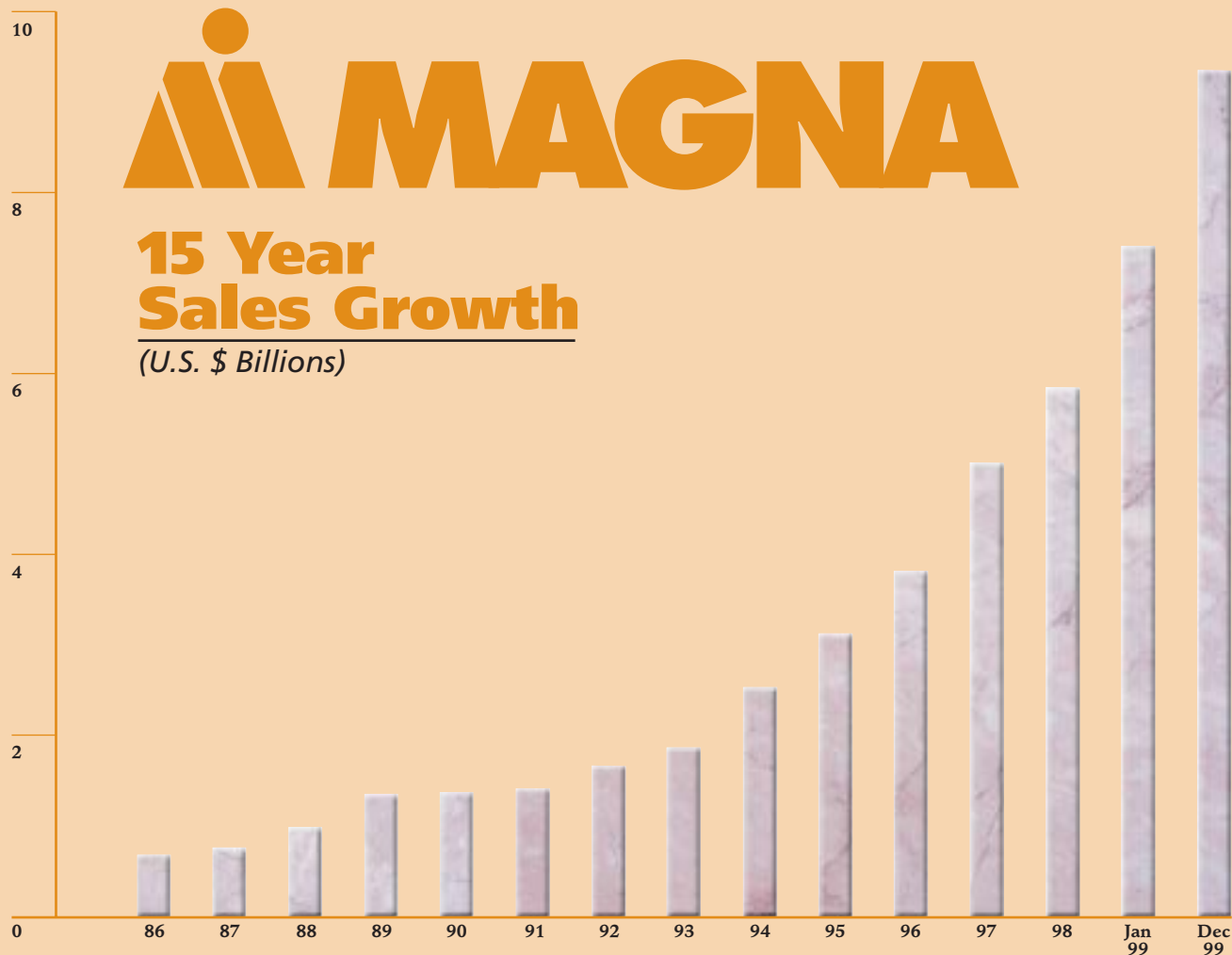




MAGNA

1999 ANNUAL REPORT



Corporate Profile

Magna International Inc. is a leading **global supplier** of technologically-advanced **automotive systems, components and complete modules**.

The Company employs approximately 59,000 people at 174 manufacturing divisions and 33 product development and engineering centres in 19 countries.

As the most diversified automotive supplier in the world, **Magna designs, engineers and manufactures** a complete range of **exterior and interior vehicle systems**.

Magna also engineers and assembles niche vehicles for its customers.

Magna is recognized by its customers, the major automotive Original Equipment Manufacturers (OEMs) for its **innovative technology, product design and total vehicle management**.

Global Scope

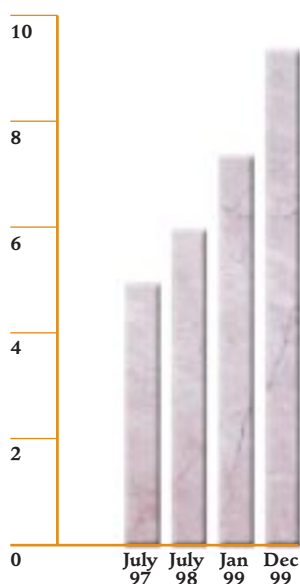
Magna is a global supplier of **total vehicle systems** to every major automaker in the world. With core operating groups in North America and Europe, strong engineering and tooling resources and a global product range that makes it the **most diversified automotive supplier in the world**, Magna provides its customers with advanced and innovative systems on a global basis.

(U.S. dollars in millions, except per share figures)

	Years Ended July 31,		12 months ended	
	1997	1998	Jan. 31 1999	Dec. 31 1999
Sales	\$5,024	\$6,006	\$7,419	\$9,359
Operating Income	429	464	538	682
Net Income	392	330	352	430
Fully Diluted Earnings Per Class A or B Share	5.07	4.07	4.06	4.75
Excluding Other Income	3.60	3.66	3.95	4.75
Capital Expenditures and Investments	733	1,186	1,358	1,133
Shareholders' Equity	2,134	3,231	3,411	4,024

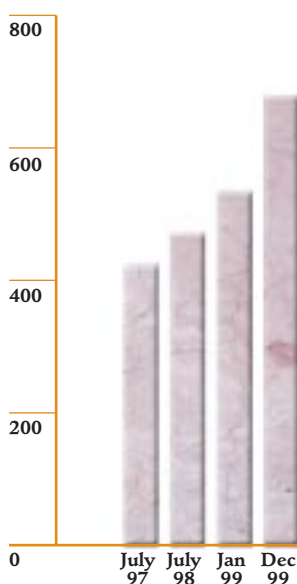
Sales

[U.S. \$ Billions]



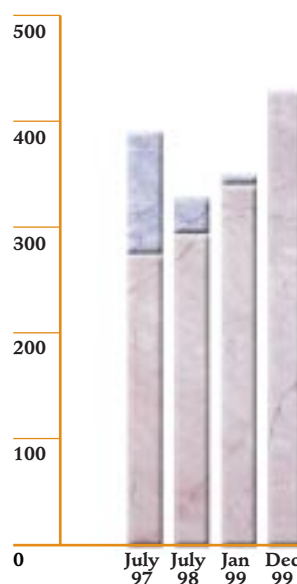
Operating Income

[U.S. \$ Millions]



Net Income

[U.S. \$ Millions]



Fully Diluted Earnings Per Share

[U.S. \$]



innovation

The logo shown here represents Magna's global Innovation Initiative and the Company's commitment to providing our customers with innovative automotive systems solutions.

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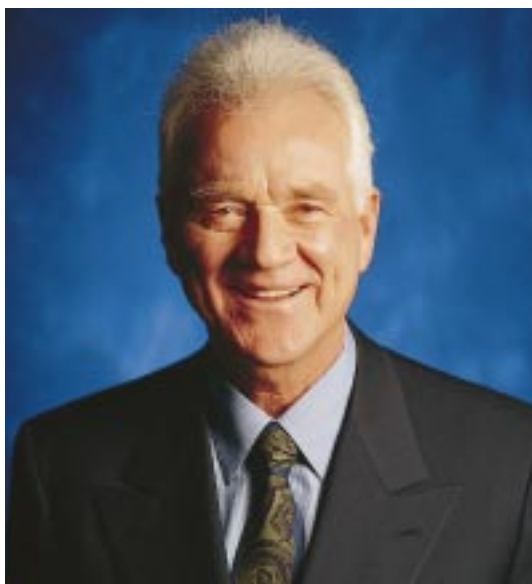
The 1999 Annual Meeting of Shareholders

The 1999 Annual and Special Meeting of Shareholders will be held at The Toronto Centre for the Arts, Apotex Theatre 5040 Yonge Street, North York, Ontario, Canada on Thursday, May 18, 2000, commencing at 10:00 a.m.

The Chairman's Message

Calendar 1999 proved to be Magna's best year ever, with record results in sales, profits and earnings per share before other income. We are widely recognized within today's global automotive industry as a leader in technologies and total vehicle systems integration and remain on course for achieving significantly enhanced growth in revenue, profitability and market share.

Despite the record-breaking year, Magna's share price declined during the past year. In this respect, we suffered the same fate as many other traditional, blue chip companies which posted higher sales and profits but saw their shares drop in price. Much of this decline was due to the flight of investor capital to internet and high technology stocks. In my view, there is no magic to the stock market – in the long run, investors will gravitate to those companies that are able to consistently generate strong earnings per share growth. I believe Magna is such a company. We remain highly focused on our core automotive competencies and have a solid foundation for growth. In short, I believe that Magna is a great company that will continue to deliver real value to shareholders.



Much of my focus remains in Europe, where I continue to assist the Company in co-ordinating Magna's overall strategic management and direction, as well as overseeing the implementation of Magna's unique operating principles and philosophy on a worldwide basis. With strong operating bases in both North America and Europe, Magna is well-positioned for continued growth in the rapidly globalizing automotive industry. Increasingly, our customers look to us as partners in the engineering and supply of integrated vehicle systems and total vehicle development. Today, Magna is the only parts supplier in the world providing complete vehicle design, engineering and assembly services to our OEM customers. The all-wheel drive Jeep Grand Cherokee and Mercedes-Benz E Class 4MATIC, for example, are assembled at our Steyr facility in Europe and shipped directly to automotive car dealers from the factory. We are exploring opportunities to provide our customers with the same niche vehicle assembly capability in other markets as well.

In March of 2000 we successfully spun out Magna Entertainment Corp. (MEC) as a separate public company by distributing approximately 20 percent of MEC to Magna shareholders in the form of a special stock dividend. As a separate publicly traded company, MEC has a separate management team comprised of business people with proven track records in the racing and gaming industries and a highly respected Board of Directors. This step allows Magna to remain strictly focused on the growth of our core automotive business.

Going forward, MEC will focus on further racetrack consolidation, developing key racetracks into entertainment destination centres, and developing new wagering methods such as the internet and interactive television in order to offer sports wagering in the home on a global basis. In addition, MEC will develop some of the valuable real estate surrounding its racetracks for commercial, residential and retail purposes. I personally believe Magna shareholders who continue to hold MEC shares stand to greatly benefit from the future success of MEC.

In closing, I wish to thank our employees throughout the world for their continued dedication and ingenuity in producing quality products at globally competitive prices. I would also like to thank our shareholders for their continued support during what proved to be a challenging year for stocks in the automotive sector. Lastly, I wish to thank our customers. The confidence they have shown in Magna is a testament to our ongoing commitment to provide a better product at a better price.

A handwritten signature in black ink, which appears to read "Frank Stronach". The signature is fluid and cursive.

Frank Stronach
Chairman of the Board

Letter to Shareholders

Calendar 1999 was a watershed year for Magna. We substantially completed development of our long-term strategic plan for increased market share and accelerated revenue growth, underwent a major global reorganization and launched a company-wide Innovation Initiative encompassing every aspect of our R&D activities and product development.

During the past year Magna restructured its divisions along global product lines. This was done in order to better meet the needs of our customers and more accurately reflect the increasingly global nature of the automotive business. Our new structure will maximize our opportunities to support global vehicle programs for our customers and will also facilitate the development of global product platforms. In addition, our more global approach to doing business will enable the increased sharing of best practices between our operating groups.

Through our Innovation Initiative, we intend to leverage existing technologies to create new and improved products that will meet our customers' growing need to build vehicles that cost and weigh less and are made with fewer parts. Our long-term product development strategy will also be driven by a strong focus on consumer trends in safety, style, comfort and convenience. Some of the breakthrough products and prototypes featured in this year's Annual Report are early examples of this Innovation Initiative.

Going forward, Magna will focus more than ever before on bottom and top-line growth through product development and innovation. The mission we have set out for ourselves is simply this: to be the most innovative company in the automotive industry. In this regard, we are building from a position of strength. Magna has an entrepreneurial, success-oriented culture and a proven track record of industry firsts, with product and process innovations such as the built-in child safety seat, the use of hydroforming technology in large-scale manufacturing and power liftgate technology.

