**	**$63,346**
Add back - Unusual Items:			
Change in Chief Executive Officer (1)	10,745	-	10,745
Restructuring Costs (2)	3,542	-	3,542
2013 Write-down of assets at the Company's operating facility in Hopkinsville, Kentucky (4)	-	29,931	(29,931)
2013 Other Impairment of property, plant and equipment(5)	-	1,366	(1,366)
Add back - Other Items:			
2013 Premium external costs related to the Company's operating facility in Hopkinsville, Kentucky (4)	-	10,519	(10,519)
External legal and forensic accounting costs related to litigation (3)	-	331	(331)
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$14,287**	**$42,147**	**$(27,860)**
2013 Write-down of deferred tax asset and tax impact of above items (6)	(3,376)	23,345	(26,721)
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**$10,911**	**$65,492**	**$(54,581)**
ADJUSTED NET INCOME (A + B)	**$22,832**	**$14,067**	**$8,765**
Number of Shares Outstanding – Basic (‘000)	84,878	84,437	
Adjusted Basic Net Income Per Share	$0.27	$0.17	
Number of Shares Outstanding – Diluted (‘000)	85,697	85,181	
Adjusted Diluted Net Income Per Share	$0.27	$0.17	

TABLE B

	For the year ended December 31, 2014 (a)	For the year ended December 31, 2013 (b)	(a)-(b) Change
NET INCOME (A)	**$71,304**	**$16,950**	**$54,354**
Add back - Unusual Items:			
Change in Chief Executive Officer (1)	10,745	-	10,745
Restructuring Costs (2)	3,542	-	3,542
2013 Write-down of assets at the Company's operating facility in Hopkinsville, Kentucky (4)	-	29,931	(29,931)
2013 Other Impairment of property, plant and equipment(5)	-	1,366	(1,366)
Add back - Other Items:			
2013 Premium external costs related to the Company's operating facility in Hopkinsville, Kentucky (4)	-	10,519	(10,519)
External legal and forensic accounting costs related to litigation (3)	1,561	331	1,230
TOTAL UNUSUAL AND OTHER ITEMS BEFORE TAX	**$15,848**	**$42,147**	**$(26,299)**
2013 Write-down of deferred tax asset and tax impact of above items (6)	(3,766)	23,345	(27,111)
TOTAL UNUSUAL AND OTHER ITEMS AFTER TAX (B)	**$12,082**	**$65,492**	**$(53,410)**
ADJUSTED NET INCOME (A + B)	**$83,386**	**$82,442**	**$944**
Number of Shares Outstanding – Basic (‘000)	84,615	84,093	
Adjusted Basic Net Income Per Share	$0.99	$0.98	
Number of Shares Outstanding – Diluted (‘000)	85,515	84,985	
Adjusted Diluted Net Income Per Share	$0.98	$0.97	

(1) Change in Chief Executive Officer

On November 1, 2014, Nick Orlando stepped down as Martinrea’s President and Chief Executive Officer and Pat D’Eramo was appointed as the Company’s President and Chief Executive Officer following a comprehensive search process conducted by the Company’s Board of Directors, which appointed a search committee of its members to oversee the process and to work with an outside executive search firm to make assessments and recommendations. The costs added back for adjusted net income purposes include $8.4 million in termination benefits for Nick Orlando as set out in his employment contract payable over a two year period, $0.9 million in fees paid to an outside executive search firm, a $0.9 million signing bonus paid to Pat D’Eramo upon his arrival to the Company and $0.5 million in stock based compensation expense related to certain stock options granted to Pat D’Eramo upon his arrival which had no vesting requirements.

(2) Restructuring Costs

During the fourth quarter of 2014, the Company right sized the workforce at two operating facilities in Canada resulting in $3.5 million in employee related severance costs.

(3) External Legal and Forensic Accounting Costs Related to Litigation

The costs added back for adjusted net income purposes reflects the legal and forensic accounting costs not covered by insurance (recorded as SG&A expense) incurred by the Company in relation to specific litigation matters out of the ordinary course of business as outlined in the Company's Annual Information Form for the year ended December 31, 2014.

(4) 2013 Impact of Operational Issues at the Company's Operating Facility in Hopkinsville, Kentucky

During the fourth quarter of 2013, the Company experienced some operational issues at its facility in Hopkinsville, Kentucky, as the facility was dealing with new program launches, customer-requested engineering changes which impacted productivity and the overall ramp-up in production volumes being experienced in the automotive industry. The issues were rooted in serious equipment failures on two of the plant's large tonnage presses which resulted in incremental premium costs in the form of expedited freight, outsourcing costs, overtime, increased manpower, higher scrap levels, sorting and rework costs, launch related inefficiencies and other costs, all of which negatively impacted the performance of the plant. Since the equipment failures at the end of 2013, the presses have been operational but were not performing at optimal levels during 2014. Upgrades to the presses were completed during the 2014 summer and December holiday shutdowns in order to eliminate the risk of any further failures and improve the performance of the presses.

In light of these operational issues and in conjunction with the Company's 2013 annual business planning cycle, the Company recorded a year-end partial write-down of the assets for the Hopkinsville, Kentucky facility for the year ended December 31, 2013. No impairment charges were recorded in 2014. The 2013 year-end write-down includes an impairment of PP&E and intangible assets of $27.7 million and a write-down of inventories to net realizable value (recorded in cost of sales) of $2.2 million. Under IFRS, the impairment of PP&E and intangible assets could reverse in the future when the profitability of the Hopkinsville facility improves. The add-back of $10.5 million of premium external costs for purposes of adjusted net income for the fourth quarter of 2013 was limited to costs that had been eliminated by the end of the fourth quarter of 2013 or shortly thereafter and includes $8.6 million in customer charged premium expedited freight (recorded in SG&A expense) and $1.9 million of incremental inbound freight and premium charges from third party suppliers for temporarily outsourced stampings (recorded in cost of sales).

Other premium costs and inefficiencies (including the impact of outsourced stampings not included in the $1.9 million above) resulting from the operational issues were not added back for purposes of adjusted net income. Progress was made throughout 2014 and continues to be made at reducing these costs and improving efficiencies. Costs have subsided, costs are expected to subside further, and margins are expected to improve at this facility, as operational improvements continue to be made.

(5) 2013 Other Impairment of Property, Plant and Equipment

In conjunction with its 2013 annual business planning cycle, the Company recorded additional impairment charges on PP&E of $1.4 million for the year ended December 31, 2013 related to specific manufacturing equipment in North America no longer in use.

(6) 2013 Write-down of Deferred Tax Asset

As at December 31, 2013, the Company recorded a $38.8 million partial write-down of deferred tax assets in the Company's U.S. operations generated predominantly from tax losses. $33.7 million of the 2013 year-end partial write-down relates to 2013 tax losses not benefitted (but which were being benefitted throughout 2013) and the remainder represents the write-down of previously recognized deferred tax assets. For purposes of adjusted net income, the 2013 year-end partial write-down of the deferred tax assets has been netted against the tax impacts of the unusual and other items described above (determined before any consideration of the year-end write-down), which amounted to $15.5 million.

In assessing the realization of deferred tax assets, the Company considers whether it is more likely than not that some portion of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income; however, forming a conclusion on the realization of deferred tax assets is difficult when there is negative evidence, such as cumulative losses in recent years, in the jurisdictions to which the deferred tax assets relate. As at December 31, 2013, the Company concluded that given recent historical tax losses in the U.S., in particular more recently in Hopkinsville, Kentucky, and uncertainty as to the timing of when the Company would be able to generate the necessary level of earnings to recover these deferred tax assets, it was appropriate to record a partial write-down of the deferred tax assets in the U.S. in 2013. The partial write-down could reverse once the profitability of the U.S. operations improves.

NET INCOME
(ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
Net Income	$ 11,921	$ (51,425)	63,346	123.2%
Adjusted Net Income	$ 22,832	$ 14,067	8,765	62.3%
Net Income per Share				
Basic	$ 0.14	$ (0.61)		
Diluted	$ 0.14	$ (0.61)		
Adjusted Net Income per Share				
Basic	$ 0.27	$ 0.17		
Diluted	$ 0.27	$ 0.17		

Net income, before adjustments, for the fourth quarter of 2014 increased by $63.3 million to $11.9 million from a net loss of $51.4 million for the fourth quarter of 2013. Excluding the unusual and other items incurred during these two quarters as explained in Table A under “Adjustments to Net Income”, net income for the fourth quarter of 2014 increased to $22.8 million or $0.27 per share, on a basic and diluted basis, from $14.1 million or $0.17 per share, on a basic and diluted basis, for the fourth quarter of 2013.

Adjusted net income for the fourth quarter of 2014, as compared to the fourth quarter of 2013, was positively impacted by the following:

- higher gross profit from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the fourth quarter of 2013;
- productivity and efficiency improvements at certain operating facilities in particular in the Company’s U.S. Metallic operations;
- a year-over-year decrease in research and development expense due generally to the timing of expenditures, partially offset by an increase in the amortization of development costs (which is included in total research and development expense) as previously noted; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see “Acquisition” section of this MD&A for further details on the transaction).

These factors were partially offset by the following:

- increased pre-operating costs at new operating facilities, in particular in Spain, Mexico, China, and Riverside, Missouri as these new plants prepare for upcoming new program launches;
- a higher effective tax rate on adjusted earnings due generally to the mix of earnings (20.7% for the fourth quarter of 2014 compared to 10.6% for the fourth quarter of 2013); and
- a year-over-year increase in net finance costs related predominantly to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see “Acquisition” section of this MD&A for further details on the transaction) and a decrease in unrealized net foreign exchange gains.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

	Year ended December 31, 2014	Year ended December 31, 2013	$ Change	% Change
Net Income	$ 71,304	$ 16,950	54,354	320.7%
Adjusted Net Income	$ 83,386	$ 82,442	944	1.1%
Net Income per Share				
Basic	$ 0.84	$ 0.20		
Diluted	$ 0.83	$ 0.20		
Adjusted Net Income per Share				
Basic	$ 0.99	$ 0.98		
Diluted	$ 0.98	$ 0.97		

Net income, before adjustments, for the year ended December 31, 2014 increased by $54.4 million to $71.3 million from $17.0 million for the year ended December 31, 2013. Excluding the unusual and other items incurred during these two years as explained in Table B under "Adjustments to Net Income", net income for the year ended December 31, 2014 increased to $83.4 million or $0.99 per share, on a basic basis, and $0.98 per share on diluted basis, from $82.4 million or $0.98 per share, on a basic basis, and $0.97 on a diluted basis, for the year ended December 31, 2013.

Adjusted net income for the year ended December 31, 2014, as compared to the year ended December 31, 2013, was positively impacted by the following:

- higher gross profit from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013;
- productivity and efficiency improvements at certain operating facilities;
- improved pricing on certain long-term customer contracts in the Company's European operations; and
- the inclusion of 100% of the net earnings from Martinrea Honsel after the Company purchased the 45% non-controlling interest of the group on August 7, 2014 (see "Acquisition" section of this MD&A for further details on the transaction).

These factors were partially offset by the following:

- operational inefficiencies and other costs at certain operating facilities in the United States, in particular, in Hopkinsville Kentucky during the first half of the year (see above);
- pre-operating costs at new operating facilities, in particular in Spain, Mexico, China and Riverside, Missouri as these new plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch or ramp up over the next while including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- year-over-year increases in SG&A expense as previously discussed, research and development expenses, due mainly to increased amortization of development costs, and finance expense related to increased levels of debt primarily used to sustain the increased level of capital expenditures related to new program launches and to fund the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see "Acquisition" section of this MD&A for further details on the transaction).

ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 67,424	$ 46,546	20,878	44.9%

Additions to property, plant and equipment increased by $20.9 million to $67.4 million in the fourth quarter of 2014 from $46.5 million in the fourth quarter of 2013. Additions as a percentage of sales increased year-over-year to 7.1% for the fourth quarter of 2014 compared to 6.0% for the fourth quarter of 2013. While capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the fourth quarter of 2014 continued to be for manufacturing equipment and multiple expansions for programs that recently launched or will be launching over the next 24 months.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

	Year ended December 31, 2014	Year ended December 31, 2013	$ Change	% Change
Additions to Property, Plant and Equipment	$ 203,801	$ 189,065	14,736	7.8%

Additions to property, plant and equipment increased by $14.7 million to $203.8 million for the year ended December 31, 2014 from $189.1 million for the year ended December 31, 2013. Additions as a percentage of sales decreased year-over-year to 5.7% for the year ended December 31, 2014 compared to 5.9% for the comparative period of 2013. Despite the decrease as a percentage of sales, while capital expenditures are made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in 2014 continued to be for manufacturing equipment and multiple expansions for programs that recently launched or will be launching over the next 24 months.

SEGMENT ANALYSIS

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

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Three months ended December 31, 2014	**Three months ended December 31, 2013**	**Three months ended December 31, 2014**	**Three months ended December 31, 2013**
North America	$ 756,716	$ 670,540	$ 24,569	$ 9,467
Europe	171,503	173,420	12,834	16,960
Rest of the World	15,562	14,664	(3,459)	(232)
Adjusted Operating Income			$ 33,944	$ 26,195
Unusual and Other Items*			(14,287)	(42,147)
Total	$ 943,781	$ 858,624	$ 19,657	$ (15,952)

** Operating income for the operating segments has been adjusted for unusual and other items. The unusual and other items for both periods presented above were all incurred within the North America operating segment and are fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted operating income in North America increased by $15.1 million to $24.6 million for the fourth quarter of 2014 from $9.5 million for the fourth quarter of 2013. Operating income in North America was positively impacted by:

- higher gross profit from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during the fourth quarter of 2013 (as noted above under "Sales"); and
- productivity and efficiency improvements at certain operating facilities in particular in the Company's U.S. Metallic operations.

These factors were partially offset by the following:

- pre-operating costs at two new operating facilities in Mexico and Riverside, Missouri as the new plants prepare for upcoming new program launches; and
- operational inefficiencies and other costs at certain other facilities.

