



Annual Information Form

May 17, 2001

ANNUAL INFORMATION FORM

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Note: Commencing December 31, 1998, Magna International Inc. changed: (i) its fiscal year end from July 31 to December 31; and (ii) its reporting currency from Canadian to United States ("U.S.") dollars. Accordingly, in this Annual Information Form, all references to specific fiscal years are references to the fiscal year ended on July 31 of the year named, all references to the "Transition Period" are references to the five-month fiscal period ended December 31, 1998 and all references to calendar years are references to the fiscal years ending after December 31, 1998. In addition, all references to "\$" or "dollars" are references to U.S. dollars, unless otherwise specified. For periods up to and including December 31, 1998, the historical financial information has been restated from Canadian to U.S. dollars in accordance with accounting principles generally accepted in Canada, using the December 31, 1998 exchange rate of Cdn.\$1.5305 per U.S.\$1.00. The functional currencies of each of Magna International Inc.'s operations are unchanged.

Forward-Looking Statements

The following discussion contains statements which, to the extent that they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934. The words "estimate", "anticipate", "believe", "expect" and similar expressions are intended to identify forward-looking statements. Such forward-looking information involves important risks, assumptions and uncertainties that could materially alter results in the future from those expressed in any forward-looking statements made by, or on behalf of, Magna International Inc. These risks, assumptions and uncertainties include, but are not limited to: economic conditions; rising energy prices; dependance on outsourcing by vehicle manufacturers; pricing concessions; amortization of costs; product warranty, recall and product liability costs; seasonality; currency exposure; competitive market conditions; reliance on major customers; dependance on certain vehicle product lines; unionization activity; new facilities; and technological developments. Persons reading this Annual Information Form are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors, including those contained under the heading "ITEM 3. DESCRIPTION OF THE BUSINESS — RISK FACTORS", which could cause actual events or results to differ materially from those indicated by such forward-looking statements.

ITEM 1. CORPORATE STRUCTURE

ISSUER

The issuer, Magna International Inc. (the “Company”), was incorporated under the laws of the Province of Ontario, Canada on November 16, 1961. On January 22, 1985, a certificate of amendment was issued to the Company amending its charter documents in connection with the adoption of a Corporate Constitution. A certificate of amalgamation, which superseded all previous charter documents of the Company, was issued to the Company pursuant to the *Business Corporations Act* (Ontario) on June 23, 1989. On October 1, 1992, a certificate of amendment was issued to the Company amending its charter documents by deleting all references to two specific series of preference shares and deleting the quorum provisions for meetings of the Board of Directors. After certain minor amendments to the Corporate Constitution were effected on December 12, 1995, a further certificate of amendment was issued to the Company on December 17, 1997 which made certain amendments to the Corporate Constitution contained in paragraph 10A of the Company’s charter documents, principally relating to changes to the “Ten per cent employee distribution” requirement in subparagraph 10A(6)(c). See “ITEM 8. CORPORATE CONSTITUTION”. A certificate of amalgamation which superseded all previous charter documents of the Company was issued to the Company pursuant to the *Business Corporations Act* (Ontario) effective August 2, 1998. A further certificate of amalgamation which superseded all previous charter documents of the Company was issued to the Company pursuant to the *Business Corporations Act* (Ontario) effective December 31, 2000. A special resolution of the shareholders of the Company was passed on May 17, 2001 authorizing certain amendments to the Corporate Constitution contained in paragraph 10A of the Company’s charter documents, principally relating to changes to the “Ten percent employee distribution” requirement in subparagraph 10A(6)(c) as a result of the implementation effective January 1, 2001 of a defined benefit pension plan (the “Pension Plan”). See “ITEM 3. DESCRIPTION OF THE BUSINESS — HUMAN RESOURCES”.

SUBSIDIARIES

A list of the principal subsidiaries of the Company as at January 5, 2001 and their respective jurisdictions of incorporation is set forth on Schedule A. The legal structure of the Company and its subsidiaries is not necessarily indicative of their operational structure.

ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS

OVERVIEW

The Company, its subsidiaries and other persons in which the Company holds not less than a fifty percent equity interest (collectively referred to as “Magna”), design, engineer and manufacture a complete range of automotive parts, components, assemblies, modules and systems, and engineer and assemble complete vehicles, primarily for sale to original equipment manufacturers of cars and light trucks (“OEMs”) in North America, Europe, South America and Asia. Magna’s automotive products include:

- interior products, including complete seats, cockpit modules, modular door systems and overhead systems;
- stamped, hydroformed and welded metal components, assemblies and modules;
- exterior and interior mirror systems;
- a variety of plastic parts, including body panels, fascias and front and rear-end modules, and exterior decorative systems;
- various engine, powertrain and fueling and cooling components and modules;
- a variety of drivetrain modules, including all-wheel drive systems; and
- complete vehicle engineering and assembly.

Magna is the most diversified as well as the largest Canadian and one of the largest independent suppliers to North American, European and global OEMs. As at December 31, 2000, Magna had approximately 62,000 automotive employees and 166 automotive manufacturing facilities (including 4 joint venture facilities), of which 99 are in North America, 62 are in Europe, two are in Korea, two are in Brazil and one is in China, as well as 31 product development/engineering facilities.

In North America, Magna’s primary customers are DaimlerChrysler AG (“DaimlerChrysler”), General Motors Corporation (“GM”) and Ford Motor Company (“Ford”), as well as certain North American subsidiaries of foreign-based OEMs (“New Domestic OEMs”), such as BMW, Honda, Isuzu, Mazda, Nissan, Suzuki, Toyota and Volkswagen (“VW”). North American

consolidated production sales accounted for approximately 61% and 59% of Magna's total automotive sales for calendar 2000 and calendar 1999, respectively. Approximately 38% and 37% of the Company's consolidated automotive sales in calendar 2000 and calendar 1999, respectively, represented products manufactured in Canada, of which approximately 57% and 48%, respectively, were exported to the United States. In the aggregate, approximately 71% and 65% of the Company's consolidated automotive sales in calendar 2000 and calendar 1999, respectively, represented products manufactured in Canada and the United States and sold to customers in the United States.

In Europe, Magna's customers include most significant OEMs, such as VW/Audi, BMW, DaimlerChrysler, Ford/Jaguar/Volvo/Land Rover, GM/Opel/SAAB, Honda, Fiat and Renault/Nissan. Total European consolidated production and assembly sales accounted for approximately 27% and 30% of Magna's total automotive sales for calendar 2000 and calendar 1999, respectively, and have increased, principally through acquisitions and also through internal growth, from \$79 million in fiscal 1993 to over \$2.7 billion in calendar 2000.

Worldwide sales to DaimlerChrysler, GM and Ford represented approximately 29%, 23% and 21%, respectively, of Magna's total consolidated automotive sales in the calendar 2000.

The Company's non-automotive operations are held through Magna Entertainment Corp. ("MEC") which acquires, develops and operates horse racetracks and related pari-mutuel wagering operations and provides related simulcasting. See "ITEM 3. DESCRIPTION OF THE BUSINESS—MAGNA ENTERTAINMENT CORP." below. Substantially all of the Company's wholly-owned automotive real estate is held through MI Developments Inc., a wholly-owned subsidiary of the Company, or one or more of its subsidiaries (collectively, "MID"). See "ITEM 3. DESCRIPTION OF THE BUSINESS—CORPORATE AND OTHER" below.

RECENT INDUSTRY DEVELOPMENTS

Several developments in the automotive industry are substantially altering the environment for independent automotive component suppliers, including:

- the participation by these suppliers in the design and engineering of automotive components, assemblies, modules and systems at an early stage of the design process;
- the emergence of the Tier 0.5TM supplier;
- the consolidation and globalization of OEMs and the trend toward global vehicle platforms;
- the consolidation and globalization of the OEMs' supplier base and increased pricing pressure on suppliers;
- the continuation of increased out-sourcing, particularly of more complex modules and complete systems as well as of program management and integrator functions, to sophisticated independent suppliers;
- the increasing prevalence of lower volume OEM "niche" or "derivative" vehicles with distinct styling packages and options as well as truck based sport utility or crossover vehicles;
- the expansion of New Domestic OEMs in North America; and
- increasing efficiency of the industry in areas of product design, speed to market and purchasing efficiencies, particularly through new e-commerce business to business ("B2B") initiatives.

Historically, virtually all North American and European automotive component suppliers manufactured and shipped parts to OEMs in accordance with design and engineering specifications supplied by the OEMs. The OEMs generally purchased the same or similar components from several suppliers, obtained a substantial number of components from their affiliated component manufacturers and performed a significant portion of sub-assembly in-house. In addition, design and quality control testing was generally performed by the OEMs. The OEMs now generally expect their "Tier One" suppliers (as described below) to collaborate in the design and engineering of components (with, in many instances, manufacturing processes being developed simultaneously) and to assume even greater responsibility for total quality. Companies which supply parts, components, assemblies, modules or systems directly to the OEMs and which design, engineer, manufacture and conduct quality control testing are generally referred to in the automotive industry as "Tier One" or "full service" suppliers. Tier One suppliers generally have the capability to supply these parts, components, assemblies, modules or systems to the OEMs on a just-in-time sequential basis which enables the OEMs to reduce inventory levels. In producing parts, components, assemblies, modules or systems for OEMs, Tier One suppliers such as Magna may rely on other suppliers (referred to either as "Tier Two" or "Tier Three" suppliers, depending on their level of sophistication in respect of engineering, manufacturing and other requisite skills) for the supply of some parts or components. The OEMs then purchase the parts, components, assemblies, modules or systems from Tier One suppliers and complete the assembly of the vehicle. Tier One suppliers may be awarded longer term contracts by the OEMs or contracts for larger, more

complex assemblies, modules and systems by the OEMs because of their involvement in the development of components with the OEMs.

The expanding role of Tier One suppliers has given rise to the Tier 0.5TM supplier, which provides complete vehicle, design, engineering and assembly services to its OEM customers. The capabilities possessed by such suppliers more closely resemble those traditionally associated with the OEMs. These capabilities, together with an increasing emphasis on niche or derivative vehicles, provide additional challenges for Tier 0.5TM suppliers as compared to those faced by Tier One suppliers, including shorter product development cycles in order to take advantage of market opportunities; increased procurement and supplier management responsibility; a greater degree of contact with the OEM's vehicle level engineering groups during the product development stage; and greater overall product testing and validation responsibility.

The automotive industry has become increasingly globalized in recent years as a result of the following factors: (i) emerging markets (e.g. Eastern Europe, Mexico, South America, Asia) have generally accelerated their growth; (ii) OEMs are increasing the production and sale of "world cars" in which the same vehicle platforms are utilized for automobiles built in different parts of the world; and (iii) increased pricing pressures experienced by OEMs have led them to accelerate the out-sourcing of parts, components, modules, assemblies and systems to independent suppliers with a global manufacturing capability. Also, the consolidation of OEMs is expected to increase the trend towards development of global vehicle platforms as OEMs seek to reduce new vehicle development costs through platform sharing. Examples of such consolidation include:

- the acquisitions by Ford of Jaguar, Volvo and Land Rover;
- the acquisition by GM of the balance of the equity of SAAB, an equity interest in Fuji Heavy Industries Inc. (the maker of Subaru vehicles) and an equity position in Fiat;
- the acquisition by Renault of a significant equity interest in Nissan;
- the acquisition by DaimlerChrysler of a significant equity interest in Mitsubishi; and
- the current bidding for Daewoo.

Consolidation among automotive suppliers has occurred as OEMs have increased their tendency to enter into long-term supply contracts with the most capable global suppliers. OEMs have increasingly appointed such suppliers as their sole source supplier for a particular part, component, assembly, module or system throughout the duration of the program in which such product is utilized, subject to maintaining acceptable quality standards. Increasingly, the OEMs' criteria for selection (in which each supplier facility is rated independently) includes not only price, quality, reliability and responsiveness, but also certain full service capabilities, including design, engineering and program management support as well as integrator capabilities. Suppliers who receive superior ratings from an OEM customer are considered for new business, whereas those who do not obtain such ratings may continue their existing contracts, but are unlikely to be considered for new business. The long-term sole supplier arrangements with OEMs referred to above also generally provide for, among other things, price concessions over the supply term. The competitive environment has caused these pricing pressures to intensify and has placed Tier One suppliers under continuous pressure to absorb more engineering costs related to product design and other items previously directly paid for by OEM customers. In addition, certain OEM customers have requested that suppliers such as Magna: (i) own and/or capitalize tooling and recover the costs through amortization in the piece price of the particular components produced by such tooling; and (ii) incur design and engineering costs and recover such costs through amortization in the piece price of the particular components designed or engineered by suppliers such as Magna. This results in suppliers such as Magna bearing the risk of not being able to fully recover the tooling and design and engineering costs if vehicle production volumes are lower than anticipated.

As mentioned above, there has been a continuing trend for OEMs to "out-source" more of their requirements for parts, components, assemblies, modules and complete systems. The extent of this out-sourcing depends principally upon the cost, quality and timeliness of external production relative to in-house production by OEMs, however, it is also influenced by the degree of unutilized capacity in the manufacturing facilities of the OEMs, OEM collective bargaining agreements and labour relations considerations as well as other factors.

As OEMs attempt to differentiate their products in an increasingly competitive market and identify new market opportunities, the redesign of vehicles between major launches, the reduction in design cycles and the introduction of lower volume derivative or niche vehicles based on existing vehicle platforms, but with distinct styling packages and options, is becoming increasingly prevalent. This emerging trend has provided opportunities for independent suppliers to participate in the design, engineering, manufacture and assembly of larger chunks of these vehicles on behalf of OEM customers.

Virtually all North American operations of New Domestic OEMs currently purchase a significant number of components from their foreign-based suppliers who have now established operations in North America. New Domestic OEMs represented approximately 25% of aggregate North American car and light truck production in calendar 2000, as compared to approximately 24% in calendar 1999. Over the next several years New Domestic OEM production is expected to increase in relation to vehicle importation as existing New Domestic OEM facilities reach or add production capacity and facilities now in the planning and construction phases commence production. At the same time, a number of factors, including the improving quality and cost effectiveness of North American auto parts suppliers, currency fluctuations and the North American Free Trade Agreement are expected to result in New Domestic OEMs relying on increased out-sourcing to increase the North American content of their vehicles. Accordingly, New Domestic OEMs represent significant growth potential for North American automotive suppliers.

As part of their efforts to cut costs and improve efficiencies, OEMs and their suppliers have begun to develop the structures required for various e-commerce and B2B initiatives. For example, GM, Ford, DaimlerChrysler and Renault/Nissan together with major Tier One suppliers such as Magna, have established an online automotive parts exchange known as Covisint, L.L.C. When fully operational, this exchange is expected to include: (i) electronic procurement, including quoting, sourcing and transaction processing; (ii) electronic data interchange, including production releases, production planning, supplier performance assessment, supply chain inventory and shipment tracking; and (iii) collaborative product and process design, including simultaneous design, real-time engineering changes, testing and process validation as well as real-time program management. Such initiatives are expected to improve the efficiency of the purchasing process, increase access to product information, enable purchasers to monitor the status of purchase orders, shorten the vehicle design cycle and lead to significant cost savings for OEMs and for Tier 0.5TM and Tier One suppliers.

MAGNA'S BUSINESS STRATEGY

Magna's primary automotive business strategy is to achieve and maintain a leading global position with all major OEMs in North America and Europe as a full service supplier of interior and exterior body and chassis systems, with vehicle engineering and assembly, program management and interior and exterior integrator capabilities, and to focus its efforts to capitalize on the previously described trends in the automotive industry. Key elements of this strategy include:

- capitalizing on strong existing North American and European OEM relationships;
- focusing on complex value-added or engineered products and products utilizing proprietary technologies;
- capitalizing on global growth opportunities;
- examining opportunities to acquire strategic businesses which have leading-edge automotive technologies that complement, enhance or add to Magna's technological base and/or strengthen its core product offerings;
- continued emphasis on research and development and innovation, including the enhancement of existing technologies and development or acquisition of new technologies to complement existing product and process capabilities and expand product breadth; and
- extending engineering, design, prototype, program management, integrator and assembly capabilities to focus on designing, engineering and selling cross-group modules or systems, securing program management and integration contracts, providing complete vehicle engineering services and assembling complete vehicles for Magna's OEM customers.

In addition, in support of this strategy the Company's Board of Directors determined in 1999 to hold all non-automotive assets of Magna through MEC. See "ITEM 3. DESCRIPTION OF THE BUSINESS — MAGNA ENTERTAINMENT CORP." below.

OPERATING STRUCTURE

Magna follows a corporate policy of functional and operational decentralization and operates through divisions which function as autonomous operating units and profit centres.

Historically, divisions were grouped geographically (principally between North America and Europe) and along product lines into operating groups, which were overseen by a group management team. However, in calendar 1999 the wholly owned manufacturing divisions were generally reorganized along global product lines into automotive systems groups, each of which provided full service systems integration in a specific vehicle area. This operational reorganization was undertaken to further consolidate recent acquisitions, particularly in Europe, to better meet the needs of customers by maximizing opportunities to

support global vehicle programs and facilitating the development of global product platforms, and to enable the increased sharing of best practices between Magna's divisions.

In calendar 2001, the Company initiated a reorganization of certain of its operating segments. In January 2001, Decoma International Inc. ("Decoma") completed the acquisition of the Magna Exterior Systems group ("MES") and the remaining 60% interest in Decoma Exterior Trim Inc. ("Decoma Trim") owned by the Company to form a global supplier of exterior decorative systems and plastic parts. Subsequent to this, Magna initiated a further reorganization in February 2001 aimed at consolidating its operations and strategically aligning its automotive product groups into five global "super groups" or stand-alone systems groups focused on providing large vehicle modules and systems in each key vehicle area by creating two new operating groups, Magna Interiors (now Intier Automotive Inc. ("Intier")) and Magna Steyr out of five prior operating groups. Subsequently in May 2001, the Company entered into a non-binding letter of intent (the "Tesda Letter of Intent") with Tesma International Inc. ("Tesda") concerning the proposed combination of Magna Steyr and Tesma, which if completed would result in operations being conducted under four global "super groups". These reorganizations were undertaken in part to further Magna's policy of functional and operational decentralization.