In 1999 we established new benchmarks in sales and profits. Increased productivity and aggressive growth in the dollar content of Magna-produced components and systems helped boost sales to a record high. Consolidated sales in calendar 1999 increased to \$9.4 billion, net income was \$430 million, and fully diluted earnings per share were a record \$4.75 before other income.

During much of the last decade, Magna completed a number of acquisitions which we considered necessary to become a global systems supplier. We will now focus more fully on further consolidating our operations to improve earnings per share and return on investment. Going forward, acquisitions will be a lower priority and will be made only where they involve attractive new or complementary technologies. Furthermore, all capital investments are being analyzed using strict criteria for measuring the return on funds employed (ROFE) in order to maximize shareholder returns, boost gross margins and generate strong earnings growth. The spinout of Magna's non-automotive assets into Magna Entertainment Corp. (MEC), a separate publicly traded company, will allow investors to focus more clearly on the operating performance and investment return generated by Magna's purely automotive business.

Steyr's vehicle engineering and assembly capabilities, combined with the modular systems expertise within the Magna groups, gives us a unique capability in the global supplier industry. We expect to enhance our position as the industry's premier niche vehicle developer and assembler for our customers. Our SteyrSymatec group will also focus on providing complete vehicle design and engineering and the development of cross-group modules within Magna. These are large vehicle systems such as complete door modules or roof modules that incorporate a number of different products from Magna's various groups. The trend toward complete modules is revolutionizing the way automobiles are built, and Magna's product diversity and vehicle systems focus give us a significant advantage in the automotive supply industry.

The automotive industry continues to be very dynamic. We are very excited about the opportunities to improve the efficiency of our industry in areas of product design, speed to market and purchasing efficiencies, particularly through new business-to-business (B2B) initiatives. Magna's understanding of the design and delivery of parts, modules and complete vehicles, together with our involvement in B2B initiatives, gives us the opportunity to work with our customers to improve the way we do business and, ultimately, our bottom line.

On behalf of management and our Board of Directors, we wish to thank our employees, customers and shareholders for their support and confidence as we continue to fulfill our objective of becoming the premier automotive systems supplier in the world.



From left to right:

James Nicol
Vice-Chairman

Donald Walker
President & CEO

Siegfried Wolf
Vice-Chairman

Don Walker
President and CEO

James Nicol
Vice-Chairman

Siegfried Wolf
Vice-Chairman

MAGNA'S CORPORATE CONSTITUTION

EMPLOYEE EQUITY AND PROFIT PARTICIPATION

Ten percent of Magna's profit before tax will be allocated to employees. These funds will be used for the purchase of Magna shares in trust for employees and for cash distributions to employees, recognizing length of service.

SHAREHOLDER PROFIT PARTICIPATION

Magna will distribute, on average, not less than 20 percent of its annual net profit after tax to shareholders.

MANAGEMENT PROFIT PARTICIPATION

To obtain long-term contractual commitment from senior management, the Company provides a compensation arrangement which, in addition to a base salary below industry standards, allows for the distribution of up to six percent of Magna's profit before tax.

RESEARCH AND DEVELOPMENT

Magna will allocate a minimum of seven percent of its profit before tax for research and development to ensure the long-term viability of the Company.

SOCIAL RESPONSIBILITY

The Company will allocate a maximum of two percent of its profit before tax for charitable, cultural, educational and political purposes to support the basic fabric of society.

MINIMUM PROFIT PERFORMANCE

Management has an obligation to produce a profit. If Magna does not generate a minimum after-tax return of four percent on share capital for two consecutive years, the Class A shareholders, voting as a class, will have the right to elect additional directors.

UNRELATED INVESTMENTS

Class A and Class B shareholders, with each class voting separately, will have the right to approve any investment in an unrelated business in the event such investment together with all other investments in unrelated businesses exceeds 20 percent of Magna's equity.

BOARD OF DIRECTORS

Magna believes that outside directors provide independent counsel and discipline. A majority of the members of Magna's Board of Directors will be outsiders.

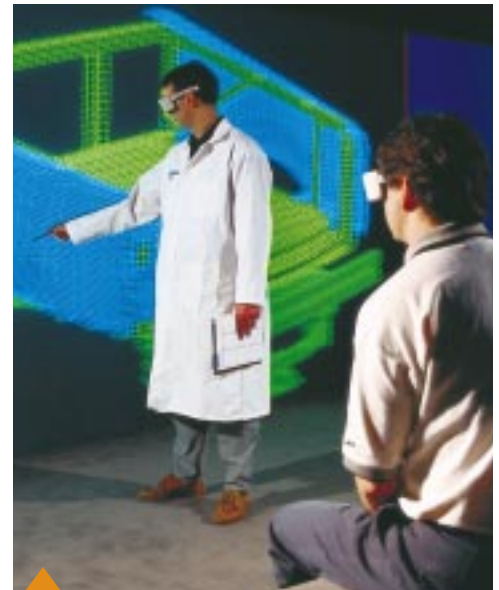
Magna is a public company with two classes of shares: a Class B share which carries a multiple vote, held primarily by management and their associates, and a Class A share for investors and employees which carries a single vote. This share structure has been in place since 1978 and enables management to have operating control of the Company on a day-to-day basis, provided it adheres to the Corporate Constitution.

Any change to Magna's Corporate Constitution requires the approval of the Class A and Class B shareholders, with each class voting separately.

Magna's Corporate Constitution publicly declares and defines the rights of employees and investors to participate in the Company's profits and growth while also imposing certain disciplines on management. These features strike a balance between employees, investors and management while allowing the Company to maintain an entrepreneurial environment which encourages productivity.

EMPLOYEE OWNERSHIP

Magna's Corporate Constitution allows employees to share in the ownership and profitability of the Company. As part owners working in an entrepreneurial environment where innovation and initiative are rewarded, Magna employees are motivated stakeholders in the Company's success. Shown below are members of the Mould Change Team at one of Magna's divisions. The Team came up with an idea that led to cost savings, reduced inventories and greater scheduling flexibility.



PRODUCT DEVELOPMENT

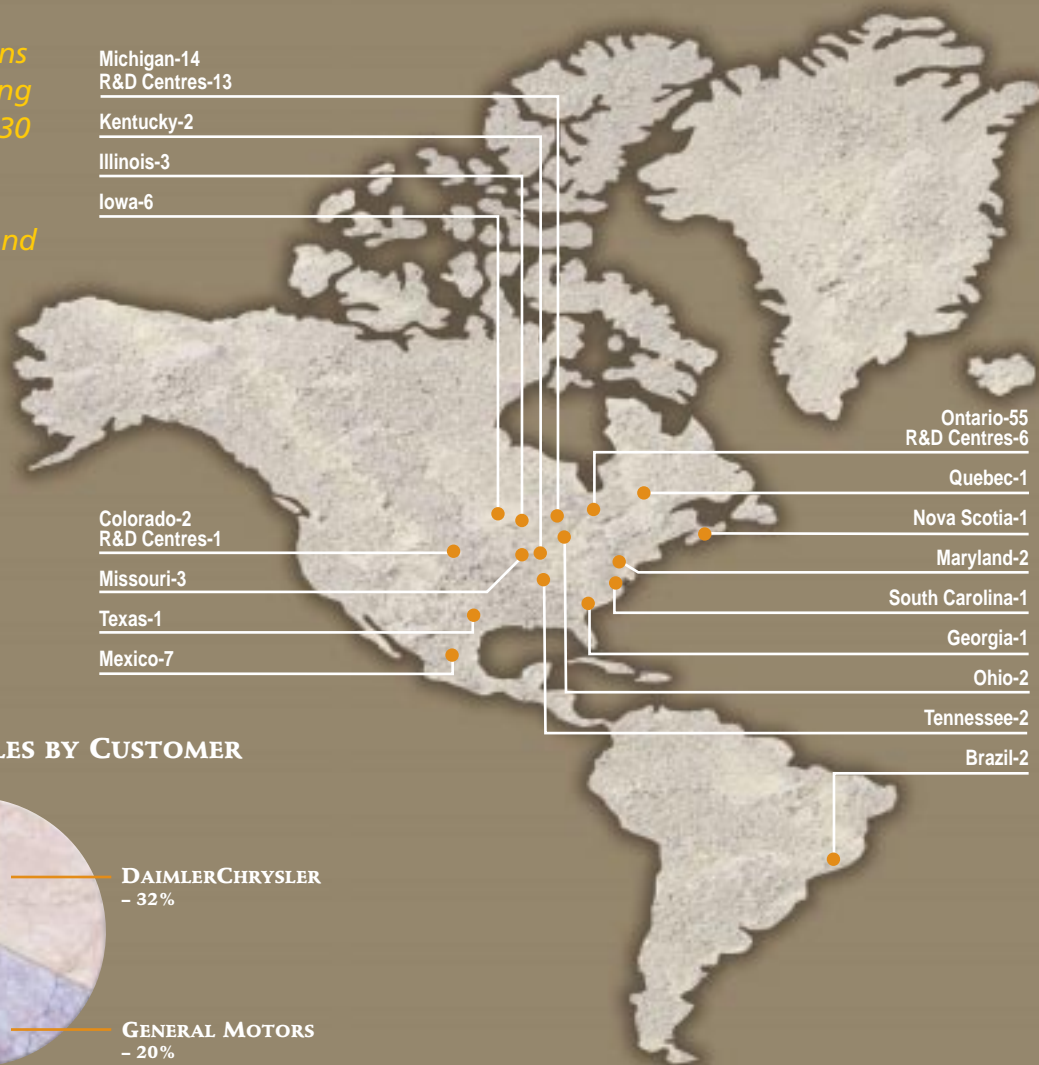
Magna's Corporate Constitution commits the Company to investing a minimum of seven percent of its annual pre-tax profits into research and development. This annual investment ensures that Magna remains on the cutting edge in the development of new and innovative automotive technologies and vehicle systems. Shown above is a 3-D computer-aided engineering image of a pick-up truck box module currently being developed by Magna.



SOCIAL RESPONSIBILITY

Each year, Magna contributes to a wide range of charities and social causes in the communities where its employees live and work. At the 1999 Detroit Grand Prix, Magna employees from Detroit and Toronto volunteered their time and effort to assist as many as 200 children and their families from various charities at Magna's trackside corporate hospitality centre, shown here. Participating charities included the Hemophilia Foundation, the Special Olympics and Children's Hospital.

Magna's global operations include 174 manufacturing facilities and more than 30 R&D centres focusing on the development of advanced technologies and automotive systems integration.



1999 WORLDWIDE SALES BY CUSTOMER



Global Automotive Operations

The Company's global automotive operations are segmented between its complete vehicle engineering and assembly operations, referred to as Tier 0.5™ Vehicle and Systems Integration, and its automotive manufacturing operations, referred to as Tier One and Two suppliers in the automotive industry. Publicly traded Tier One and Two operations are reported separately as oversight of group management has been delegated to separate independent boards of directors.