Europe

Operating income in Europe decreased by $4.2 million to $12.8 million for the fourth quarter of 2014 from $17.0 million for the fourth quarter of 2013. The decrease in operating income in Europe was predominantly due to program specific launch costs and pre-operating costs at a new operating facility in Spain, as the plant prepares for a significant upcoming new program launch, and the impact of the year-over-year resolution of commercial disputes.

Rest of the World

The operating results for the Rest of the World operating segment decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil and pre-operating costs at a new aluminum operating facility in China as the plant prepares for its inaugural new program launch in 2016.

Year ended December 31, 2014 to year ended December 31, 2013 comparison

	SALES		OPERATING INCOME (LOSS)*	
	Year ended December 31, 2014	**Year ended December 31, 2013**	**Year ended December 31, 2014**	**Year ended December 31, 2013**
North America	$ 2,851,370	$ 2,523,697	$ 105,264	$ 113,264
Europe	687,566	631,184	53,160	36,143
Rest of the World	59,709	67,000	(10,676)	(2,023)
Adjusted Operating Income			$ 147,748	$ 147,384
Unusual and Other Items*			(15,848)	(42,147)
Total	$ 3,598,645	$ 3,221,881	$ 131,900	$ 105,237

** Operating income for the operating segments has been adjusted for unusual and other items. The unusual and other items for both periods presented above were all incurred within the North America operating segment and are fully explained under "Adjustments to Net Income" in this MD&A.*

North America

Adjusted operating income in North America decreased by $8.0 million to $105.3 million for the year ended December 31, 2014 from $113.3 million for the year ended December 31, 2013. Operating income in North America was negatively impacted by:

- operational inefficiencies and other costs at certain operating facilities in the United States, in particular, in Hopkinsville Kentucky during the first half of the year (see above);
- increased pre-operating costs at new operating facilities, in particular in Mexico and Riverside, Missouri as these new plants prepare for upcoming new program launches;
- program specific launch costs related to new programs that recently launched or are set to launch and/or ramp up over the next while including the BMW X5, Ford Transit, Ford 2.3L aluminum engine block, Chrysler 200 and Ford Edge; and
- year-over-year increases in SG&A expense, as previously discussed, and research and development expenses, due mainly to increased amortization of development costs.

These factors were partially offset by the following:

- higher gross profit from an overall increase in year-over-year production sales including the launch of new programs subsequent to or during 2013; and
- productivity and efficiency improvements at certain operating facilities.

Europe

Operating income in Europe increased by $17.1 million to $53.2 million for the year ended December 31, 2014 from $36.1 million for the year ended December 31, 2013. Operating income in Europe was positively impacted by a year-over-year increase in sales including the ramp up of new incremental business with Jaguar LandRover and a positive foreign exchange impact on the translation of Euro denominated sales, ongoing productivity and efficiency improvements at certain operating facilities, in particular in Germany, and improved pricing on certain long term customer contracts, partially offset by program specific launch costs and pre-operating costs at a new operating facility in Spain as the plant prepares for a significant upcoming new program launch.

Rest of the World

The operating results for the Rest of the World operating segment decreased year-over-year. The decrease in operating results was primarily due to lower production volumes in Brazil and pre-operating costs at a new aluminum operating facility in China as the plant prepares for its inaugural new program launch in 2016.

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SUMMARY OF QUARTERLY RESULTS

	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales	943,781	859,456	930,915	864,493	858,624	767,861	826,274	769,122
Gross margin	86,474	78,076	95,863	87,479	73,475	83,663	91,183	75,715
Net income for the period	11,926	21,205	29,626	26,659	(44,074)	26,387	32,111	23,505
Net income attributable to equity holders of the Company	11,921	19,384	23,308	16,691	(51,425)	20,973	27,514	19,888
Basic Net Earnings (loss) per Share	0.14	0.23	0.28	0.20	(0.61)	0.25	0.33	0.24
Diluted Net Earnings (loss) per Share	0.14	0.23	0.27	0.20	(0.60)	0.25	0.33	0.24
Adjusted Basic Net Earnings per Share	0.27	0.23	0.28	0.21	0.17	0.25	0.33	0.24
Adjusted Diluted Net Earnings per Share	0.27	0.23	0.28	0.21	0.17	0.25	0.33	0.24

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remains solid, which can be attributed to the Company's low cost structure, reasonable level of debt, prospects for growth and significant new program launches. As at December 31, 2014, the Company had total equity attributable to equity holders of the Company of $576.0 million. As at December 31, 2014, the Company's ratio of current assets to current liabilities was 1.26:1, generally consistent with recent quarters. The Company's current working capital level of $185.0 million and existing financing facilities (discussed below) are sufficient to cover the anticipated working capital needs of the Company. Management expects that all future capital expenditures will be financed by cash flow from operations, utilization of existing financing facilities or asset backed financing.

CASH FLOWS

Three months ended December 31, 2014 to three months ended December 31, 2013 comparison

	Three months ended December 31, 2014	Three months ended December 31, 2013	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$ 53,185	$ 39,657	13,528	34.1%
Change in non-cash working capital items	59,943	23,335	36,608	156.9%
	113,128	62,992	50,136	79.6%
Interest paid	(6,106)	(4,090)	(2,016)	49.3%
Income taxes paid	(7,164)	(6,338)	(826)	13.0%
Cash provided by operating activities	99,858	52,564	47,294	90.0%
			-	
Cash provided by (used in) financing activities	(6,641)	21,787	(28,428)	(130.5%)
			-	
Cash used in investing activities	(64,473)	(39,175)	(25,298)	64.6%
			-	
Effect of foreign exchange rate changes	(1,628)	4,416	(6,044)	(136.9%)
Increase (decrease) in cash and cash equivalents	$ 27,116	$ 39,592	(12,476)	(31.5%)

Cash provided by operating activities during the fourth quarter of 2014 was $99.9 million, compared to cash provided by operating activities of $52.6 million in the corresponding period of 2013. The components for the fourth quarter of 2014 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $53.2 million;
- working capital items source of cash of $59.9 million comprised of a decrease in trade and other receivables of $77.8 million, a decrease in inventories of $28.5 million and a decrease in prepaid expenses and deposits of $13.6 million; partially offset by a decrease in trade, other payables and provisions of $59.9 million;
- interest paid (excluding capitalized interest) of $6.1 million; and
- income taxes paid of $7.2 million due to the timing of income tax instalments and withholding and tax credits.

Cash used in financing activities during the fourth quarter of 2014 was $6.6 million, compared to a source of $21.8 million in the corresponding period in 2013, as a result of $20.1 million of scheduled debt repayments on asset based financing arrangements and $2.5 million in dividends paid; partially offset by proceeds of $14.8 million from an equipment loan in the Company's Spanish operations and $1.2 million in proceeds from the exercise of employee stock options during the quarter.

Cash used in investing activities during the fourth quarter of 2014 was $64.5 million, compared to $39.2 million in the corresponding period in 2013. The components for the fourth quarter primarily include the following:

- cash additions to PP&E of $60.5 million;
- capitalized development costs relating to upcoming new program launches of $4.3 million; partially offset by
- proceeds from the disposal of property, plant and equipment of $0.3 million.

Taking into account the opening cash balance of $25.3 million at the beginning of the fourth quarter of 2014, and the activities described above, the cash and cash equivalents balance at December 31, 2014 was $52.4 million.

Year ended December 31, 2014 to Year ended December 31, 2013 comparison

		Year ended December 31, 2014		Year ended December 31, 2013	$ Change	% Change
Cash provided by operations before changes in non-cash working capital items	$	258,537	$	236,910	21,627	9.1%
Change in non-cash working capital items		65,961		(58,294)	124,255	213.2%
		324,498		178,616	145,882	81.7%
Interest paid		(21,429)		(18,833)	(2,596)	13.8%
Income taxes paid		(38,715)		(23,984)	(14,731)	61.4%
Cash provided by operating activities		264,354		135,799	128,555	94.7%
Cash provided by financing activities		189,042		81,665	107,377	131.5%
Cash used in investing activities		(458,141)		(193,210)	(264,931)	137.1%
Effect of foreign exchange rate changes		922		2,548	(1,626)	(63.8%)
Increase (decrease) in cash and cash equivalents	$	(3,823)	$	26,802	(30,625)	(114.3%)

Cash provided by operating activities during the year ended December 31, 2014 was $264.4 million, compared to cash provided by operating activities of $135.8 million for the year ended December 31, 2013. The components for the year ended December 31, 2014 primarily include the following:

- cash provided by operations before changes in non-cash working capital items of $258.5 million;
- working capital items source of cash of $66.0 million comprised of a decrease in trade and other receivables of $43.0 million, an increase in trade, other payables and provisions of $18.1 million, a decrease in inventories of $1.4 million and a decrease in prepaid expenses and deposits of $3.5 million;
- interest paid (excluding capitalized interest) of $21.4 million; and
- income taxes paid of $38.7 million due to the timing of income tax instalments and withholding and tax credits.

Cash provided by financing activities during the year ended December 31, 2014 was $189.0 million, compared to $81.7 million for the year ended December 31, 2013, as a result of $217.8 million net drawn on the Company's amended banking facility (see below under "Financing") primarily to fund the purchase of the 45% non-controlling interest in Martinrea Honsel on August 7, 2014 (see below under "Acquisitions"), proceeds from equipment loans of $29.2 million and $3.0 million in proceeds from the exercise of employee stock options during the year; partially offset by the repayment of the shareholder loan held by the non-controlling shareholder in Martinrea Honsel of $13.1 million, $37.8 million of scheduled debt repayments on asset based financing arrangements and $10.2 million in dividends paid.

Cash used in investing activities during the year ended December 31, 2014 was $458.1 million, compared to $193.2 million for the year ended December 31, 2013. The components for the fourth primarily include the following:

- the purchase of the 45% non-controlling interest of Martinrea Honsel on August 7, 2014 (see below under "Acquisitions");
- cash additions to PP&E of $203.6 million;
- capitalized development costs relating to upcoming new program launches of $20.5 million; partially offset by
- proceeds from the disposal of property, plant and equipment of $1.6 million.

Taking into account the opening cash balance of $56.2 million at the beginning of the year, and the activities described above, the cash and cash equivalents balance at December 31, 2014 was $52.4 million.

Financing

On August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The increase in credit lines facilitated the purchase of the 45% non-controlling interest in Martinrea Honsel as further described below. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $300 million and US $350 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to $100 million;
- pricing terms at market rates; and
- a maturity date of August 2018.

As at December 31, 2014, the Company had drawn $278.0 million on the Canadian revolving credit line and US$235.0 million on the U.S. revolving credit line.

Net debt (i.e. long term debt less cash on hand) increased by approximately $224.4 million from $415.6 million at December 31, 2013 to $640.0 million at December 31, 2014, due primarily to the $235.6 million purchase of the 45% non-controlling interest in Martinrea Honsel, partially offset by net repayments of debt during the course of the year.

The Company was in compliance with its debt covenants as at December 31, 2014.

Dividends

In the second quarter of 2013, Martinrea's Board of Directors approved, for the first time, a dividend to be paid to all holders of Martinrea common shares. Annual dividends are to be $0.12 per share, to be paid in four quarterly payments of $0.03 per share. The first quarterly dividend payment of $0.03 per share was paid on July 11, 2013; with successive quarterly dividends paid thereafter, the most recent quarterly dividend being paid on January 15, 2015. The declaration and payment of future dividends will be subject to the Company's cash requirements as well as satisfaction of statutory tests. In addition, the Board will assess future dividend payment levels from time to time, in light of the Company's financial performance and then current and anticipated needs at that time.

Guarantees

The Company is a guarantor under certain tooling finance programs negotiated originally in 2004 and amended in 2013 that provide direct financing for the tooling on specific programs. The tooling finance program involves a third party that provides tooling suppliers with financing subject to a Company guarantee for a period of six to eighteen months depending upon the duration of the tooling program and the subsequent customer tooling payment. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At December 31, 2014 the amount of off-balance sheet program financing was $17.2 million (December 31, 2013 - $57.6 million). As is customary in the automotive industry, tooling costs are ultimately paid for by customers of the Company generally upon acceptance of the final prototypes and commencement of commercial production.

ACQUISITIONS

On July 29, 2011, the Company closed an agreement to purchase a controlling interest in the assets of Honsel, a German-based leading supplier of aluminum components for the automotive and industrial sectors forming the Martinrea Honsel group. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction, acquiring 55%, with Anchorage owning the remaining 45%.

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

The Martinrea Honsel Group provides the Company with a significant presence in the aluminum automotive parts market, and broadens the Company's metal forming capabilities and offerings. It also creates a more significant geographic presence outside North America, which the Company intends to grow over time. The Company's customer base was further expanded with the acquisition, with many of the larger European based OEMs being significant customers of Martinrea Honsel.

Initially, the 2011 purchase transaction envisaged the purchase of all of Honsel's operations, which included plants in Germany located in Meschede, Nuremburg, Soest, and Nuttlar, as well as Madrid, Spain, Queretaro, Mexico, and Monte Mor, Brazil. The Nuremburg facility was subsequently sold to ZF Friedrichshafen AG ("ZF"), the primary customer of the facility, immediately after the closing of the purchase transaction. After factoring in the sale of the Nuremburg facility to ZF, the net cash consideration for the acquisition was €62,125 ($85,272), of which Martinrea's 55% portion was €34,169 ($46,900).

As part of the transaction, the Company granted Anchorage a put option which, if exercised, would have required the Company to purchase Anchorage's 45% interest in Martinrea Honsel Holdings B.V. The put option would have become effective on April 1, 2015 with an expiry date of October 1, 2017. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option is exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel Group for a negotiated purchase price of €160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel Group is wholly owned by Martinrea. The transaction resulted in the carrying value of the put option liability on the date of the transaction being reversed out of other equity and the carrying amount of Anchorage's share of equity in Martinrea Honsel being reversed from non-controlling interest. The $127,198 difference of the consideration paid and the carrying amount of the non-controlling interest at the date of the transaction was recognized in accumulated deficit.

The acquisition while bringing many benefits to Martinrea also provides some risks for the Company. Both the initial 2011 purchase of the 55% controlling interest and subsequent purchase of the remaining 45% equity interest in Martinrea Honsel were financed by the Company using available credit lines, which has increased the Company's debt levels. See also "Risks and Uncertainties".