Magna's decentralized operational structure contains three levels of management - divisional management, automotive systems group management and the Company's executive management. Within the framework of Magna's Corporate Constitution and Employee's Charter, managers of manufacturing divisions have discretion to determine rates of pay, hours of work, sources of supply and contracts to be performed. Automotive systems group management is responsible for coordinating product development, finance and marketing as well as maximizing manufacturing efficiencies in the manufacturing divisions comprising the group. Each automotive systems group interfaces with customers and provides assistance and advice to its respective divisions. The Company's executive management coordinates advanced systems development and manufacturing, ensures customer satisfaction and interfaces with the investment community. Executive management is also responsible for the long-term strategic planning and future growth of Magna, as well as monitoring the performance of automotive systems group management.

In furtherance of the Company's commitment to decentralization, a policy (the "Spinco Policy") of developing the Company's operating groups into self-sufficient public companies was approved in 1982 by the Company's shareholders. The objective of the Spinco Policy was to establish one or more of the groups as separate public corporations (a "Spinco") over a period of time, with the Company remaining as a major shareholder. Guidelines to implement the Spinco Policy were approved by the shareholders at the Annual and Special Meeting of Shareholders held on December 10, 1987 (the "Guidelines"). Under the Guidelines, each Spinco must have a corporate constitution and share structure similar to that of the Company and be comprised of independent operating units which are supported by the Spinco's operations, marketing, financial, human resources and executive management. The Company is to provide operations, technical, marketing and financial management and other services from time to time to each Spinco for an agreed upon fee. Management and employees of each Spinco are to be provided an opportunity and encouraged to invest in the equity of such Spinco through compensation and profit incentive programs similar to those of the Company. In addition, to the extent practicable, shareholders of the Company and employees of each Spinco will be provided an opportunity to invest in the initial public offering of each Spinco. Management believes that establishing the Spinco's pursuant to the Spinco Policy and in accordance with the Guidelines will enable each Spinco to take full advantage of the corporate policies and principles which have been the cornerstone of Magna's past growth and success. These include, among other things, a decentralized operating structure which Magna believes increases flexibility, customer responsiveness and productivity and the establishment of profit-based compensation programs in order to attract, retain and motivate skilled and entrepreneurial management and employees.

Magna created its first Spinco when Tesma completed an initial public offering on July 31, 1995. Decoma subsequently completed its initial public offering on March 2, 1998. As part of the February 2001 reorganization, the Company's Board of Directors authorized management to take Magna Steyr and Intier public in accordance with the Spinco Policy and the Guidelines when market conditions permit. The Board of Directors subsequently modified this authorization on May 17, 2001 when the Board approved the Tesma Letter of Intent which contemplates the combination of Magna Steyr and Tesma. The Company's management believes that the establishment of Tesma and Decoma as separate public companies has facilitated, and for all future Spinco's will facilitate, access to external capital markets, which may be required to enable Tesma, Decoma and other future Spinco's to take advantage of the anticipated increased OEM out-sourcing activities for their respective product areas and to allow them to take full advantage of the corporate policies and principles which have been the cornerstone of Magna's past growth and success. See "SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" below.

With respect to its non-automotive operations, the Company completed the distribution of approximately 20% of the equity of MEC on March 10, 2000 by way of special stock dividend to holders of the Company's Class A Subordinate Voting Shares and Class B Shares. See "SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" and "ITEM 3. DESCRIPTION OF THE BUSINESS — MAGNA ENTERTAINMENT CORP." below.

As at December 31, 2000, the Company's operating groups and divisions were aggregated according to their capabilities in complete vehicle design, engineering and assembly and their relative emphasis on niche or derivative vehicles as compared to components and systems manufacturing for larger vehicle platforms. Thus, as at December 31, 2000, the Company's Tier 0.5TM Vehicle and Systems Integration operations were carried on through the SteyrSymatec group. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER 0.5TM VEHICLE AND SYSTEMS INTEGRATION" below. The Company's Tier One and Two Automotive Manufacturing operations consisted of its body products, interiors, powertrain and other automotive groups and divisions. These Tier One and Two Automotive Manufacturing operations were segmented on a geographic basis to reflect differing business risks between North America and Europe and were also segmented between the Company's publicly traded and other subsidiaries, since such publicly traded subsidiaries have separate independent boards of directors. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING" and "— PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING" below. The Company's non-automotive operations are held through MEC and the Company's wholly-owned automotive real estate is held through MID. See "ITEM 3. DESCRIPTION OF THE BUSINESS — MAGNA ENTERTAINMENT CORP." and "— CORPORATE AND OTHER" below.

As a result of the sale to Decoma of MES and the remaining 60% interest in Decoma Trim owned by the Company, the creation of Magna Steyr and Intier and the proposed combination of Magna Steyr and Tesma, the Company's operating segments are expected to change in calendar 2001. See "ITEM 3. DESCRIPTION OF THE BUSINESS" below.

SIGNIFICANT DEVELOPMENTS

Globalization and European Expansion Strategy

In response to the development of global markets (see "RECENT INDUSTRY DEVELOPMENTS" above) and in order to diversify its customer and product base, Magna developed a strategy of acquiring existing European businesses and transferring North American product lines and technologies to Europe with a view to broadening its core product offerings in order to replicate its North American product offerings in Europe. To assist in implementing this strategy, Mr. F. Stronach, the Company's Chairman, moved to Europe during fiscal 1994 and agreed through Stronach & Co ("SCo"), a Swiss partnership in which Mr. Stronach is the general partner, to provide business development and consulting services to Magna's European affiliates and to develop and coordinate global strategies, identify and evaluate potential acquisitions, business alliances and technologies, develop and recruit technical management for deployment throughout Magna's worldwide operations, implement Magna's successful operating principles outside North America, enhance Magna's good relations with foreign OEMs and governments and further develop Magna's international presence. SCo and Mr. Stronach continue to provide these business development and consulting services to Magna's European affiliates pursuant to one of the previously existing arrangements and two new agreements, which were entered into effective August 1, 1997. The consulting agreement with SCo dated August 1, 1994 was recently extended to expire on December 31, 2001.

As a result of these initiatives, Magna significantly expanded its operations outside Canada, the United States and Mexico between fiscal 1994 and the end of the Transition Period by acquiring 51 manufacturing facilities in Europe which manufactured products principally for sale to European OEMs. Specifically, Magna acquired:

- the Zipperle Group (which now form part of Magna Mirror Systems ("MMS")), which is engaged primarily in the design, engineering and manufacture of mirrors;
- Gesellschaft für Innenhochdruckverfahren GmbH & Co. and its affiliates, which owned the worldwide rights to certain internal high pressure forming or hydroforming technology and manufactured products using that technology for European OEMs;
- the balance of Magna Automobiltechnik AG ("MATAG"), a manufacturer of metal stampings;
- Eybl Durmont AG, a supplier of interior components;
- substantially all of the European automotive components operations controlled by Marley plc, a U.K. supplier of interior components;

- substantially all of the German automotive components operations and assets of Pebra GmbH Paul Braun, a German exterior systems supplier then in receivership;
- Caradon plc's United Kingdom-based automotive operations consisting of a leading United Kingdom independent fascia supplier;
- Georg Näher GmbH, a European-based manufacturer of trunk linings, interior panels and multi-functional carpet and sound insulation systems;
- TricomGroup Holdings Limited, a United Kingdom-based company which designs, engineers and manufactures complete seats, seat frames and other seating;
- all the plastics exterior and interior components operations of the YMOS Automotive Group, a leading European supplier of fascias, grilles, exterior trim, bodyside and other mouldings, instrument panels and consoles;
- Roltra-Morse S.p.A. (now Atoma Roltra S.p.A. ("Atoma Roltra")), a European and South American based supplier of automotive latches, window regulators, cable systems, door modules and gear shift mechanisms;
- Paulisch GmbH & Co. KG, a European-based manufacturer of complete seats, seat frames and other seating components; and
- the Steyr-Daimler-Puch AG group of companies (collectively, "SDP"), which assembles vehicles and provides various design and engineering services, as well as supplies drivetrain components.

This European expansion strategy was viewed by management as important to Magna's continued development as a world-class global supplier. As a result of this strategy, Magna has now substantially replicated its North American product offering in Europe. European production and assembly sales have increased from approximately \$79 million in fiscal 1993 to over \$2.7 billion in calendar 2000.

New Programs and Technologies, Research and Development and Systems Integrator Initiatives

Magna believes that products that are highly engineered or that involve complex assemblies, modules or systems generally generate better returns than commodity-type products and that a significant portion of its internally generated product growth in recent years has been the result of its design and engineering capabilities and product innovation. This product innovation has resulted in the introduction of a number of significant automotive products and technologies, which have recently or are soon expected to appear in production programs, including:

- Several modular door design and development programs for European and North American OEMs, including an integrated plastic cassette module system, which incorporates all the major door hardware and latching components into one integrated module, providing cost and weight savings as well as enhanced quality through pre-installation testing. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING" below.
- A complete seating system featured on a new North American sport utility vehicle which includes a front passenger seat that folds flat for maximum cargo space, a 70/30 split rear seat which reclines for added passenger comfort and folds flat for multiple seating configurations and additional cargo space. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Interiors — *Seating Systems*" below.
- An industry-first roof-mounted power liftgate system for minivans, which is supplied to DaimlerChrysler for its new line of minivans, which may be applied to sport utility vehicles and wagons as well. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Other Automotive — *Closure and Electromechanical Systems*" below.
- Hydroformed frame assemblies, radiator supports, bumper beams, engine cradles and lower control arms, supplied to several OEMs, including GM and DaimlerChrysler. GM has also sourced additional hydroforming contracts to Magna on a next generation vehicle platform and another North American OEM recently sourced contracts for the hydroformed frame for a new North American sport utility vehicle and compact pick-up truck. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Body & Chassis Systems — *Metallic Body and Chassis Systems*" below.
- A leading-edge all-season vehicle hard top available on the Audi TT roadster, which incorporates the interior headliner system, space frame, rear window and sealing system into one large exterior module. See "ITEM 3. DESCRIPTION OF

THE BUSINESS—PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING—Decoma Exterior Systems” below.

- An interior mirror system, currently featured on Mercedes-Benz taxi vehicles, which displays information through the mirror glass. Such information can include vehicle information, weather conditions, wireless messaging and other types of information. See “ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Other Automotive — *Mirror Systems*” below.
- Power sliding doors and power liftgates which have obstacle detection capabilities for improved safety. See “ITEM 3. DESCRIPTION OF THE BUSINESS—TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Other Automotive — *Closure and Electromechanical Systems*” below.

In order for Magna to more fully take advantage of: (i) certain recent trends in the automotive industry, including increased out-sourcing of larger, more complex modules and complete systems to independent suppliers as well as greater participation by these suppliers in the design and engineering of automotive components, modules and systems at an early stage of the design process; (ii) the increasing prevalence in the industry of lower volume “derivative” vehicles; and (iii) Magna’s unique position as the most diversified automotive suppliers in the world with vehicle and engineering capabilities, the Company established Magna Steyr as its complete vehicle engineering, vehicle assembly and powertrain module group early in calendar 2001. See “OPERATING STRUCTURE” above. In calendar 1999, one of Magna Steyr’s predecessor groups, SteyrSymatec, successfully launched the assembly of the new Jeep Grand Cherokee and Mercedes Benz M-class four wheel drive vehicles in Europe. Magna Steyr is currently engineering a SAAB convertible which it will assemble in Europe, preparing to launch production of an engineering, program management and assembly program for Ford in North America and has recently signed a letter of intent relating to the engineering and program management of the BMW X3 which it will assemble in Europe commencing in 2004. Magna Steyr’s powertrain operations currently produce the all-wheel drive transmission module for the Mercedes-Benz E-Class 4MATIC sedan and wagon, the power take-off unit for the Rover Freelander and Renault Scenic RX4, as well as the rear suspension module and all-wheel drive system for the Pontiac Aztec and Buick Rendezvous. The Company’s management believes that Magna Steyr will further differentiate Magna from its competitors by enhancing its role as a full systems and service supplier beyond that of a Tier One supplier, will provide Magna and the operating groups with opportunities to significantly increase content on certain strategic vehicle platforms and will assist Magna’s customers in bringing derivative vehicles to market.

To further support its product development and innovation strategy, Magna has in recent years opened a number of state of the art product development, engineering, testing and technical facilities. During fiscal 1996, Magna completed as part of its European headquarters, a product development and training centre in Oberwaltersdorf, Austria (near Vienna). This centre is intended to facilitate the development of new technologies originating in Europe, to cross-fertilize manufacturing and technology know-how between the Company’s North American and European operations and to provide technical and other services to Magna’s operating divisions and OEM customers. Magna contemplates that technical employees trained at the centre would be available for deployment to Magna’s operating divisions as engineers or managers. The Company also opened the Magna Technical Training Centre in Brampton, Ontario in calendar 1999 to train more than 100 students at a time to be tool-and-die makers, millwrights, mold makers and industrial electro-mechanics. In calendar 1999, Magna also opened a new engineering centre in Graz, Austria which employs more than 700 engineers and technicians and is intended to support the vehicle engineering programs in which Magna Steyr is involved. Intier and Magna Steyr jointly operate an automotive testing centre (“ACTS”) in Sailauf, Germany which was opened in July 1999 which focuses on total vehicle safety system integration and supports both companies as well as third party suppliers in the development and testing of their respective systems and components. In total, the Company now operates 31 product development and engineering facilities. It is anticipated that these research, product development, testing and training centres will further extend Magna’s ability to work closely with OEMs in product development.

Magna has also been focusing in recent years on increasing its full service supplier capabilities by further extending its design and engineering capabilities in order to obtain systems integrator and program management contracts from its OEM customers. As a result of this initiative, Magna program managed the complete interior of the 1998 Lincoln Navigator, an industry first. Furthermore, Magna has been awarded the total interior (excluding seats) for the 2002 GM Cadillac Catera and two other vehicles to be built from the same platform, including both manufacturing and integration responsibility. As the integrator for the program, Magna is managing the design, engineering and development of the interior, including a complete cockpit module, from clay through production.

Strategic Acquisitions and Divestitures, Alliances and Joint Ventures

In order to expand Magna's global interior systems capabilities which is a key component of Magna's business and product strategy, a wholly-owned subsidiary of the Company completed a tender offer for all of the outstanding common shares of Douglas & Lomason Company ("D&L") and subsequently merged with D&L in October 1996. D&L was a worldwide supplier to the automotive industry of seating systems, frames, covers, foam and mechanisms and soft tops and accessories with facilities throughout the United States, Canada, Mexico, Europe and China. The complete seat and seating components business of D&L was subsequently combined with North American counterpart business units of Magna which now form part of Intier. During calendar 1999, Magna sold the manufacturing assets of two D&L seat frame plants in Nebraska and Arkansas to a company 68% owned by P&C Group I, Inc. ("P&C"), of Novi, Michigan. Magna retained a 32% equity ownership in the new minority-owned company operating as CAMACO L.L.C. ("CAMACO").

In February 1998, Magna completed the acquisition of 100% of the shares of Atoma Roltra for approximately \$28 million. Atoma Roltra designs, engineers and manufactures closure systems and controls for OEMs in Europe and South America, including door, trunk and other automotive latches, window regulators, cable systems, door modules and gear shift mechanisms. Its principal customer is Fiat, and other customers include SAAB, Porsche and Rolls-Royce. The purpose of this acquisition was to further Magna's strategy of replicating its North American product offerings in Europe by introducing Magna's closure and electromechanical systems business in Europe and elsewhere outside North America.

In March 1998, Magna purchased all the outstanding share capital and limited partnership interests of Paulisch GmbH & Co. KG ("Paulisch") for approximately \$17 million. Paulisch designs, engineers and manufactures complete seats, seat frames and other seating components for the European automotive industry. Its principal customers are DaimlerChrysler and VW.

In a series of transactions effected in 1998 and 1999, Magna acquired a 100% interest in SDP, an Austrian public company, and Steyr-Daimler-Puch Fahrzeugtechnik AG & Co. KG. The total cash consideration paid by Magna in connection with these transactions was approximately \$248 million (net of cash acquired). SDP owned several businesses outside Magna's core automotive systems operations, all of which have been sold or wound down, including its entire equity interest in Steyr-Daimler-Puch Spezialfahrzeug AG & Co KG, a manufacturer of wheel tanks, spare parts and transmission components and Steyr Automobilvertriebs AG, an agricultural vehicle business unit which was sold in May 2000. No gains or losses arose on these transactions.

In January 1999, Tesma completed the acquisition of 100% of the outstanding shares of Hanwha Automotive Components Corporation, a South Korean based manufacturer of oil and water pump systems, for cash consideration of over \$5 million (net of cash acquired).

In September 1999, Magna acquired from Voest-Alpine Stahl Linz Ges.m.b.H. the remaining 40% minority interest in MATAG for approximately \$45 million.

In May 2000, Cosma International Inc. ("Cosma") sold its three Powerlasers manufacturing facilities located in Concord, Ontario, Kitchener, Ontario and Pioneer, Ohio, to Dofasco Inc. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Body and Chassis Systems — *Metallic Body and Chassis Systems*" below.

In May 2000, Atoma sold its 50% interest in Webasto Sunroofs Inc. ("Webasto") to Webasto AG Fahrzeugtechnik of Germany. See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Other Automotive — *Closure and Electromechanical Systems*" below.

In September 2000, Atoma sold the business conducted by its Invotronics Mfg. division to affiliates of C-MAC Industries Inc. ("C-MAC"). See "ITEM 3. DESCRIPTION OF THE BUSINESS — TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Other Automotive — *Closure and Electromechanical Systems*" below.

In October 2000, Decoma acquired the remaining 49% minority interests in Conix Canada Inc., Conix Corporation, Conix U.K. Limited and Conix Belgium N.V. (now Belplas Industries N.V.) (collectively the "Conix Group") from Visteon Corporation ("Visteon"). The purchase price was satisfied through payment of \$43 million in cash (net of cash acquired) and the issuance by Decoma of \$90 million 9.5% subordinated debentures. See "ITEM 3. DESCRIPTION OF THE BUSINESS — PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING — Decoma Exterior Systems — *Decoma International Inc.*" below.

In the future, Magna will increasingly focus on developing and acquiring new technologies that are critical to its long-term business strategy. Although expansion will primarily be through greenfield operations designed to support customer programs in North America and Europe, Magna will continue to examine opportunities to acquire strategic businesses which have leading-edge automotive technologies that complement, enhance or add to Magna's expanding technological base and to enter into joint ventures to achieve this objective. Furthermore, all potential acquisitions and other capital investments are being analyzed using strict return on funds employed criteria in order to maximize shareholder returns, boost gross margins and generate strong earnings growth.