TIER 0.5™ VEHICLE AND SYSTEMS INTEGRATION

The SteyrSymatec group offers complete vehicle engineering, assembly of niche or derivative vehicles for OEM customers, supplies technologically advanced integrated automotive systems and provides a wide range of services and products for the design and development of integrated automotive systems. SteyrSymatec employs 6,400 people in 10 engineering and assembly facilities in 5 countries. In 1999, SteyrSymatec generated sales of \$1,136 million and operating income of \$51 million representing 12% and 8% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

1999 Highlights

- Magna acquired 67% of Steyr in June 1998, with the remaining 33% acquired in the five month period ended December 31, 1998
- Steyr's powertrain manufacturing operations were separated from its complete vehicle engineering and assembly operations
- Magna's North American Symatec operation was combined with Steyr
- SteyrSymatec successfully launched the assembly of the new Jeep Grand Cherokee and Mercedes-Benz M Class four wheel drive vehicles
- North American Ford engineering and assembly program is progressing toward a January 2001 launch
- SteyrSymatec was awarded significant new business, including the engineering and assembly of a future SAAB model

Key Statistics

		Year Ended Dec. 31, 1999	Five Months Ended Dec. 31, 1998	Years Ended July 31,	
				1998	1997
Sales	- Europe	\$1,136	\$495	\$157	\$3
	- North America				
Operating income	- Europe	73	38	9	(1)
	- North America	(22)	(2)		
Fixed assets		188	366	342	2

GLOBAL Overview



TIER ONE AND TWO AUTOMOTIVE MANUFACTURING OPERATIONS

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 electronic systems divisions and exterior and interior mirror systems divisions. Magna's Tier One and Two automotive manufacturing operations employ 39,600 people in 144 production and engineering facilities in 17 countries. In 1999, these operations generated sales of \$6,533 million and operating income of \$390 million representing 71% and 58% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

1999 Highlights

- Formet, which uses hydroforming technology to produce truck frames for the GMT 800 program, produces one vehicle frame every 11 seconds
- A significant product innovation included a power liftgate, jointly developed by the Company's closure and electronic systems divisions with DaimlerChrysler, to be supplied to DaimlerChrysler for its new model minivans commencing production in 2000

Key Statistics

		Year Ended Dec. 31, 1999	Five Months Ended Dec. 31, 1998	Years Ended July 31,	
				1998	1997
Sales	- North America	\$4,485	\$1,644	\$3,410	\$3,125
	- Europe	2,048	691	1,323	960
Operating income	- North America	380	113	277	244
	- Europe	10	(13)	66	160
Fixed assets		1,499	1,237	1,378	883

PUBLICLY TRADED TIER ONE AND TWO AUTOMOTIVE MANUFACTURING OPERATIONS

Tier One and Two publicly traded automotive manufacturing divisions supply a variety of products including exterior body products supplied by Decoma Exterior Systems (which includes Decoma International Inc., a publicly traded company, Decoma Exterior Trim and Bestop) and powertrain products supplied by Tesma International Inc., a publicly traded supplier of engine, transmission and fueling systems and components. Magna's Tier One and Two publicly traded automotive manufacturing operations employ 11,400 people in 53 production and engineering facilities in 8 countries. In 1999, these operations generated sales of \$1,731 million and operating income of \$138 million representing 19% and 20% of Magna's consolidated automotive sales and consolidated automotive operating income, respectively.

1999 Highlights

- Tesma completed the acquisition of Hanwha Automotive Components Corporation, a South Korean manufacturer of oil and water pumps for customers in Asia, North America and Europe
- Decoma is selected by DaimlerChrysler as the lead supplier and program manager for its Composite Concept Vehicle project to produce lightweight, low-cost, easy-to-assemble vehicles
- Decoma won contracts to supply an innovative window surround module and a production application of mechanized running boards

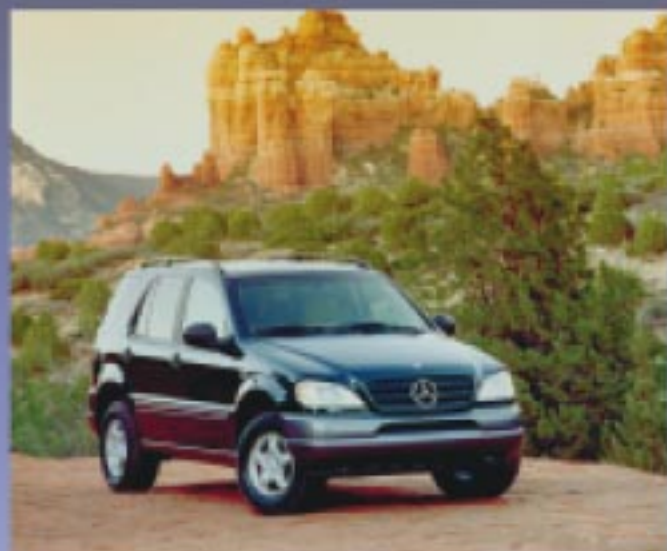
Key Statistics

		Year Ended Dec. 31, 1999	Five Months Ended Dec. 31, 1998	Years Ended July 31,	
				1998	1997
Sales	- North America	\$1,571	\$543	\$1,057	\$886
	- Europe	160	61	127	96
Operating income	- North America	129	43	64	66
	- Europe	9	3	6	5
Fixed assets		541	458	411	258



VEHICLE & SYSTEMS

Integration



Magna's SteyrSymatec group is the world's premier supplier of niche vehicle assembly and total vehicle engineering for OEM customers. The group's strategic focus within Magna is to develop cross-group systems and modules as well as total vehicle systems integration in order to increase Magna's content per vehicle across all product lines.

Innovations

- *Niche Vehicle Assembly*
- *Lifestyle Vehicle Concept Development*
- *Vehicle Architecture Optimization*
- *Total Vehicle Engineering*
- *Modular Systems Development*

VEHICLE ASSEMBLY

SteyrSymatec assembles the following vehicles in Europe (shown clockwise on the opposite page): the Mercedes-Benz M Class, the Mercedes-Benz E Class 4MATIC, the Jeep Grand Cherokee, the Mercedes-Benz G Class and the Mercedes-Benz G Class convertible.



TOTAL VEHICLE SYSTEMS INTEGRATION

Low volume and niche vehicle assembly provides Magna with the opportunity to increase its vehicle content by supplying a greater number of components and systems. Shown here, the SteyrSymatec body shop finish line for the Mercedes-Benz E Class 4MATIC. Magna manufactures and supplies a wide range of components and systems for the E Class, including the four-wheel drive transmission module.

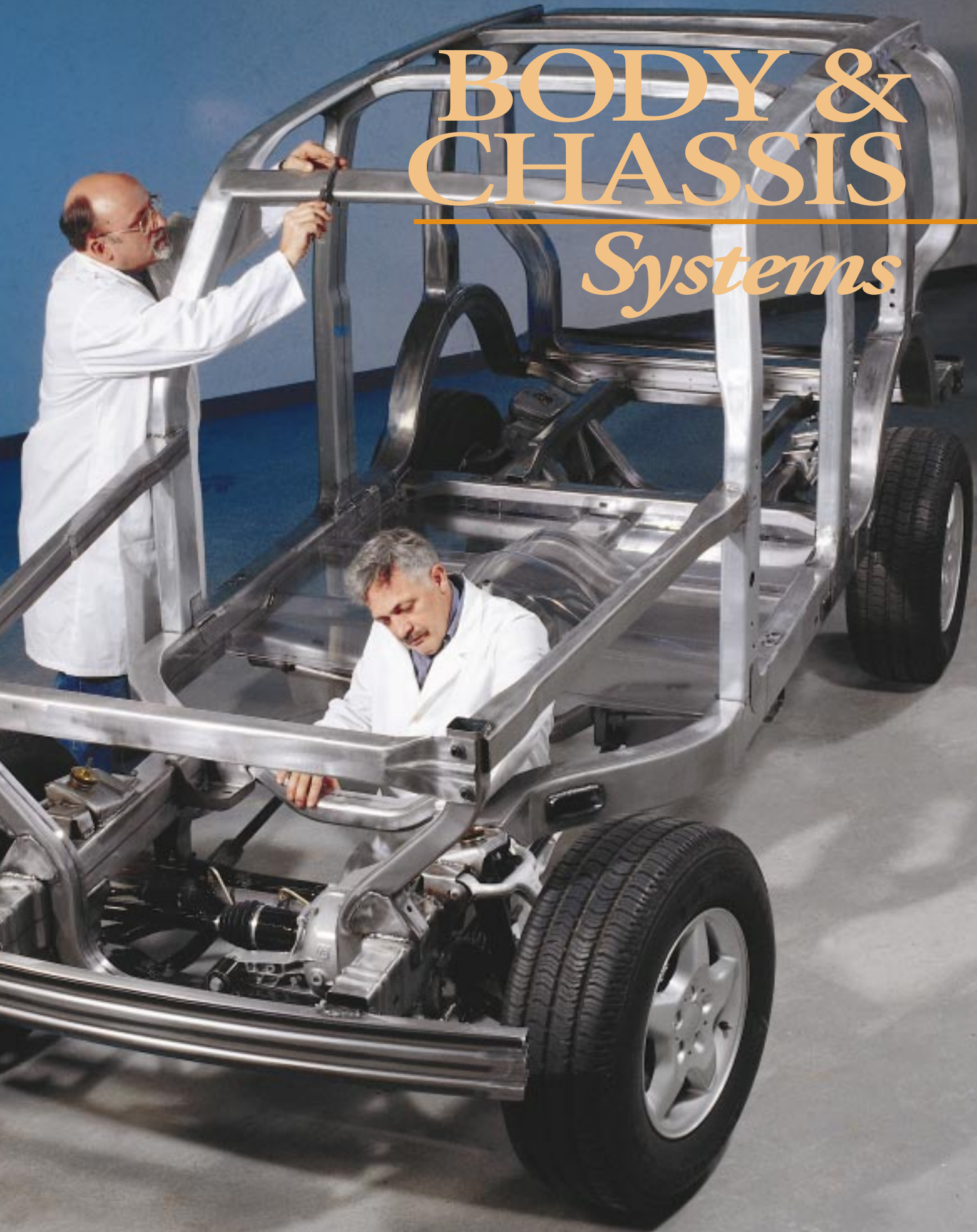
NICHE VEHICLES

The Magna-designed and developed SeaScape™, a Ford Expedition derivative vehicle, won the Best of Show award at the 1999 Ford Truck Design competition. The nautical-themed vehicle, targeted at boating enthusiasts, is an example of Magna's leading role in identifying and developing niche lifestyle vehicle concepts for its customers. The SeaScape™ vehicle features an auto-retractable hatch with flip-up window, sundeck/tonneau cover, integrated running boards, body cladding wheel flares and power sliding canvas roof.



BODY & CHASSIS

Systems



Magna, through its body and chassis systems divisions, is the automotive industry's premier independent metalforming company. It is also the world leader in the use of hydroforming technology for the manufacture of automotive components, assemblies and modules.

Innovations

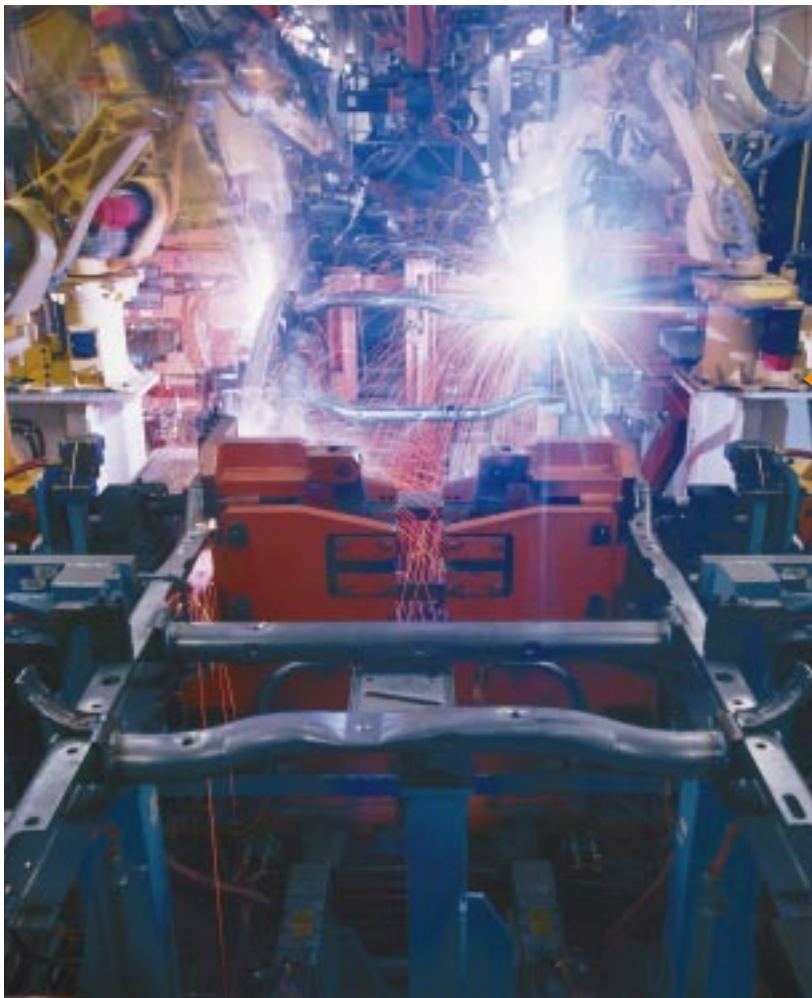
- Hydroformed Space Frame
- Large Bodyside Panels Using State-of-the-Art Blanking Technology
- Aluminum Body Modules
- Ultra-Lite™ Intrusion Beams

HYDROFORMED SPACE FRAME

Made entirely out of hydroformed metal tubes, Magna's unique space frame module promises to revolutionize the manufacture and assembly of automotive vehicles. The hydroformed space frame design significantly reduces assembly and material costs, cutting the average number of components currently used in the manufacture of space frames by more than half. The hydroformed space frame also reduces overall vehicle weight and provides superior structural integrity and strength. This low cost alternative to conventional body-in-white designs will give carmakers increased design flexibility and product diversification capability in the low volume and niche vehicle categories.