RISKS AND UNCERTAINTIES

The following risk factors, as well as the other information contained in this MD&A, the Company's Annual Information Form for the year ended December 31, 2014 or otherwise incorporated herein by reference, should be considered carefully. These risk factors could materially and adversely affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

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

North American and Global Economic and Political Conditions

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

The Company operates in the midst of a volatile industry, which in the past decade has experienced a significant recession, particularly severe in North America and more recently Europe. Although there has been stabilization or growth in North America, current conditions continue to cause economic uncertainty about the future in different regions. It is uncertain what the Company's prospects will be in the future. While the Company believes it has sufficient liquidity and a strong balance sheet to deal with present economic conditions, lower sales and production volumes in certain areas may occur.

Automotive Industry Risks

The automotive industry is highly cyclical and dependent on, among other factors, consumer spending and general economic conditions in North America and elsewhere. Future sales and production volumes are anticipated to grow in North America over the next several years, and have grown in the past several years but growth rates are uncertain, and volume levels can decrease at any time. In Europe, the automotive industry has significant overcapacity as well as reduced sales and production levels, which can lead to downsizing and restructuring costs, or costs associated with overcapacity. Increased emphasis on the reduction of fuel consumption, fuel emissions and greenhouse gas emissions could also reduce demand for automobiles overall or specific platforms on which the Company has product, especially in the light truck segment. There can be no assurance that North American or European automotive production overall or on specific platforms will not decline in the future or that the Company will be able to utilize any existing unused capacity or any additional capacity it adds in the future. A continued or a substantial additional decline in the production of new automobiles overall or by customer or by customer platform may have a material adverse effect on the Company's financial condition and results of operations and ability to meet existing financial covenants.

Dependence Upon Key Customers

Due to the nature of the Company's business, it is dependent upon several large customers such that cancellation of a significant order by any of these customers, the loss of any such customers for any reason or the insolvency of any such customers, or reduced sales of automotive platforms of such customers, could significantly reduce the Company's ongoing revenue and/or profitability, and could materially and adversely affect the Company's financial condition. In addition, a work disruption at one or more of the Company's customers resulting from labour stoppages at or insolvencies of key suppliers to such customers or an extended customer shutdown could have a significant impact on the Company's revenue and/or profits.

Financial Viability of Suppliers

The Company relies on a number of suppliers to supply a wide range of products and components required in connection with the business. Economic conditions, production volume cuts, intense pricing pressures, increased commodity prices and a number of other factors including acts of God (fires, hurricanes, and earthquakes) can result in many automotive suppliers experiencing varying degrees of financial distress. The continued financial distress or the insolvency or bankruptcy of any such supplier could disrupt the supply of products, materials or components to Martinrea or to customers, potentially causing the temporary shut-down of the Company's or

customers' production lines. Martinrea has experienced supply disruptions of varying natures in the past, including in cases where an equipment supplier has gone out of business, or an act of God resulted in the shortage of a key commodity. Some suppliers had to restructure severely in the past recession, and may have reduced capacity. There is a risk some suppliers may not have adequate capacity to timely accommodate increases in demand for their products which could lead to production disruption for the customer. Any prolonged disruption in the supply of critical components, the inability to re-source production of a critical component from a distressed automotive components sub-supplier, or any temporary shut-down of production lines or the production lines of a customer, could have a material adverse effect on profitability. Additionally, the insolvency, bankruptcy, financial restructuring or force majeure event of any critical suppliers could result in the Company incurring unrecoverable costs related to the financial work-out or resourcing costs of such suppliers and/or increased exposure for product liability, warranty or recall costs relating to the components supplied by such suppliers to the extent such supplier is not able to assume responsibility for such amounts, each of which could have an adverse effect on the Company's profitability. Also see "*Dependence Upon Key Customers*".

Competition

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

Cost Absorption and Purchase Orders

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

Material Prices

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

Outsourcing and Insourcing Trends

The Company is dependent on the outsourcing of components, modules and assemblies by OEMs. The extent of OEM outsourcing is influenced by a number of factors, including relative cost, quality and timeliness of production by suppliers as compared to OEMs, capacity utilization, and labour relations among OEMs, their employees and unions. As a result of any favourable terms in collective bargaining agreements which may lower cost structures, the Detroit 3 OEMs may insource some production which had previously been outsourced, or not outsource production which may otherwise be outsourced at some point. Outsourcing of some assembly is

particularly dependent on the degree of unutilized capacity at the OEMs' own assembly facilities, in addition to the foregoing factors. A reduction in outsourcing by OEMs, or the loss of any material production or assembly programs coupled with the failure to secure alternative programs with sufficient volumes and margins, could have a material adverse effect on profitability.

Product Warranty, Recall and Liability Risk

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

Product Development and Technological Change

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

Dependence Upon Key Personnel

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

Limited Financial Resources/Uncertainty of Future Financing/Banking

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

Acquisitions

The Company has acquired and anticipates that it will continue to acquire complementary businesses, assets, technologies, services or products. The completion of such transactions poses additional risks to the Company's business. The benefit to the Company of previous and future acquisitions is highly dependent on the Company's ability to integrate the acquired businesses and their technologies, employees and products into the Company, and the Company may incur costs associated with integrating and rationalizing the facilities (some of which may need to be closed in the future). The Company cannot be certain that it will successfully integrate acquired businesses or that acquisitions will ultimately benefit the Company. Any failure to successfully integrate businesses or failure of the businesses to benefit the Company could have a material adverse effect on its business and results of operations. Such transactions may also result in additional dilution to the Company's shareholders or increased debt. Such transactions may involve partners, and the formula for determining contractual sale provisions may be subject to a variety of factors that may not be easily quantified or estimated until the time of sale (such as market conditions and determining fair market value).

Potential Rationalization Costs and Turnaround Costs

The Company has incurred restructuring costs over the past several years. In response to the increasingly competitive automotive industry conditions, it is likely that the Company will continue to rationalize some production facilities. In the course of such rationalization, restructuring costs related to plant closings or alterations, relocations and employee severance costs will be incurred. Such costs could have an adverse effect on short-term profitability. In addition, while the Company's goal is for every plant to be profitable, there is no assurance this will occur, which will likely result in a rationalizing or closing of the plant. Martinrea is working to

turn around any financially underperforming divisions; however, there is no guarantee that it will be successful in doing so with respect to some or all such divisions. The continued underperformance of one or more operating divisions could have a material adverse effect on the Company's profitability and operations.

Launch and Operational Costs

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

The Company's manufacturing processes are vulnerable to operational problems that can impair its ability to manufacture its products in a timely manner. The Company's facilities contain complex and sophisticated machines that are used in its manufacturing processes. The Company has in the past experienced equipment failure and could experience equipment failure in the futures due to wear and tear, design error or operator error, among other things, which could have an adverse effect on profitability.

Potential Volatility of Share Prices

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

Changes in Laws and Governmental Regulations

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

Labour Relations Matters

The Company has a significant number of its employees subject to collective bargaining agreements. To date, the Company has had no material labour relations disputes. However, production may be affected by work stoppages and labour-related disputes, whether in the context of potential restructuring or in connection with negotiations undertaken to ensure a division's competitiveness, or otherwise, which may not be resolved in the Company's favour and which may have a material adverse effect on the Company's operations.

Litigation

The Company has been and is involved in litigation from time to time and has received, in the past, letters from third parties alleging claims and claims have been made against it including those described below. Although litigation claims may ultimately prove to be without merit, they can be time-consuming and expensive to defend. There can be no assurance that third parties will not assert claims against the Company in the future or that any such assertion will not result in costly litigation, or a requirement that the Company enter into costly settlement arrangements. There can be no assurance that such arrangements will be available on reasonable terms, or at all. Due to the inherent uncertainties of litigation, it is not possible to predict the outcome or determine the amount of any potential losses of the law suits referenced below or of any other claims to which the Company may be subject. In addition, there is no assurance that the Company will be successful in a litigation matter. Any of these events may have a material adverse effect on the Company's business, financial condition and results of operations.

As previously disclosed, the Company and certain of its directors and officers have been served with a statement of claim that was filed originally on September 26, 2013 in the Ontario Superior Court of Justice by Nat Rea, Rea Holdings Inc. and one other person which made certain allegations against the Company, certain directors and officers and two suppliers of the Company. The claim seeks, among other things, that a declaration that certain directors and the officers have breached their fiduciary duties in participating or

approving certain transactions, the repayment to the Company of certain amounts as a result of such transaction, a declaration that the financial statements do not accurately reflect the Company's position and an order removing certain directors of the Company. The Company and the other defendants have filed a statement of defence and counterclaim against Mr. Rea and his holding company seeking damages for abuse of process. The pleadings have been completed in this matter. The Company maintains its position that the claims made by Rea are without merit, improperly motivated and should be dismissed.

The Company and certain of its officers and directors have been served with a Notice of Action and Statement of Claim that was filed in Windsor, Ontario by an alleged shareholder (the "Statement of Claim"). In the Statement of Claim, the plaintiff seeks, among other things: an order certifying the proceeding as a class proceeding; a declaration that the defendants made negligent misrepresentations in the time period from March 6, 2006 to December 18, 2013 by representing that the Company's financial statements were prepared in accordance with GAAP and/or IFRS; an order granting leave to amend the claim to assert causes of action under the secondary market liability provisions of the Securities Act (Ontario); and special and general damages and costs of notice in the class action in the sum of $100 million. The Company believes that the Statement of Claim is without merit.

Currency Risk - Hedging

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

Currency Risk – Competitiveness in Certain Jurisdictions

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

Fluctuations in Operating Results

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

Internal Controls Over Financial Reporting and Disclosure Controls and Procedures

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

Environmental Regulation

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

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

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

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

A Shift Away from Technologies in Which the Company is Investing

The Company continues to invest in technology and innovation which the Company believes will be critical to its long-term growth. The Company's ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products and/or manufacturing processes on a timely basis will be a significant factor in its ability to remain competitive. If there is a shift away from the use of technologies in which the Company is investing, its costs may not be fully recovered. In addition, the Company may be placed at a competitive disadvantage if other technologies in which the investment is not as great, or the Company's expertise is not as developed, emerge as the industry-leading technologies. This could have a material adverse effect on the Company's profitability and financial condition.

Competition with Low Cost Countries

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

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

Many of the Company's customers have sought, and will likely continue to seek to take advantage of lower operating costs and/or other advantages in China, India, Brazil, Russia and other growing markets. While the Company continues to expand its manufacturing footprint with a view to taking advantage of manufacturing opportunities in some of these markets, the Company cannot guarantee that it will be able to fully realize such opportunities. The inability to quickly adjust its manufacturing footprint to take advantage of manufacturing opportunities in these markets could harm its ability to compete with other suppliers operating in or from such markets, which could have an adverse effect on its profitability.

Risks of conducting business in foreign countries, including China, Brazil and other growing markets

The Company has or may establish foreign manufacturing, assembly, product development, engineering and research and development operations in foreign countries, including in Europe, China and Brazil. International operations are subject to certain risks inherent in doing business abroad, including:

- political and economic instability;
- corruption risks;
- trade, customs and tax risks;

- currency exchange rates and currency controls;
- limitations on the repatriation of funds;
- insufficient infrastructure;
- restrictions on exports, imports and foreign investment;
- increases in working capital requirements related to long supply chains; and
- difficulty in protecting intellectual property rights.

Expanding the Company's business in growing markets is an important element of its strategy and, as a result, the Company's exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on the Company vary from country to country and are unpredictable, however any such occurrences could have an adverse effect on the Company's profitability.

Potential Tax Exposures

The Company may incur losses in some countries which we may not be able to fully or partially offset against income the Company has earned in those countries. In some cases, the Company may not be able to utilize these losses at all if the Company cannot generate profits in those countries and/or if the Company has ceased conducting business in those countries altogether. The Company's inability to utilize material tax losses could materially adversely affect its profitability. At any given time, the Company may face other tax exposures arising out of changes in tax laws, tax reassessments or otherwise. The taxation system and regulatory environment in some of the jurisdictions in which the Company operates are characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various regulatory authorities and jurisdictions are empowered to impose significant fines, penalties and interest charges. The Company's subsidiary in Brazil is currently being assessed by the State of Sao Paulo tax authorities for certain value added tax credits claimed. Although the Company believes that it has complied in all material respects with the legislation in Brazil and has obtained legal advice to such effect there is no assurance that the Company will be successful with respect to such assessment (see Note 21 to the Company's consolidated financial statements for the year ended December 31, 2014). To the extent the Company cannot implement measures to offset this and other tax exposures; it may have a material adverse effect on the Company's profitability.

Change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as its ability to fully benefit from tax losses

The Company's effective tax rate varies in each country in which it conducts business. Changes in its mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on the Company's profitability.

Pension Plans and other post employment benefits

The Company's pension plans acquired as a result of the acquisition of the North American body and chassis business of ThyssenKrupp Budd in 2006 (the "TKB Acquisition") had an aggregate funding deficiency as at the latest measurement date of December 31, 2014, based on an actuarial estimate for financial reporting. The unfunded liability at December 31, 2014, on a solvency basis which currently represents the basis for annual pension funding, is significant. Based on current interest rates, benefits and projected investment returns, the Company is obligated to fund some amounts in 2015 and beyond. A significant portion of the estimated funding is expected to be a payment towards the reduction of the unfunded liabilities. The unfunded liability could increase due to a decline in interest rates, investment returns at less than the actuarial assumptions, or changes to the governmental regulations governing funding and other factors. The Company could be adversely affected by the resulting increases in annual funding obligations**.** See also Note 12 ("Pension and Other Post Retirement Benefits") to the Company's annual consolidated financial statements for the year ended December 31, 2014, which reflects the financial position of the Company's defined benefit pension plan and other post-employment benefit plans at December 31, 2014.