Financing and Investor Initiatives

During fiscal 1998, the Company completed the offering and sale in the United States of \$480 million 4.875% Convertible Subordinated Debentures due February 15, 2005 for net cash proceeds, after deducting underwriting fees and expenses of the offering, of \$435 million. On June 19, 1998, the Company completed a public offering in Canada and the United States of 4,025,000 Class A Subordinate Voting Shares for net cash proceeds, after deducting the underwriting fees and expenses of such offering, of \$260 million.

On December 10, 1998, the Company's shareholders approved an amendment to the by-laws of the Company which changed the fiscal year end of the Company from July 31 to December 31 of each year, commencing December 31, 1998. Commencing on December 31, 1998, the Company began to report its financial results in United States dollars. These changes were intended to place the Company on a basis consistent with other large multinational corporations and improve investors' ability to compare the Company's results with those of most of its publicly traded competitors in the automotive industry.

During calendar 1999, the Company completed the public offering and sale of Cdn.\$165 million of 8.65% Series A Preferred Securities due September 30, 2048 and \$170 million of 8.875% Series B Preferred Securities due September 21, 2048. The Company also completed the private placement of Euro 100 million 7.08% Subordinated Debentures due September 30, 2009.

In March 2000, the Company entered into a new credit agreement with a syndicate of 12 Canadian, U.S. and European banks for a revolving credit facility of Cdn.\$900 million. This credit facility is unsecured except for certain internal cross guarantees and is currently in the process of being renewed.

Changes in the Company's Operating Structure

On July 31, 1995, Tesma completed an initial public offering in Canada and the United States by issuing approximately 2.9 million Tesma Class A Shares to the public from treasury at a price of Cdn.\$10.50 per share. An additional offering of approximately 3.7 million Tesma Class A Shares to the public from treasury at a price of Cdn.\$18.75 per share, together with a secondary offering of 1.0 million Tesma Class A Shares by the Company, was completed on June 5, 1997. The Company and certain other shareholders of Tesma completed a secondary offering of 4,977,644 Tesma Class A Shares in June 2000 at a price of Cdn.\$26.20 per share. The Tesma Class A Shares are listed for trading on The Toronto Stock Exchange and quoted on the Nasdaq National Market. As of March 28, 2001, the Company owned, directly and indirectly, all of the issued and outstanding Class B Shares of Tesma which represented approximately 90% of the total votes attaching to all of Tesma's outstanding voting securities as of such date. See "OPERATING STRUCTURE" above.

On March 2, 1998, Decoma completed an initial public offering in Canada and the United States by issuing approximately 11.2 million Decoma Class A Shares from treasury at a price of Cdn.\$9.50 per share. In April 2001, Decoma filed a preliminary prospectus for an offering of Class A Shares. The terms of the offering, including the offering price and the size of the offering, are expected to be determined at the end of May 2001. The Decoma Class A Shares are listed for trading on The Toronto Stock Exchange and quoted on the Nasdaq National Market. As of March 28, 2001, the Company owned, directly and indirectly, all of the issued and outstanding Class B Shares of Decoma and 14,938,149 Decoma Class A Shares, which in the aggregate represented approximately 99% of the total votes attaching to all of Decoma's outstanding voting securities, and a total of 3.5 million convertible series preferred shares of Decoma as of such date. See "OPERATING STRUCTURE" above.

In July 1998, the Company commenced an internal reorganization pursuant to which substantially all of its directly and indirectly owned North American and European real estate and non-automotive assets were transferred to MID. MID holds,

develops and manages substantially all of Magna's current and future automotive related real estate and is 100% owned by Magna. See "ITEM 3. DESCRIPTION OF THE BUSINESS — CORPORATE AND OTHER" below.

In March 1999, pursuant to a commitment made by the Company in March 1998, the Company's Board of Directors approved the establishment of MI Ventures Inc. (now MEC) to hold all of Magna's non-automotive assets (including non-automotive real estate). All of the Company's non-automotive related real estate and other assets were transferred to MEC in the course of a reorganization which was completed on November 5, 1999. Subsequently on March 10, 2000, the Company completed the spin-off of approximately 20% of the voting equity of MEC by distributing to its shareholders by way of stock dividend an aggregate of 5,246,085 shares of MEC's Class A Subordinate Voting Stock and 10,460,859 exchangeable shares of MEC Holdings (Canada) Inc. ("Exchangeable Shares"), each of which is exchangeable for one share of MEC Class A Subordinate Voting Stock. As of March 28, 2001, the Company owned, directly and indirectly, all the issued and outstanding Class B Stock of MEC and 4,362,328 Exchangeable Shares which entitled the Company to exercise approximately 98.5% of the aggregate total votes attaching to all of MEC's outstanding voting securities. See "ITEM 3. DESCRIPTION OF THE BUSINESS — MAGNA ENTERTAINMENT CORP." below.

In January 2001, Decoma purchased MES and the 60% interest in Decoma Trim owned by the Company. The purchase price of \$203.0 million was satisfied by the payment of \$3.1 million in cash, the issuance of 8,333,333 Class A Subordinate Voting Shares of Decoma, the issuance of \$133.3 million of convertible preferred shares of Decoma and the assumption of debt (denominated primarily in Canadian dollars or Euros) owed by MES and Decoma Trim to Magna totalling \$219.8 million. The sale of MES and the Company's interest in Decoma Trim were part of a global product alignment which consolidated substantially all of Magna's plastic parts and exterior decorative systems under Decoma.

In February 2001, Magna initiated a reorganization aimed at consolidating its operations and strategically aligning its automotive product groups into five "super groups" or stand-alone systems groups focused on providing large vehicle modules and systems in each key vehicle area. On February 21, 2001, the Company's Board of Directors, based on the report and recommendation of a special board committee, unanimously approved the creation of two new global automotive systems groups, Magna Steyr and Magna Interiors (now Intier). In reaching this decision, the Board determined that it was in the best interests of the Company and its shareholders to provide Intier and Magna Steyr with access to capital markets following the successful examples of Tesma and Decoma pursuant to the Spinco Policy. The reorganization was initiated with the intention that both groups will become publicly traded corporations when market conditions permit, subject to regulatory approvals, in accordance with the Guidelines.

Subsequently, the Board of Directors of each of Tesma and the Company approved the execution on May 17, 2001 of the Tesma Letter of Intent concerning the proposed combination of Magna Steyr and Tesma. If this transaction is completed, it would result in Magna's operations being conducted under four, rather than five, global automotive "super groups", in addition to the Company's MMS and non-automotive operations.

ITEM 3. DESCRIPTION OF THE BUSINESS

As at December 31, 2000, Magna's automotive operating groups and divisions were aggregated according to their capabilities in complete vehicle design, engineering and assembly and their relative emphasis on niche or derivative vehicles as compared to component and systems manufacturing for larger vehicle platforms. Magna's Tier 0.5TM Vehicle and Systems Integration operations provide complete vehicle design, engineering and assembly services to Magna's OEM customers. This operating group is referred to as a Tier 0.5TM supplier since it possesses capabilities closer to those traditionally associated with the OEMs, including complete vehicle design, engineering and assembly. These capabilities, together with an emphasis on niche or derivative vehicles, provide additional challenges for Tier 0.5TM suppliers as compared to those faced by other Tier One suppliers, including shorter product development cycles in order to take advantage of market opportunities; increased procurement and supplier management responsibility; a greater degree of contact with the OEM's vehicle level engineering groups during the product development stage; and greater overall product testing and validation responsibility. See "TIER 0.5TM VEHICLE AND SYSTEMS INTEGRATION" below. As at December 31, 2000, the Company's Tier One and Two Automotive Manufacturing operations designed, manufactured and supplied components, modules and systems for larger volume vehicle platforms primarily for OEMs but also to other Tier One suppliers. Operations were generally aligned on a product basis with the corresponding purchasing and engineering groups of the OEMs. See "TIER ONE AND TWO AUTOMOTIVE MANUFACTURING" below.

The Company's Tier 0.5TM Vehicle and System Integration and Tier One and Two Automotive Manufacturing operations were also segmented on a geographic basis between North America and Europe as at December 31, 2000. This segmentation recognized the different geographic business risks faced by the Company's North American and European divisions, especially the varying vehicle production volumes in North America and Europe and differences in OEM customer mix, the level and nature of OEM outsourcing and currency risk. Vehicle production volumes in North America and Europe are affected by a number of geographic factors such as general economic conditions, interest rates, fuel prices and availability, legislative changes, environmental emission and safety issues and labour and/or trade relations.

As at December 31, 2000, Magna's Tier One and Two Automotive Manufacturing operations were further segmented between the Company's publicly traded and other subsidiaries given that, in the former case, oversight of group management was delegated to a separate independent board of directors. Publicly traded operations included Decoma, which included Decoma Trim and Bestop, Inc. ("Bestop"), the operations of which were closely co-ordinated with Decoma since Decoma directly owned 40% of each of Decoma Trim and Bestop as at such date, and Tesma. See "PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING" below.

In addition to the Company's automotive operations, the Company has certain non-automotive operations held through MEC. In March 1999, the Company's Board of Directors approved the establishment of MEC to hold all the non-automotive assets of Magna. These non-automotive assets were reorganized under MEC during 1999 and approximately 20% of the equity of MEC was distributed to the Company's shareholders in March 2000. See "MAGNA ENTERTAINMENT CORP." below.

As a result of the corporate reorganization initiated by Magna in February of 2001 which resulted in the creation of two new global automotive systems groups, Intier and Magna Steyr, the purchase by Decoma in January 2001 of MES and the remaining 60% interest in Decoma Trim owned by the Company and the proposed combination of Magna Steyr and Tesma, the Company's operating segments are expected to change in calendar 2001. The operations of Magna's Tier One and Two Automotive Manufacturing closure, seating and interiors operations as described below have been combined from a management and operational perspective to form Intier. Substantially all of the Company's Tier 0.5TM Vehicle and Systems Integration operations (previously operating under the name SteyrSymatec) and Steyr Powertrain divisions described below have been combined from a management and operational perspective to form Magna Steyr. Magna Steyr will also work in a strategic alliance with the hydroforming and stamping operations of the Company's Tier One and Two Automotive Manufacturing businesses to develop hydroformed modules. The Tesma Letter of Intent contemplates that Magna Steyr and Tesma will be further combined.

The following is a more detailed discussion relating to each of the Company's operating segments as at December 31, 2000. Magna's operating profits are not distributed equally across its facilities. Consequently, a relatively small number of facilities may account for a significant share of its operating profits during any given period. Sales figures presented in this discussion include intercompany sales of approximately \$160 million for calendar 2000.

TIER 0.5TM VEHICLE AND SYSTEMS INTEGRATION

As at December 31, 2000, Magna's complete vehicle engineering and assembly operations were provided through SteyrSymatec. Subsequent to December 31, 2001, SteyrSymatec's operations were combined from a management and operational perspective with the operations of Steyr Powertrain to form Magna Steyr. Magna Steyr is the world's leading supplier of total vehicle engineering for OEM customers and is one of the world's leading suppliers of niche vehicle production, assembly and concept development. As at December 31, 2000, Magna Steyr operated 12 engineering and assembly facilities located in Austria, Germany, France and Missouri as well as 6 product development centres in Michigan, Germany and Austria. In calendar 2000, SteyrSymatec generated total sales of over \$1.0 billion and operating income of approximately \$48 million, representing approximately 10% and 6% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively. In calendar 1999, SteyrSymatec generated total sales of over \$1.1 billion and operating income of approximately \$51 million, representing approximately 12% and 8% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

Magna Steyr assembles the Mercedes Benz G-class (including the G-class convertible) and E-class 4-wheel drive vehicles as well as the M-class 4-wheel drive sport utility vehicle and the Jeep Grand Cherokee for DaimlerChrysler in Europe at its large vehicle assembly facility in Graz, Austria. It has also been awarded an assembly contract for, and is currently engineering, a future SAAB convertible in Europe. In addition, Magna Steyr recently signed a letter of intent for the engineering and assembly of the

BMW X3 in Europe. In Europe, Magna Steyr also assembles the complete body-in white and complete door systems for the DaimlerChrysler Smart car at a facility located in Hambach, France.

Magna Steyr's engineering and testing capabilities enable it to participate in the vehicle and systems concept and design process through involvement in advance development and the preparation of feasibility studies; the development phase in which technical calculations and simulations are performed and full vehicle prototypes are built; and the vehicle testing and production planning stage. To support these activities and other engineering programs in which it is involved, Magna Steyr operates an engineering centre in Graz, Austria which employs more than 700 engineers and technicians. In addition, the ACTS technical centre in Sailauf, Germany, operated through a joint venture with Intier, focuses on total vehicle safety systems integration and supports both companies as well as third party suppliers in the development and testing of their respective systems and components.

In North America, Magna Steyr operated two product development/engineering centres in Michigan as well as an assembly and sequencing facility in Missouri as at December 31, 2000. Magna Steyr is performing services for an engineering and assembly program from Ford in North America which is expected to launch in June 2001. With the assistance of Magna's other operating groups, Magna Steyr is taking the lead role in identifying niche vehicle concepts and acting as the systems integrator for cross-group systems or modules in order to assist Magna's customers in reducing both the development time for, and the cost and weight of such modules and systems in future vehicle programs. The Company's management believes that its Tier 0.5TM operations differentiates Magna from its competitors by enhancing and developing Magna's role as a supplier, increases Magna's chances of obtaining contracts for larger, more complex systems or "chunks" of the vehicle from its customers and assists Magna's customers in bringing derivative or niche vehicles to market.

TIER ONE AND TWO AUTOMOTIVE MANUFACTURING

Magna's Tier One and Two automotive manufacturing divisions supply a variety of products including: (i) body products supplied by the Company's metallic body and chassis systems divisions, including divisions producing hydroformed components and assemblies and other exterior products supplied by the Company's wholly-owned exterior systems divisions in Europe; (ii) interiors products supplied by the Company's seating and interior systems divisions; (iii) four-wheel drive powertrain products supplied by the Company's Steyr Powertrain divisions; and (iv) other automotive products supplied by the Company's closure and exterior and interior mirror systems divisions. As at December 31, 2000, Magna's Tier One and Two automotive manufacturing operations consisted of 88 production and engineering facilities, three joint venture facilities and 19 product development centres. In calendar 2000, these operations generated sales in excess of \$7.1 billion and operating income of approximately \$437 million representing approximately 71% and 54% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively. In calendar 1999, these operations generated sales in excess of \$6.5 billion and operating income of approximately \$378 million representing approximately 71% and 57% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

Body & Chassis Systems

Metallic Body and Chassis Systems

Magna designs, engineers and manufactures a broad range of formed and welded metal automotive parts, components, assemblies, modules and systems primarily for sale to North American and European OEMs through Cosma. Cosma also sells, principally to OEMs, stamping tools and dies and assembly equipment, much of which it designs, manufactures and subsequently uses to manufacture products for such OEMs. Cosma's products include chassis stamping modules, hydroforming modules and systems, stamped exterior body parts, general stampings, engine and brake related stampings and body sheet metal modules and systems. In addition, Cosma paints, coats and finishes parts and assemblies manufactured by itself and others. Cosma also designs and manufactures steel racks, for its own use and also for other customers, that are used for in-process storage of parts and for shipping parts to the customer. As at December 31, 2000, Cosma operated 24 manufacturing facilities in Ontario, Iowa, Kentucky, Maryland, South Carolina Tennessee and Mexico, as well as four product development and engineering centres in Ontario and Michigan.

As part of the corporate reorganization described above under "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — OPERATING STRUCTURE", Cosma transferred operational responsibility for seven of Magna's MATAG stamping and metalforming facilities, as well as one product development centre in Germany and the Smart Car body-in-white facility in Hambach,

France to Magna Steyr. Cosma's hydroforming and manufacturing operations will work with Magna Steyr to develop hydroforming modules, independent rear suspension modules and "chassis-on-wheels"TM. Cosma amalgamated with the Company on December 31, 2000 to continue as the Cosma International group of Magna International Inc.

For strategic and other business reasons, Cosma sold its three Powerlasers manufacturing facilities located in Concord, Ontario, Kitchener, Ontario and Pioneer, Ohio, to Dofasco Inc. in early May 2000.

Cosma plays an integral role in the development and execution of product programs for individual components, assemblies and complete vehicle body engineering. Product engineering resources, including a dedicated design, engineering and prototype facility located in Michigan, create original engineering drawings, feasibility studies, working prototypes and full-scale testing programs to meet or, with "black box" capability, establish customer specifications. Manufacturing and engineering personnel design and build the manufacturing systems, processes and equipment which link the designed product to high quality, efficient production systems. Advance design engineering and/or prototyping work performed by Cosma can facilitate the award of production business by OEMs to one or more other operating groups. Tooling facilities within Cosma are capable of designing and building the tools, dies and assembly equipment needed for consistent production.

During calendar 2000, Cosma sought out new automotive applications for the internal high pressure hydroforming technology which was acquired by Cosma several years ago and subsequently significantly enhanced. This technology, which is an extension of alternative existing hydroforming technology, increases the design robustness of many automotive parts with the added benefits of reducing costs and weight. This advanced technology is being utilized by Cosma to manufacture frames for GM's GMT 800 series of pick-up trucks and sport utility vehicles, at manufacturing facilities located in St. Thomas, Ontario and Saltillo, Mexico. Three other OEMs also have production contracts with Cosma which utilize the hydroforming process in North America and Europe for use in both cars and light trucks. GM has also sourced additional hydroforming contracts to Magna on a next generation vehicle platform and another North American OEM has sourced hydroforming contracts to Magna for a new North American sport utility vehicle and compact pick-up truck. Discussions continue with customers regarding additional hydroforming applications. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — SIGNIFICANT DEVELOPMENTS — *New Programs and Technologies, Research and Development and Systems Integrator Initiatives*" above.

Exterior Systems

As at December 31, 2000, Magna's exterior systems operations included MES, which supplies plastic and metallic exterior components and systems, including fascias (bumpers), grilles, body side mouldings, body side panels, plastic and metal trim products, drip mouldings, headlamp covers, radiator grilles, windshield mouldings, door frames and other exterior components for OEM customers located primarily in Europe, including BMW, Ford/Volvo/Jaguar/Land Rover, DaimlerChrysler, Honda, Opel, Peugeot, Toyota and VW. As at December 31, 2000, MES operated eight production facilities located in Germany, Belgium and the U.K. and a research and development centre in Germany.

The MES Group, one of Europe's leading high volume exterior systems manufacturers, introduced the use of gas injection moulding technology for bodyside trimming and has further enhanced the technology for thin wall bumper fascias which are featured on the Mercedes C-Class line of vehicles. MES is developing a wide range of other technologies including water borne painting, carrier panels and in-mould decoration and bonding.