BODY-IN-WHITE CAPABILITY

Magna manufactures the metal bodyside assembly for the Jeep Grand Cherokee, shown below. Magna also assembles the complete body-in-white space frame for the Grand Cherokee.



TECHNOLOGICAL INNOVATION

Magna's state-of-the-art Formet facility, the world's largest fully automated vehicle frame plant, is the size of 22 football fields and has 450 laser inspection systems as well as six miles of conveyor systems that transport front module assemblies and full chassis frames through various coating and finishing processes. The facility, which utilizes patented hydroforming, drawbending and hot wax processes, produces one vehicle frame every eleven seconds. Shown here is the automated weld line for the hydroformed chassis featured on the General Motors full-size pick-up truck series. The division also produces sport utility vehicle frames for General Motors.

EXTERIOR

Systems



Magna's exterior systems divisions are represented by Decoma International Inc., a separate publicly traded company, Decoma Exterior Trim Inc., Bestop Inc. and Magna Exterior Systems in Europe. The exterior systems group is a world leader in the design, engineering and production of complete exterior vehicle appearance systems.

Innovations

- Front and Rear End Modules
- Recyclable Composite Body Panels
- Composite Liftgates
- Window Surround Modules
- Automated Running Boards with Power Step
- Chrome Plated Plastic

EXTERIOR SYSTEMS EXPERTISE

The GMC show truck, shown opposite page, demonstrates Decoma's wide range of exterior systems capabilities and product innovation. The vehicle features production plastic fenders and a prototype hard tonneau cover, light bar, running boards and brush guard. Due to the increased use of plastic body panels and systems for improved styling flexibility and weight reduction, exterior systems represent a high growth product area for Decoma.

MODULAR SYSTEMS

Decoma is at the industry forefront of developing large exterior vehicle systems that provide carmakers with improved assembly, efficiency and flexibility. Front and rear end modules, such as Decoma's rear end prototype shown here, significantly reduce the number of components, cost and weight.



REVOLUTIONARY TECHNOLOGY

Decoma is a key partner in Daimler-Chrysler's Extended Enterprise initiative which enlists world-class suppliers to jointly invent a new technology for lightweight, low-cost, easy-to-assemble vehicles. Shown above, Decoma is utilizing its high volume production expertise to program manage the prototype development and production of Jeep Wrangler hard tops made from lightweight, recyclable composite materials. The hard tops represent a new leap forward in terms of large, complex body mouldings that have the potential to revolutionize the way vehicles are manufactured and assembled.



BODY SYSTEMS TECHNOLOGY

Magna is a leader in the automotive industry trend towards the use of large plastic exterior components which provide reduced vehicle weight and cost as well as increased design flexibility. Magna Exterior Systems produces the plastic tailgate assembly featured on the Mercedes-Benz A Class, shown here, for the rapidly growing Brazilian market.





INTERIOR

Systems

Magna's interior systems divisions are leaders in the development of complete interior systems, including cockpit assemblies, door panels, consoles, floor carpets, acoustics products and overhead systems.

COMPLETE INTERIOR SYSTEMS CAPABILITY

Magna designed and developed the complete interior system for the award-winning SeaScape™ vehicle, shown opposite page. The niche vehicle features custom gauges, a navigation system and quad captain chairs.



MODULAR SEQUENCING AND ASSEMBLY

Magna supplies the complete cockpit module, including instrument panel and console, as well as interior door panels for the Oldsmobile Aurora. The cockpit modules are supplied on a just-in-time basis from a Magna product assembly and sequencing facility.



DESIGN FLEXIBILITY

Magna supplies the highly-engineered and stylish door panel for the luxurious BMW 3 Series vehicle, shown above. The interior panel incorporates real wood trim applications, integrated side airbag covers as well as different types of leather and cloth trim.

INTERIOR MODULES

Magna is at the forefront of the industry trend toward complete interior modules and has contracts to supply total vehicle interiors in both Europe and North America. Shown below, Magna supplies the instrument panel and door panels for the Jaguar S-Type.



Innovations

- *PVC-Free Slush Skin Technology*
- *MagnaBond™ EA and MagnaBond™ Structural Headliner Technology*
- *Polyurethane Skin Covering Technology (PUR-fect™ Skin)*
- *Nano-Composite Polymer Trim Component Technology (Nano-Trim™)*
- *Thin Wall ABS Door Substrates*





SEATING

Systems

Magna's seating systems divisions are global leaders in the development and production of complete seat systems incorporating trim covers, foam, head restraints, armrests, seat tracks, seat recliners, seat frames, Fold & Tumble™ mechanisms, and integrated restraint systems.

Innovations

- **MAGNAMAP™**
- **Lightweight Seating**
- **Integrated Restraint Systems**
- **Fold & Tumble™ Mechanisms**
- **Adjuster and Recliner Mechanisms**
- **Stowable Seating Systems**

LIGHTWEIGHT SEATING

Magna developed these leading-edge lightweight seats, shown opposite page, for the General Motors Precept concept vehicle. The highly comfortable and stylish seats, which provide weight savings of approximately 45 percent compared to traditional bucket seats, exceeded General Motors' expectations for weight reduction and safety performance.

ENHANCED PASSENGER COMFORT THROUGH MARKET RESEARCH

Researching consumers' wants and needs is a critical step in designing seats. Magna leads automotive seating systems comfort development by utilizing a patent-pending system, *MAGNAMAP™*, which identifies factors leading to occupant discomfort. Shown below is a seating clinic utilizing *MAGNAMAP™* software. Market and test research findings are analyzed in conjunction with Magna designers and engineers to develop innovative seating products.

FEATURE-BASED FUNCTIONALITY

Magna supplies the complete seating system for the new Ford Escape and Mazda Tribute. Shown here, the 60/40 split rear seat easily folds down (in part or in total) for enhanced in-vehicle stowage and spontaneous cargo space.



PRODUCT INNOVATION

Magna supplies the innovative third row seats on the Land Rover Discovery, shown below. When the seats are not in use, the head restraints fold into the headliner for increased visibility. Additionally, the seats fold neatly into the side quarter panels for enhanced storage space.



POWERTRAIN

Systems



Innovations

- Engine Cover Module
- Flow Formed Clutch Housing
- Fuel Cell Technology
- Integrated Transfer Case
- Automatic Drivetrain Management (ADM)

Magna's transmission and engine product capabilities include Tesma International Inc., a separate publicly traded company which supplies highly-engineered engine, transmission and fueling systems and components on a global basis, and Steyr Powertrain, one of the world's leading suppliers of powertrain components, four-wheel and all-wheel drive systems, and mass balancing systems.

COMPONENT INTEGRATION

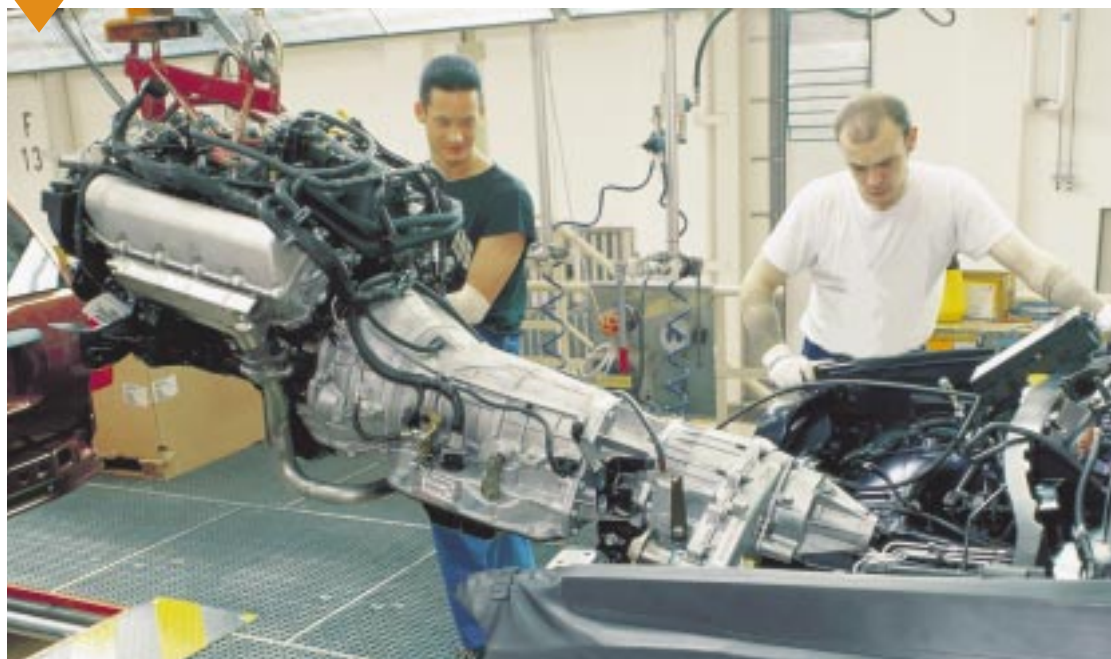
Tesma's engine cover module, shown opposite page in amber highlights, represents one of the most advanced areas of development in Tesma's engine systems and modular products supply strategy. This module integrates the complete front cover of the engine as well as all related components, eliminating or consolidating 42 different parts into a one-piece assembly. The engine cover module provides significant reductions in cost, weight and assembly requirements.

WORLD CLASS ENGINEERING

Assembly workers at the SteyrSymatec facility in Austria install the Steyr Powertrain-engineered and manufactured powertrain/front axle module in a Mercedes-Benz E Class 4MATIC, which is exclusively assembled by Steyr for DaimlerChrysler's worldwide market. Steyr Powertrain has become a world leader in all-wheel drive transmissions that provide superior traction and noise reduction. The global market for all-wheel drive vehicles is rapidly growing.

MARKET LEADERSHIP

Steyr Powertrain is a worldwide market leader in the manufacture of transfer cases. The Steyr Powertrain-engineered and manufactured transfer cases are renowned for their precision gearing.



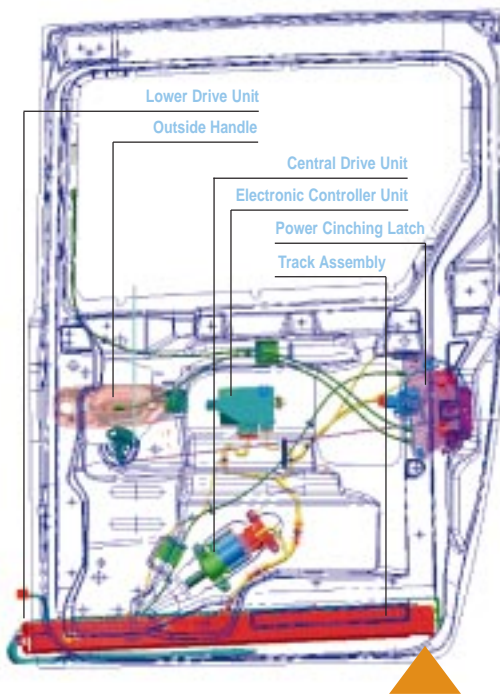
A man and a woman are standing at the open rear hatch of a white SUV. The man, wearing a dark turtleneck and glasses, is holding a black briefcase. The woman, wearing a plaid jacket and light-colored pants, is looking into the trunk. The scene is set against a dark, textured background.

**CLOSURE &
ELECTRONIC**
Systems

Magna, through its closure and electronic systems divisions, is a leading global supplier of closure systems, keyless entry systems, modular door systems, and instrument clusters.

POWER LIFTGATE TECHNOLOGY

Magna has jointly developed a Power Liftgate System with DaimlerChrysler, with multiple power, safety and convenience features. The liftgate system, shown opposite page on the 2001 Chrysler minivan, utilizes a gear motor assembly with a power cinch latching system and an electronic control module with microprocessor. The power liftgate also features patent-pending obstacle detection technology.



ADVANCED TESTING CAPABILITY

Magna's highly advanced technical centre has a semi-anechoic vehicle sound chamber for acoustics testing. The chamber enables noise characteristic and sound quality testing to be conducted on a wide range of closure systems, including power sliding doors, power window regulators and door latches. The sound chamber testing technology is used to help engineer components and systems that meet the growing consumer demand for reduced vehicle noise, vibration and harshness.