The Company provides certain post-employment benefits to certain of its retirees acquired as a result of the TKB Acquisition. These benefits include drug and hospitalization coverage. The Company does not pre-fund these obligations. At December 31, 2014, the unfunded actuarial liability for these obligations was significant. Expected benefit payments for 2015 and beyond are significant. The Company's obligation for these benefits could increase in the future due to a number of factors including changes in interest rates, changes to the collective bargaining agreements, increasing costs for these benefits, particularly drugs, and any transfer of costs currently borne by government to the Company. The Company has in the past negotiated changes to its post-employment benefits package in several of its facilities with its employees, in conjunction with the applicable union for the facility, setting maximum limits on future post-employment benefits payments. The Company may negotiate similar arrangements in future in respect of such benefits at other facilities, as applicable. See also Note 12 ("Pension and Other Post Retirement Benefits") to the Company's annual consolidated

financial statements for the year ended December 31, 2014, which reflect the financial position of the Company's post-employment benefits other than pension plans at December 31, 2014.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at March 19, 2015, the Company had 85,408,783 common shares outstanding. The Company's common shares constitute its only class of voting securities. As at March 19, 2015, options to acquire 5,161,502 common shares were outstanding.

CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET FINANCING

At December 31, 2014, the Company had contractual obligations requiring annual payments as follows (all figures in thousands):

	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter	Total
Purchase obligations (i)	$533,147	$0	$0	$0	$0	$0	$533,147
Long-term debt	$37,526	$37,144	$25,499	$568,254	$5,066	$18,953	$692,442
Rent Commitments	$16,147	$13,718	$10,012	$7,826	$6,629	$26,602	$80,934
Operating leases with third parties	$5,720	$3,653	$2,385	$1,143	$559	$308	$13,768
Pension funding & post-employment benefit payments	$4,139	$0	$0	$0	$0	$0	$4,139
Total contractual obligations	$596,679	$54,515	$37,896	$577,223	$12,254	$45,863	$1,324,430

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

The Company has negotiated tool financing facilities that will provide direct financing for specific programs. The tool financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to tooling suppliers through this financing arrangement do not appear on the Company's balance sheet. At December 31, 2014, the amount of the off balance sheet program financing was $17.2 million representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee. The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligation to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of a tooling supplier default as remote. Moreover, if such an instance were to occur, the Company would obtain the tool inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges between 6-18 months.

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

At December 31, 2014, the Company had committed to trade U.S. dollars in exchange for the following:

Currency		Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$	10,000	1.1696	12
Buy Euro	$	694	0.8131	1
Buy Mexican Pesos	$	1,703	14.6785	1

The aggregate value of these forward contracts as at December 31, 2014 was a loss of $9 and was recorded in trade and other payables (December 31, 2013 - loss of $370 recorded in trade and other payables).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures are designed to provide reasonable assurance that material information required to be publicly disclosed by a public company is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so that appropriate decisions can be made regarding public disclosure. An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of December 31, 2014, based on the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") by and under the supervision of the Company's management, including the CEO and the CFO. Based on this evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures (as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators) are effective in providing reasonable assurance that material information relating to the Company is made known to them and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in such legislation.

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

The CEO and CFO have caused an evaluation of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2014. This evaluation included documentation activities, management inquiries and other reviews as deemed appropriate by management in consideration of the size and nature of the Company's business including those matters described above. Based on that evaluation the CEO and the CFO concluded that the design and operating effectiveness of internal controls over financial reporting was effective as at December 31, 2014 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

The Company has and will continue to implement enhancements to its internal controls. The Company is committed to the highest standards of integrity and diligence in its business dealings and to the ethical and legally compliant business conduct of its employees. The Company reviews its compliance programs on a regular basis to assess and align them with emerging trends and business practices.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in the Company's internal controls over financial reporting during the year ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. The discussion below describes the Company's significant policies and procedures.

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

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

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

Revenue Recognition on Separately Priced Tooling Contracts

Revenue from tooling contracts is recognized at the date on which the Company transfers substantially all the risks and rewards of ownership to the buyer and retains neither continuing managerial involvement nor effective control over the goods sold. This generally corresponds to when the tool is inspected and accepted by the Customer, which is typically defined as the PPAP (production part approval process or customer acceptance) date. Under tooling contracts, the related sale could be paid in full upon completion of the contract, or in installments.

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

Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes.

Intangible Assets

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

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

Development costs are capitalized when the Company can demonstrate:

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

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

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

Impairment of Non-financial Assets

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

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

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

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

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

Income Tax Estimates

At December 31, 2014, the Company had recorded a net deferred income tax asset in respect of pensions and other post retirement benefits, loss carry-forwards and other temporary differences of $51.7 million. Deferred tax assets in respect of loss carry-forwards relate to legal entities in Canada, the United States, Mexico, Brazil and Europe. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company considers this determination a critical accounting estimate as highly uncertain assumptions are made at the time of estimation and differing estimates may result due to changes in the assumptions from period to period and may have a material impact on the Company's consolidated financial statements. The factors used to assess the probability of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. The Company has and continues to use tax planning strategies to realize deferred tax assets in order to avoid the potential loss of benefits. Unknown future events and circumstances, such as changes in tax rates and laws, may materially affect the assumptions and estimates made from one period to the next. Any significant change in events, tax laws, and tax rates beyond the control of the Company may materially affect the consolidated financial statements.

Employee Future Benefits

The Company provides pensions and other post-employment benefits including health care, dental care and life insurance to certain employees. The determination of the obligation and expense for defined benefit pension plans and post-employment benefits is dependent on the selection of certain assumptions used by the Company's actuaries in calculating such amounts. Those assumptions are disclosed in Note 12 to the Company's annual consolidated financial statements for the year ended December 31, 2014 the most significant of which are the discount rate, and the rate of increase in the cost of health care. The assumptions are reviewed annually and the impact of any changes in the assumptions is reflected in actuarial gains or losses which are recognized in other comprehensive income as they arise. The significant actuarial assumptions adopted are internally consistent and reflect the long-term nature of

employee future benefits. Significant changes in assumptions could materially affect the Company's employee benefit obligations and future expense.

Recently issued accounting standards not yet adopted

The IASB issued the following new standards and amendments to existing standards, which have not yet been adopted by the Company:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) - In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 9, Financial Instruments (IFRS 9) - In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted

Amendments to IFRS 11, Joint Arrangements - In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment - In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact, if any, of these standards and amendments on the consolidated financial statements.

Selected Annual Information

The following table sets forth selected information from the Company's consolidated financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Fiscal Year Ended		2014		2013		2012
Sales	$	3,598,645	$	3,221,881	$	2,901,004
Gross margin		347,892		324,036		273,634
Net income		71,304		16,950		37,075
Adjusted net income		83,386		82,442		73,492
Net income per share						
Basic		0.84		0.20		0.45
Diluted		0.83		0.20		0.44
Adjusted net income per share						
Basic		0.99		0.98		0.89
Diluted		0.98		0.97		0.88
Total assets	$	2,114,895	$	1,924,831	$	1,664,332
Total interest bearing debt	$	692,442	$	471,777	$	384,164
Dividends declared	$	10,159	$	7,588	$	Nil

The year-over-year trends in the selected information above have been discussed previously in this MD&A, including the unusual items in Table B under "Adjustments to Net Income".

Outlook

The automotive industry is traditionally an extremely challenging business, characterized at the OEM level by intense competition for market share, rebates to consumers and drives for quality and profits and characterized at the supplier level by price reductions, increasing quality standards, higher input prices and a declining number of qualified suppliers in the normal course or as a result of insolvencies and consolidation. The challenges of the industry were exacerbated by the 2008-2009 economic recession and the financial distress in the industry involving both OEMs and suppliers particularly evidenced by the bankruptcy filings of Chrysler and General Motors in the United States in 2009. The Company believes that the long term outlook of the automotive industry overall remains challenging but much improved from 2008 - 2010. In 2010, the North American automotive industry experienced a recovery in volume and revenues, as sales and production volumes increased from 2009 levels, although not to pre-recession levels. Production in 2011, 2012, 2013 and 2014 improved substantially. This has resulted in increasing revenues for most automotive OEMs and for suppliers who survived the automotive crisis of 2008 and 2009, including Martinrea.

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

Forward-Looking Information

Special Note Regarding Forward-Looking Statements

This MD&A and the documents incorporated by reference therein contains forward-looking statements within the meaning of applicable Canadian securities laws including, but not limited to, statements related to the Company's expectations as to revenue and gross margin percentage (and earnings per share), expansion of and improvements in gross margin, including due to positive impact from launches, statements as to the growth of the Company and pursuit of its strategies, the launching of new programs including expectations as to the financial impact of launches, statements as to the progress of operational improvements and operational efficiencies, pricing pressures placed by OEMs on suppliers, continued consolidation of automotive suppliers, the increased reliance on outsourcing by foreign-owned OEMs, anticipated growth in the automotive industry in emerging markets, the increased reliance on forming technologies, future investments in leading edge technology, equipment and processes, the opportunity to increase sales, broad geographic penetration, and the nature and duration of the economic recession to the continuation of monitoring, managing and rationalization of expenses, the Company's expectations regarding the future amount and type of restructuring expenses to be expensed, statements as to the reduction of costs and inefficiencies (including due to operational improvements at, and stabilization of, the Company's Hopkinsville plant and expectations as to the continued operation of the presses), the Company's expectation regarding the financing of future capital expenditures, the Company's views of the likelihood of tooling and component part supplier default, the Company's view on the financial viability of its customers, the impact of environmental regulation on the demand for automobiles, the Company's views on the long term outlook of the automotive industry and economic recovery, and corresponding increased sales and production, the Company's expectations as to new plant openings, statements as to the benefits of the Honsel acquisition, the Company's ability to capitalize on opportunities in the automotive industry, the successful integration of acquisitions, the potential to reverse writedowns, the Company's views on its liquidity and ability to deal with present economic conditions, the Company's views as to the Rea litigation and class action and the Brazil tax assessment, the Company's statement as to Internal Controls and the payment of dividends as well as other forward-looking statements. The words "continue", "expect", "anticipate", "estimate", "may", "will", "should", "views", "intend", "believe", "plan" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, some of which are discussed in detail in the Company's Annual Information Form for the year ended December 31, 2014 and other public filings which can be found at www.sedar.com:

- North American and global economic and political conditions;
- the highly cyclical nature of the automotive industry and the industry's dependence on consumer spending and general economic conditions;
- the Company's dependence on a limited number of significant customers;
- financial viability of suppliers;
- the Company's reliance on critical suppliers and on suppliers for components and the risk that suppliers will not be able to supply components on a timely basis or in sufficient quantities;
- competition;
- the increasing pressure on the Company to absorb costs related to product design and development, engineering, program management, prototypes, validation and tooling;
- increased pricing of raw materials;
- outsourcing and in-sourcing trends;
- the risk of increased costs associated with product warranty and recalls together with the associated liability;
- the Company's ability to enhance operations and manufacturing techniques;
- dependence on key personnel;
- limited financial resources;
- risks associated with the integration of acquisitions;
- costs associated with rationalization of production facilities;
- launch and operational costs;
- the potential volatility of the Company's share price;
- changes in governmental regulations or laws including any changes to the North American Free Trade Agreement;
- labour disputes;
- litigation;
- currency risk;

- fluctuations in operating results;
- internal controls over financial reporting and disclosure controls and procedures;
- environmental regulation;
- a shift away from technologies in which the Company is investing;
- competition with low cost countries;
- the Company's ability to shift its manufacturing footprint to take advantage of opportunities in emerging markets;
- risks of conducting business in foreign countries, including China, Brazil and other growing markets;
- potential tax exposures;
- a change in the Company's mix of earnings between jurisdictions with lower tax rates and those with higher tax rates, as well as the Company's ability to fully benefit from tax losses;
- under-funding of pension plans; and
- the cost of post-employment benefits.

These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

MARTINREA INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Martinrea International Inc.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Martinrea International Inc. are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect best estimates based on management's judgment. In addition, all other information contained in the annual report to shareholders and Management Discussion and Analysis for the year ended December 31, 2014 is also the responsibility of management. The Company maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information provided is accurate and complete and that all assets are properly safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting, for overseeing management's performance of its financial reporting responsibilities, and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board of Directors delegates certain responsibility to the Audit Committee, which is comprised of independent non-management directors. The Audit Committee meets with management and KPMG LLP, the external auditors, throughout the year to review among other things accounting policies, observations, if any, relating to internal controls over the financial reporting process that may be identified during the audit process, as influenced by the nature, timing and extent of audit procedures performed, annual financial statements, the results of the external audit examination and the Management Discussion and Analysis included in the report to shareholders for the year ended December 31, 2014. The external auditors and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors so that the Board may properly approve the consolidated financial statements for issuance to shareholders.

(Signed) *"Pat D'Eramo"*

Pat D'Eramo

President & Chief Executive Officer

(Signed) *"Fred Di Tosto"*

Fred Di Tosto

Chief Financial Officer

KPMG LLP
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333 Bay Street Suite 4600
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Martinrea International Inc.

We have audited the accompanying consolidated financial statements of Martinrea International Inc., which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013, the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Martinrea International Inc. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 19, 2015
Toronto, Canada

Martinrea International Inc.

Consolidated Balance Sheets

(in thousands of Canadian dollars)

	Note		December 31, 2014		December 31, 2013
ASSETS					
Cash and cash equivalents		$	52,401	$	56,224
Trade and other receivables	4		520,844		541,598
Inventories	5		313,436		302,810
Prepaid expenses and deposits			10,039		13,128
Income taxes recoverable			8,321		3,727
TOTAL CURRENT ASSETS			905,041		917,487
Property, plant and equipment	6		984,681		847,548
Deferred income tax assets	13		153,367		100,156
Intangible assets	7		71,806		59,640
TOTAL NON-CURRENT ASSETS			1,209,854		1,007,344
TOTAL ASSETS		$	2,114,895	$	1,924,831
LIABILITIES					
Trade and other payables	9	$	645,862	$	597,591
Provisions	10		5,504		6,362
Income taxes payable			31,140		22,530
Current portion of long-term debt	11		37,526		37,276
TOTAL CURRENT LIABILITIES			720,032		663,759
Long-term debt	11		654,916		434,501
Pension and other post-retirement benefits	12		62,557		45,270
Deferred income tax liabilities	13		101,644		73,051
Other financial liability	3		-		154,239
TOTAL NON-CURRENT LIABILITIES			819,117		707,061
TOTAL LIABILITIES			1,539,149		1,370,820
EQUITY					
Capital stock	14		694,198		689,975
Contributed surplus			45,347		44,853
Other equity	3		-		(154,239)
Accumulated other comprehensive income			55,927		26,085
Accumulated deficit			(219,480)		(142,376)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			575,992		464,298
Non-controlling interest	3		(246)		89,713
TOTAL EQUITY			575,746		554,011
TOTAL LIABILITIES AND EQUITY		$	2,114,895	$	1,924,831

Commitment and Contingencies (note 21)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

"Robert Wildeboer" Director

"Scott Balfour" Director

Martinrea International Inc.