On January 5, 2000, Magna sold MES to Decoma as part of the global alignment of product lines. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — OPERATING STRUCTURE" and "— SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above.

Interiors

Seating Systems

As at December 31, 2000, Magna's seating systems operations were conducted through Magna Seating Systems, a leading full service supplier of seating systems and components. Subsequent to December 31, 2000, the operations of Magna's seating operations were combined from a management and operational perspective with its interiors and closure operations to form Intier and were renamed Intier Automotive Seating ("IAS"). See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — OPERATING STRUCTURE" and "— SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above. IAS is capable of managing the styling, design, development, testing and final assembly of complete seating systems as well as all major seat components for its OEM customers.

As at December 31, 2000, IAS' North American complete seat operations consisted of four manufacturing facilities (including one joint venture facility) in Ontario, Illinois and Missouri. IAS also operates complete seat system design, styling, engineering, prototyping and testing facilities in Michigan. IAS has the capability to supply complete seating systems to customer assembly plants on a "just-in-time" and "sequenced parts delivery" basis for passenger cars, sport utility vehicles, hybrid activity vehicles, medium and heavy duty trucks (through a joint venture) and vans. During calendar 2000, complete seating systems were delivered just-in-time and in-sequence to several OEMs, including Ford, Mitsubishi and DaimlerChrysler. IAS has been awarded new contracts to supply complete seating systems for a new DaimlerChrysler vehicle, the next generation of Ford minivans, the next generation of Saturn small cars and a new sport utility vehicle from Saturn.

In North America, IAS also designs, engineers and manufactures seat adjusters, recliners and other seat mechanisms, seat covers, headrests, armrests, polyurethane foam pads and other components for both OEM customers and their Tier One suppliers. As at December 31, 2000, these operations consisted of eight manufacturing facilities in Ontario, Iowa, Tennessee, Texas and Mexico.

As at December 31, 2000, IAS' European complete seat operations consisted of six manufacturing facilities including two in the U.K., one in Belgium and three in Germany. IAS also operates complete seat system design, engineering, prototyping and testing facilities in Germany and the U.K. During calendar 2000, complete seating systems were delivered in Europe just-in-time to several OEMs, including Ford, Izuzu, Land Rover, VW and DaimlerChrysler. IAS has been awarded new seating system supply contracts from VW, Seat, DaimlerChrysler and a GM/Renault joint venture.

In Europe, IAS also engineers and manufactures seat frames, mechanisms, metal stampings, split panels, seat covers and other seating components for both OEM customers and their Tier One suppliers. As at December 31, 2000, these operations consisted of four manufacturing facilities including one located in the U.K., one in Germany and two in the Czech Republic.

As at December 31, 2000, IAS also had an Asian operation, Shanghai Lomason Automotive Seating Company Limited ("Slassco"), which is a 50/50 joint venture with Jiao Yun Co., Ltd. Slassco manufactures seat frames, mechanisms, metal stampings, hood latches and aftermarket complete seats. The results of the joint venture are aggregated with IAS' North American operations for financial reporting purposes. Its principal customers include Shanghai Volkswagen, Shanghai General Motors, Johnson Controls, Inc. ("JCI") and Bestop.

IAS participates in a 50/50 joint venture with Namba Press Works Co., Ltd. of Japan. The joint venture company, Bloomington-Normal Seating Company, is located in Normal, Illinois and manufactures seating systems for Mitsubishi Motors Manufacturing of America, Inc.

IAS is also a participant with Grammar AG in a 50/50 joint venture company, called GRA-MAG Truck Interior Systems, LLC ("GRA-MAG") which, commencing in 2001, will supply truck seating systems to the North American medium and heavy-duty truck market. GRA-MAG has secured business with a major North American truck producer to supply, from its manufacturing facility in Grove City, Ohio, suspension seating systems developed and engineered by Grammar AG. GRA-MAG also has a sales and engineering office located in Novi, Michigan.

IAS also owns a minority (32%) equity interest in CAMACO, a registered minority supplier. CAMACO operates two metal seat frame plants located in Columbus, Nebraska and Marianna, Arkansas and a sales and engineering office in Novi, Michigan. The remaining equity interest in CAMACO is owned by P&C of Novi, Michigan.

IAS develops products with a focus on the end consumer, maximizing delivered value to its OEM customers while achieving world class quality, functionality and value. IAS has developed innovative solutions to meet customer needs including the MagnaMap™ system of comfort analysis in the seat design process, the patented Fold and Tumble™ family of seating mechanisms which allow for additional storage space as well as easier passenger entry, an award winning lightweight seat which reduces the amount of metal and foam required resulting in significant weight reduction as compared to a traditional bucket seat, a swing-up seat which swings up into the ceiling of the vehicle for self-storage allowing for weight reduction and increased under-seat storage when the seat is in the down position, self positioning and spray urethane head restraints providing for enhanced occupant protection and cost reduction. IAS has developed industry leading integrated restraints (ABTS) and is also actively working with seat restraint suppliers to develop next generation occupant sensing capabilities both of which offer the potential for enhanced occupant protection. IAS' history of innovation includes designing and developing seats for the Plymouth Prowler, which feature a lightweight all-aluminium seat frame (an industry first) combined with Magna's mold-in-place technology seat cushions and loose face leather covers. In conjunction with DaimlerChrysler, IAS developed and is currently producing a patented, award winning child seat which is integrated into the traditional passenger bench seats of vehicles manufactured by several OEMs worldwide. IAS is the leading supplier of manual seat mechanisms in North America.

Interior Systems

As at December 31, 2000, Magna's interior systems operations were conducted through Magna Interior Systems, a full service supplier of complete vehicle interiors and a variety of interior trim systems and components, including instrument panels, cockpit modules, consoles, package trays, overhead systems and sidewall systems. Subsequent to December 31, 2000, Magna's interiors operations were combined from a management and operational perspective with Magna's seating and closure operations to form Intier and were renamed Intier Automotive Interiors ("IAI"). See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — OPERATING STRUCTURE" and "— SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above. As at December 31, 2000, IAI operated six North American manufacturing or sequencing/assembly facilities located in Michigan and Illinois and two engineering centres in Michigan. One of IAI's facilities is a ninety percent (90%) owned tooling facility in Michigan that designs and builds automotive tooling for IAI and other Magna divisions and outside customers. An additional facility is being established in Ontario to produce complete overhead systems.

IAI designs, engineers, manufactures and sequences cockpit modules, instrument panels, consoles, glove boxes, door trim panels, door casings, instrument panel topper pads, sunvisors, automotive carpets, trunk linings, interior panels and multi-functional carpet and sound insulation systems as well as other interior components and systems for OEM customers located in Europe, including BMW, Ford/Jaguar/Land Rover, GM/Opel, DaimlerChrysler, Nissan and VW. As at December 31, 2000, IAI operated five wholly-owned facilities in the U.K., seven in Germany, two in Spain and one in Austria, as well as three product development centres in Germany, Austria and the U.K. IAI also operates an additional facility in the U.K. through its joint venture with Kansei Corporation, a Nissan keiretsu member, principally to supply Nissan U.K. with instrument panels, consoles and glove boxes using injection moulding technology.

In calendar 1999, IAI was awarded the total interior (excluding seats) for the 2002 GM Cadillac Catera. As the integrator for the program, IAI managed the design, engineering and development of the interior, including a complete cockpit module, from clay through production and will also have manufacturing responsibility. As part of the program, IAI built a state of the art assembly and sequencing facility outside Cadillac's new assembly plant, from which it will provide the plant's entire requirements for complete cockpits, overhead systems, door trim, consoles, garnish, and carpets.

As at December 31, 2000, IAI was involved in a number of technology development projects, including, in conjunction with Decoma, a joint development program with Dow Chemical to produce interior trim components from nano-composite polymers which provide weight reduction and improved performance. Other developments include a proprietary skin cast technology known as *TurboCast*™ which makes three dimensional interior skin covering for door panels, instrument panels and consoles and a proprietary headliner substrate known as *Magnabond*™, which incorporates safety design features directly into the headliner composite.

Powertrain

As at December 31, 2000, Magna's powertrain operations, excluding Tesma, were conducted through Steyr Powertrain, which produces a variety of chassis and powertrain systems and modules predominantly for 4-wheel drive passenger cars and sport utility vehicles, including transfer cases, differentials and all-wheel-drive couplings, axle drives and chassis modules. Steyr Powertrain also developed mass-balancing systems designed to reduce engine noise and vibration which are supplied to BMW and Audi. As at such date, Magna Steyr's powertrain operations operated two manufacturing facilities in Austria and two assembly facilities located in Georgia and Mexico which were opened in calendar 2000 to support new four wheel drive system business awards from GM. Subsequent to December 31, 2000, the operations of Steyr Powertrain were combined from a management and operational perspective with the operations of SteyrSymatec to form Magna Steyr. In May 2001, the Company entered into the Tesma Letter of Intent with Tesma concerning the proposed combination of Magna Steyr and Tesma. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above.

Other Automotive

Closure and Electromechanical Systems

As at December 31, 2000, Magna's closure and electromechanical systems operations were conducted through Atoma International Corp. ("Atoma"). Subsequent to December 31, 2000, the operations of Magna's closure operations were combined from a management and operational perspective with its seating and interiors operations to form Intier and were renamed Intier Automotive Closures ("IAC"). See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — OPERATING STRUCTURE" and "— SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above. IAC designs, engineers and manufactures closure systems (including door hardware, window regulators, door modules, power sliding doors and power liftgates) and electromechanical systems for the automotive industry. As at December 31, 2000, IAC operated seven manufacturing facilities in Ontario. In addition, as at December 31, 2000, IAC had operational responsibility for the following businesses: (i) Atoma Roltra, a supplier of automotive latches, window regulators, cable systems, door modules and gear shift mechanisms with three facilities in Italy and Poland; (ii) Atoma do Brasil, a supplier of automotive latches and window regulators with one facility in Brazil; and (iii) PAL International, a supplier of electric motors for windshield wiper applications, wiper systems and non-automotive applications with one manufacturing complex in the Czech Republic. IAC also operated four product development centres in Ontario, Michigan, the U.K. and Germany. MagnaWorks L.L.C., a 70/30 joint venture between IAC and Magellan DIS, Inc., a subsidiary of Orbital Sciences Corporation, engineers and markets advanced vehicle navigation systems for use in the automotive industry.

During calendar 2000, Atoma divested itself of three operations for which it previously had operational responsibility, Webasto, Master Precision Inc. ("Master Precision") and Invotronics Mfg. The 50% interest in Webasto was sold to Webasto AGFahrzeugtechnik of Germany. Webasto supplied manual and power sunroof systems from manufacturing facilities in Michigan and Kentucky at the time of the sale. Master Precision was transferred effective December 31, 2000 to an affiliate. Master Precision supplied fuel filler doors and parking brake assemblies from its facility in Scarborough, Ontario. The business conducted by the Invotronics Mfg. division, which consisted of the design, engineering, manufacture and sale of certain electromechanical and electrical products, including control modules, actuators and electrical switches, was sold to affiliates of C-MAC.

IAC specializes in the manufacture of automotive door hardware and closure systems and mechanical assemblies. It designs, engineers and manufactures door hardware components and mechanisms, including power and manual window regulators, door, hood and trunk latching systems and release mechanisms of various types and designs, wiper systems and other assemblies. Recent product developments include: (i) power sliding doors and power liftgates which have obstacle detection capabilities for improved safety; (ii) door closure sensors that automatically adjust doors to weather, vehicle age and incline; and (iii) an advanced electronic latching system with programmable logic for double lock, child lock and central lock features as well as independent control of door handles. IAC also conducts ongoing development work on new concepts in door modularization at the Atoma Technical Centre in Newmarket, Ontario and the engineering centre in Livonia, Michigan. Technological development programs include a modular door system utilizing a plastic carrier plate which provides OEMs with cost and weight reductions.

Mirror Systems

Magna's mirror systems operations are conducted through MMS, which is one of the largest mirror systems suppliers in the world. MMS designs, engineers and manufactures a variety of mirror systems, including exterior mirrors, integrated turn signal mirrors, mirrors with memory function, interior mirrors (including those with infra-red theft protection), interior lights, grab handles and other plastic components and assemblies. As at December 31, 2000, MMS operated eight plants, three in Germany, three in Michigan and one in each of Austria and the Slovak Republic. To support these facilities, MMS possesses significant in-house capabilities for the testing and validation of mirror systems and operates two product development and engineering centres located in Michigan and Austria. It also operates several sales offices in North America and Europe in order to support its diverse customer base, which includes VW/Audi, BMW, DaimlerChrysler, GM, Honda, Jaguar, Land Rover and Toyota.

MMS has developed, or is currently developing, a broad range of advanced mirror technologies in North America and Europe, including an extendable mirror; a self dimming mirror; an advanced mirror positioning system; illuminated foil lighting which transmits less heat and costs and weighs less than incandescent bulbs; close proximity warning devices; a new transparent heating system which provides faster defrosting time and less current consumption; and various actuator designs and technologies.

PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING

Tier One and Two publicly traded automotive manufacturing divisions supply a variety of products including exterior body products supplied by Decoma Exterior Systems ("DES") (which includes Decoma, a publicly traded company, Decoma Trim and Bestop) and powertrain products supplied by Tesma, a publicly traded supplier of engine, transmission and fueling systems and components. Magna's Tier One and Two publicly traded automotive manufacturing operations consist of production and engineering facilities. In calendar 2000, these operations generated sales of over \$2.0 billion and operating income of approximately \$181 million representing approximately 20% and 22% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively. In calendar 1999, these operations generated sales of over \$1.7 billion and operating income of approximately \$131 million representing approximately 19% and 20% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

Tesma International Inc.

Tesma is a global supplier of highly-engineered engine, transmission and fueling systems, assemblies, modules and components for the automotive industry, including such North American and European OEMs as GM/Opel, Ford, DaimlerChrysler and VW, as well as other OEMs in the Asian Pacific and South American markets. Tesma is a public company whose Class A Subordinate Voting Shares are listed on The Toronto Stock Exchange and quoted on the Nasdaq National Market.

As at December 31, 2000, Tesma's operations consist of 21 manufacturing facilities (including one joint venture) located in Ontario, Nova Scotia, Michigan, Germany, Austria and South Korea, and two advanced product research and development centres in Ontario and Austria. Most manufacturing facilities, which are arranged geographically to match the requirements of Tesma's customers in each major automotive market, have the technological product and processing capabilities to supply a variety of parts and assemblies, spanning across Tesma's engine, transmission and/or fueling systems product lines.

On a product basis, Engine Systems represent Tesma's largest and most mature product area. Current products include: the Litens Automotive accessory and timing belt drive tensioner products and systems and other highly engineered drive system products (overrunning alternator decoupler assemblies, idler pulley assemblies, multi-function crankshaft pulley assemblies and drive shaft assemblies); steel, phenolic (plastic) and aluminum pulleys for virtually all engine applications (crankshafts, alternators, powersteering pumps, air conditioning compressors and water pumps); torsional vibration dampers, crankshaft isolators and other vibration attenuation devices; aluminum die cast and precision machined oil pans, cam covers and engine front cover plates; cooling system cross-over tubes, injection moulded water outlet assemblies and thermostat housings; and, most recently, engine oil and water pump systems.

Transmission Systems products represent Tesma's fastest growing product area. Applying various innovative manufacturing capabilities and metal processing technologies - including die-forming, flow-forming, stamping and spinning, synchronous roll-forming, die-spline rolling, precision heavy-stamping, fineblanking, die casting and precision machining - often in combination,

Tesma's Transmission Systems business supplies unique components and assemblies that offer performance, weight, cost and packaging advantages. Current Tesma Transmission System products include: flexplates (both one- and two-piece designs); die-formed/flow-formed/cast and machined transmission clutch housings; stamped and assembled transmission oil pans; clutch hubs, pistons, damper plates, reaction shells, shift detent plates and other transmission components; and, most recently, torque converter damper plate assemblies, transmission oil pumps and servo piston and accumulator assemblies and complex components for continuously variable transmission applications.

Fuel Systems products provide significant growth potential for Tesma. Using metal processing and plastic injection moulding capabilities, including plastic welding, automated assembly, steel tube bending and end-forming, hydroforming and stainless steel plasma welding, Tesma has established a reputation for innovative, lightweight and environmentally responsible vehicle refueling systems product development and supply in both Europe and North America. Current Tesma Fuel Systems products include: traditional automotive caps (fuel, radiator, coolant reservoir and oil); fuel filler neck assemblies; vapour recovery valves/systems; filler and vent tubes; and, most recently, thin walled, stainless steel "cap-to-tank" fuel filler modules (integrated refueling units consisting of the fuel cap, filler inlet and filler pipe or tube, plus, in some applications "on-board refueling vapour recovery" (ORVR) system technology) and "capless" or "comfort" refueling systems (where for convenience and ease of use, the fuel cap is eliminated and its functionality re-engineered into the remaining "on-board" filler inlet and pipe).

Decoma Exterior Systems

DES is the largest independent North American supplier of automotive bumper components, assemblies and modules and a leading supplier of plastic body panels and exterior appearance systems for cars and light trucks. As at December 31, 2000, DES was organized into the following three operating groups which are organized on a product line basis: Decoma (plastic fascias, energy absorber beams, body panels, grilles, lenses, appliques and polymeric glazings and lighting products), Decoma Trim (body seals, various exterior mouldings, running boards and lamp bezels and retainers) and Bestop (fabric tops, related framing systems and accessories).

Decoma International Inc.

Decoma is a public company whose Class A Subordinate Voting Shares are listed on The Toronto Stock Exchange and quoted on the Nasdaq National Market. Its principal manufacturing operations are engaged in the design, engineering, manufacture and sale of plastic fascia systems and body panels primarily to OEMs located in Canada, the United States, Mexico, Belgium and England. As at December 31, 2000, Decoma operated 19 manufacturing and engineering facilities in Ontario, Quebec, Michigan, Ohio, Illinois, Mexico, Belgium and England as well as three product development and engineering centres in Ontario, Michigan and England.

The products produced by Decoma include front and rear fascias (bumper covers), grilles, energy absorbers, bodyside claddings, tail and head lamp lenses, appliques, polymeric glazings (fixed windows), together with assembled bumper modules which incorporate certain of the foregoing parts, and plastic exterior horizontal and vertical body panels. Within this product area, Decoma possesses a full range of manufacturing capabilities to produce tools and moulds to support parts production and for sale to third parties. Moulding technologies utilized by Decoma include thermal plastic injection, low stress acrylic injection and reaction injection. Decoma's facilities also include prime and paint finishing facilities located throughout Canada, the United States, Mexico and England. Painting capabilities include both solvent and water-based base coat and one component and two component clear coat paint lines.