Innovations

- *Modular Door Systems*
- *Power Liftgate Technology*
- *Powered Sliding Door System*
- *Obstacle Detection Technology*
- *Power Cinching Latch/Strikers*
- *Instrument Clusters with Integrated Navigation System*

SYSTEMS INTEGRATION

The new Power Sliding Door, jointly developed with DaimlerChrysler, demonstrates Magna's ability to manage complete door systems responsibility, including the electronic controller, latching systems and electro-mechanical drive systems. The Power Sliding Door, which can be operated by a key fob or manually with no perceptible change in opening effort versus a regular sliding door, is unique in the automotive industry. An example of Magna's advanced modular door development, the Power Sliding Door exhibits the Company's comprehensive closure systems capabilities and a commitment to continuous innovation.



A close-up photograph of a car's side mirror. The mirror housing is black and features a yellow turn signal light on the left side. The mirror glass is blue-tinted and reflects a clear blue sky. The background shows the car's body panels and a door handle, all in a dark, metallic finish.

MIRROR *Systems*

Magna is one of the world's largest suppliers of interior and exterior mirror systems, with fully integrated manufacturing and engineering centres in North America and Europe.

Innovations

- *Extendable Mirrors*
- *Integrated Turn Signal Mirror*
- *Power Actuator Technology*
- *Smart Exterior Mirror (SEM) System*

TECHNOLOGICAL INGENUITY

The integrated turn signal is a unique exterior lighting system that integrates the signal turn light into the mirror shell. The high-luminance signal has 180 degrees of visibility and is visible to surrounding vehicles, providing enhanced safety. Shown opposite page is the integrated turn signal featured on the Mercedes-Benz E Class.

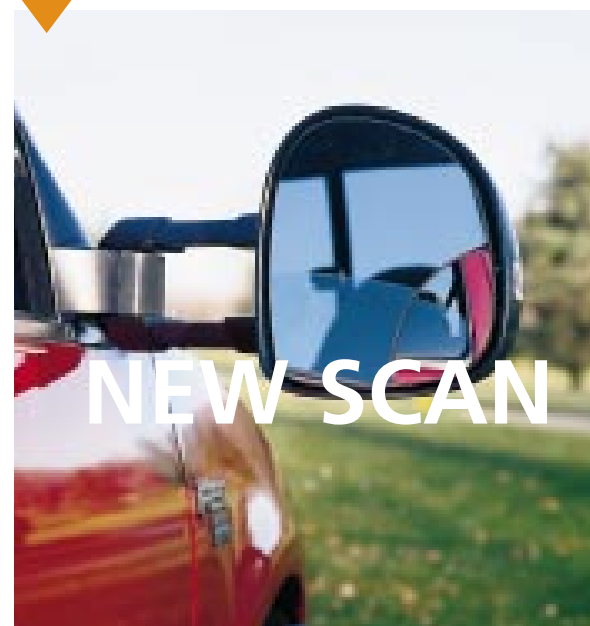
ADVANCED TESTING

Magna's mirror systems divisions have fully integrated testing and engineering capabilities. Shown here is production testing on an exterior mirror power actuator. Magna is a global leader in advanced actuator technology.



PRODUCT STYLING

Magna's patented pull-out extendable mirror, shown here on the GMC Sierra and below on the Ford F150, is another Magna industry first. The mirror provides increased rear viewing through its telescoping mirror head. The pull-out extendable mirror combines enhanced visibility and safety with attractive product design and styling for the large truck segment.





\$2,500
\$2,000
\$1,500
\$1,000
\$500

Oldsmobile Aurora – Magna provides the cockpit assembly, including the instrument panel and centre console, front and rear door panels, front and rear fascias and exterior mirrors.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

GMC Sierra – Magna supplies the full vehicle frame, mirror modules, interior front door panels, latch assemblies, aluminum radiator support, tonneau cover, dual rear wheel fenders and various transmission and engine components.



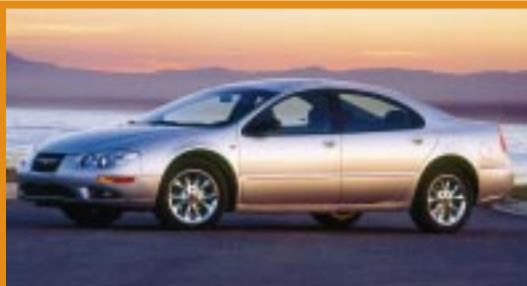
\$2,500
\$2,000
\$1,500
\$1,000
\$500

Lincoln LS – Magna supplies the sunroof, latching system, hydroformed radiator support, and various transmission and engine components.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Ford F150 – Magna manufactures the bodyside mouldings, running boards, manual seat tracks, fuel door and various transmission and engine components.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Chrysler 300M – Magna supplies the hydroformed engine cradle, rear floor pan, fascia systems, window surround module, hood and decklid latch assembly and various transmission and engine components.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Jeep Grand Cherokee – Magna provides the window regulators, liftgate and hood latches, hydroformed control arms, shock towers, mirrors, various engine and transmission components and complete vehicle assembly in Europe.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Chrysler Town & Country – Magna supplies the complete seats, mirrors, liftgate latch assembly and mouldings, fascias and grille, hood latch, sill assemblies and various transmission and engine components.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Toyota Camry – Magna makes the sunroof, integrated child safety seat, package tray and various stampings.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Honda Odyssey – Magna supplies the seat tracks, seat recliners, front and rear fascias and exterior powerfold mirror.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Volkswagen Beetle – Magna supplies the front fascia as well as various mouldings, metal stampings and assemblies.

Many of the world's best selling cars, vans, trucks and sport utility vehicles carry Magna-produced components and systems. Magna's average dollar content per vehicle increased by 17% in calendar 1999, the result of rapidly growing market penetration and product diversification.

GLOBAL VEHICLE

Content

Indicates dollar content per vehicle



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Mercedes-Benz E Class – Magna supplies bodyside mouldings, exterior mirrors, four wheel drive components and complete vehicle assembly for the E Class 4MATIC AWD.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Volkswagen Audi A8 – Magna manufactures the front and rear bumper systems, bodyside mouldings and sun visors.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

DaimlerChrysler Smart Car – Magna supplies the complete space frame, complete doors and tailgate module.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Opel Frontera – Magna manufactures the complete seating and interior trim components.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Jaguar XK8 – Magna makes the instrument panel, cockpit and bodyside mouldings.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Mercedes-Benz C Class – Magna supplies the front and rear bumper systems, bodyside mouldings, exterior and interior mirrors and various stampings.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

BMW 7 Series – Magna supplies the instrument panel, bootspace and pillars.



\$2,500
\$2,000
\$1,500
\$1,000
\$500

Range Rover – Magna manufactures the instrument panel, centre console, pillar trim, and front and rear bumpers.

MAGNA'S EMPLOYEE CHARTER

THE MAGNA EMPLOYEE'S CHARTER

Magna is committed to an operating philosophy which is based on fairness and concern for people.
It includes these principles:

JOB SECURITY

Being competitive by making a better product for a better price is the best way to enhance job security.
Magna is committed to working together with you to help protect your job security.

To assist you, Magna will provide:

- Job Counselling
- Training
- Employee Assistance Programs

A SAFE AND HEALTHFUL WORKPLACE

Magna strives to provide you with a working environment which is safe and healthful.

FAIR TREATMENT

Magna offers equal employment opportunities based on an individual's qualifications and performance, free from discrimination or favouritism.

COMPETITIVE WAGES AND BENEFITS

Magna will provide you with information which will enable you to compare your total compensation of total wages and total benefits with those earned by employees of your competitors, as well as with other plants in your community. If your total compensation is found not to be competitive, then your wages will be adjusted.

EMPLOYEE EQUITY AND PROFIT PARTICIPATION

Magna believes that every employee should own a portion of the Company.

COMMUNICATION AND INFORMATION

Through regular monthly meetings between management and employees and through publications, Magna will provide you with information so that you will know what is going on in your company and within the industry.

THE HOTLINE

Should you have a problem, or feel the above principles are not being met, we encourage you to call the Hotline or use the self-addressed Hotline Envelopes to register your complaints.

You do not have to give your name, but if you do, it will be held in strict confidence.

Hotline Counsellors, speaking several languages, will answer your call.

Your concern will then be forwarded to the Magna Corporate Employee Relations Department.

The Magna Corporate Employee Relations Department is committed to investigate and resolve all concerns or complaints and must report the outcome to the Employee Relations Advisory Board.

EMPLOYEE RELATIONS ADVISORY BOARD

The Employee Relations Advisory Board is a group of people who have proven recognition and credibility relating to humanitarian and social issues. This Board will monitor, advise and ensure that Magna operates within the spirit of the Magna Employee's Charter and the principles of Magna's Corporate Constitution.

*A*n Operating Philosophy Based on Fairness and Concern for People

JOB SECURITY

Magna is committed to help employees enhance their job security by providing training through programs such as those offered at its new Technical Training Centre. The Centre offers an apprenticeship program that combines North American and European skilled trade training methods in the areas of tool and die making, robotics and pneumatics. Apprentices receive extensive, hands-on, shop floor experience. The world calibre training Magna employees receive at the Magna Technical Training Centre helps Magna maintain its leadership in the field of technically skilled employees. Shown below, from left to right: award-winning student Valerio de Menna, Magna President and CEO Don Walker, and award-winning student Ryan Weese in front of the Magna Technical Training Centre.



HEALTHFUL WORKPLACE

In keeping with the Employee's Charter principle of providing a work environment that is safe and healthful, Magna launched a company-wide Health Promotion Program to educate employees about the benefits of a healthy lifestyle. The program involves workplace fitness testing and health screenings, health education seminars on topics such as diet and exercise, and assists Magna factories in providing healthy, low-fat foods in lunchroom vending machines. Shown above, Dr. Arif Bhimji, director of Magna's Health Centre, conducts a blood pressure screening test on Magna employee Sithun Phin.

FAIR TREATMENT

Magna employees who are experiencing workplace problems, or who feel that any of the principles of the Employee's Charter are not being met, can call a toll-free Hotline. Calls to the Hotline are held in the strictest confidence and are promptly investigated in order to satisfactorily resolve any concern or complaint. Shown here is Magna employee Lyn Christiansen, who called the Hotline to resolve a workplace concern about fair treatment in her division.



Operating Structure

Operating Groups

Magna's automotive divisions are grouped along global product lines. Each Group provides full service systems integration in a specific vehicle area.

Division Management

Within the framework of the Magna Corporate Constitution and the Magna Employee's Charter, division managers have a wide degree of latitude in running their day-to-day operations. Their compensation is tied to the performance of the division, with each manager receiving a relatively low base salary and a pre-determined portion of the division's profits. This compensation formula enables Magna to attract and retain entrepreneurial managers with manufacturing expertise.

Operating Group Management

The most experienced and successful division managers advance to the ranks of Group management, which is responsible for coordinating product development, finance, marketing and maximizing manufacturing efficiencies in the divisions which make up the Group. Group management is paid a relatively low base salary and a pre-determined portion of the Group's profits.

Executive Management

Executive management coordinates advanced systems development and manufacturing, ensures customer satisfaction and interfaces with the investment community. In addition, executive management is responsible for the long-term strategic planning and future growth of the Company. Members of executive management are paid a base salary below industry standards and up to six per cent of Magna's profit before tax.

Magna also has an agreement with Frank Stronach & Co., based in Switzerland, to provide business development and other management services worldwide. These services include: facilitating the application of the Company's operating principles and philosophies, coordinating strategic planning (including implementation through business acquisitions and the acquisition of new products and technologies), recruiting and developing new management and promoting corporate goodwill with various stakeholder groups.

Operating Principles

At the heart of Magna's operating structure is an entrepreneurial culture which builds ownership and inspires pride in all its people. This dynamic corporate culture, highlighted in the principles below, is the cornerstone of Magna's success.

Decentralized Operating Structure

Magna's manufacturing divisions operate as independent profit centres. This decentralized structure prevents bureaucracy and makes the Company more responsive to customer needs and the changing industry.

Employee Involvement

By keeping operating units relatively small and flexible, Magna fosters greater employee involvement and initiative. This environment also allows the Company to recognize and reward individuals' contributions and maintain open communication.

Entrepreneurial Managers

Entrepreneurial, hands-on managers with strong tooling, engineering and manufacturing backgrounds run Magna's divisions. Division managers are responsible for ensuring profitability, achieving customer satisfaction and upholding the principles of the Magna Employee's Charter.

Employee's Charter

The Magna Employee's Charter strives to create a quality work environment by guaranteeing employees fair treatment, a safe and healthful workplace and competitive wages and benefits.

Employee Ownership

Through the Equity Participation and Profit Sharing Program, employees receive ten percent of the Company's annual profits before tax. As part-owners working in an environment where productivity is rewarded, Magna employees are motivated to produce quality products at competitive prices.

Management's Discussion and Analysis of Results of Operations and Financial Condition

(All amounts are in U.S. dollars and are in millions unless otherwise noted.)