Consolidated Statements of Operations

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

	Note		Year ended December 31, 2014		Year ended December 31, 2013
SALES		$	3,598,645	$	3,221,881
Cost of sales (excluding depreciation of property, plant and equipment)			(3,146,756)		(2,805,165)
Depreciation of property, plant and equipment (production)			(103,997)		(92,680)
Total cost of sales			(3,250,753)		(2,897,845)
GROSS MARGIN			347,892		324,036
Research and development costs	16		(18,359)		(16,811)
Selling, general and administrative			(184,499)		(163,984)
Depreciation of property, plant and equipment (non-production)			(6,786)		(6,578)
Amortization of customer contracts and relationships			(2,485)		(1,972)
Impairment of property, plant, and equipment and intangible assets	8		-		(29,078)
Restructuring costs	10		(3,542)		-
Loss on disposal of property, plant and equipment			(321)		(376)
OPERATING INCOME			131,900		105,237
Finance costs	18		(22,798)		(18,868)
Other finance income	18		2,137		2,916
INCOME BEFORE INCOME TAXES			111,239		89,285
Income tax expense	13		(21,823)		(51,356)
NET INCOME FOR THE PERIOD		$	89,416	$	37,929
Non-controlling interest	3		(18,112)		(20,979)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		$	71,304	$	16,950
Basic earnings per share	15	$	0.84	$	0.20
Diluted earnings per share	15	$	0.83	$	0.20

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
NET INCOME FOR THE PERIOD	$ 89,416	$ 37,929
Other comprehensive income, net of tax:		
Items that may be reclassified to net income		
Foreign currency translation differences for foreign operations	30,240	52,508
Items that will not be reclassified to net income		
Actuarial gains/(losses) from the remeasurement of defined benefit plans	(11,051)	6,863
Other comprehensive income, net of tax	19,189	59,371
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 108,605	$ 97,300
Attributable to:		
Equity holders of the Company	90,095	71,899
Non-controlling interest	18,510	25,401
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 108,605	$ 97,300

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

	Equity attributable to equity holders of the Company							
	Capital stock	Contributed surplus	Other equity	Cumulative translation account	Accumulated deficit	Total	Non-controlling interest	Total equity
Balance at December 31, 2012	$ 675,606	$ 46,897	$ (87,100)	$ (22,001)	$ (155,721)	$ 457,681	$ 66,240	$ 523,921
Net income for the period	-	-	-	-	16,950	16,950	20,979	37,929
Compensation expense related to stock options	-	1,612	-	-	-	1,612	-	1,612
Purchase of non-controlling interest (note 3)	-	-	-	-	(2,880)	(2,880)	(1,928)	(4,808)
Dividends ($0.09 per share)	-	-	-	-	(7,588)	(7,588)	-	(7,588)
Change in fair value of put option granted to non-controlling interest	-	-	(67,139)	-	-	(67,139)	-	(67,139)
Exercise of employee stock options	14,369	(3,656)	-	-	-	10,713	-	10,713
Other comprehensive income, net of tax								
Actuarial gains from the remeasurement of defined benefit plans	-	-	-	-	6,863	6,863	-	6,863
Foreign currency translation differences	-	-	-	48,086	-	48,086	4,422	52,508
Balance at December 31, 2013	689,975	44,853	(154,239)	26,085	(142,376)	464,298	89,713	554,011
Net income for the period	-	-	-	-	71,304	71,304	18,112	89,416
Compensation expense related to stock options	-	1,699	-	-	-	1,699	-	1,699
Change in fair value of put option granted to non-controlling interest	-	-	(81,428)	-	-	(81,428)	-	(81,428)
Purchase of non-controlling interest (note 3)	-	-	235,667	-	(127,198)	108,469	(108,469)	-
Dividends ($0.12 per share)	-	-	-	-	(10,159)	(10,159)	-	(10,159)
Exercise of employee stock options	4,223	(1,205)	-	-	-	3,018	-	3,018
Other comprehensive income, net of tax								
Actuarial losses from the remeasurement of defined benefit plans	-	-	-	-	(11,051)	(11,051)	-	(11,051)
Foreign currency translation differences	-	-	-	29,842	-	29,842	398	30,240
Balance at December 31, 2014	$ 694,198	$ 45,347	$ -	$ 55,927	$ (219,480)	$ 575,992	$ (246)	$ 575,746

See accompanying notes to the consolidated financial statements.

Martinrea International Inc.

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net Income for the period	$ 89,416	$ 37,929
Adjustments for:		
Depreciation of property, plant and equipment	110,783	99,258
Amortization of customer contracts and relationships	2,485	1,972
Amortization of development costs	9,033	6,899
Unrealized losses on foreign exchange forward contracts	9	370
Finance costs	22,798	18,868
Income tax expense	21,823	51,356
Loss on disposal of property, plant and equipment	321	376
Stock-based compensation	1,699	1,612
Pension and other post-retirement benefits expense	4,068	1,713
Contributions made to pension and other post-retirement benefits	(3,898)	(12,399)
Impairment of property, plant and equipment and intangible assets	-	29,078
Accretion of interest on promissory note	-	(122)
	258,537	236,910
Changes in non-cash working capital items:		
Trade and other receivables	42,962	(84,929)
Inventories	1,374	911
Prepaid expenses and deposits	3,542	513
Trade, other payables and provisions	18,083	25,211
	324,498	178,616
Interest paid (excluding capitalized interest)	(21,429)	(18,833)
Income taxes paid	(38,715)	(23,984)
NET CASH PROVIDED IN OPERATING ACTIVITIES	$ 264,354	$ 135,799
FINANCING ACTIVITIES:		
Increase in long-term debt	297,077	133,166
Repayment of long-term debt	(100,908)	(57,161)
Dividends paid	(10,145)	(5,053)
Exercise of employee stock options	3,018	10,713
NET CASH PROVIDED IN FINANCING ACTIVITIES	$ 189,042	$ 81,665
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment*	(203,645)	(180,330)
Capitalized development costs	(20,476)	(14,638)
Proceeds on disposal of property, plant and equipment	1,647	4,066
Purchase of non-controlling interest (note 3)	(235,667)	(4,808)
Promissory note receipts	-	2,500
NET CASH USED IN INVESTING ACTIVITIES	$ (458,141)	$ (193,210)
Effect of foreign exchange rate changes on cash and cash equivalents	922	2,548
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,823)	26,802
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	56,224	29,422
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 52,401	$ 56,224

* As at December 31, 2014, $13,372 (December 31, 2013, $13,216) of purchases of property, plant and equipment remain unpaid.

See accompanying notes to the consolidated financial statements.

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

1. BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial statements of the Company for the year ended December 31, 2014 were approved by the Board of Directors on March 19, 2015.

(b) Presentation currency

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

(c) Use of estimates and judgements

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

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

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

- Estimating the economic life of property, plant and equipment and intangible assets;
- Estimates of income taxes. The Company is subject to income taxes in numerous jurisdictions. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made;
- Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or tax loss carry-forwards can be utilized. The recognition of temporary differences and tax loss carry-forwards is based on the Company's estimates of future taxable profits in different tax jurisdictions against which the temporary differences and loss carry-forwards may be utilized;
- Estimates used in testing non-financial assets for impairment including the recoverability of development costs;
- Assumptions employed in the actuarial calculation of pension and other post-retirement benefits. The cost of pensions and other post retirement benefits earned by employees is actuarially determined using the project unit credit method prorated on service, and the Company's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a significant effect on the amount of plan liabilities and interest costs. The Company employs external experts when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. To the extent that these estimates differ from those realized, employee benefit plan liabilities and comprehensive income will be affected in future periods;
- Revenue recognition on separately priced tooling contracts: Tooling contract prices are generally fixed; however, price changes, change orders and program cancellations may affect the ultimate amount of revenue recorded with respect to a contract. Contract costs are estimated at the time of signing the contract and are reviewed at each reporting date. Adjustments to the original estimates of total

contract costs are often required as work progresses under the contract and as experience is gained, even though the scope of the work under the contract may not change. When the current estimates of total contract revenue and total contract costs indicate a loss, a provision for the entire loss on the contract is made. Factors that are considered in arriving at the forecasted loss on a contract include, amongst others, cost over-runs, non-reimbursable costs, change orders and potential price changes.

- Estimates used in the fair valuing of stock option grants. These estimates include assumptions about the volatility of the Company's stock, forfeiture rates, and expected life of the options.

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

- Accounting for provisions including assessments of possible legal and tax contingencies, restructuring and onerous contracts. Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not;
- Accounting for development costs – judgement is required to assess the division of activities between research and development, technical and commercial feasibility, and the availability of future economic benefit;
- Acquisitions – at initial recognition and subsequent remeasurement, judgements are made both for key assumptions in the purchase price allocation for each acquisition and regarding impairment indicators in the subsequent period. The purchase price is assigned to the identifiable assets, liabilities, and contingent liabilities based on fair values for those assets. Any remaining excess value is reported as goodwill. This allocation requires judgement as well as the definition of cash generating units for impairment testing purposes. Other judgements might result in significantly different results and financial position in the future.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Business combinations

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

Non-controlling interest:

The Company measures, on a transaction-by-transaction basis, any non-controlling interest at fair value at the acquisition date, or at its proportionate interest in the identifiable assets and liabilities of the acquiree.

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

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

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

Contingent liabilities:
Contingent liabilities that are present obligations that arose from past events are recognized at fair value at the acquisition date. Contingent liabilities that are possible obligations are not recognized in a business combination. Future changes in acquisition date contingent liabilities are recorded in earnings.

Put option held by non-controlling shareholder:
The Company recognizes a liability measured at fair value for a written-put option when a non-controlling shareholder has the right to require the Company to acquire its shareholdings. Based on the facts and circumstances of each put option, the liability will either replace the non-controlling interest balance or be recorded with an offset to other equity. Fair value is measured as the present value of the exercise price of the option or of the forward price. Subsequent changes in the carrying amount of the liability, including accretion and foreign exchange, are recognized within other equity.

(b) Foreign currency

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

(i) Foreign currency transactions

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

(ii) Translation of financial statements of foreign operations

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

Foreign currency differences on translation are recognized in other comprehensive income in the cumulative translation account.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits at fair value on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially at fair value on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability.

The Company has the following non-derivative financial assets:

Financial assets at fair value through profit or loss:
Financial assets are designated at fair value through profit or loss if the Company manages such asset and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss consist of cash and cash equivalents.

Cash and cash equivalents comprise cash balances and highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Loans and receivables:
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables consist of trade and other receivables.

(ii) Non-derivative financial liabilities
The Company initially recognizes debt and subordinated liabilities at fair value on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which time the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: long term debt and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial instruments
The Company periodically uses derivative financial instruments such as foreign exchange forward contracts to manage its exposure to changes in exchange rates related to transactions denominated in currencies other than the Canadian dollar. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value being recognized immediately in profit or loss. The Company does not currently apply hedge accounting.

(d) Property, plant and equipment

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is provided for at the following basis and rates:

	Basis	**Rate**
Buildings	Declining balance	4%
Leasehold improvements	Straight line	Lesser of estimated useful life and lease term
Manufacturing equipment	Declining balance and straight line	15% to 20%
Stamping and die-casting equipment	Straight line	7% to 17%
Tooling and fixtures	Straight line	Lesser of estimated useful life and life of program
Other	Declining balance and straight line	20% to 30%

Land is not depreciated.

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

(e) Intangible assets

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

(i) Customer contracts and relationships:

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

(ii) Research and development:

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

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

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

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

(f) Inventories

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

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

(g) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets

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

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

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

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

(h) Pensions and other post-retirement benefits

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

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

(i) Provisions

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

A provision for onerous contracts is recognized when the unavoidable costs to meet an obligation exceeds the future economic benefits expected to be earned under the contract. Provisions for onerous contracts are recognized over time as the contracts are fulfilled or when the contracts are no longer onerous.

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

(j) Revenue recognition

Sales primarily include sales of finished goods and tooling revenues. Sales of finished goods and tooling revenues are recognized at the date on which the Company transfers substantially all the risks and rewards of ownership to the buyer, retains neither continuing managerial involvement nor effective control over the goods sold, and meets other revenue recognition criteria in accordance with IFRS. This generally corresponds to when the goods are shipped or, in the case of the sale of tooling, when the tool has been inspected and accepted by the customer.

(k) Finance income and finance expense

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense is comprised of interest expense on long-term debt, amortization of deferred financing costs, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(l) Income tax

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

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

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

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

(m) Guarantees

The Company accounts for guarantees in accordance with IAS 39, *Financial Instruments, Recognition and Measurement* ("IAS 39"). A guarantee is a contract (including indemnity) that contingently requires the Company to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, liability or equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay indebtedness when due.

Under IAS 39, guarantees are fair valued upon initial recognition. Subsequent to initial recognition, the guarantees are re-measured at the higher of (i) the amount determined in accordance with IAS 37, *Provisions* and (ii) the amount initially recognized less cumulative amortization.

(n) Share-based payments

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

(o) Earnings per share

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

(p) Segment reporting

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

(q) Recently adopted accounting standards

The Company has adopted the new and amended IFRS pronouncements listed below as at January 1, 2014, in accordance with the transitional provisions outlined in the respective standards.