Decoma is engaged in the following joint ventures:

- (i) Modular Automotive Systems, LLC ("MAS"), a Michigan based minority-controlled sequencing and sub-assembly operation which was formed in May 2000. MAS is certified as a minority business enterprise under the certification guidelines of the Michigan Minority Business Development Council. In accordance with such guidelines, Decoma International of America, Inc. holds 40% of the venture and Hollingsworth Logistics Group, LLC holds and maintains both a majority interest and management control of MAS; and
- (ii) Decomex Inc., an Ontario joint venture company formed in August, 1997 to acquire, through its Mexican operating subsidiary, Decoplas S.A. de C.V., the moulding and painting operations of Ayareb S.A. de C.V. Decoma holds a 70% interest in Decomex, with the remaining 30% interest held by Corporacion Activa, S.A. de C.V.

In addition to its principal manufacturing operations, Decoma also designs, engineers, manufactures, assembles and installs spoilers, rocker panels, splash guards and air dams. In this product area, Decoma also performs in-line vehicle system assembly work primarily for certain GM specialty vehicle production programs.

In October 2000, Decoma acquired the remaining 49% minority interests in the Conix Group from Visteon. The Conix Group operates five moulding, finishing and tooling operations in Canada, the United States, England and Belgium and has approximately 2,500 employees worldwide. Although Ford and its various operating groups continue to be the principal customers of the Conix Group, certain companies within the group have secured new business from GM.

On December 31, 2000, Decoma maintained a 40% equity investment in each of Decoma Trim and Bestop in order to facilitate the coordination of its operating activities with each of these companies and the development of strategic Tier Two supply arrangements with them. Decoma's investments in each of Decoma Trim and Bestop were (and continue to be in the case of Bestop) subject to shareholders agreements with the Company which held the majority 60% equity interest in each company on such date. In January 2001, Decoma purchased MES and the remaining 60% interest in Decoma Trim owned by the Company. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — SIGNIFICANT DEVELOPMENTS — *Changes in the Company's Operating Structure*" above.

Decoma Exterior Trim Inc.

Decoma Trim is a leading North American Tier One supplier of exterior ornamentation and sealing and greenhouse systems products with seven manufacturing divisions located primarily in southern Ontario. Decoma Trim supplies its customers, which include Ford, GM and DaimlerChrysler, with bright metal, plastic and co-extruded trim products, including belt mouldings, window surround modules, body seals, rocker panel mouldings, bodyside mouldings, window mouldings, air dams, wheel opening mouldings, grilles, running boards, appliques and lamp bezels and retainers. Manufacturing processes utilized by Decoma Trim include injection moulding, metal stamping, roll-forming, co-extrusion, anodizing, E-coating, chrome plating and painting.

Bestop, Inc.

Bestop is a leading North American Tier One supplier of fabric tops, related framing systems and accessories for OEM and aftermarket applications (principally for sport utility vehicles). Bestop supplies its OEM customers, which include DaimlerChrysler, CAMI, Suzuki, Isuzu, Toyota and Ford, from two manufacturing facilities located in Colorado and one in Georgia. Manufacturing processes utilized by Bestop include fabric cutting and sewing, clear PVC cutting, metal fabricating and welding. Bestop also has a product development and engineering centre in Colorado.

CORPORATE AND OTHER

MID currently owns substantially all of Magna's wholly-owned automotive real estate. Long-term leases on fair market value terms and conditions have been signed by MID and the relevant operating groups or divisions which occupy each of these properties. MID currently operates as a stand-alone profit centre, and will design, construct and/or manage substantially all of Magna's current and future wholly-owned automotive real estate.

MAGNA ENTERTAINMENT CORP.

In March 1999, consistent with the commitment made by the Company in March 1998, the Company's Board of Directors approved a proposal to establish a separate public company to hold all the non-automotive assets of Magna. On November 5, 1999, Magna completed a reorganization under which its North American and European non-automotive businesses and real estate assets were transferred to MEC. During the course of the reorganization, Magna transferred assets and settled some intercompany indebtedness through the issuance of approximately \$300 million of shares of MEC stock. The Company also subscribed for shares of MEC stock with a value of approximately \$250 million. On March 10, 2000, the Company completed the spin-off of approximately 20% of the voting equity of MEC by distributing by way of special stock dividend to its shareholders an aggregate of 5,246,085 shares of MEC's Class A Subordinate Voting Stock and 10,460,859 Exchangeable Shares of MEC Holdings (Canada) Inc., each of which is exchangeable for one share of MEC Class A Subordinate Voting Stock. As of March 28, 2001, the Company owned, directly and indirectly, all the issued and outstanding Class B Stock of MEC and 4,362,328 Exchangeable Shares which

entitled the Company to exercise approximately 98.5% of the aggregate total votes attaching to all of MEC's outstanding voting securities.

In connection with the spin-off of MEC, the Company made a commitment to its shareholders that it would not, for a period of approximately seven years ending on May 31, 2006, without the prior consent of the holders of a majority of the Company's Class A Subordinate Voting Shares: (i) make any further debt or equity investment in, or otherwise give financial assistance to, MEC or any of MEC's subsidiaries; or (ii) invest in any business or assets determined in good faith by the independent directors of the Company to be non-automotive-related and not ancillary or incidental to Magna's automotive-related business, other than through the Company's investment in MEC. This commitment is contained in a forbearance agreement between MEC and the Company in which the Company's shareholders are express third-party beneficiaries.

MEC acquires, develops and operates horse racetracks and related pari-mutuel wagering operations and provides related simulcasting. Its horse racing operations include eight horse racetracks, namely: Santa Anita Park, Golden Gate Fields and Bay Meadows Racecourse in California; Gulfstream Park in Florida; Thistledown in Ohio; Remington Park in Oklahoma; Great Lakes Downs in Michigan; and The Meadows in Pennsylvania. Great Lakes Downs and the operations of Bay Meadows Racecourse were acquired in calendar 2000. The Meadows was acquired in April 2001. As at December 31, 2000, MEC had approximately 1,450 employees.

As a complement to MEC's horse racing business, it is exploring further development of its electronic account wagering operations, including expanded telephone account, interactive television and Internet-based wagering, as well as real estate projects on the land surrounding certain of its racetracks, subject to regulatory requirements. In addition, MEC owns a real estate portfolio which includes a gated residential project under development, together with a championship golf course and related recreational facilities in Europe, another championship golf course scheduled to open this summer in Aurora, Ontario and other real estate.

MEC's Class A Subordinate Voting Stock is listed and quoted for trading on the Nasdaq National Market and listed and posted for trading on The Toronto Stock Exchange. In addition, Exchangeable Shares of MEC Holdings (Canada) Inc., each of which is exchangeable for one share of MEC's Class A Subordinate Voting Stock, are listed and posted for trading on The Toronto Stock Exchange.

RESEARCH AND DEVELOPMENT

Magna has historically emphasized technological development and has a policy, embodied in its Corporate Constitution, to allocate a minimum of 7% of its Pre-Tax Profits for each fiscal year to research and development during such fiscal year or the next succeeding fiscal year. See "ITEM 8. CORPORATE CONSTITUTION" below. Magna has incurred expenses, net of related capital expenditures and expenditures funded by governments or customers, of approximately \$166 million during calendar 2000.

Magna's past development activities have resulted in new and improved manufacturing processes and proprietary products, including improved door locks, seat tracks, new manufacturing processes for reaction injection moulded urethane bumpers, automotive trim parts, a variety of pulleys and proprietary systems such as two-speed accessory drive systems and automatic belt tensioning systems, modular doors, exterior mirrors, foam-in-place seating, built-in child safety seats, hydroformed products, urethane thermoset and other plastic composites for use in door panels, plastic body panels, removable roof panels and side windows, LED-sourced lighting, power liftgates and other products. Magna expects its involvement in the development of manufacturing and product technology in cooperation with OEMs to increase as the OEMs further involve suppliers in the vehicle development process as Tier One suppliers. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — RECENT INDUSTRY DEVELOPMENTS" and "— SIGNIFICANT DEVELOPMENTS — *New Programs and Technologies, Research and Development and Systems Integrator Initiatives*" above.

MANUFACTURING AND ENGINEERING

As at December 31, 2000, Magna had 166 automotive manufacturing facilities (including 4 joint venture facilities), of which 99 are in North America, 62 are in Europe, two are in Korea, two are in Brazil and one is in China. Such manufacturing facilities occupied approximately 29 million square feet, of which approximately 80% was owned directly or through MID and the remainder was leased from third parties, typically under leases having terms of five years or more, with options to renew. As at December 31, 2000, Magna's automotive manufacturing facilities ranged in size from approximately 15,000 to approximately 1.1 million square feet of floor space and most maintained an in-house tooling capability with a staff of experienced tool and die makers. As production has become more automated, the size and potential production capacity of the typical facility has increased. Magna is currently operating many of its manufacturing facilities on a multi-shift basis.

As at December 31, 2000, Magna also operated 31 automotive product development/engineering facilities, 4 in Canada, 12 in the United States, 13 in Europe, one in Japan and one in India. Such facilities occupy approximately 1.6 million square feet, of which approximately 53% was owned directly or through MID and the remainder was leased from third parties typically under leases having terms of five years, with options to renew.

Magna purchases its raw materials to the extent possible from domestic suppliers in Canada, the United States and Europe. Factors such as price, quality, transportation costs, warehousing costs, availability of supply and timeliness of delivery have an impact on the decision to source from certain suppliers. In the past it has been necessary to purchase raw materials offshore when shortages of materials such as certain high quality grades of steel have occurred. However, to date, Magna has not experienced any significant difficulty in obtaining supplies of parts, components or raw materials for its manufacturing operations and does not carry inventories of either raw materials or finished products in excess of those reasonably required to meet production and shipping schedules. In addition, existing supply agreements with steel manufacturers should help to mitigate the effects of any future shortages on Magna.

HUMAN RESOURCES

As at December 31, 2000, Magna had approximately 62,000 automotive employees, including 18,700 in Canada, 21,300 in Europe, 12,200 in the United States, 8,500 in Mexico, 915 in Asia and 310 in Brazil.

Magna is committed to an operating philosophy which is based on fairness. The principles of this philosophy as it relates to employees are outlined in Magna's Employee Charter of Rights. In addition, "Fairness Committees" function in substantially all of its North American manufacturing facilities. These Committees enable employees to have many of their concerns resolved by a committee comprised of both management and employees, voting by secret ballot. In calendar 2000, Magna created the position of Employee Advocate to work with employees to ensure that any problems which arise in the workplace are addressed quickly and in accordance with Magna's Employee Charter of Rights, its Corporate Constitution and its operating principles. Ultimately, every Magna division will have an Employee Advocate who can only be removed if more than 50% of the employees at the applicable division vote to remove him or her through an annual secret ballot.

The Company has established many employee communication programs, such as regular divisional monthly meetings, continuous improvement team meetings, an employee hotline and employee opinion surveys to help ensure employee involvement. In addition, Magna maintains a 100 acre recreational park within 20 miles of most of its Toronto-area facilities for the use of Magna employees and their families.

As at December 31, 2000, Magna was not a party to a collective bargaining agreement in North America with any of its employees, except for:

- an agreement with the employees of Autotek (Puebla), a division of Cosma, who are members of the Union of Workers and Employees of Diversified Industries and Occupations (FROC-CROC);
- an agreement with the employees of Autotek (Saltillo), a division of Cosma, who are members of the Mexico Confederation of Workers (CTM);
- an agreement with the employees of Decoplas, a division of Decoma, who are members of the Labor Union of Iron and Metals in General, Similar and Related Industries of the State of Mexico;

- an agreement with the employees of Integram St. Louis, a seating division of IAS, who are members of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (the “UAW”); and
- an agreement with the employees of Excelsior Springs, a seating division of IAS, who are members of the UAW.

Autotek is located in Puebla and Saltillo, Mexico and had approximately 1,620 employees at December 31, 2000. Decoplas is located in Cuautilán Izcalli, Mexico and had approximately 1,595 employees at December 31, 2000. Integram St. Louis is located in St. Louis, Missouri and had approximately 580 employees at December 31, 2000. Excelsior Springs is located in Excelsior Springs, Missouri, and had approximately 260 employees at December 31, 2000.

As at December 31, 2000, Magna was not a party to a collective bargaining agreement in the U.K. with any of its employees except for:

- approximately 645 employees of IAI Europe are members of the Transport and General Workers Union (Lenham), the General Municipal and Boilermakers Union (Bitton) and the Amalgamated Engineering and Electrical Union;
- approximately 880 employees of IAS Europe are members of the I.S.T.C. (Wire Workers), T.G.W.U., A.E.E.U., G.M.B.A.T.U. and M.S.F. trade unions;
- approximately 185 employees of MES Europe are members of the A.E.E.U. trade union; and
- approximately 60 employees of MMS are members of the T.G.W.U. trade union.

In addition, certain of Magna’s other European employees benefit from national industry-wide agreements relating to compensation and employment conditions and are members of in-house employees’ associations. Furthermore, some racetrack and pari-mutuel employees working at racetracks owned by MEC are members of various unions which customarily represent employees in the racing industry. The collective bargaining arrangements of several tracks, most notably those located in California, are governed by multi-employer collective agreements.

During calendar 1999, employees of Integram Windsor, a seating division of IAS in Windsor, Ontario voted on certification of the National Automobile, Aerospace, Transportation and General Workers Union of Canada (the “CAW”) at such plant. The votes counted at the time of the vote indicated a result in favour of unionization, however, a number of votes had not been counted and were the subject of a proceeding before the Ontario Labour Relations Board (“OLRB”). Certain other aspects of the vote, including allegations by Magna of unfair labour practices, were appealed to the OLRB. In February 2001, Magna and the CAW agreed to a process to attempt to negotiate a collective agreement for the employees at Integram Windsor in an effort to resolve the OLRB proceedings. As at December 31, 2000, there were approximately 900 employees at Integram Windsor.

In May 2000, the UAW commenced new unionization drives in respect of seven Magna facilities in Michigan. The employees at Magna’s Brighton Interior Systems (“BIS”) facility in Brighton, Michigan voted in favour of unionization and negotiations for a collective agreement are currently underway between the UAW and BIS in respect of such employees. The employees at Magna’s Versatrim facility in Howell, Michigan, Vehma facility in Troy, Michigan, LexaMar facility in Boyne City, Michigan and Versatrim Assembly and Sequencing facility in Auburn Hills, Michigan voted against unionization. The vote count at two other Magna facilities in Alto, Michigan and Warren, Michigan have been delayed pending hearings with respect to such votes being held before the U.S. National Labor Relations Board. Currently, the Versatrim facilities at Howell, Warren and Auburn Hills are subject to an election order as a result of unfair labour practice complaints. As at December 31, 2000, there were approximately 500 employees at BIS.

From time to time, various unions continually seek to represent various groups of Magna employees. There can be no assurance that Magna will not become party to additional collective bargaining agreements in the future.

Magna believes that its employees should have an equity interest in the Company. In order to foster employee participation in share ownership and profits, it has established Canadian, U.S., Austrian and U.K. Employee Equity and Profit Participation Programs (the “Profit Sharing Programs”). The philosophy of employee ownership is fundamental to the Company and is enshrined in the Corporate Constitution which provides that the Company allocate 10% of the its annual Employee Pre-Tax Profits Before Profit Sharing to employee profit sharing programs (including the new Pension Plan) each fiscal year. See “ITEM 8. CORPORATE CONSTITUTION” below. In the past, the Profit Sharing Programs have invested in Class A Subordinate Voting Shares and Class B Shares which are held in trust for participating employees. As a result of the recent spinoff of MEC, the Profit Sharing Programs now also hold MEC Class A Subordinate Voting Stock. As at March 28, 2001, the Profit Sharing Programs held 3,670,410 Class A Subordinate Voting Shares of the Company or approximately 4.74% of the class and 111,444 Class B Shares of

the Company or approximately 10.15% of the class. On retirement, and in certain other limited situations, participating employees receive either the Company's shares or the cash equivalent of the then market value of allocations held on their behalf by the trustee of the applicable Profit Sharing Program.

Following their successful spinoffs, both Tesma and Decoma established their own Employee Equity and Profit Sharing Programs on substantially similar terms as the Company's programs which invest in the Class A shares of their respective companies.

In fiscal 1992, Magna introduced a group retirement savings plan ("GRRSP") in Canada and a "401(k) plan" in the United States whereby employees' contributions through payroll deductions are partially matched by Magna. These plans complement the Profit Sharing Programs and are designed to assist employees in providing replacement income for retirement. In addition, effective January 1, 2001, Magna is introducing the Pension Plan in which Canadian and U.S. employees of the Company and its affiliates may elect to participate. Those employees who choose to participate in the Pension Plan will receive a reduced profit sharing allocation (6% rather than 10%) and will not be eligible to receive the Company match on their GRRSP or 401(k) contributions.

Members of management who have senior operational or corporate responsibilities receive a remuneration package consisting of a base salary (which in most instances is lower than industry standards) and an incentive bonus generally tied to the profits of the division in the case of its general manager, the operating group in the case of group managers and Magna as a whole in the case of certain senior corporate officers. These employees are not eligible to participate in the Profit Sharing Programs, the Magna match under the GRRSP/401(k) plans or in the Pension Plan. See "ITEM 8. CORPORATE CONSTITUTION" below.

Employee involvement and ownership in the Company are cornerstones of Magna's entrepreneurial culture and have helped it achieve and retain its leadership position with its customers as a technically competent and reliable full service supplier of automotive components and systems.

COMPETITION

Magna faces rigorous competition from numerous sources, including its OEM customers and their affiliated parts manufacturers, other direct competitors, potential competitors and product alternatives. In some product areas, the primary competition comes from suppliers which were, until recently, in-house divisions or majority-owned or controlled subsidiaries of the OEMs, such as Delphi and Visteon. Several of the Company's direct competitors, such as Lear Corporation ("Lear") and JCI, are larger than Magna in certain product areas. Several developments in the industry are also substantially altering the competitive environment for automotive suppliers such as Magna. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — RECENT INDUSTRY DEVELOPMENTS" above.