The Company believes that it is uniquely positioned, as one of the most diversified automotive suppliers in the world, to take advantage of current trends in the automotive industry. These trends include increased OEM outsourcing of larger, more complex modules and complete systems to independent suppliers, the increasing prevalence of OEM derivative vehicles and the greater participation by suppliers in the design and engineering of automotive systems.

During much of the last decade, Magna completed a number of acquisitions which were considered necessary to become a global systems supplier. Magna has now substantially developed its core product capabilities in both Europe and North America.

Magna also acquired Austrian-based Steyr-Daimler-Puch AG ("SDP") and Steyr-Daimler-Puch Fahrzeugtechnik AG & Co. KG ("SFT") (SDP and SFT and their subsidiaries are collectively referred to as "Steyr") in 1998. Steyr has contracts to assemble complete vehicles, including the DaimlerChrysler Mercedes-Benz G-class, E-class and M-class four wheel drive vehicles and the Jeep Grand Cherokee. Steyr also provides vehicle engineering services and produces a variety of powertrain components, including four wheel drive transmission systems, for the European automotive industry. The acquisition of Steyr significantly enhances Magna's capabilities in complete vehicle engineering and assembly and in the supply of technologically advanced integrated automotive systems and components. The Company's newly formed SteyrSymatec group, which combines the complete vehicle engineering and assembly capabilities of Steyr with the modular systems expertise of Symatec, gives Magna a unique capability in the global supplier industry and enhances the Company's position as the industry's premier complete vehicle engineering and assembly supplier. SteyrSymatec will also focus on providing complete vehicle systems such as complete door modules or roof modules that incorporate a number of different products from Magna's Tier One and Two automotive manufacturing operations, described below under the heading "Automotive Segments". The trend toward large, more complex vehicle systems is revolutionizing the way automobiles are built, and Magna's product diversity and vehicle systems focus give the Company a significant advantage over its competitors in obtaining contracts for larger, more complex, multi-product systems from its customers.

The Company is also focusing on further consolidating its operations to improve earnings per share and return on investment. Going forward, acquisitions will be made where they represent attractive new or complementary technologies. Furthermore, all capital investments are being analyzed using strict return on funds employed criteria in order to maximize shareholder return, boost gross margins and generate strong earnings growth.

The automotive industry continues to be very dynamic. Further opportunities exist to improve the efficiency of the industry in areas of product design, speed to market and purchasing efficiencies, particularly through new business-to-business ("B2B") initiatives. Magna's understanding of the design and delivery of parts, modules and complete vehicles, together with its involvement in B2B initiatives, gives Magna an opportunity to work with customers and suppliers to improve the way the Company does business.

AUTOMOTIVE OUTLOOK

Magna's results are directly affected by the levels of North American and European car and light truck production and its ability to obtain new production contracts. Magna's results are also directly affected by the average exchange rate used to translate the results of its operations having a functional currency other than the U.S. dollar into U.S. dollars. Current factors impacting the automotive industry and the ability to obtain new production contracts from OEM customers include the requirement for suppliers to manufacture and supply more complex systems including modular systems, maintain the financial strength to expand, support and supply OEMs, provide increased engineering, effectively manage complete programs, and have full service supplier capabilities, in each case on a global basis. The Company believes that Magna's product diversity and overall capabilities position it to benefit from these factors. The Company's SteyrSymatec operations, also referred to herein as its Tier 0.5™ Vehicle and Systems Integration operations, uniquely position the Company to take advantage of its diverse product base and to grow sales at its Tier One and Two automotive manufacturing operations. In addition, as a result of the continued globalization of the automotive industry, increased outsourcing by OEM customers of larger, more complex modules and systems to independent Tier One suppliers and the continuing consolidation of the supplier base, the Company expects continued customer penetration in North America and Europe during calendar 2000 and beyond, further increasing Magna's average production content per vehicle in both markets.

Production volumes for the year ended December 31, 1999 were 17.6 million units and 16.5 million units for North America and Europe, respectively. These volumes represent increases of 7% and 6% in North America and Europe, respectively, over the comparative period. Although there can be no certainty as to future levels of production, the Company expects car and light truck production levels for calendar 2000 to remain strong at approximately 16.9 million units in North America and approximately 16.2 million units in Europe. OEM production volumes in each market may be impacted by a number of geographic factors, including general economic conditions, interest rates, fuel prices and availability, legislative changes, environmental emission and safety issues and labour and/or trade relations.

Magna's reliance on its OEM customers makes it susceptible to risks generally applicable to industry participants, including the extent of OEM outsourcing in both North America and Europe. The extent of OEM 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 OEM manufacturing facilities and OEM labour relations.

Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS FOR THE TWELVE MONTH PERIODS ENDED DECEMBER 31, 1999 AND JANUARY 31, 1999

The Company changed its fiscal year end from July 31 to December 31, effective December 31, 1998. Throughout this Management's Discussion and Analysis of Results of Operations and Financial Condition, unless stated otherwise, all comparative amounts are for the year ended January 31, 1999 as this period coincides with the Company's previously reported quarter ends prior to the year end change and is consistent with the Company's comparative interim periods reported throughout calendar 1999. The Company's comparative consolidated operating results for the years ended December 31, 1999 and January 31, 1999 are as follows:

	Years ended	
	December 31, 1999	January 31, 1999
Sales		
Automotive	\$9,260	\$7,405
Magna Entertainment Corp.	99	14
	9,359	7,419
Automotive costs and expenses		
Cost of goods sold	7,622	6,128
Depreciation and amortization	354	267
Selling, general and administrative	607	497
Interest expense (income), net	16	(6)
Equity income	(17)	(15)
Magna Entertainment Corp. costs and expenses	95	10
Operating income – automotive	678	534
Operating income – Magna Entertainment Corp.	4	4
Other income		10
Income before income taxes and minority interest	682	548
Income taxes	233	184
Minority interest	19	12
Net income	\$ 430	\$ 352
Earnings per Class A Subordinate Voting or Class B Share:		
Basic	\$ 5.08	\$ 4.30
Fully diluted	\$ 4.75	\$ 4.06
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period [in millions]:		
Basic	78.5	75.5
Fully diluted	91.8	89.3

Automotive Sales

	Years ended		Change
	December 31, 1999	January 31, 1999	
North American production	\$5,423	\$4,458	+22%
European production and assembly	2,802	2,152	+30%
Other automotive	1,035	795	+30%
Total automotive sales	\$9,260	\$7,405	+25%

Vehicle production levels in both North America and Europe were strong in calendar 1999. North American and European vehicle production of 17.6 million and 16.5 million units were each 7% and 6% higher than production levels in the comparative period.

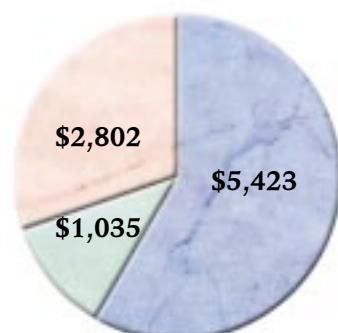
Total automotive sales of \$9,260 represents a full year record for the Company. Total sales increased by 25% or \$1,855 million over the comparative period.

AUTOMOTIVE SALES ANALYSIS

(\$ Millions)

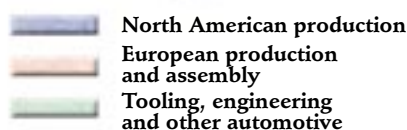
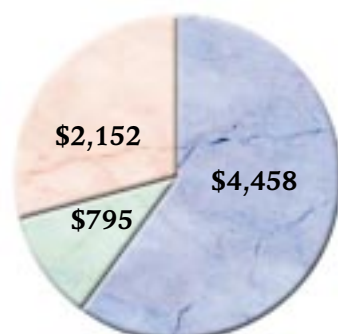
December 1999

\$9,260



January 1999

\$7,405



AVERAGE CONTENT PER VEHICLE

North America

+14%

Europe

+23%



North American production sales in the year ended December 31, 1999 increased by 22% or \$965 million over the comparative period to \$5,423 million. This increase was a result of an improvement in Magna's average North American production content per vehicle of 14% and a 7% increase in North American production volumes. The increase in content per vehicle reflects new production programs that commenced in the current period and in the latter part of the comparative period, production sales at facilities which were in the start-up phase during the comparative period and/or portions of the current period, including facilities producing for the GMT 800 program, and an increase in reported U.S. dollar production sales due to a stronger Canadian dollar relative to the U.S. dollar.

European production and assembly sales in the year ended December 31, 1999 increased by 30% or \$650 million over the year ended January 31, 1999 to \$2,802 million. This increase was due to growth in average European production and assembly content per vehicle of 23% and an increase in European production volumes of 6%. Growth in average content per vehicle was primarily a result of the inclusion of a full twelve months' results in the current period for Steyr which was acquired part way through the comparative period, production sales at new facilities which started production in the current period and a full twelve months' production at facilities producing parts for the Smart car. These increases were partially offset by a decrease in reported U.S. dollar sales due to the weakening of European currencies against the U.S. dollar.

Other automotive sales, which include global tooling and engineering sales, increased by 30% or \$240 million in the year ended December 31, 1999 to \$1,035 million. This increase reflects tooling sales as a result of continued involvement by Magna in new programs and vehicle launches by OEM customers as well as engineering and other sales as a result of the acquisition of Steyr.

Substantially all of Magna's automotive sales are generated from the sale of automotive parts, components, assemblies, modules and systems, vehicle assembly and related engineering and tooling to North American and/or European OEMs. Approximately 31% and 25% of Magna's consolidated automotive production and assembly sales during the year ended December 31, 1999 and in the five month period ended December 31, 1998 were in respect of tooling, engineering, assembly and manufactured products supplied for five vehicle types (including approximately 10% and 11% supplied for DaimlerChrysler minivans for the year ended December 31, 1999 and the five month period ended December 31, 1998, respectively).

Facilities

As of December 31, 1999, Magna had 174 automotive manufacturing facilities (including 12 joint venture facilities), of which 103 are in North America, 66 are in Europe, 2 are in Korea, 2 are in Brazil and 1 is in China, as well as 33 product development and engineering centres. The Company's operations outside of North America and Europe (namely in Korea, Brazil and China) are not considered separate operating segments given their small size relative to Magna's overall operating results.

Gross Margin

	Years ended		Change
	December 31, 1999	January 31, 1999	
Gross margin	\$1,638	\$1,277	+28%
Gross margin percentage	17.7%	17.2%	

Gross margin, as a percentage of total automotive sales, for the year ended December 31, 1999 was 17.7% compared to 17.2% for the year ended January 31, 1999. The increase was attributable to a general improvement in production efficiencies primarily in North America, including contributions from a full year's production at facilities producing for the GMT 800 program, which launched part way through the comparative period, as well as improved performance at Brighton, which produces interior systems components also for the GMT 800 program. Increased production volumes in both North America and Europe, including a full twelve months production at European facilities producing parts for the Smart car, also contributed to the margin improvement. These factors were partially offset by the gross margins at Steyr, which was acquired part way through the comparative period, where assembly margins are lower than production margins, and design and engineering costs at Symatec under its first integration project for Ford. In addition, the low margins being experienced at certain other recent start-up facilities, including the Company's exterior systems division in Brazil, and certain other divisional inefficiencies also partially offset the gross margin improvement.

Management's Discussion and Analysis of Results of Operations and Financial Condition

The competitive environment within the automotive industry continues to cause OEMs to increase pressure on suppliers for price concessions and to finance or absorb more engineering costs related to product design, tooling costs, certain capital costs and other items previously funded by its OEM customers. In addition, Magna may not be able to fully pass on price increases from its own suppliers to its OEM customers. Although there can be no certainty regarding Magna's ability to successfully respond to future competitive pressures, Magna has in the past been largely successful in responding to these pressures through a number of means, including improved operating efficiencies and cost reductions and believes that its current cost reduction programs will enable it to remain competitive.

Operating Income - Automotive

	Years ended		Change
	December 31, 1999	January 31, 1999	
Gross margin	\$1,638	\$1,277	+28%
Less:			
Depreciation and amortization	354	267	
Selling, general and administrative	607	497	
Interest expense (income), net	16	(6)	
Equity income	(17)	(15)	
Operating income – automotive	\$ 678	\$ 534	+27%
Selling, general and administrative expenses as a percent of total automotive sales	6.6%	6.7%	

Depreciation and amortization expense increased \$87 million over the comparative period as a result of a full year's depreciation at facilities that were in the start-up phase during the comparative period, the commencement of depreciation at facilities that started production in the current period, the inclusion of a full twelve months' results for Steyr which was acquired part way through the comparative period and increased depreciation as a result of capital spending.