IAS 36, Impairment of assets

Effective January 1, 2014, the Company adopted amendments made to IAS 36, Impairment of assets. These amendments require additional disclosures when the recoverable amount is determined based on fair value less cost of disposal including the following:

- Level of fair value hierarchy within which the fair value measurement is categorised
- Valuation techniques used to measure fair value less costs of disposal
- Key assumptions used in the fair value measurements categorised within 'Level 2' and 'Level 3" of the fair value hierarchy, and
- Discount rate when applicable.

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

IAS 32, Financial Instruments: Presentation

Effective January 1, 2014, the Company adopted amendments made to IAS 32, Financial Instruments: Presentation which provide clarification on when an entity has a legally enforceable right to off-set financial assets and financial liabilities.

The adoption of this amended standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

IFRIC 21, Levies

Effective January 1, 2014, the Company adopted IFRIC 21, Levies which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies (i) the liability is recognized progressively if the obligating event occurs over a period of time, and (ii) if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

The adoption of this standard did not have a significant impact on the consolidated financial statements in the current or comparative periods.

(r) Recently issued accounting standards

The IASB issued the following new standards and amendments to existing standards:

IFRS 15, Revenue from Contracts with Customer (IFRS 15) – In May 2014, the IASB issued IFRS 15 which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2017.

IFRS 9, Financial Instruments (IFRS 9) - In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39 Financial Instruments standard. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. It does not fully change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. The standard has a mandatorily effective date for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Amendments to IFRS 11, Joint Arrangements – In May 2014, the IASB issued an amendment to this standard requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendment is effective for annual periods beginning on or after January 1, 2016.
Amendments to IAS 38, Intangible Assets and IAS 16, Property, Plant and Equipment – In May 2014, the IASB issued amendments to these standards to introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendment is effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

The Company is assessing the impact of these standards, if any, on the consolidated financial statements.

3. CHANGES IN OWNERSHIP INTEREST

On July 29, 2011, the Company purchased a controlling interest in the assets of Honsel AG, a German-based leading supplier of aluminum components for the automotive and industrial sectors, forming the Martinrea Honsel Group. The Company partnered with Anchorage Capital Group L.L.C. ("Anchorage") in the transaction, acquiring 55%, with Anchorage acquiring the remaining 45%.

As part of the transaction the Company granted Anchorage a put option which, if exercised, would have required the Company to purchase Anchorage's 45% interest in Martinrea Honsel. The put option would have become effective on April 1, 2015 with an expiry date of October 1, 2017. The put option provided a formula for determining the purchase price of the shares, designed to estimate the fair value of the non-controlling interest at the time the option is exercised. The put option provided an arbitration mechanism in the event that the two parties were unable to agree on the ultimate price.

On August 7, 2014, prior to the put option becoming exercisable, Martinrea acquired from Anchorage the remaining 45% equity interest in the Martinrea Honsel Group for a negotiated purchase price of €160,000 ($235,667 Canadian). Effective August 7, 2014, the Martinrea Honsel Group became wholly owned by Martinrea. The transaction resulted in the carrying value of the put option liability on the date of the transaction being reversed out of other equity and the carrying amount of Anchorage's share of equity in Martinrea Honsel being reversed from non-controlling interest. The $127,198 difference of the consideration paid and the carrying amount of the non-controlling interest at the date of the transaction was recognized in accumulated deficit.

On January 14, 2013, the Company, through its subsidiary Martinrea Honsel Holdings B.V., closed an agreement to purchase the 35% non-controlling interest of the facility in Monte Mor, Brazil from Daimler AG ("Daimler") for a total cost of $4,808 (€3,712). The transaction resulted in the carrying amount of Daimler's share of equity in the facility being reversed from non-controlling interest. The $2,880 difference between the amount of the non-controlling interest adjustment and the consideration paid was recognized in accumulated deficit.

4. TRADE AND OTHER RECEIVABLES

	December 31, 2014	December 31, 2013
Trade receivables	$ 501,962	$ 498,261
VAT and other receivables	18,882	43,337
	$ 520,844	$ 541,598

The Company's exposures to credit and currency risks, and impairment losses related to trade and other receivables, are disclosed in note 20.

5. INVENTORIES

	December 31, 2014	December 31, 2013
Raw materials	$ 145,817	$ 138,337
Work in progress	43,895	41,841
Finished goods	55,173	52,013
Tooling work in progress and other inventory	68,551	70,619
	$ 313,436	$ 302,810

6. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Land and buildings	$ 135,782	$ (30,365)	$ 105,417	$ 124,844	$ (24,979)	$ 99,865
Leasehold improvements	44,756	(24,198)	20,558	40,652	(20,518)	20,134
Manufacturing equipment	1,252,106	(588,639)	663,467	1,055,258	(461,778)	593,480
Tooling and fixtures	35,977	(29,664)	6,313	33,516	(28,183)	5,333
Other assets	28,349	(14,525)	13,824	29,461	(15,811)	13,650
Construction in progress and spare parts	175,102	-	175,102	115,086	-	115,086
	$ 1,672,072	$ (687,391)	$ 984,681	$ 1,398,817	$ (551,269)	$ 847,548

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

	Land and buildings	Leasehold improvements	Manufacturing equipment	Tooling and fixtures	Other assets	Construction in progress and spare parts	Total
Net as of December 31, 2012	$ 94,984	$ 19,906	$ 486,340	$ 9,901	$ 13,493	$ 107,119	$ 731,743
Additions	263	197	7,624	-	553	180,428	189,065
Disposals	(2,051)	-	(1,571)	(652)	(35)	(133)	(4,442)
Depreciation	(3,858)	(2,989)	(83,901)	(4,912)	(3,598)	-	(99,258)
Impairment (note 8)	-	-	(9,041)	(5,279)	(380)	-	(14,700)
Transfers from construction in progress and spare parts	6,505	2,229	161,255	4,491	3,355	(177,835)	-
Foreign currency translation adjustment	4,022	791	32,774	1,784	262	5,507	45,140
Net as of December 31, 2013	$ 99,865	$ 20,134	$ 593,480	$ 5,333	$ 13,650	$ 115,086	$ 847,548
Additions	1,436	156	3,957	-	321	197,931	203,801
Disposals	(828)	-	(697)	(284)	(84)	(75)	(1,968)
Depreciation	(4,142)	(3,290)	(96,511)	(3,343)	(3,497)	-	(110,783)
Transfers from construction in progress and spare parts	3,814	2,505	128,252	4,314	3,022	(141,907)	-
Foreign currency translation adjustment	5,272	1,053	34,986	293	412	4,067	46,083
Net as of December 31, 2014	$ 105,417	$ 20,558	$ 663,467	$ 6,313	$ 13,824	$ 175,102	$ 984,681

The Company has entered into certain asset-backed financing arrangements that were structured as sales-and-leaseback transactions. At December 31, 2014, the carrying value of property, plant and equipment under such arrangements was $35,736 (December 31, 2013 – $43,229). The corresponding amounts owing are reflected within long-term debt (note 11).

7. INTANGIBLE ASSETS

	December 31, 2014			December 31, 2013		
	Cost	Accumulated amortization and impairment losses	Net book value	Cost	Accumulated amortization and impairment losses	Net book value
Customer contracts and relationships	$ 60,644	$ (48,848)	$ 11,796	$ 59,966	$ (45,978)	$ 13,988
Development costs	97,261	(37,251)	60,010	71,357	(25,705)	45,652
	$ 157,905	$ (86,099)	$ 71,806	$ 131,323	$ (71,683)	$ 59,640

Movement in intangible assets is summarized as follows:

	Customer contracts and relationships	Development costs	Total
Net as of December 31, 2012	$ 15,073	$ 49,024	$ 64,097
Additions	-	14,638	14,638
Amortization	(1,972)	(6,899)	(8,871)
Impairment charge (note 8)	-	(14,378)	(14,378)
Foreign currency translation adjustment	887	3,267	4,154
Net as of December 31, 2013	$ 13,988	$ 45,652	$ 59,640
Additions	-	20,476	20,476
Amortization	(2,485)	(9,033)	(11,518)
Foreign currency translation adjustment	293	2,915	3,208
Net as of December 31, 2014	$ 11,796	$ 60,010	$ 71,806

8. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Year ended December 31, 2014	Year ended December 31, 2013
Impairment charges	$ -	$ 29,078
	$ -	$ 29,078

During 2013, in conjunction with its annual business planning cycle, the Company recorded impairment charges on property, plant and equipment and intangible assets totaling $29,078 of which $27,758 relates to a CGU in the North America operating segment, specifically, Hopkinsville, Kentucky, and $1,320 to specific manufacturing equipment no longer in use also in the North America operating segment. The impairment charges were recorded where the carrying amount of the assets exceeded their estimated recoverable amounts. The recoverable amounts were based on the greater of the fair value of the assets less cost to sell and value in use.

When determining the value in use of a CGU, the Company develops a discounted forecast cash flow model for each CGU. The forecasts are based on past experience, estimated OEM vehicle volumes available from external service providers at the reporting date the tests were conducted, macroeconomic data for the automotive market, order books and products under development. For the impairment review conducted for 2013, cash flows were discounted based on a post-tax discount rate of 11.5%, which was derived from the Company's weighted average cost of capital and adjusted as necessary.

No impairment charges were recorded in 2014.

9. TRADE AND OTHER PAYABLES

	December 31, 2014	December 31, 2013
Trade accounts payable and accrued liabilities	$ 645,853	$ 597,221
Foreign exchange forward contracts (note 20(d))	9	370
	$ 645,862	$ 597,591

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20.

10. PROVISIONS

		Restructuring (a)		Claims and Litigations (b)		Onerous Contracts (c)		Total
Net as of December 31, 2012	$	24,433	$	2,241	$	2,305	$	28,979
Net additions		-		365		-		365
Amounts used during the period		(22,154)		(801)		(1,173)		(24,128)
Foreign currency translation adjustment		1,069		(98)		175		1,146
Net as of December 31, 2013	$	3,348	$	1,707	$	1,307	$	6,362
Net additions		3,542		546		-		4,088
Amounts used during the period		(3,102)		(450)		(1,291)		(4,843)
Foreign currency translation adjustment		(36)		(51)		(16)		(103)
Net as of December 31, 2014	$	3,752	$	1,752	$	-	$	5,504

Based on estimated cash outflows, all provisions as at December 31, 2014 and 2013 are presented on the consolidated balance sheet as current.

(a) Restructuring

As part of the acquisition of Honsel in 2011 as described in note 3, a certain level of restructuring was contemplated, in particular, at the Company's German facilities in Meschede and Soest. The restructuring accrual as at December 31, 2012 and 2013 and $1,054 of the accrual as at December 31, 2014 relates to restructuring activities undertaken in Honsel primarily for employee related severance.

Additions to the restructuring accrual in 2014 of $3,542, represent employee related severance relating to the rightsizing of two manufacturing facilities in Ontario.

(b) Claims and litigation

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

(c) Onerous contracts

An onerous contract is a contract in which the unavoidable costs to meet the obligation exceed the future economic benefits expected to be earned under it. As part of the valuation of the assets and liabilities assumed in the acquisition of Honsel, certain sales contracts were determined to be onerous. As such, the present value of the future net obligation of these contracts was recorded as a provision and has been recognized over time as the contracts were fulfilled or when the contracts are were longer considered onerous.

11. LONG TERM DEBT

The Company's interest-bearing loans and borrowings are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 20.

		December 31, 2014		December 31, 2013
Banking facility	$	547,090	$	310,372
Equipment loans		145,109		146,534
Other bank loans		243		1,681
Loan payable to non-controlling shareholder of Martinrea Honsel		-		13,190
		692,442		471,777
Current portion		(37,526)		(37,276)
	$	654,916	$	434,501

Terms and conditions of outstanding loans as at December 31, 2014, in Canadian dollar equivalents, are as follows:

	Currency	Nominal interest rate	Year of maturity	December 31, 2014 Carrying amount	December 31, 2013 Carrying amount
Banking facility	CAD	BA+2.0%	2018	$ 274,466	$ 276,337
	USD	LIBOR+2.0%	2018	272,624	34,035
Equipment loans	USD	4.25%	2018	46,742	45,224
	USD	4.25%	2017	18,846	23,452
	EUR	3.06%	2024	15,195	-
	USD	7.36%	2017	14,948	17,641
	EUR	4.93%	2023	14,735	14,896
	EUR	3.37%	2016	13,806	20,816
	USD	3.89%	2016	6,405	9,201
	EUR	3.35%	2019	5,615	-
	USD	3.99%	2017	4,176	5,555
	USD	3.65%	2016	1,982	2,805
	BRL	11.88%	2015	1,310	2,702
	USD	4.69%	2017	1,013	1,362
	BRL	5.00%	2020	336	409
	BRL	5.00%	2014	-	569
	CAD	Prime+0.3%	2014	-	1,333
	USD	3.65%	2014	-	458
	BRL	5.59%	2014	-	111
Other bank loans	BRL	14.00%	2015	243	1,681
Loan payable to Anchorage	EUR	5.00%	2014	-	13,190
				$ 692,442	$ 471,777

On August 6, 2014, the Company's banking facility was amended to increase the total available revolving credit lines under the facility and add two new banks to the lending syndicate. The increase in credit lines facilitated the purchase of the 45% minority interest in Martinrea Honsel as described in Note 3. The primary terms of the amended banking facility, with a syndicate of nine banks, are as follows:

- available revolving credit lines of $300 million and US $350 million;
- available asset based financing capacity of $205 million;
- no mandatory principal repayment provisions;
- an accordion feature which provides the Company with the ability to increase the revolving credit facility by up to $100 million;
- pricing terms at market rates; and
- a maturity date of August 2018.

As at December 31, 2014, the Company has drawn US$235,000 (December 31, 2013 - US$32,000) on the U.S. revolving credit line and drawn $278,000 (December 31, 2013 - $278,000) on the Canadian revolving credit line. At December 31, 2014, the weighted average effective rate of the banking facility credit lines was 3.3% (December 31, 2013 - 3.3%). The facility requires the maintenance of certain financial ratios with which the Company was in compliance as at December 31, 2014.

Deferred financing fees of $4,155 (December 31, 2013 - $2,218) have been netted against the carrying value of the long term debt.