In general, Magna competes in its markets on the basis of technical expertise, innovation and development capability, product reliability, quality and price. Magna believes that its product design, engineering, prototyping, testing and tool and die-making capabilities and its ability to anticipate and to react quickly to customer needs enhance its ability to compete on these bases. However, some of Magna's competitors (including Delphi, Visteon, Lear and JCI) are larger and/or have greater financial resources than Magna.

SALES AND MARKETING

Magna has established strong relationships with its North American and European OEM customers based on its history of developing proprietary products and processes and its significant engineering and design capabilities. While Magna's primary customers in North America are the various North American operating divisions of DaimlerChrysler, Ford and GM, its customer base has grown significantly to include all of the major New Domestic OEMs, including BMW, Honda, Isuzu, Mazda, Nissan and Toyota. Its European customer base has broadened to include VW/Audi, BMW, DaimlerChrysler, Fiat, Ford/Jaguar/Volvo/Land Rover, GM/Opel/SAAB, Honda and Renault/Nissan.

Magna supplies products for a wide variety of vehicles produced in North America and Europe, but does not supply parts for all such vehicles. In particular, in calendar 2000, approximately 24% of the Company's consolidated automotive production and assembly sales were in respect of tooling, engineering, assembly and manufactured products supplied for five vehicle types. Products supplied for the DaimlerChrysler minivan constituted approximately 8% of the Company's consolidated automotive

production and assembly sales for such period. Shifts in market share among vehicles or significant decreases in production volumes for such five vehicles could materially affect Magna's business.

Magna sells its products to North American OEMs located in Canada through its sales offices in southern Ontario. Sales to North American OEMs located in the United States are coordinated through independent sales representatives in Detroit. Sales to New Domestic OEMs and suppliers to New Domestic OEMs and their respective Japanese-based parents are coordinated by Magna principally in Canada but also in Magna's sales offices in Japan. Sales to European OEMs are made through or assisted by Magna's sales offices located principally in Germany, the U.K., France, Italy and Spain. The various internal operating divisions and subsidiaries of the OEMs may initiate many of their own purchasing decisions, and thus each OEM constitutes, in effect, several different purchasers. This is changing as OEMs are increasingly sourcing global platforms. Magna's sales offices in Canada, Germany, Japan, South Korea, the U.K., France, Italy, Spain and Brazil and sales representatives in Detroit, work closely with operating group and plant managers in their sales efforts. Magna's products are delivered to customers in Japan, South Korea, Taiwan, Australia, Brazil, Argentina, South Africa, India, Venezuela and Turkey in addition to the North American, European and New Domestic OEMs.

Magna approaches its customers with proposals relating to those products in respect of which it has developed particular expertise. North American OEMs frequently request that Magna collaborate in the design, engineering, and prototyping, as well as in the production of products, and more recently have requested that Magna assume the role as a full service supplier, and in certain cases, as a program manager, systems integrator and/or sequencer.

Historically, Magna's sales have been generated through customer requests to quote on particular products, including tools and dies and production parts. Magna typically receives a purchase order to produce tools and dies for a particular part or a particular part for one or more model years. Such purchase orders typically extend over the life of the model, which is generally four to seven years, and do not require the purchase by the customer of any minimum number of products. Releases under such a purchase order, authorizing Magna to produce and deliver specific quantities of the product, are issued for planning, raw material and production purposes over a three to four month period in advance of anticipated delivery dates. The actual number of parts produced by Magna under a purchase order in any given year is dependent upon the number of vehicles produced by the OEM of the specific model or model type in which the part is incorporated. It has been Magna's experience that once it has received a contract to produce a part for a particular vehicle model or model type, it will usually continue to produce the part throughout the time such part is utilized by the OEM for that vehicle.

Production programs are also obtained by Magna on a "takeover" basis. These programs are typically already in production at OEM facilities or the facilities of competitors of Magna and, for various reasons, re-sourced to Magna for production at its facilities.

NORTH AMERICAN AUTO PACT AND FREE TRADE AGREEMENTS

In 1965, the United States and Canada entered into an agreement, which has been supplemented by letters of understanding and related regulations (the "Auto Pact"), which permitted certain qualified manufacturers (including Chrysler, Ford and GM) to import new vehicles and OEM parts into Canada from anywhere based upon meeting a production to sales ratio and a Canadian value added ("CVA") requirement. On the U.S. side, vehicles and OEM parts entered the United States from Canada duty-free provided they satisfied an origin test based upon Canadian and U.S. value added. The Auto Pact effectively created an integrated Canada-U.S. market for cars and light trucks assembled in North America.

Effective January 1, 1989, the Governments of Canada and the United States entered into a comprehensive free trade agreement (the "Free Trade Agreement") pursuant to which the Auto Pact was continued, subject to several changes, certain of which are described below. First, the Free Trade Agreement preserved the Auto Pact automotive duty remission programs but prohibited their extension. Exports to the United States could no longer be counted in calculating duty remission under export based remission programs and such programs were required to terminate by January 1, 1998. Production based duty remission programs terminated on January 1, 1996. Secondly, the Free Trade Agreement has effectively amended the method of determination of Canadian or U.S. content for automotive goods. The Free Trade Agreement rules of origin require that the production of the vehicle or part result in imported materials undergoing a prescribed change in tariff classification. While the Auto Pact test and the Free Trade Agreement value test are not directly comparable, the Free Trade Agreement value test was generally felt to require higher levels of Canadian or U.S. content than the Auto Pact test. This, coupled with the elimination of duty drawback under the Free Trade Agreement may stimulate the sourcing by OEMs of more parts in North America than previously.

The Free Trade Agreement generally provides for the elimination of tariffs on automotive goods trade between Canada and the United States which meets the rules of origin described above over a ten year period which ended in 1998. Completion of tariff elimination will permit Auto Pact OEMs to import vehicles and OEM parts duty free into Canada from the United States without meeting Auto Pact requirements.

On January 1, 1994, the North American Free Trade Agreement (“NAFTA”) between the Canadian, American and Mexican governments came into effect. NAFTA effectively creates a North American free trade area made up of Canada, the United States and Mexico. Under NAFTA, the North American content requirements for cars and light trucks to qualify for duty-free access will increase to 62.5% from their previous level of 50% under the Free Trade Agreement, thereby further stimulating domestic sourcing of parts by all OEMs. Furthermore, certain “roll-up” provisions were tightened, eliminating certain “loopholes” which artificially inflate some domestic content figures. These changes have served to enhance domestic sourcing activities. In addition, the phasing out of the Mexican Auto Decree by 2004 will likely create investment and sourcing opportunities in Mexico for Canadian automotive parts manufacturers such as Magna.

In November 1998 and January 1999, Japan and the European Union, respectively, requested that a panel of the World Trade Organization (“WTO”) examine Canada’s measures restricting duty free access of motor vehicles pursuant to the Auto Pact as violations of certain international obligations contained in the General Agreement on Tariffs and Trade (“GATT”), the General Agreement on Trade and Services (“GATS”), the Agreement on Subsidies and Countervailing Measures (“SCMs”) and the Agreement on Trade-Related Investment Measures. The WTO released its panel report on February 11, 2000, in which it found that: the conditions under which Canada grants its import duty exemption and the application of the CVA requirements are inconsistent with GATT; the import duty exemption constitutes a prohibited export subsidy in violation of the SCM Agreement; and the manner in which Canada conditions access to the import duty exemption and the application of the CVA requirements are inconsistent with GATS. The panel recommended that the Dispute Settlement Body of the WTO request Canada to bring its policies into conformity with its international obligations and withdraw its protective measures within 90 days. Canada appealed the panel’s decision, and on May 31, 2000, the WTO Appellate Body released its report affirming that the Auto Pact measures violate certain provisions of GATT and the SCM Agreement including confirmation that the import duty exemption constitutes a prohibited export subsidy in violation of the SCM Agreement. On September 17, 2000, Canada partially implemented the WTO decision by eliminating the requirement for a manufacturer to meet the production to sales ratio in order to qualify for a duty waiver. Canada completed its implementation of the WTO decision by revoking all legislation relating to the Auto Pact effective February 18, 2001.

ENVIRONMENTAL CONTROLS

Federal, state or provincial and local requirements relating to the discharge of substances into the environment, including air emissions and waste water discharge, waste management, the storage and disposal of hazardous substances and other factors affecting the environment have had and will continue to have an impact on the manufacturing operations of Magna. Thus far, compliance with such provisions has been accomplished without material adverse effect on Magna’s operations, capital expenditures, financial position and competitive position. The Company anticipates that environmental legislation will likely become more stringent in the future, but cannot predict the possible effect of compliance with future requirements, including the costs which may be incurred to meet such requirements.

Recognizing the importance of the environment and in accordance with the Employee Charter which emphasizes Magna’s commitment to an operating philosophy based on fairness and concern for employees, customers and the communities in which Magna operates, the Company has established a Health, Safety and Environmental Policy. To this end, the Company’s objective is to be an industry leader in health, safety and environmental compliance with the intention to prevent pollution by reducing the impact of Magna’s operations on the environment and to provide safe and healthful working conditions through technological innovation and process efficiencies. It is also the Company’s objective to reach compliance throughout Magna with ISO 14001. 39 operating divisions are currently registered under the ISO standard or an equivalent standard.

The following principles embodied in the Company’s Health, Safety and Environmental Policy are fundamental to achieving the foregoing objectives:

- (a) To comply with and exceed where possible all applicable health, safety and environmental laws, regulations and standards in all of Magna’s operations;

- (b) To regularly evaluate and monitor past and present business activities impacting upon health, safety and environmental matters;
- (c) To ensure that a systematic health, safety and environmental review program is implemented and monitored at all times for each of Magna's operations, with a goal of continued improvement in health, safety and environmental matters; and
- (d) To ensure that adequate reports on health, safety and environmental matters are presented to the Company's Board of Directors, at a minimum, on an annual basis.

An Environmental Committee of the Board of Directors assists the Board in overseeing management's handling of health, safety and environmental issues and annually reviews the Company's Health, Safety and Environmental Policy.

LITIGATION

In November 1997, the Company and two of its subsidiaries were sued by KS Centoco Ltd., an Ontario-based steering wheel manufacturer in which the Company has a 23% equity interest, and by Centoco Holdings Limited, the owner of the remaining 77% equity interest in KS Centoco Ltd. On March 5, 1999, the plaintiffs were granted leave to make substantial amendments to the original statement of claim. The amended statement of claim alleges, among other things: (i) breach of fiduciary duty by the Company and two of its subsidiaries; (ii) breach by the Company and two of its subsidiaries of certain of their respective obligations under a binding letter of intent between Centoco Holdings Limited, KS Centoco Ltd. and the Company; (iii) various rights of KS Centoco Ltd. to certain airbag technology in North America pursuant to an exclusive licence agreement, together with an accounting of all revenues and profits resulting from the alleged use by Magna, TRW Inc. ("TRW") and other unrelated third party automotive supplier defendants of such technology in North America; and (iv) a conspiracy by the Company, TRW and others to deprive KS Centoco Ltd. of the benefits of such airbag technology in North America and to cause Centoco Holdings Limited to sell to TRW its interest in KS Centoco Ltd. in conjunction with Magna's sale to TRW of its interest in MST Automotive GmbH ("MST") and TEMIC Bayern-Chemie Airbag GmbH ("TBCA"). The plaintiffs are seeking, amongst other things, damages of approximately Cdn.\$3.5 billion. The Company is currently preparing an amended statement of defence and counterclaim and is in the process of bringing a motion to strike certain claims in the plaintiffs' statement of claim.

In October 1998, a class action was filed in the United States District Court, Eastern District of New York naming SDP as a defendant together with one other named Austrian company which is not related to the Company. The plaintiffs claimed unspecified compensatory and punitive damages, for an accounting and for restitution, all in relation to unpaid work (forced or slave labour) performed by the plaintiffs for SDP and the other defendant at their facilities in Europe during World War II. After this action was filed, nine other actions were filed in District Courts in New York, New Jersey, Maryland and California specifically naming SDP and/or the Company, as the controlling shareholder of SDP, as defendants together with various other defendants. More than 50 similar class action lawsuits have been commenced in the United States in the last three years against many European and American banks, insurance companies and manufacturing companies in respect of various activities during World War II, related to forced or slave labour. All of these cases involve multiple defendants in addition to the Company (various other defendants include Ford, GM, DaimlerChrysler, BMW, Siemens AG and other major international companies) and are structured to permit the addition of other Austrian and German companies as defendants in the future. Preliminary motions to dismiss were filed in three of the 10 cases involving the Company and in several others involving other defendants. Defendants were successful on all three of the preliminary motions to dismiss which had been heard, all of which were appealed by the plaintiffs involved. All of the class actions involving forced or slave labour in Germany, including nine of the cases naming SDP and/or the Company, were consolidated before Judge Bassler in the District Court, District of New Jersey by the end of October 2000.

The American, German, Austrian and various other European governments, together with certain international organizations and plaintiff's lawyers, have been involved in discussions regarding the resolution of the forced or slave labour issues which have been raised by these lawsuits. As a result of these discussions, the parties have created a \$5.2 billion German remembrance fund, which will be funded equally by the German government and German industry. A similar \$380 million Austrian fund has also been created. Forced or slave labourers will receive payments from these funds in return for which the United States government is to file Statements of Interest to assist in bringing the class action litigation to an end in the United States. The Company has not yet determined whether SDP will voluntarily contribute to any of these funds.

Following the filing of the Statement of Interest by the United States government with Judge Bassler in the District Court, District of New Jersey, orders for Voluntary Dismissal with Prejudice were entered in November 2000 dismissing most of the class actions, including nine of the ten cases specifically naming SDP and/or the Company. A Statement of Interest is expected to be filed by the United States government in the tenth case in the spring of 2001 following the finalization of the Austrian slave/forced labour and property funds, after which a voluntary dismissal with prejudice is expected to be filed by the plaintiffs in that case.

In addition, in the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees.

Management believes that adequate provisions are recorded in the accounts where required and when estimable. However, there can be no assurance that the Company will not incur additional expense.

INTELLECTUAL PROPERTY

Numerous patents and patent applications are owned by Magna and utilized in its manufacturing operations. Magna is also licensed to utilize patents or technology owned by others. From time to time claims of patent infringement are made by or against Magna. None of the claims against Magna has had, and the Company believes that none of the current claims will have, a material adverse effect upon it. While in the aggregate Magna's patents and licenses are considered important in the operation of its business, the Company does not consider them of such importance that their expiry would materially affect its business.

RISK FACTORS

Investors should carefully consider the following risk factors in addition to other information included in this Annual Information Form.

Industry Risks

Economic Conditions

The global automotive industry is cyclical and is sensitive to changes in certain economic conditions such as the level of interest rates and consumer demand. The rate of economic growth has recently slowed, particularly in the United States. Excess dealer inventories together with declining consumer demand and confidence have caused North American automotive manufacturers to cut their production plans in the first and second quarters of calendar 2001. These recent production cutbacks by automobile manufacturers indicate another downturn or recession may be underway in the automotive industry. No assurance can be given as to the length or severity of such a downturn or recession. Any significant and prolonged decline in production volumes as a result of a general economic downturn or recession in either of Magna's principal markets of North America or Europe could significantly lower its profits.

Rising Energy Prices

The price of crude oil and natural gas has increased significantly in recent years and has been a contributing factor in the overall reduction in the global demand for automobiles. Continued increases in the price of crude oil could further reduce global demand for automobiles and shift customer demand away from larger cars and light trucks. Oil-based products are also critical elements in various components utilized by Magna and its suppliers, including resins and colorants. Increases in the price of crude oil could increase the cost of manufacturing or supplying some of Magna's products and Magna may not be able to pass these increased costs along to its customers.

Dependence on OEM Outsourcing

Magna is dependent on outsourcing by its North American and European OEM customers. The extent of this outsourcing is dependent on a number of factors, including the cost, quality and timeliness of external production relative to in-house production by OEMs, technological capability, the degree of unutilized capacity at OEMs' facilities, collective bargaining agreements between labour unions and OEMs, relations between labour unions and OEMs and other similar factors. Any significant decrease in outsourcing by OEMs would likely have a material adverse effect on Magna's profitability.

Price Concessions

Magna has in the past entered into, and continues to enter into, long-term supply arrangements with OEMs which provide for, among other things, price concessions over the supply term. To date, these concessions have been largely offset by cost reductions arising principally from product and process improvements and price reductions from Magna's suppliers. The competitive automotive industry environment in both North America and Europe has caused these pricing pressures to intensify as automobile manufacturers face increasingly competitive cost pressures. For example, DaimlerChrysler has recently demanded that Chrysler's suppliers provide a five percent price reduction effective January 2001, with a further ten percent reduction over the next two years. A number of Magna's other customers have similar price reduction initiatives. While Magna's management believe that Magna will continue to remain competitive, there can be no assurance that Magna will continue to remain successful in offsetting price reductions agreed to from time to time with OEMs. To the extent that these price concessions or cost absorptions are not offset through cost reductions, Magna's profit margins would be adversely affected.

Amortization of Certain Costs

Magna is under increasing pressure to absorb more costs related to product design and engineering, tooling and other items previously paid for directly by OEMs. In particular, certain OEM customers have requested that Magna: (i) own and/or capitalize tooling and recover the costs through amortization in the piece price of the particular components produced by such tooling; and (ii) incur design and engineering costs and recover such costs through amortization in the piece price of the particular components designed or engineered by Magna. Contract volumes for customer programs not yet in production are based on estimates by Magna's customers of their own future production levels by vehicle body type. However, actual production volumes may vary significantly from these estimates due to a reduction in consumer demand, new product launch delays or otherwise, often without any required compensation to Magna by its customer. Magna does not typically rely solely on customer estimates, but re-evaluates them based on its own assessment of future production levels by vehicle body type. For programs currently under production, Magna is typically not in a position to request price changes when volumes differ significantly from production estimates used during the quotation stage. If estimated production volumes are not achieved, the engineering and tooling costs incurred by Magna may not be fully recovered and Magna's profit margins will be adversely affected.

Product Warranty, Recall and Product Liability Costs

OEMs are increasingly requesting that each of their suppliers bear the costs of the repair and replacement of defective products which are either covered under customer warranty or are the subject of a recall by the customer and which were improperly designed, manufactured or assembled by a supplier. This could have a negative effect on Magna's operations and financial condition.