Selling, general and administrative expenses as a percent of total automotive sales were 6.6% in the year ended December 31, 1999 compared to 6.7% in the comparative period. Expenditures on selling, general and administrative expenses were \$607 million for the year ended December 31, 1999 representing an increase of \$110 million over the year ended January 31, 1999. The increase in these expenses was principally attributable to a number of new facilities that started production in the current period and in the latter part of the comparative period, the inclusion of a full twelve months' results in the current year for Steyr, the higher level of sales activity during the current year and infrastructure costs to support expected continued increases in sales during calendar 2000.

Interest expense (net of interest income) increased during the year ended December 31, 1999 to \$16 million, compared to \$6 million of interest income (net of interest expense) for the year ended January 31, 1999. The increase includes interest as a result of the change in the consolidated net debt position (excluding interest income on MEC's net cash position) including interest expense in connection with the issue of Euro 100 million subordinated debentures during the current year.

Income from equity accounted investments of \$17 million for the year ended December 31, 1999, increased 13% compared to the year ended January 31, 1999 as equity accounted investees' operating results benefited from the strong automotive industry environment in the current period.

Automotive operating income for the year ended December 31, 1999 was a record \$678 million, compared to \$534 million for the comparative period. The 27% increase in operating income compares favourably to the 25% increase in total automotive sales and reflects the gross margin earned on the higher sales levels and the improved gross margin percentage, partially offset by increases in selling, general and administrative expenses, depreciation and amortization charges and interest expense.

Operating Income - Magna Entertainment Corp.

	Years ended	
	December 31, 1999	January 31, 1999
Sales	\$99	\$14
Costs and expenses	95	10
Operating income – MEC	\$ 4	\$ 4

The revenues and expenses of the Company's recently established non-automotive group, Magna Entertainment Corp. ["MEC"], have been separately presented in the consolidated statement of income from January 1, 1999. MEC revenues and expenses prior to January 1, 1999 were not significant. MEC, one of the largest operators of premier horse racetracks in the United States, acquires, develops and operates horse racetracks and related pari-mutuel wagering operations. These racetracks include Santa Anita Park and Golden Gate Fields in California, Gulfstream Park in Florida, Remington Park in Oklahoma, Thistledown in Ohio and Great Lakes Downs in Michigan. As a complement to its horse racing business, MEC is exploring the development of media sports wagering operations, including telephone account, interactive television, and internet-based wagering, as well as certain leisure and retail-based real estate projects.

MEC's operations generated revenues of \$99 million and operating income of \$4 million in the current year. The financial results for the year ended December 31, 1999 do not reflect a full year's operations for each of MEC's racetracks, other than for Santa Anita, as the Gulfstream, Golden Gate, Thistledown and Remington Park racetracks were acquired by MEC in the latter part of calendar 1999, substantially after the conclusion of the acquired racetracks' live meets. Great Lakes Downs was acquired by MEC subsequent to December 31, 1999.

Subsequent to the December 31, 1999 year end, Magna and MEC received the necessary regulatory approvals in the United States and Canada allowing Magna to proceed with its previously announced intention to establish MEC as a separate public company by distributing approximately 20% of MEC's equity to Magna's shareholders. This distribution took place on March 10, 2000 to Magna's shareholders of record on February 25, 2000. MEC shares are now traded on The Toronto Stock Exchange and NASDAQ.

The approximate book value of the MEC distribution was \$115 million and this resulted in an increase in minority interest and a reduction in shareholders' equity as presented in Magna's consolidated balance sheet. Magna's remaining investment in MEC is approximately \$440 million.

It is Magna's intention to reduce its ownership in MEC to a minority equity position as market conditions permit. It is expected that this will be accomplished through a combination of secondary sales by Magna of its shares of MEC, and/or treasury share issues by MEC, in connection with capital markets transactions, acquisitions and/or the investment by strategic partners in MEC.

Magna has undertaken that it will not, for a period of approximately seven years ending May 31, 2006, without the prior consent of the holders of the majority of Magna's Class A Subordinate Voting Shares:

- (i) make debt or equity investments in MEC or any of its subsidiaries, or otherwise give financial assistance to MEC or any of its subsidiaries; or
- (ii) invest in any non-automotive related businesses or assets other than through its investment in MEC.

Other Items

	Years ended	
	December 31, 1999	January 31, 1999
Other income	\$ -	\$ 10
Income taxes	\$233	\$184
Minority interest	\$ 19	\$ 12

During the year ended January 31, 1999 the Company recognized a gain of \$10 million related to the reduction of Magna's ownership interest in Decoma International Inc.

Magna's effective income tax rate for the year ended December 31, 1999 was 34.2%. Excluding other income, Magna's effective income tax rate on operating income for the year ended January 31, 1999 was also 34.2%.

Minority interest expense for the twelve months ended December 31, 1999 increased by \$7 million over the comparative period to \$19 million as a result of increased earnings within the Company's publicly traded subsidiaries, offset in part by the acquisition in the current year of the remaining minority interest in the Company's European body and chassis systems operations.

Earnings Per Share

	Years ended		Change
	December 31, 1999	January 31, 1999	
Earnings per Class A Subordinate Voting or Class B Share			
Basic	\$5.08	\$4.30	+18%
Fully diluted	\$4.75	\$4.06	+17%
Excluding other income	\$4.75	\$3.95	+20%
Average number of Class A Subordinate Voting and Class B Shares outstanding			
Basic	78.5	75.5	+4%
Fully diluted	91.8	89.3	+3%

On a fully diluted basis, earnings per share for the year ended December 31, 1999 were \$4.75 compared to \$4.06 in the year ended January 31, 1999. Fully diluted earnings per share improved by \$0.80 over the \$3.95 earned in the year ended January 31, 1999 before other income. Current year fully diluted earnings per share before other income of \$4.75 was a record. The average number of fully diluted shares outstanding for the year ended December 31, 1999 was 91.8 million shares which was 2.5 million shares or 3% higher than in the year ended January 31, 1999. The increase in fully diluted shares outstanding primarily reflects 4,025,000 Class A Subordinate Voting Shares issued through a public offering and 629,887 Class A Subordinate Voting Shares issued in connection with the Triam acquisition, in each case part way through the comparative period.

AUTOMOTIVE SEGMENTS

Magna follows a corporate policy of functional and operational decentralization. It conducts its automotive operations through divisions which function as autonomous operating units. As at December 31, 1999, the Company had 174 production facilities and 33 product development and engineering facilities operating in 19 countries. Divisional operating results and each division's annual business plan and capital spending budget are reviewed by executive management, including the Company's President & CEO.

Divisions were historically grouped geographically (principally between North America and Europe) and along product lines into operating groups, which were overseen by a Group management team. In furtherance of the commitment to decentralization, the Company has established certain of these operating groups as separate public corporations.

During the current year, the Company reorganized its wholly owned operating groups along global product lines. In prior years, the majority of the Company's European product line operating groups were managed separately from the corresponding North American product line operating groups. This operational reorganization was undertaken to further consolidate recent acquisitions, particularly in Europe, to better meet the needs of customers and more accurately reflect the increasingly global nature of the automotive industry. The Company's new global structure will maximize opportunities to support global vehicle programs and will also facilitate the development of global product platforms. In addition, our more global approach to doing business will enable the increased sharing of best practices between our divisions.

The Company's global product groups have been aggregated according to their capabilities in complete vehicle engineering and assembly versus component and systems manufacturing. The Company's Vehicle and Systems Integration operations, which include SteyrSymatec, provide complete vehicle engineering and assembly capabilities. Magna has positioned this group as a Tier 0.5TM supplier, reflecting capabilities beyond

Management's Discussion and Analysis of Results of Operations and Financial Condition

those of a Tier One supplier and closer to those of the OEM customer. The Company's Tier One and Two Automotive Manufacturing operations design, manufacture and supply components, modules and systems primarily for OEM customers and manufacture and supply components on a Tier Two basis to other Tier One suppliers. The Company's Tier One and Two Automotive Manufacturing operations are generally aligned on a product basis with the corresponding purchasing and engineering groups of Magna's OEM customers. The Company's Tier 0.5TM operations, on the other hand, increasingly deal with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Each group includes the following products and services:

Tier 0.5TM Vehicle and Systems Integration

- This group, which operates under the name SteyrSymatec, includes the engineering and complete vehicle assembly operations of Steyr in Europe and the operations of Symatec in North America, which is focusing on securing additional key integrator contracts to design, engineer and deliver complete vehicle modules and to assemble niche vehicles on behalf of its OEM customers. This group also includes the Company's complete door system division as well as certain engineering facilities, all in Europe.

Tier One and Two Automotive Manufacturing

- **Body** – Body products include the Company's metallic body and chassis divisions, including divisions producing hydroformed components and assemblies. Body products also include the Company's exterior systems operations comprised of Decoma Exterior Systems (including Decoma International Inc., a publicly traded subsidiary of the Company, Decoma Exterior Trim and Bestop) and Magna Exterior Systems. The exterior systems divisions supply plastic and metallic exterior components and systems including fascias, grilles, body panels, trim products, door frames, various exterior mouldings, sealing and greenhouse systems and soft tops for sport utility vehicles.
- **Interiors** – Interiors products include the Company's seating divisions which supply complete seat systems, seat tracks, seat frames, integrated child safety seats and other seating components. Interior products also include the Company's interior systems divisions which supply instrument panels, cockpit modules, consoles, glove boxes, package trays, overhead systems, door trim panels, automotive carpets, interior panels and other interior components and systems.
- **Powertrain** – Powertrain products include Tesma International Inc. ("Tesma"), a publicly traded subsidiary of the Company which supplies engine, transmission and fueling systems and components; and Steyr Powertrain, a supplier of four wheel drive and other powertrain components.
- **Other Automotive** – Other automotive products include the Company's closure and electronic systems divisions and exterior and interior mirror systems divisions.

The Company's internal financial reports provided to executive management, including the Company's President & CEO, aggregate divisional results on a global product line basis and further aggregate results between its Tier 0.5TM operations and its Tier One and Two automotive manufacturing operations. The Company's Tier 0.5TM engineering and assembly operations are expected to help grow sales at the Company's Tier One and Two automotive manufacturing operations as result of the Tier 0.5TM group's earlier and closer involvement with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Over the long term, Tier One and Two divisions, in all product areas, are individually expected to contribute similar returns on funds employed.

The Company's internal financial reports also segment Tier 0.5TM and Tier One and Two operating results between North America and Europe. This segmentation recognizes the different geographic business risks faced by the Company's North American and European divisions, especially vehicle production volumes in North America and Europe and differences in OEM customer mix, the level of OEM outsourcing and the nature of products/services outsourced 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.

Tier One and Two operating results are further segmented, in the Company's internal financial reports, between the Company's publicly traded and other operations given that, in the former case, oversight of group management has been delegated to a separate independent board of directors. Publicly traded operations include Decoma International Inc., as well as Decoma Exterior Trim and Bestop (in each case the operations are closely co-ordinated with Decoma International Inc. which directly owns 40% of each of Decoma Exterior Trim and Bestop) and Tesma.

As a result of the above internal reporting structure, automotive operating segments reported in the Company's external financial statements include:

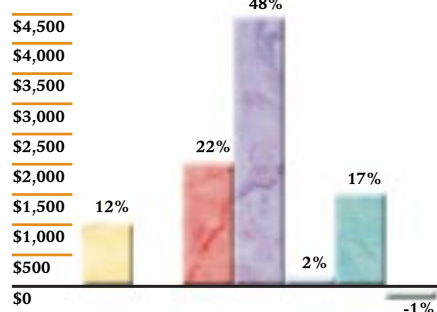
- *Tier 0.5TM Vehicle and Systems Integration* with *Europe* and *North America* reported separately;
- *Tier One and Two Automotive Manufacturing Operations* with *North America* and *Europe* reported separately; and
- *Publicly Traded Tier One and Two Automotive Manufacturing Operations* with *North America* and *Europe* reported separately.