During 2014, the Company finalized the following equipment financing arrangements with the corresponding equipment acting as security:

- the final draw down on a five year US$50 million equipment loan in the amount of US$6,958 at a fixed interest rate of 4.25%;
- a five year equipment loan in the amount of €4,000 at a fixed interest rate of 3.35%; and
- a ten year equipment loan with the government of Spain in the amount of €10,824 at a fixed interest rate of 3.06%, with scheduled principal repayments starting in 2018.

The loan payable to Anchorage formed part of a €20,000 ($29,100) loan to Martinrea Honsel from its shareholders, including Martinrea, during 2012. On August 6, 2014, in conjunction with the purchase of the remaining 45% equity interest in Martinrea Honsel, as described in note 3, the loan payable to the non-controlling shareholder was repaid.

Future annual minimum principal repayments are as follows:

Within one year	$	37,526
One to two years		37,144
Two to three years		25,499
Three to four years		568,254
Thereafter		24,019
	$	692,442

12. PENSIONS AND OTHER POST RETIREMENT BENEFITS

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

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

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

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

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

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

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

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

Accrued benefit obligation:

		Other post-retirement benefits	Pensions	December 31, 2014	Other post-retirement benefits	Pensions	December 31, 2013
Balance, beginning of the year	$	(41,804) $	(47,217) $	(89,021) $	(43,191) $	(132,475) $	(175,666)
Benefits paid by the plan		1,671	2,541	4,212	1,790	6,832	8,622
Current service costs		(181)	(2,182)	(2,363)	(203)	(2,025)	(2,228)
Interest costs		(1,949)	(2,177)	(4,126)	(1,697)	(4,577)	(6,274)
Actuarial gains/(losses) - experience		1,158	1,260	2,418	56	(405)	(349)
Actuarial losses - demographic experience		(2,136)	(1,618)	(3,754)	(2,055)	(4,404)	(6,459)
Actuarial gains/(losses) - financial assumptions		(5,056)	(7,646)	(12,702)	4,738	10,937	15,675
Transfers		-	(431)	(431)	-	-	-
Curtailment		547	-	547	-	-	-
Settlements		-	419	419	-	80,253	80,253
Foreign exchange translation adjustment		(1,617)	(1,509)	(3,126)	(1,242)	(1,353)	(2,595)
Balance, end of year	$	(49,367) $	(58,560) $	(107,927) $	(41,804) $	(47,217) $	(89,021)

Plan Assets:

		Other post-retirement benefits	Pensions	December 31, 2014	Other post-retirement benefits	Pensions	December 31, 2013
Fair value, beginning of the year	$	- $	43,751 $	43,751 $	- $	110,887 $	110,887
Contributions paid into the plans		1,671	2,227	3,898	1,790	10,609	12,399
Benefits paid by the plans		(1,671)	(2,541)	(4,212)	(1,790)	(6,832)	(8,622)
Transfers		-	429	429	-	-	-
Settlements		-	(452)	(452)	-	(77,189)	(77,189)
Interest income		-	2,106	2,106	-	3,970	3,970
Administrative costs		-	(199)	(199)	-	(245)	(245)
Remeasurements, return on plan assets recognized in other comprehensive income		-	(1,385)	(1,385)	-	1,656	1,656
Foreign exchange translation adjustment		-	1,434	1,434	-	895	895
Fair value, end of year	$	- $	45,370 $	45,370 $	- $	43,751 $	43,751
Accrued benefit liability, end of year	$	**(49,367)** $	**(13,190)** $	**(62,557)** $	**(41,804)** $	**(3,466)** $	**(45,270)**

Pension benefit expense recognized in net income:

		Other post-retirement benefits	Pensions	Year ended December 31, 2014	Other post-retirement benefits	Pensions	Year ended December 31, 2013
Current service costs	$	181 $	2,182 $	2,363 $	203 $	2,025 $	2,228
Net interest cost		1,949	71	2,020	1,697	607	2,304
Administrative costs		-	199	199	-	245	245
Curtailment/Settlements*		(547)	33	(514)	-	(3,064)	(3,064)
Net benefit plan expense (income)	$	1,583 $	2,485 $	4,068 $	1,900 $	(187) $	1,713

* During 2014, the Company carried out a restructuring at its Ridgetown facility which resulted in a curtailment and a negative plan amendment in its OPEB plan. In accordance with IAS 19R, a re-measurement was performed on the curtailment date and a net reduction of the OPEB obligation of $547 was recognized as a reduction to net benefit plan expense in the statement of operations.

During 2013, the Company settled a pension plan originating from its facility in Windsor, Ontario through the purchase of annuities with an insurance company resulting in a settlement gain of $3.1 million.

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

		Year ended December 31, 2014	Year ended December 31, 2013
Actuarial gains/(losses)	$	(15,423) $	10,523

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

Description	December 31, 2014	December 31, 2013
Cash	0.9%	0.6%
Equity	87.4%	86.7%
Debt securities	11.7%	12.7%
	100.0%	100.0%

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

		Year ended December 31, 2014				Year ended December 31, 2013			
		Canada	USA	Germany	Total	Canada	USA	Germany	Total
Present value of funded obligations	$	(25,568) $	(25,891) $	- $	(51,459) $	(22,116) $	(19,244) $	- $	(41,360)
Fair value of plan assets		27,693	17,677	-	45,370	28,720	15,031	-	43,751
Funding status of funded obligations		2,125	(8,214)	-	(6,089)	6,604	- (4,213)	-	2,391
Present value of unfunded obligations		(26,907)	(24,379)	(5,182)	(56,468)	(25,848)	(18,347)	(3,466)	(47,661)
Total funded status of obligations	$	(24,782) $	(32,593) $	(5,182) $	(62,557) $	(19,244) $	(22,560) $	(3,466) $	(45,270)

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

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

Weighted average actuarial assumptions:

	December 31, 2014	December 31, 2013
Defined benefit pension plans		
Discount rate used to calculate year end benefit obligation	3.8%	4.7%
Mortality table	CPM - RPP 2014 Priv	CPM - RPP 2014 Priv
Other post-employment benefit plans		
Discount rate to calculate year end benefit obligation	3.9%	4.7%
Mortality table	CPM - RPP 2014 Priv & Blue collar w/MP	CPM - RPP 2014 Priv & IRS 2014 static w/BC adj
Health care trend rates		
Initial healthcare rate	8.5%	9.1%
Ultimate healthcare rate	5.0%	5.0%

Sensitivity of Key Assumptions

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

		Impact on defined benefit obligation		Impact on defined benefit obligation	
		December 31, 2014		December 31, 2013	
Pension Plans	Change in assumption	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.9%	Increase by 9.0%	Decrease by 7.7%	Increase by 8.7%
Life Expectancy	1 Year	Increase by 2.88%	Decrease by 2.98%	Increase by 2.93%	Decrease by 2.98%
Other post-retirement benefits					
Discount rate	0.50%	Decrease by 7.03%	Decrease by 7.9%	Decrease by 6.5%	Decrease by 7.27%
Medical costs	1 Year	Increase by 13.2%	Increase by 10.7%	Increase by 12.6%	Increase by 11.85%

13. INCOME TAXES

The components of income tax expense are as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Current income tax expense	$ 43,049	$ 36,517
Deferred income tax expense (recovery)	(21,226)	14,839
Total income tax expense	$ 21,823	$ 51,356

Taxes on items recognized in other comprehensive income or directly in equity in 2014 and 2013 were as follows:

Deferred tax benefit (charge) on:	Year ended December 31, 2014	Year ended December 31, 2013
Employee benefit plan actuarial gains and losses	$ 4,372	$ (3,660)
Cumulative Translation Adjustments	(2,420)	-
	$ 1,952	$ (3,660)

Reconciliation of effective tax rate:

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

	Year ended December 31, 2014	Year ended December 31, 2013
Income before income taxes	$ 111,239	$ 89,285
Tax at Statutory income tax rate of 26.50% (2013 - 26.50%)	29,478	23,661
Increase (decrease) in income taxes resulting from:		
Manufacturing and processing profits deduction	(866)	(1,405)
Rate differences and deductions allowed in foreign jurisdictions	(3,629)	(8,744)
Current year tax losses for which no benefit is recognized	19,703	35,243
Write-down of previously recognized deferred tax assets	1,918	-
Recognition of previously unrecognized deferred tax assets	(27,730)	(1,402)
Stock based compensation and other non deductible expenses	2,949	4,003
	$ 21,823	$ 51,356
Effective income tax rate applicable to earnings before income taxes	19.6%	57.5%

The movements of deferred tax assets are summarized below:

	Losses	Employee benefits	Interest and accruals	PPE and intangible assets	Other	Total
December 31, 2012	$ 67,719	$ 19,134	$ 9,927	$ 2,744	4,833	$ 104,357
Benefit (charge) to income	(2,994)	(2,877)	3,061	672	(2,238)	(4,376)
Charge to other comprehensive income	-	(3,660)	-	-	-	(3,660)
Translation and other	2,863	726	246	-	-	3,835
December 31, 2013	67,588	13,323	13,234	3,416	2,595	100,156
Benefit (charge) to income	21,565	(106)	(1,836)	19,566	3,854	43,043
Benefit to other comprehensive income	-	4,372	-	-	-	4,372
Translation and other	4,673	1,090	1,031	(721)	(277)	5,796
December 31, 2014	$ 93,826	$ 18,679	$ 12,429	$ 22,261	6,172	$ 153,367

The movements of deferred tax liabilities are summarized below:

	PPE and intangible assets	Other	Total
December 31, 2012	$ (59,535)	$ (712)	$ (60,247)
Benefit (charge) to income	(11,529)	1,066	(10,463)
Translation and other	(1,586)	(755)	(2,341)
December 31, 2013	(72,650)	(401)	(73,051)
Benefit (charge) to income	(21,990)	173	(21,817)
Charge to other comprehensive income	-	(2,420)	(2,420)
Translation and other	(3,774)	(582)	(4,356)
December 31, 2014	$ (98,414)	$ (3,230)	$ (101,644)

Net deferred asset at December 31, 2013	$ 27,105
Net deferred asset at December 31, 2014	$ 51,723

The Company has accumulated approximately $546,725 (2013 - $422,459) in non-capital losses that are available to reduce taxable income in future years. If unused these losses will expire as follows:

Year	
2015-2017	$ 4,614
2018-2022	13,122
2023-2035	487,924
Indefinite	41,065
	$ 546,725

At December 31, 2014, the Company had nil (2013 - $8,356) capital losses carried forward which may only be used to offset future capital gains.

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

At December 31, 2014, deferred taxes have not been recognized in respect of the following items:

	2014	2013
Tax losses in foreign jurisdictions	$ 94,389	$ 76,559
Deductible temporary differences in foreign jurisdictions	1,405	22,256
Other capital items	190	190
	$ 95,984	$ 99,005

Deferred tax is not recognized on the unremitted earnings of foreign subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary difference in respect of the amount of undistributed earnings and other differences including the outside basis difference of foreign subsidiaries is approximately $311,264 at December 31, 2014 (December 31, 2013 - $208,835).

14. CAPITAL STOCK

	Number		Amount
Common shares outstanding:			
Balance, December 31, 2012	82,995,450	$	675,606
Exercise of stock options	1,484,254		14,369
Balance, December 31, 2013	84,479,704	$	689,975
Exercise of stock options	445,379		4,223
Balance, December 31, 2014	84,925,083	$	694,198

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

Stock options:

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

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

	Year ended December 31, 2014			Year ended December 31, 2013		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of period	5,521,915	$	10.68	6,921,836	$	9.94
Granted during the period	692,000		11.94	100,000		10.44
Exercised during the period	(445,379)		6.79	(1,484,254)		(7.21)
Cancelled during the period	(123,334)		11.25	(15,667)		(10.44)
Balance, end of period	5,645,202	$	11.13	5,521,915	$	10.68
Options exercisable, end of period	5,110,202	$	11.10	4,896,915	$	10.95

The following is a summary of the issued and outstanding common share purchase options as at December 31, 2014:

Range of exercise price per share	Number outstanding	Date of grant	Expiry
$3.00 - 5.99	31,000	2005 & 2008	2015 & 2018
$6.00 - 8.99	2,398,452	2004 - 2012	2015 - 2022
$9.00 - 9.99	150,000	2008	2018
$10.00 - 15.99	1,275,750	2006 - 2014	2016 - 2024
$16.00 - 17.75	1,790,000	2007	2017
Total share purchase options	5,645,202		

The table below summarizes the assumptions on a weighted average basis used in determining stock-based compensation expense under the Black-Scholes option pricing model. 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.

	Year ended December 31, 2014	Year ended December 31, 2013
Expected volatility	39.4%	50.2%
Risk free interest rate	1.4%	1.5%
Expected life (years)	4	4
Dividend yield	1.0%	1.0%
Weighted average fair value of options granted	$ 3.55	$ 3.89

For the year ended December 31, 2014, the Company expensed $1,699 (2013 - $1,612) to reflect stock-based compensation expense, as derived using the Black-Scholes option valuation model.

15. EARNINGS PER SHARE

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

	Year ended December 31, 2014		Year ended December 31, 2013	
	Weighted average number of shares	Per common share amount	Weighted average number of shares	Per common share amount
Basic	84,614,542	$ 0.84	84,093,465	$ 0.20
Effect of dilutive securities:				
Stock options	900,372	(0.01)	891,392	-
Diluted	85,514,914	$ 0.83	84,984,857	$ 0.20

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

During 2014, 2,407,000 options (2013 - 2,575,000) were excluded from the diluted weighted average per share calculation as they were anti-dilutive.