Magna is also subject to the inherent risk of exposure to product liability claims in the event that the failure of its products results, or is alleged to result, in bodily injury and/or property damage. Magna cannot give any assurance that it will not experience material product liability losses in the future or that it will not incur significant costs to defend such claims. Magna currently has product liability coverage under its insurance policies and this coverage will continue until August 2001, subject to renewal. In addition, some of Magna's European subsidiaries maintain product recall insurance, which is required by law in certain jurisdictions. Magna cannot guarantee that its insurance coverage will be adequate for any liabilities Magna may ultimately incur. Furthermore, Magna cannot guarantee that its coverage will continue to be available on terms acceptable to it. A successful claim brought against Magna in excess of its available insurance coverage or a requirement to participate in a product recall may have a material adverse effect on Magna's operations or financial condition.

Seasonality

Historically, North American and European vehicle production is generally lower during the July and August months of the year due to model changeovers by the North American OEMs and for summer holiday plant shutdowns by the European OEMs. Since Magna's working capital requirements are dependent upon industry production volumes, they are typically at their lowest level around that period. In addition, December production volumes are adversely affected by holiday season shut-downs.

Risks Relating to Magna's Business

Currency Exposure

Although Magna's financial results are reported in U.S. dollars, a significant portion of its sales and operating costs are denominated in Canadian dollars, Euros, British pounds and other currencies. Significant long-term fluctuations in relative currency values may adversely affect Magna's profitability. In particular, Magna's profitability may be adversely affected by a significant strengthening of the U.S. dollar against the Canadian dollar, the British pound, the Euro or other currencies in which Magna generates revenues.

Competitive Market Conditions

The automotive parts supply market is very competitive. Magna faces competition from a number of sources, including its OEM customers and their related manufacturing organizations, existing and new suppliers to these manufacturers and manufacturers of product alternatives. Some of Magna's competitors have greater market share and financial resources than Magna, particularly with respect to automotive interiors. There can be no assurance that Magna will be able to continue to compete successfully with its existing competitors or that Magna will be able to compete successfully with new competitors.

Reliance on Major Customers

Magna has historically derived a substantial portion of its revenue from DaimlerChrysler, GM and Ford. In calendar 2000, approximately 29%, 23% and 21% of Magna's consolidated automotive sales were made directly to DaimlerChrysler, GM and Ford, respectively. The loss of any of DaimlerChrysler, GM or Ford as a customer of Magna would have a material adverse effect on the results of operations or financial condition of Magna.

Dependance on Certain Vehicle Product Lines

Although Magna supplies parts for a wide variety of vehicles produced in North America, it does not supply parts for all these vehicles, nor is the number or value of parts evenly distributed among all vehicles. The amount of Magna's future sales is also affected by its customers and their consumers preferences relating to the options a vehicle will be equipped with. In particular, in calendar 2000, approximately 24% of the Company's consolidated automotive production and assembly sales were in respect of tooling, engineering, assembly and manufactured products supplied for five vehicle types. Products supplied for the DaimlerChrysler minivan constituted approximately 8% of the Company's consolidated automotive production and assembly sales for such period. Shifts in market share among vehicles could have a material effect on Magna's consolidated sales for any period and on its business. In addition, if OEMs eliminate as standard features some of the products Magna supplies, or if consumer preferences shift away from some of the products Magna currently supplies, production volumes of these products may be reduced. Significant decreases in production volumes for these five vehicle body types, particularly the DaimlerChrysler minivan, would likely have a material adverse effect on Magna's profitability. In addition, the loss, renegotiation of the terms or delay in the implementation of any significant production contract with any of Magna's customers could have a material adverse effect on its profitability.

Unionization Activity

The CAW has publicly stated that it will continue to mount major organizing drives at certain of Magna's plants and that it is considering refusing on a temporary basis to install components supplied by Magna in certain vehicles assembled in Canada. The votes counted at a CAW certification vote at Magna's Integram Windsor seating plant in Windsor, Ontario indicate support for the CAW at such plant. The UAW completed unionization drives at seven Magna plants in Michigan, resulting in a vote in favour of unionization at Magna's BIS plant in Brighton, Michigan. In addition, the National Labor Relations Board in the U.S. ordered new votes at Magna's Versatrim plant in Howell, Michigan and Versatrim Assembly and Sequencing plants in Warren and Auburn Hills, Michigan. Magna is currently attempting to negotiate collective bargaining agreements with both the UAW, in respect of its BIS plant, and the CAW, in respect of its Integram Windsor plant. Magna is unable to predict whether it will successfully conclude collective bargaining agreements with these unions or what the impact of unionization will be on Magna's costs. Currently, none of Magna's manufacturing plants in Canada are unionized and three of its plants in the United States are unionized.

New Facilities

From time to time, Magna may expand production capacity through the construction of new manufacturing facilities, often referred to as “greenfield” operations. Greenfield operations present different risks from those arising in respect of the expansion of capacity through the acquisition from third parties of existing operations. Greenfield operations may be required to accommodate the award of new production contracts or to facilitate the introduction of new manufacturing processes or technologies. The construction of greenfield operations involves several areas of operational and financial risk. General construction risks relating to delays caused by weather, labour disruptions, cost overruns and the unavailability of construction materials can have significant adverse financial and production impacts. As well, risks associated with the installation, testing and start-up of new production equipment and manufacturing processes can have adverse financial and operational impacts if delays or technological problems are experienced in any of these areas. As many greenfield facilities are constructed to accommodate the launch of new production programs, the added risks associated with new product launches can compound this exposure. Finally, the construction of greenfield operations can potentially negatively impact customer relationships if problems are experienced that impair an OEM’s efforts to launch a new vehicle program.

Technological Developments

Magna’s future success depends in part on its ability to develop products and processes to respond to changing customer needs and regulatory requirements and to anticipate or respond to changes in manufacturing processes on a cost-effective and timely basis. If Magna’s products or processes become outdated or non-compliant or Magna’s competitors make new advances in product and process technologies, Magna’s business prospects and financial condition could be adversely affected.

ITEM 4. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected income statement and financial position data have been derived from, and should be read in conjunction with, the Company's consolidated financial statements for the calendar years ended December 31, 2000 and 1999 (the "Financial Statements"), the Company's consolidated financial statements for the five month period ended December 31, 1998 and the Company's annual consolidated financial statements for previous fiscal years, which are based on accounting principles generally accepted in Canada. The Consolidated Statements of Income and Retained Earnings of the Company for the calendar years ended December 31, 2000 and 1999, the five-month period ended December 31, 1998 and the fiscal year ended July 31, 1998, the Consolidated Balance Sheets of the Company as at December 31, 2000 and 1999 and the report of Ernst & Young LLP are contained in the Company's Annual Report to Shareholders for the Year Ended December 31, 2000.

SELECTED CONSOLIDATED FINANCIAL DATA (1)

	Calendar		Five-Month period ended December 31, 1998	Fiscal		
	Years ended December 31,			Years ended July 31,		
	2000	1999	1998	1998	1997	1996
(in millions of U.S. dollars, except per share figures)						
Income Statement Data						
Sales:						
Automotive	\$10,099	\$9,260	\$3,396	\$6,006	\$5,024	\$3,826
Magna Entertainment Corp.	414	187	-	-	-	-
Net income	598(2)	419	114	301(3)	386(4)	207
Earnings per Class A Subordinate Voting or Class B Share:						
Basic	7.04(2)	4.94	1.33	3.93(3)	5.32(4)	3.17
Fully Diluted	6.34(2)	4.63	1.30	3.72(3)	4.99(4)	3.05
Cash dividends paid per Class A Subordinate Voting or Class B Share						
	1.24	1.11	0.22	0.84	0.74	0.71
Financial Position Data						
Working capital	1,054	663	564	716	763	986
Total assets	7,408	7,033	6,116	5,551	3,447	2,836
Net cash (debt):						
Cash and cash equivalents	620	632	484	667	574	712
Bank indebtedness	338	339	262	151	20	14
Long-term debt (including portion due within one year)	314	323	247	182	62	83
Debenture's interest obligation	191	208	181	192	110	123
Net cash (debt)	(223)	(238)	(206)	142	382	492
Minority interest	356	124	117	123	74	101
Shareholders' equity	4,202	3,933	3,334	3,177	2,112	1,785

- (1) For the years ended December 31, 2000 and 1999, assets and liabilities have been translated to U.S. dollars using the exchange rate in effect at year end and revenues and expenses were translated at the average rate during the period. For periods up to and including December 31, 1998, all amounts have been restated in U.S. dollars in accordance with accounting principles generally accepted in Canada, using the December 31, 1998 exchange rate of Cdn.\$1.5305 per U.S.\$1.00. In addition, for the periods up to and including December 31, 1999, amounts have been restated to reflect the Company's new accounting policies with respect to preproduction costs.
- (2) Includes a gain arising from the sale of Tesma Class A Shares and gains on the sale of the Company's 50% interest in Webasto Sunroofs Inc., a joint venture, and Invotronics Mfg., a wholly-owned manufacturing division.
- (3) Includes the gain arising from the sale by Magna of its remaining 20% interest in MST and TBCA and the gain arising from the Company's ownership dilution in Decoma as a result of the completion of its initial public offering.
- (4) Includes the gain arising from the sale by Magna of an 80% interest in MST and TBCA and the gain realized by the Company on the secondary sale of Tesma Class A Shares pursuant to a public offering of Tesma completed in fiscal 1997.

SUPPLEMENTARY QUARTERLY DATA (unaudited)
(in millions of U.S. dollars, except per share figures)

<u>Year ended December 31, 2000</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	<u>Total</u>
Sales	\$ 2,808	\$ 2,610	\$ 2,354	\$ 2,741	\$ 10,513
Gross Margin	487	471	403	474	1,835
Net Income	146	170	162	120	598
Earnings per Class A Subordinate Voting or Class B Share:					
Basic	\$ 1.71	\$ 2.03	\$ 1.91	\$ 1.38	\$ 7.04
Fully Diluted	\$ 1.55	\$ 1.82	\$ 1.71	\$ 1.26	\$ 6.34
 <u>Year ended December 31, 1999 (1)</u>	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>	<u>Total</u>
Sales	\$ 2,329	\$ 2,359	\$ 2,180	\$ 2,579	\$ 9,447
Gross Margin	377	396	365	463	1,601
Net Income	104	108	80	127	419
Earnings per Class A Subordinate Voting or Class B Share:					
Basic	\$1.25	\$1.29	\$0.92	\$1.48	\$4.94
Fully Diluted	\$1.17	\$1.21	\$0.89	\$1.36	\$4.63

- (1) For the quarters in the year ended December 31, 1999, amounts have been restated to reflect the Company's new accounting policies with respect to preproduction costs.

DIVIDENDS

Holders of Class A Subordinate Voting Shares and Class B Shares are entitled to any cash dividends declared by the Board of Directors of the Company on a pro-rata basis. The following table sets forth the dividends per share paid on the Class A Subordinate Voting Shares and Class B Shares in respect of the fiscal periods indicated:

<u>Fiscal Period</u>	<u>Payment Date</u>	<u>Record Date</u>	<u>Amount Per Share</u>
Calendar 2001 (to date)	June 15, 2001	May 31, 2001	\$0.34
	March 16, 2001	March 5, 2001	\$0.34
Calendar 2000	December 15, 2000	November 30, 2000	\$0.34
	September 15, 2000	August 31, 2000	\$0.30
	June 15, 2000	May 31, 2000	\$0.30
	March 10, 2000	February 25, 2000	\$0.30
Calendar 1999	December 15, 1999	November 30, 1999	\$0.25
	September 15, 1999	August 31, 1999	\$0.25
	June 15, 1999	May 31, 1999	\$0.25
Transition Period	April 15, 1999	March 31, 1999	\$0.14
	January 15, 1999	December 31, 1998	Cdn.\$0.33
Fiscal 1998	October 15, 1998	September 30, 1998	Cdn.\$0.33
	July 15, 1998	June 30, 1998	Cdn.\$0.33
	April 15, 1998	March 31, 1998	Cdn.\$0.33
	January 15, 1998	December 31, 1997	Cdn.\$0.33
Fiscal 1997	October 15, 1997	September 30, 1997	Cdn.\$0.30
	July 15, 1997	June 30, 1997	Cdn.\$0.30
	April 15, 1997	March 31, 1997	Cdn.\$0.30
Fiscal 1996	January 15, 1997	December 31, 1996	Cdn.\$0.27
	October 15, 1996	September 30, 1996	Cdn.\$0.27
	July 15, 1996	June 28, 1996	Cdn.\$0.27
	April 15, 1996	March 29, 1996	Cdn.\$0.27
	January 15, 1996	December 31, 1995	Cdn.\$0.27

The Company started paying cash dividends on its Class A Subordinate Voting Shares and Class B Shares (or their predecessors) on a quarterly basis in 1967. Dividends have now been declared in respect of each of the last 39 fiscal quarters, up to and including the first quarter of calendar 2001. The payment of future dividends and the amount thereof will be determined by the Board of Directors of the Company in accordance with its Corporate Constitution (see “ITEM 8. CORPORATE CONSTITUTION — *Dividends; Minimum Profit Performance*” below), taking into account earnings, cash flow, capital requirements, the financial condition of the Company and other relevant factors.

In March 1994, the Company established a Dividend Reinvestment Plan in which registered shareholders have the option to purchase additional Class A Subordinate Voting Shares through the investment of cash dividends paid on their shares.

ITEM 5. MANAGEMENT’S DISCUSSION AND ANALYSIS

Reference is made to the “Management’s Discussion and Analysis of Results of Operations and Financial Condition” contained on pages 25 to 33 of the Annual Report to Shareholders for the Year Ended December 31, 2000 and which is hereby incorporated by reference.

ITEM 6. MARKET FOR SECURITIES

The Class A Subordinate Voting Shares are listed and posted for trading on The Toronto Stock Exchange and The New York Stock Exchange.

The Class B Shares are listed and posted for trading on The Toronto Stock Exchange.

The holders of the Class A Subordinate Voting Shares are entitled to one vote per share. The holders of the Class B Shares are entitled to 500 votes per share. Under present law and the attributes of the Class A Subordinate Voting Shares and Class B Shares, neither a tender offer to holders of Class B Shares nor a private contract to purchase Class B Shares (regardless of the price paid therefor) would necessarily result in an offer to purchase Class A Subordinate Voting Shares.

In addition, the Company's 5% Convertible Subordinated Debentures and 8.875% Series B Preferred Securities are listed and posted for trading on The New York Stock Exchange and the 8.65% Series A Preferred Securities are listed and posted for trading on The Toronto Stock Exchange.

ITEM 7. DIRECTORS AND OFFICERS

DIRECTORS

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>
WILLIAM G. DAVIS (1)(2)(3) Brampton, Ontario	June 6, 1985	Counsel, Torys (Barristers and Solicitors)
WILLIAM H. FIKE Ft. Myers, Florida	June 5, 1995	Consultant to the Company and Corporate Director
EDWARD C. LUMLEY (2) South Lancaster, Ontario	December 7, 1989	Vice-Chairman, BMO Nesbitt Burns (Investment and Corporate Banking)
KARLHEINZ MUHR Greenwich, Connecticut	March 8, 1999	Chairman and Chief Executive Officer, KM Management LLC (Risk and Asset Management)
JAMES NICOL (4) Toronto, Ontario	May 15, 1998	President and Chief Operating Officer of the Company
GERHARD RANDA Vienna, Austria	July 19, 1995	Chairman and Chief Executive Officer, Bank Austria AG (Investment and Corporate Banking)
DONALD RESNICK (1)(4) Willowdale, Ontario	February 25, 1982	Corporate Director
ROYDEN R. RICHARDSON (1)(2) Schomberg, Ontario	October 31, 1990	President, RBQ Limited (Investments)
BELINDA STRONACH Aurora, Ontario	December 8, 1988	Vice-Chairman and Chief Executive Officer of the Company
FRANK STRONACH Oberwaltersdorf, Austria	December 10, 1968	Partner, Stronach & Co (Consultant)
FRANZ VRANITZKY Vienna, Austria	June 11, 1997	Corporate Director
DONALD J. WALKER King Township, Ontario	October 20, 1994	President and Chief Executive Officer of Intier (Auto parts manufacturing)
SIEGFRIED WOLF Weikersdorf, Austria	March 8, 1999	President and Chief Executive Officer of Magna Steyr (Auto parts manufacturing)

- (1) Member of the Audit Committee.
- (2) Member of the Human Resources and Compensation Committee.
- (3) Lead Director of the Board of Directors.
- (4) Member of the Environmental Committee.

The term of office for each director expires at the conclusion of the next annual meeting of the shareholders of the Company. At present, no executive committee of the Board of Directors has been constituted.

All of the directors held the principal occupations identified above (or another position with the same employer) for not less than five years with the exception of Mr. Fike, Mr. Richardson, Dr. Vranitzky, Mr. Nicol and Mr. Muhr. Mr. Fike has served as a Vice-Chairman or in other senior capacities with the Company between October 19, 1994 and January 1999, after which he worked

as a consultant for the Company. Prior to that time, Mr. Fike was employed by Ford Motor Company for over 28 years in various engineering, manufacturing and management positions, including as a Ford corporate vice-president, President, Ford Europe and President, Ford Brazil. Mr. Richardson has served as President, RBQ Limited (Investments) since its formation in 1983. Mr. Richardson also served as a director of Gateway Telecom Canada Inc. between March 1999 and December 2000 and as chairman between November 1999 and September 2000. Prior to that, Mr. Richardson served as a consultant for Royal Bank Investment Management Inc. since November 1, 1996, prior to which time he was Vice-Chairman and Director, Richardson Greenshields of Canada Limited. Dr. Vranitzky, in addition to serving in certain advisory capacities, has held the principal occupation above since January 1997, prior to which time he served as the Federal Chancellor of Austria for approximately 11 years. Mr. Nicol has served as President and Chief Operating Officer of the Company since February 2001, prior to which time he served as a Vice-Chairman of the Company since May 1998. Prior to that he served as Chairman and Chief Executive Officer of TRIAM Automotive Inc. since February 1994. Prior to November 1992, Mr. Nicol held various senior management positions within the Company and its subsidiaries. Mr. Muhr has held the principal occupation above since June, 2000, prior to which he was Managing Director, Private Banking at UBS AG commencing February 1, 1999. Prior to that time, he was Chief Operating Officer for Latin America Corporate Finance at Warburg Dillon Read (a division of UBS) for approximately three years. Before joining Warburg Dillon Read, Mr. Muhr worked for Credit Suisse First Boston in several capacities, including serving as the head of its European fixed income trading and sales operations.

OFFICERS

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>
C. DENNIS BAUSCH Newmarket, Ontario	Executive Vice-President, Marketing and Planning (since October 1994)
PAUL BROCK Thornhill, Ontario	Assistant Treasurer (since November 1999)
FRANK BURKE Toronto, Ontario	Vice-President (since September 1997) and Treasurer (since July 1995)
J. BRIAN COLBURN North York, Ontario	Executive Vice-President, Special Projects (since May 1992) and Secretary (since January 1994)
WERNER CZERNOHORSKY Richmond Hill, Ontario	Executive Vice-President, Capital Investments and Chief Administrative Officer (since January 2000)
VINCENT J. GALIFI Woodbridge, Ontario	Executive Vice-President, Finance (since September 1996) and Chief Financial Officer (since December 1997)
PETER KOOB Hausen, Germany	Vice-President, Finance (since January 2000)
MARC NEEB Aurora, Ontario	Vice-President, Human Resources (since August 2000)
JAMES NICOL Toronto, Ontario	President and Chief Operating Officer (since February 2001)
JEFFREY O. PALMER Burlington, Ontario	Executive Vice-President (since January 2001)
JOHN SIMONETTI Toronto, Ontario	Vice-President, Taxation (since December 1998)
TOM SKUDUTIS Newmarket, Ontario	Executive Vice-President, Operations (since May 2001)
KEITH STEIN Willowdale, Ontario	Vice-President, Corporate Affairs (since March 1999)
BELINDA STRONACH Aurora, Ontario	Vice-Chairman and Chief Executive Officer (since February 2001)
ANDREW STRONACH Aurora, Ontario	Executive Vice-President, Business Development (since May 2001)
FRANK STRONACH Oberwaltersdorf, Austria	Chairman of the Board (since November 1971)

All of the officers have held the offices identified above or another office or occupation with Magna for not less than five years with the exception of Messrs. Czernohorsky, Neeb, Nicol and Palmer. Mr. Czernohorsky served as a consultant to Magna from 1993 until December 1999 and served in various capacities prior to 1993. Mr. Neeb was employed by Magna in November 1998 as Director of Corporate Administration and immediately prior to that was employed as the Chief Administrative Officer (City Manager) for the Town of Aurora since July 1995. Mr. Nicol was employed by Magna in May 1998 and immediately prior to that was employed as Chairman and Chief Executive Officer of TRIAM Automotive Inc. since February 1994. Prior to November 1992, Mr. Nicol held various senior management positions within the Company and its subsidiaries. Mr. Palmer was employed by Magna in January 2001, prior to which he was a partner at the law firm of Davies, Ward & Beck LLP since 1985.

The number and percentage of securities of each class of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction was exercised by all directors and officers of the Company as a group (26 persons), was 4,634,863 (approximately 5.98%) of the Class A Subordinate Voting Shares and 995,602 (approximately 90.68%) of the Class B Shares, as at March 28, 2001. The number and percentage of securities of each class of voting securities of Tesma beneficially owned, directly or indirectly, or over which control or direction was exercised by such persons was 34,000 (approximately 0.23%) of the Tesma Class A Subordinate Voting Shares and 14,223,900 (100%) of the Tesma Class B Shares, as at March 28, 2001. The number and percentage of securities of each class of voting securities of Decoma beneficially owned, directly or indirectly, or over which control or direction was exercised by such persons was 14,999,949 (approximately 76.72%) of the Decoma Class A Subordinate Voting Shares and 31,909,091 (100%) of the Decoma Class B Shares, as at March 28, 2001. The number and percentage of securities of each class of voting securities of MEC beneficially owned, directly or indirectly, or over which control or direction was exercised by such persons was 1,197,201 (approximately 8.41%) of the MEC Class A Subordinate Voting Stock and 58,466,056 (100%) of the MEC Class B Shares, as at March 28, 2001. The number and percentage of securities of each class of voting securities of MEC Holdings (Canada) Inc. beneficially owned, directly or indirectly, or over which control or direction was exercised by such persons was 5,052,832 (approximately 34.09%) of its Exchangeable Shares and 100 (100%) of its common shares, as at March 28, 2001.

There are no existing or potential material conflicts of interest between Magna and any director or officer of Magna.

ITEM 8. CORPORATE CONSTITUTION

The Corporate Constitution, which forms part of the Company's charter documents, defines the rights of employees and investors to participate in the Company's profits and growth and imposes discipline on management. The following description of the principal features of the Corporate Constitution is subject to the detailed provisions thereof (including defined terms which are capitalized), does not purport to be complete and is qualified in its entirety by reference thereto.

Whenever the term "fiscal year" is used below, it refers to the financial year of the Company as amended from time to time. On December 10, 1998, the Company's shareholders approved a change in the Company's financial year end from July 31 to December 31. See "ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS — SIGNIFICANT DEVELOPMENTS — *Financing and Investor Initiatives*" above.

Board of Directors

The Corporate Constitution provides that a majority of the members of the Company's Board of Directors shall be individuals who are not officers or employees of the Company nor persons related to such officers or employees.

Employee Equity Participation and Profit Sharing Programs

The Corporate Constitution requires that 10% of the Company's Employee Pre-Tax Profits Before Profit Sharing for each fiscal year be allocated firstly to the Profit Sharing Programs and other profit sharing programs and secondly to the Pension Plan (for participating employees). Such allocations must occur during such year or the immediately following fiscal year to employees of the Company, or its Affiliates who do not participate in an Affiliate Employee Equity Participation and Profit Sharing Programs and who are not members of Magna's corporate, operating group or unit management. The recent amendments to the Corporate Constitution clarified that any allocation to the Pension Plan must be included for purposes of satisfying the overall 10% requirement and that the 10% may, if necessary, be exceeded if required to satisfy the Company's obligations under the Pension Plan or applicable law. See "ITEM 3. DESCRIPTION OF THE BUSINESS — HUMAN RESOURCES" above.

Dividends; Minimum Profit Performance

The Corporate Constitution provides that unless otherwise approved by ordinary resolution of the holders of each of the Class A Subordinate Voting Shares and the Class B Shares, voting as separate classes, the holders of Class A Subordinate Voting Shares and Class B Shares shall be entitled to receive and the Company shall pay, as and when declared by the Board of Directors of the Company out of funds properly applicable to the payment of dividends, non-cumulative dividends in respect of each fiscal year so that the aggregate of the dividends paid or payable in respect of such year is: (i) equal to at least 10% of the Company's After-Tax Profits after providing for dividends on preference shares for such year; and (ii) on average, equal to at least 20% of the Company's After-Tax Profits as defined after providing for dividends on preference shares for such fiscal year and the two immediately preceding fiscal years (the "Required Dividends").

If at any time the Company's After-Tax Profits are less than 4% of its "share capital" (defined as the average stated capital attributable to Class A Subordinate Voting Shares and Class B Shares at the beginning and at the end of the fiscal year in question) for two consecutive fiscal years or the Company fails to pay the Required Dividends for a period of two consecutive fiscal years, the holders of Class A Subordinate Voting Shares shall, until the 4% return is achieved in a succeeding fiscal year and all Required Dividends, if any, are paid, have the exclusive right, voting separately as a class, to nominate and elect two directors at the next meeting of shareholders at which directors are to be elected, such right to increase the number of directors which may be elected to continue for each consecutive two year period.

If the 4% return is not achieved or a Required Dividend is not paid for any two consecutive fiscal years following the initial two consecutive fiscal years, then holders of Class A Subordinate Voting Shares shall, until the 4% return is achieved for one fiscal year and all Required Dividends are paid, have the exclusive right, voting separately as a class, to nominate and elect two additional directors at the next meeting of shareholders at which directors are to be elected. Once the right of holders of Class A Subordinate Voting Shares to elect such directors terminates, the directors who had been so elected shall nonetheless serve until their successors are duly elected at the next meeting of shareholders.

Authorized Share Capital

Except as otherwise approved by the holders of at least a majority of each of the Class A Subordinate Voting Shares and Class B Shares, voting as separate classes, the Corporate Constitution prohibits: (i) an increase in the maximum number of authorized shares of any class of the Company's capital stock (other than Class A Subordinate Voting Shares which may be issued in an unlimited amount); and (ii) the creation of any new class or series of capital stock having voting rights (other than on default in the payment of dividends) or having rights to participate in the profits of Magna (other than securities convertible into existing classes of shares or a class or series of shares having fixed dividends or dividends determined without regard to profits).

Unrelated Investments

Unless approved by the holders of at least a majority of each of the Class A Subordinate Voting Shares and Class B Shares, voting as separate classes, the Corporate Constitution prohibits the Company from making an investment (whether direct or indirect, by means of loan or guarantee, or otherwise) in any “unrelated business” where such investment, together with the aggregate of all other investments in unrelated businesses on the date in question, exceeds 20% of the Company’s “available equity” at the end of the fiscal quarter immediately preceding the date of investment. The term “unrelated business” is defined to mean any business that does not relate to the design, manufacture, distribution or sale of motor vehicles or motor vehicle parts, components, assemblies or accessories, does not utilize technology, manufacturing processes, equipment or skilled personnel in a manner similar to that utilized or under development by the Company or does not involve the providing of products or services (i) to suppliers and customers of Magna, and (ii) similar to those provided by suppliers to and customers of Magna from time to time, except that a business shall be deemed to cease to be an “unrelated business” if the net profits after tax of such business exceed on average 5% of the aggregate investment of Magna in such business for two out of any three consecutive years subsequent to the date of such investment. The term “available equity” is defined to mean the Company’s total shareholders’ equity, less the stated capital of any non-participating preference shares.

Research and Development

The Corporate Constitution calls for a minimum of 7% of the Company’s Pre-Tax Profits for any fiscal year to be allocated to research and development during such fiscal year or the immediately following fiscal year.

Social Objectives

Pursuant to the Corporate Constitution, a maximum of 2% of the Company’s Pre-Tax Profits for any fiscal year may be allocated to the promotion of “social objectives” during such fiscal year or the immediately following fiscal year. The term “social objectives” is defined to mean objectives which, in the sole opinion of the Company’s “Executive Management”, are of a political, patriotic, philanthropic, charitable, educational, scientific, artistic, social or other useful nature to the communities in which Magna operates.

Incentive Bonuses; Management Base Salaries

The Corporate Constitution provides that aggregate incentive bonuses (which may be paid in cash or in Magna shares) paid or payable to “Corporate Management” in respect of any fiscal year shall not exceed 6% of the Company’s Pre-Tax Profits Before Profit Sharing for such fiscal year and that base salaries payable to such management shall be comparable to those in industry generally. “Corporate Management” is defined to mean the Company’s chief executive officer, chief operating officer, chief marketing officer and chief administrative officer and any other employee designated by such persons from time to time to be included within “Corporate Management”.

ITEM 9. ADDITIONAL INFORMATION

Additional information, including directors’ and executive officers’ compensation and indebtedness, principal holders of the Company’s securities, shareholder performance review graph, report on corporate governance, the Human Resource and Compensation Committee’s report on executive compensation, interests of insiders in material transactions and other matters, where applicable, is contained in the Company’s Management Information Circular/Proxy Statement dated March 28, 2001 for its most recent annual meeting of shareholders (the “Information Circular”).

Additional financial information is provided in the Financial Statements.

Any person may obtain copies of the following documents upon request from the Secretary of the Company, c/o Magna International Inc., 337 Magna Drive, Aurora, Ontario, L4G 7K1:

- (a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,
 - (i) one copy of this Annual Information Form;

- (ii) one copy of the Annual Report to Shareholders for the Year Ended December 31, 2000, which contains the following items:
 - the “Management’s Discussion and Analysis of Results of Operations and Financial Condition”, which is the only item incorporated by reference herein; and
 - the Financial Statements;
 - (iii) one copy of any interim financial statements of the Company subsequent to the financial statements for the Company’s most recently completed financial year;
 - (iv) one copy of the Information Circular; and
 - (v) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not provided under (i) to (iv) above; or
- (b) at any other time, one copy of any of the documents referred to in (a)(i) to (iv) above, provided that the Company may require payment of a reasonable charge for such copy if the request is made by a person who is not a security holder of the Company.

SCHEDULE A

SUBSIDIARIES

The following is a list of the principal subsidiaries of the Company as at January 5, 2001 and their respective jurisdictions of incorporation. The current corporate names of such subsidiaries are identified below. Parent/subsidiary relationships are identified by indentations. The percentages of the votes attached to all voting securities, and of each class of non-voting securities, owned by the Company or over which control or direction is exercised by the Company is indicated. Subsidiaries not shown individually each represent less than 10% of the total consolidated revenues and total consolidated assets of the Company and, if considered in the aggregate as a single subsidiary, represent less than 20% of the total consolidated revenues and total consolidated assets of the Company.

	<u>Voting Securities</u>	<u>Non-Voting Securities</u>	<u>Jurisdiction of Incorporation</u>
Magna International of America Inc.	100%	n/a	Delaware
Formex Automotive Industries, S.A. de C.V.	100%	n/a	Mexico
Presmex Automotive Stampings, S.A. de C.V.	100%	n/a	Mexico
Cosma America Holdings Inc.	100%	n/a	Delaware
Autotek Industrial de Mexico, S.A. de C.V.	100%	n/a	Mexico
Cosma International of America, Inc.	100%	n/a	Michigan
Drive Automotive of America, Inc.	100%	n/a	Delaware
Dieomatic Incorporated	100%	n/a	Iowa
Eagle Bend Mfg. Inc.	100%	n/a	Delaware
Marada Industries Inc.	100%	n/a	Maryland
Vehma International of America, Inc.	100%	n/a	Delaware
Magna Interior Systems Inc.	100%	100%	Delaware
Trend Tool Inc.	100%	100%	Delaware
989891 Ontario Inc.	100%	n/a	Ontario
Magna Seating Systems Inc.	100%	n/a	Ontario
MIS America Holdings, Inc.	100%	n/a	Delaware
Magna Seating Systems of America, Inc.	100%	n/a	Delaware
Atoma International Corp.	100%	n/a	Ontario
Magna Reflex of America, Inc.	100%	n/a	Delaware
Magna Mirror Systems Inc.	100%	n/a	Michigan
2000662 Ontario Inc.	100%	n/a	Ontario
Bestop, Inc.	60% (1)	n/a	Delaware
1265058 Ontario Inc.	100%	n/a	Ontario
Decoma International Inc.	99.29%	100%	Ontario
Decoma L.L.C.	90%	n/a	Delaware
Decoma Exterior Trim Inc.	100%	n/a	Ontario
Decoma Automotive Holding N.V.	100%	n/a	Belgium
Magna Door Systems GmbH	100%	n/a	Germany
Magna Automotive Exterior Holding (Germany) GmbH	100%	n/a	Germany
Magna Exterior Systems GmbH	100%	n/a	Germany
Conix U.K. Limited	100%	n/a	U.K.
Conix Belgium N.V.	100%	n/a	Belgium
Magna Pebra GmbH	100%	n/a	Germany
Magna Exterior Systems Limited	100%	n/a	United Kingdom
Decoma International Corp.	100%	n/a	Ontario
Conix Canada Inc.	100%	n/a	Ontario
Decomex Inc.	70%	n/a	Ontario
Decoplas S.A. de C.V.	99.9%	n/a	Mexico
Decoma International of America, Inc.	100%	n/a	Delaware
Norplas Industries Inc.	100%	n/a	Delaware
Conix Corporation	100%	n/a	Delaware
Nascote Industries, Inc.	100%	n/a	Delaware
Tesma International Inc.	90.45%	n/a	Ontario

	<u>Voting Securities</u>	<u>Non-Voting Securities</u>	<u>Jurisdiction of Incorporation</u>
Litens Automotive Partnership	76.77% (2)	n/a	Ontario
836112 Ontario Inc.	100%	n/a	Ontario
Litens Holdings GmbH	100%	n/a	Germany
Litens Automotive GmbH	100%	n/a	Germany
1305272 Ontario Inc.	100%	n/a	Ontario
1276073 Ontario Inc.	100%	n/a	Ontario
MI Developments de Mexico, S.A. de C.V.	100%	n/a	Mexico
MI Developments Austria AG	100%	n/a	Austria
MI Developments Austria AG & Co. KG	100%	n/a	Austria
Magna Europa Liegenschaftsverwaltungs GmbH	100%	n/a	Austria
Magna Eybl Liegenschaftsverwaltungs AG	100%	n/a	Austria
MI Developments Inc.	100%	n/a	Ontario
MI Developments (America) Inc.	100%	n/a	Delaware
MID Holdings L.L.C.	100%	n/a	Delaware
MID Realty Holdings LL.C.	100%	n/a	Delaware
Magna Entertainment Corp.	98.52%	n/a	Delaware
The Santa Anita Companies, Inc.	100%	n/a	Delaware
Los Angeles Turf Club, Inc.	100%	n/a	California
Gulfstream Park Racing Association, Inc.	100%	n/a	Florida
Pacific Racing Association	100%	n/a	California
MEC Land Holdings (California) Inc.	100%	n/a	California
MEC Holdings (Canada) Inc.	100%	n/a	Ontario
Fontana Beteiligungs GmbH	100%	n/a	Austria
Magna Investments S.A.	100%	n/a	Belgium
Magna Automobiltechnik AG	100%	n/a	Austria
Magna Presstec Autozubehör Ges m.b.H	100%	n/a	Austria
Magna International Stanztechnik GmbH	100%	n/a	Germany
Magna Automobiltechnik GmbH (Schweiz)	100%	n/a	Switzerland
Magna Eybl GmbH	100%	n/a	Germany
Magna Reflex Holding GmbH	100%	n/a	Germany
Magna Spiegelsysteme GmbH	100%	n/a	Germany
Magna Eybl Holding GmbH	100%	n/a	Austria
Magna Eybl Gesellschaft mbH	100%	n/a	Austria
Magna Participation S.A.	100%	n/a	Belgium
Magna Zweite Beteiligungs AG	100%	n/a	Austria
Magna Europa AG	100%	n/a	Austria
Steyr Powertrain AG	100%	n/a	Austria
Steyr Powertrain AG & Co. KG	100%	n/a	Austria
Steyr-Daimler-Puch Fahrzeugtechnik AG	100%	n/a	Austria
Steyr-Daimler-Puch Fahrzeugtechnik AG & Co.KG	100%	n/a	Austria
Magna Automotive Holding (U.K.) Limited	100%	n/a	United Kingdom
Magna Interior Systems Limited	100%	n/a	United Kingdom
Tricom Group Holdings Limited	100%	n/a	United Kingdom
Magna Seating Systems Limited	100%	n/a	United Kingdom

(1) The remaining voting securities are held by Decoma International, Inc., a subsidiary of the Company.

(2) Pursuant to the terms of the applicable agreements between the parties, Tesma International Inc. is entitled to nominate one-half of the members of the management committee of Litens Automotive Partnership.