16. RESEARCH AND DEVELOPMENT COSTS

	Year ended December 31, 2014	Year ended December 31, 2013
Research and development costs, gross	$ 29,802	$ 24,550
Capitalized development costs	(20,476)	(14,638)
Amortization of capitalized development costs	9,033	6,899
Net expense	$ 18,359	$ 16,811

17. PERSONNEL EXPENSES

The statements of operations present operating expenses by function. Operating expenses include the following personnel-related expenses:

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Wages and salaries and other short-term employee benefits		$ 775,267	$ 688,266
Expenses related to pension and post-retirement benefits	12	4,068	1,713
Share based payments	14	1,699	1,612
		$ 781,034	$ 691,591

18. FINANCE EXPENSE AND OTHER FINANCE INCOME

	Year ended December 31, 2014	Year ended December 31, 2013
Debt interest, gross	$ 25,930	$ 20,355
Capitalized interest – at an average rate of 3.3% (2013 - 3.2 %)	(3,132)	(1,487)
Net finance expense	$ 22,798	$ 18,868

	Year ended December 31, 2014	Year ended December 31, 2013
Accretion of interest income on promissory note	$ -	$ (122)
Net foreign exchange gain	(1,940)	(2,509)
Other income, net	(197)	(285)
Other finance income	$ (2,137)	$ (2,916)

19. OPERATING SEGMENTS

The Company designs, engineers, manufactures, and sells quality metal parts, assemblies, and fluid management systems primarily serving the global automotive industry. It conducts its operations through divisions, which function as autonomous business units, following a corporate policy of functional and operational decentralization. The Company's products include a wide array of products, assemblies and systems for small and large cars, crossovers, pickups and sport utility vehicles.

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

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

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

	Year ended December 31, 2014			Year ended December 31, 2013		
	Sales	Property, plant and equipment	Operating Income	Sales	Property, plant and equipment	Operating Income
North America						
Canada	$ 818,219	$ 162,047		$ 775,418	$ 157,302	
USA	1,384,715	401,432		1,148,799	357,693	
Mexico	648,436	236,156		599,480	194,771	
	$ 2,851,370	$ 799,635	$ 89,416	$ 2,523,697	$ 709,766	$ 71,117
Europe						
Germany	567,828	71,115		521,432	60,501	
Spain	91,505	48,779		84,905	26,639	
Slovakia	28,233	13,957		24,847	10,973	
	687,566	133,851	53,160	631,184	98,113	36,143
Rest of the World	59,709	51,195	(10,676)	67,000	39,669	(2,023)
	$ 3,598,645	$ 984,681	$ 131,900	$ 3,221,881	$ 847,548	$ 105,237

Inter-segment sales are not significant for any period presented.

20. FINANCIAL INSTRUMENTS

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

Fair Value

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

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

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

	December 31, 2014			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 52,401	$ 52,401	$ -	$ -
Foreign exchange forward contracts	$ (9)	$ -	$ (9)	$ -

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 56,224	$ 56,224	$ -	$ -
Foreign exchange forward contracts	$ (370)	$ -	$ (370)	$ -
Other financial liability - put option	$ (154,239)	$ -	$ -	$ (154,239)

Fair values versus carrying amounts

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

December 31, 2014	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 520,844	$ -	$ 520,844	$ 520,844
	-	520,844	-	520,844	520,844
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	645,853	645,853	645,853
Long-term debt	-	-	692,442	692,442	692,442
Foreign exchange forward contracts	9	-	-	9	9
	9	-	1,338,295	1,338,304	1,338,304
Net financial assets (liabilities)	$ (9)	$ 520,844	$ (1,338,295)	$ (817,460)	$ (817,460)

December 31, 2013	Fair value through profit or loss	Loans and receivables	Amortized cost	Carrying amount	Fair value
FINANCIAL ASSETS:					
Trade and other receivables	$ -	$ 541,598	$ -	$ 541,598	$ 541,598
	-	541,598	-	541,598	541,598
FINANCIAL LIABILITIES:					
Trade and other payables	-	-	597,221	597,221	597,221
Long-term debt	-	-	471,777	471,777	471,777
Foreign exchange forward contracts	370	-	-	370	370
	370	-	1,068,998	1,069,368	1,069,368
Net financial assets (liabilities)	$ (370)	$ 541,598	$ (1,068,998)	$ (527,770)	$ (527,770)

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

Risk Management

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

(a) Credit risk

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

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

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

In the normal course of business, the Company is exposed to credit risk from its customers. Approximately 85% of the Company's production sales are derived from seven customers. A substantial portion of the Company's accounts receivable are with large customers in the automotive, truck and industrial sectors and are subject to normal industry credit risks. The level of accounts receivable that were past due as at December 31, 2014 are part of normal patterns within the industry and the allowance for doubtful accounts is less than 0.50% of total trade receivables for all periods and movements in the current period are minimal.

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

	December 31, 2014	December 31, 2013
0-60 days	$ 473,337	$ 439,125
61-90 days	15,982	35,368
Greater than 90 days	12,643	23,768
	$ 501,962	$ 498,261

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company manages liquidity risk by monitoring sales volumes and collection efforts to ensure sufficient cash flows are generated from operations to meet its liabilities when they become due. Management monitors consolidated cash flows on a weekly basis covering a rolling 12 week period, quarterly through forecasting and annually through the Company's budget process. At December 31, 2014, the Company had cash of $52,401 and banking facilities available as

discussed in note 11. All the Company's financial liabilities other than long term debt and other financial liabilities have maturities of approximately 60 days.

A summary of contractual maturities of long term debt is provided in note 11.

(c) Interest rate risk

Interest rate risk refers to the risk the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk as a significant portion of the Company's long-term debt bears interest at rates linked to the US prime, Canadian prime, one month LIBOR or the Bankers Acceptance rates. The interest on the bank facility fluctuates depending on the achievement of certain financial debt ratios, and may cause the interest rate to increase by a maximum of 1.75%.

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

	Carrying amount	
	December 31, 2014	**December 31, 2013**
Variable rate instruments	$ 547,090	$ 311,705
Fixed rate instruments	145,352	160,072
	$ 692,442	$ 471,777

Sensitivity analysis

An increase or decrease of 1.0% in all variable interest rate debt would, all else being equal, have an effect of $4,381 (December 31, 2013 - $3,183) on the Company's consolidated financial results for the year ended December 31, 2014.

(d) Currency risk

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

At December 31, 2014, the Company had committed to the following foreign exchange contracts:

Currency	Amount of U.S. dollars	Weighted average exchange rate of U.S. dollars	Maximum period in months
Buy Canadian Dollars	$ 10,000	$ 1.1696	12
Buy Euro	694	0.8131	1
Buy Mexican Peso	1,703	14.6785	1

The aggregate value of these forward contracts as at December 31, 2014 was a loss of $9 and was recorded in trade and other payables (December 31, 2013 – loss of $370 and was recorded in trade and other payables).

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

December 31, 2014		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	295,319	€	65,084	$	17,654	R$	15,171	¥	47,449
Trade and other payables		(357,294)		(88,788)		(60,722)		(16,376)		(24,372)
Long-term debt		(316,658)		(35,156)		-		(4,325)		-
	$	(378,633)	€	(58,860)	$	(43,068)	R$	(5,530)	¥	23,077

December 31, 2013		USD		EURO		PESO		BRL		CNY
Trade and other receivables	$	340,455	€	62,093	$	13,988	R$	14,729	¥	16,815
Trade and other payables		(363,579)		(84,639)		(55,903)		(23,264)		(17,111)
Long-term debt		(131,900)		(33,369)		-		(12,152)		-
	$	(155,024)	€	(55,915)	$	(41,915)	R$	(20,687)	¥	(296)

The following summary illustrates the fluctuations in the exchange rates applied during the year ended December 31, 2014 and 2013:

	Average rate		Closing rate	
	Year ended December 31, 2014	Year ended December 31, 2013	Year ended December 31, 2014	Year ended December 31, 2013
USD	1.0973	1.0242	1.1601	1.0636
EURO	1.4701	1.3553	1.4038	1.4655
PESO	0.0832	0.0803	0.0787	0.0812
BRL	0.4717	0.4807	0.4365	0.4503
CNY	0.1784	0.1665	0.1869	0.1757

Sensitivity analysis

The Company does not have significant foreign currency exposure based on each subsidiary's functional currency. However a 10 percent strengthening of the Canadian dollar against the following currencies at December 31, would give rise to a translation risk on net income and would have increased (decreased) equity, profit or loss and comprehensive income for the year ended December 31, 2014 by the amounts shown below, assuming all other variables remain constant:

		Year ended December 31, 2014		Year ended December 31, 2013
USD	$	1,833	$	6,916
EURO		(7,726)		(4,335)
BRL		952		443
CNY		421		227
	$	(4,520)	$	3,251

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

(e) Capital risk management

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

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

In addition to debt and equity the Company may use operating leases as additional sources of financing. The Company monitors debt leverage ratios as part of the management of liquidity and shareholders' return and to sustain future development of the business. The Company is not

subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the prior year.

21. COMMITMENTS AND CONTINGENCIES

Commitments

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

	December 31, 2014	December 31, 2013
Future minimum lease payments under operating leases	$ 94,702	$ 97,324
Capital and other purchase commitments (all due in less than one year)	533,147	448,817
	$ 627,849	$ 546,141

Future minimum lease payments under operating leases are due as follows:

	December 31, 2014	December 31, 2013
Less than one year	$ 21,867	$ 22,075
Between one and five years	45,925	54,987
More than five years	26,910	20,262
	$ 94,702	$ 97,324

Contingencies

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

Tax contingency

The Company's subsidiary in Brazil, Martinrea Honsel Brazil Fundicao e comercio de Pecas em Alumino Ltda., is currently being assessed by the State of Sao Paulo's tax authorities for certain historical value added tax ("VAT") credits claimed on aluminum purchases from certain local suppliers that occurred prior to the acquisition of the Brazil subsidiary in 2011. The taxation system and regulatory environment in Brazil is characterized by numerous indirect taxes and frequently changing legislation subject to various interpretations by the various Brazilian regulatory authorities who are empowered to impose significant fines, penalties and interest charges. The basis for the assessments stems from the classification of aluminum purchases, the registration status of the aluminum suppliers in question and the differing treatments between manufactured and unmanufactured aluminum for VAT purposes. The potential exposure under these assessments, based on the notices issued by the tax authorities, is approximately $69,067 (BRL $158,230) including interest and penalties to December 31, 2014 (December 31, 2013 - $58,000 or BRL $128,800). The Company has sought external legal advice and believes that it has complied, in all material respects, with the relevant legislation and will vigorously defend against the assessments. The Company may be required to present guarantees totaling $43,000 at some point in 2015 through a pledge of assets, bank letter of credits or cash deposit. No provision has been recorded by the Company in connection with this contingency as at this stage the Company has concluded that it is not probable that a liability will result from the matter.

22. GUARANTEES

The Company is a guarantor under a tooling financing program. The tooling financing program involves a third party that provides tooling suppliers with financing subject to a Company guarantee. Payments from the third party to the tooling supplier are approved by the Company prior to the funds being advanced. The amounts loaned to the tooling suppliers through this financing arrangement do not appear on the Company's consolidated balance sheet. At December 31, 2014, the amount of the off balance sheet program financing was $17,229 (December 31, 2013 - $57,591) representing the maximum amount of undiscounted future payments the Company could be required to make under the guarantee.

The Company would be required to perform under the guarantee in cases where a tooling supplier could not meet its obligations to the third party. Since the amount advanced to the tooling supplier is required to be repaid generally when the Company receives reimbursement from the final customer, and at this point the Company will in turn repay the tooling supplier, the Company views the likelihood of the tooling supplier default as remote. No such defaults occurred during 2014 or 2013. Moreover, if such an instance were to occur, the Company would obtain the tooling inventory as collateral. The term of the guarantee will vary from program to program, but typically ranges from six to eighteen months.

23. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

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

		Year ended December 31, 2014		Year ended December 31, 2013
Salaries, pension and other short-term employee benefits	$	6,868	$	8,578
Stock-based compensation expense		1,322		502
Termination benefits*		8,448		-
	$	16,638	$	9,080

*On November 1, 2014, Nick Orlando stepped down as Martinrea's President and Chief Executive Officer. Upon his departure, Nick Orlando was entitled to the termination benefit as set out in his employment contract in the aggregate amount of $8.4 million payable over a two year period. The $8.4 million termination benefit was set up as a liability and expensed during the fourth quarter of 2014. The liability is included in trade accounts payable and accrued liabilities.

24. LIST OF CONSOLIDATED ENTITIES

The following is a summary of significant direct subsidiaries of the Company:

	Country of incorporation	Ownership interest
Martinrea Metallic Canada Inc.	Canada	100%
Martinrea Automotive Systems Canada Ltd.	Canada	100%
Martinrea Automotive Inc.	Canada	100%
Royal Automotive Group Ltd.	Canada	100%
Martinrea Metal Holdings (USA), Inc.	United States of America	100%
Martinrea Pilot Acquisition Inc.	Canada	100%
Martinrea Slovakia Fluid Systems S.R.O.	Slovakia	100%
Martinrea Pilot Acquisition II LLC	United States of America	100%
Martinrea Internacional de Mexico, S.A. de C.V.	Mexico	100%
Martinrea China Holdings Inc.	Canada	100%
Martinrea Honsel Holdings B.V. ("Martinrea Honsel") *	Netherlands	100%

* As described in note 3, on August 7, 2014, Martinrea acquired the remaining 45% equity interest in Martinrea Honsel. Prior to the transaction, the Company held a 55% controlling interest in the business. Effective August 7, 2014, Martinrea Honsel is wholly owned by Martinrea.

CORPORATE INFORMATION

Corporate Head Office

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Board of Directors

Rob Wildeboer, Executive Chairman
Martinrea International Inc.

Scott Balfour (1), (2), (3)
Executive Vice President and CFO, Emera Inc.
Executive Vice President and CFO, Nova Scotia Power Inc.

Roman Doroniuk (1), (2), (3)
Independent Consultant, Financial and Strategic Advisory Services

Terry Lyons (1), (2), (3)
Corporate Director and Lead Director, Canaccord Genuity Group Inc.

Frank Macher (1), (2), (3)
Chief Executive Officer, Continental Structural Plastics

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

Sandra Pupatello (1), (2), (3)
Chair, Hydro One

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

Corporate Executive Officers

Pat D'Eramo, President and Chief Executive Officer
Rob Wildeboer, Executive Chairman
Fred Di Tosto, Chief Financial Officer
Armando Pagliari, Executive VP, Human Resources

Certificate Transfer and Address Change

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Stock Listing

The Toronto Stock Exchange (TSX: MRE)

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