Automotive segment operating results were as follows:

	Year ended December 31, 1999		Five month period ended December 31, 1998	
	Total Sales	Operating Income (Loss)	Total Sales	Operating Income (Loss)
Tier 0.5TM Vehicle and Systems Integration				
Europe	\$1,136	\$ 73	\$ 495	\$ 38
North America		(22)		(2)
Tier One and Two Automotive Manufacturing				
North America	4,485	380	1,644	113
Europe	2,048	10	691	(13)
Publicly Traded Tier One and Two Automotive Manufacturing				
North America	1,571	129	543	43
Europe	160	9	61	3
Corporate and Other	(140)	99	(49)	37
	\$9,260	\$678	\$3,385	\$219

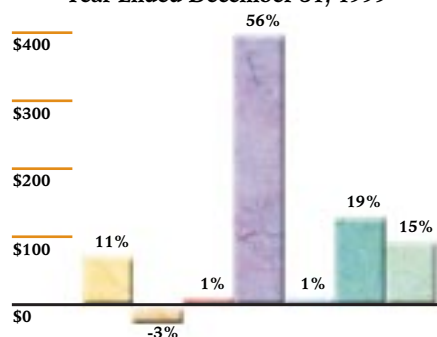
AUTOMOTIVE SEGMENT SALES

Year Ended December 31, 1999



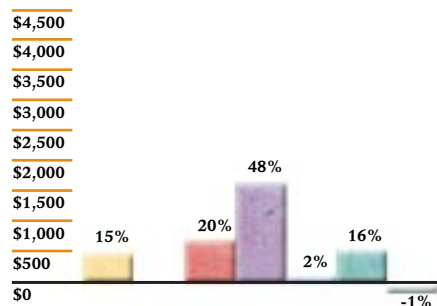
AUTOMOTIVE SEGMENT OPERATING INCOME

Year Ended December 31, 1999



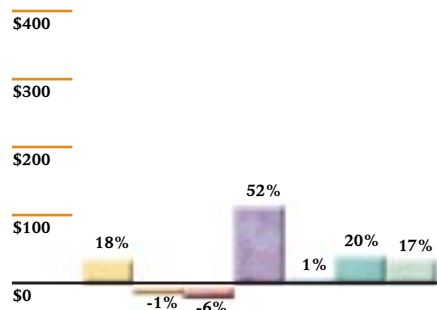
AUTOMOTIVE SEGMENT SALES

Five Months Ended December 31, 1998



AUTOMOTIVE SEGMENT OPERATING INCOME

Five Months Ended December 31, 1998



The Tier 0.5™ Vehicle and Systems Integration segment generated total sales of \$1,136 million in the current period. Substantially all of these sales were generated in Europe as the Tier 0.5™ North American operation's first significant integration contract for Ford will generate sales starting January 2001.

Magna's Tier 0.5™ Vehicle and Systems Integration segment generated operating income of \$51 million in the current year including \$73 million of income in Europe offset by \$22 million of losses in North America. North American losses reflect start-up costs and design and engineering costs on Symatec's first integration project for Ford. Vehicle production on this contract is scheduled to commence in January 2001. European profits reflect the DaimlerChrysler Jeep Grand Cherokee and M Class vehicles and the DaimlerChrysler four wheel drive Mercedes-Benz E and G Class vehicles, all of which are assembled by Steyr in Austria. European profits also reflect engineering income on a number of significant contracts, including programs with DaimlerChrysler, Audi and Renault.

The Tier One and Two Automotive Manufacturing segment generated total sales of \$6,533 million in the current period including North American and European sales of \$4,485 million and \$2,048 million, respectively. North American sales reflect strong vehicle production volumes and sales at facilities which were in the start-up phase during the comparative period and/or portions of the current period, including facilities producing for the GMT 800 program. European sales reflect sales at new facilities no longer in the start-up phase and also reflect higher vehicle production volumes and, in particular, a full twelve months' production at facilities producing parts for the Smart car.

Magna's Tier One and Two Automotive Manufacturing segment generated operating income in the current year of \$380 million and \$10 million in North America and Europe, respectively. North American operating income benefited from a general improvement in production efficiencies attributable in part to increased vehicle production volumes, contributions from a full year's production at facilities producing for the GMT 800 program, which launched part way through the comparative period, as well as improved performance at Brighton. These benefits were partially offset by production inefficiencies at certain interiors divisions, as well as start-up costs and inefficiencies at other divisions, including the Company's exterior systems division in Brazil. European operating income continued to benefit from strong or improved performance at certain divisions within continental Europe, income earned at recent start-up facilities and generally from strong European production volumes including a full year's production at facilities producing parts for the Smart car. However, these benefits were offset by a number of factors. European profits were impacted by costs incurred in connection with new program launches and the ramp up of new facilities, inefficiencies and related improvement programs, all at the Company's European seating divisions. In addition, European profits reflect consolidation costs and continued depressed Italian production volume levels, primarily on Fiat programs, which have negatively affected the Company's closure and electronic systems divisions operating in Italy. Volume levels on certain Rover programs also negatively affected operating income at certain divisions operating in the United Kingdom.

The Tier One and Two Publicly Traded Automotive Manufacturing segment generated total sales of \$1,731 million in the current period including North American and European sales of \$1,571 million and \$160 million, respectively. Sales were benefited in both markets by strong vehicle production volumes. North American sales were further benefited by the commencement of production at Decoma's new Ohio fascia facility, as well as recent acquisitions and new product launches, both by Tesma.

Magna's Tier One and Two Publicly Traded Automotive Manufacturing segment generated operating income in the current year of \$129 million and \$9 million in North America and Europe, respectively. North American operating income benefited from increased vehicle production volumes, the commencement of production at Decoma's new Ohio fascia facility and recent acquisitions and new product launches, both by Tesma.

The sales amounts in the segmented discussion above are before intersegment eliminations.

Management's Discussion and Analysis of Results of Operations and Financial Condition

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Summarized comparative consolidated cash flows for the years ended December 31, 1999 and January 31, 1999 are as follows:

	Years ended	
	December 31, 1999	January 31, 1999
<i>Cash provided from (used for):</i>		
Operating activities	\$750	\$ 634
Investment activities	(987)	(1,269)
Financing activities	400	726
Effect of exchange rate changes on cash and cash equivalents	(15)	38
Net increase in cash	\$148	\$ 129

Cash Flow from Operations

	Years ended		Change
	December 31, 1999	January 31, 1999	
Net Income	\$430	\$352	
Items not involving current cash flows	399	291	
	\$829	\$643	+29%
Investments in non-cash working capital	(79)	(9)	
Cash provided from operating activities	\$750	\$634	+18%

During the year ended December 31, 1999, cash flow from operations before changes in non-cash working capital increased by \$186 million over the comparative period to \$829 million. The increase was attributable to increases in net income of \$78 million and in other non-cash items of \$108 million including increased depreciation and amortization and minority interest expense. Cash invested in non-cash working capital during the year ended December 31, 1999 amounted to \$79 million primarily as a result of increases in receivables due to higher sales levels partially offset by increases in accounts payable and accrued liabilities. Overall cash flow from operations for the year ended December 31, 1999 was \$750 million, representing an increase of \$116 million or 18% over the comparative period.

Capital and Investment Spending

	Years ended		Change
	December 31, 1999	January 31, 1999	
Fixed assets, investments and other additions	\$(922)	\$ (900)	
Purchases of subsidiaries	(211)	(458)	
Proceeds from asset disposals	146	89	
Cash used for investing activities	\$(987)	\$(1,269)	-22%

Capital and investment spending totalled \$922 million for the year ended December 31, 1999 compared to \$900 million for the year ended January 31, 1999, reflecting higher fixed asset spending to support increased production activities, the construction of new production facilities and the expansion of existing production facilities. Purchases of subsidiaries for the year ended December 31, 1999 totalled \$211 million and included the acquisition of the remaining 40% interest in MATAG for \$45 million, Tesma's purchase of Hanwha Automotive Components Corporation for \$5 million and MEC's race track acquisitions. In the current year, MEC acquired Gulfstream Park, Thistledown, Remington Park and Golden Gate Fields as well as San Luis Rey Downs, a training track in California, for total cash consideration of \$161 million.

Financing

	Years ended		Change
	December 31, 1999	January 31, 1999	
Issues of Preferred Securities	\$274	\$ -	
Issues of subordinated debentures	104	435	
Net issues of debt	144	92	
Issues of Class A Subordinate Voting Shares	-	260	
Issues of shares by subsidiaries	1	28	
Repayment of debentures' interest obligation	(30)	(20)	
Preferred Securities distribution	(3)	-	
Dividends paid to minority interests	(3)	(3)	
Dividends	(87)	(66)	
Cash provided from financing activities	\$400	\$726	-45%

During the current period, the Company issued Cdn\$165 million of 8.65% series A preferred securities and U.S.\$170 million of 8.875% series B preferred securities (collectively, the "Preferred Securities"). The Preferred Securities mature in 2048. The Company also issued Euro100 million of 7.08% subordinated debentures, which mature in 2009. Other net issues of debt, including bank indebtedness and long-term debt, totalled \$144 million.

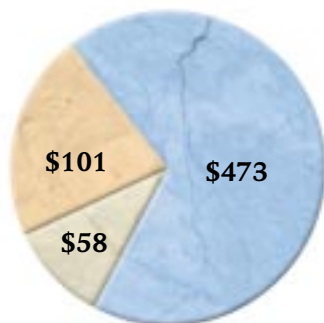
DIVIDENDS DECLARED PER SHARE



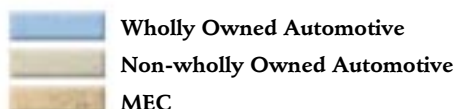
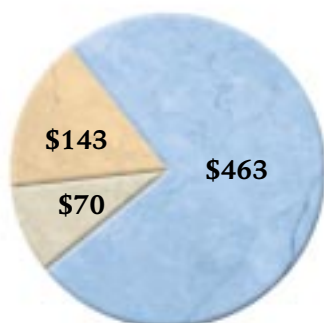
*This reflects a short two month dividend period due to the change in the Company's year end.

FINANCING RESOURCES (\$ Millions)

Cash – \$632



Unused Portion of Available Credit Facilities – \$676



The Preferred Securities are redeemable by the Company after September 2004. Upon redemption or maturity of the Preferred Securities, the Company may at its option pay the outstanding principal amount plus any accrued and unpaid interest by delivering to the Trustee Class A Subordinate Voting Shares of the Company in which event the holders of the Preferred Securities are entitled to receive a cash payment equal to the amount payable on redemption or maturity from the proceeds of sale of such Class A Subordinate Voting Shares by the Trustee on behalf of the Company.

The Company also has the right to defer, at any time, and from time to time, subject to certain conditions, payments of interest on the Preferred Securities by extending the interest payment period for up to 20 consecutive quarterly interest periods. The Company cannot pay or declare dividends on any of its capital stock when interest is being deferred. Interest continues to accrue but does not compound during such deferral periods. The Company may satisfy its obligation to pay deferred interest by delivering to the Trustee Class A Subordinate Voting Shares of the Company in which event the holders of the Preferred Securities shall be entitled to receive a cash payment equal to the deferred interest payable from the proceeds of sale of such Class A Subordinate Voting Shares by the Trustee on behalf of the Company.

The 7.08% subordinated debentures are not redeemable. Upon maturity, the Company may, at its option, satisfy the amounts payable by issuing to the debenture holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default.

As a result of the above terms, under Canadian generally accepted accounting principles ("Canadian GAAP"), the Preferred Securities are included in shareholders' equity and financing charges, net of income taxes, are accrued over time and charged directly to retained earnings. In addition, the 7.08% subordinated debentures are recorded in part as debt and in part as shareholders' equity. Interest on the debt component is accrued over time and recognized as a charge against income. Financing charges on the equity component, net of income taxes, are accrued over time and charged directly to retained earnings. In each case, financing amounts charged directly to retained earnings are deducted in arriving at net income available to Class A Subordinate Voting and Class B Shares for earnings per share computation purposes.

Dividends

	Years ended		Change
	December 31, 1999	January 31, 1999	
Dividends paid per share	\$1.11	\$0.87	+28%

Dividends paid during the current year were \$1.11 per Class A Subordinate Voting or Class B Share, totalling \$87 million. These payments relate to dividends declared in respect of the three month period ended October 31, 1998, the two month period ended December 31, 1998, and the three month periods ended March 31, June 30 and September 30, 1999. Dividends of \$0.30 per Class A Subordinate Voting Share and Class B Share were declared subsequent to the end of the year in respect of the three months ended December 31, 1999.

Financing Resources

Magna's wholly owned automotive operations had cash of \$473 million at December 31, 1999. Magna's wholly owned automotive operations also had unused and available operating and term credit facilities totalling \$463 million. The Company's non-wholly owned automotive operations and MEC had cash of \$159 million and unused and available operating and term credit facilities of \$213 million at December 31, 1999.

Capital and investment spending for existing businesses and projects, including wholly owned and non-wholly owned automotive operations and MEC, is expected to be approximately \$850 million for calendar 2000, of which approximately \$800 million relates to the automotive industry. The majority of the current period and upcoming year's automotive capital spending relates to the award of new production contracts, new production facilities, maintenance improvements and planned efficiency enhancements. Management believes Magna is in a position to meet all calendar 2000 planned cash requirements from its cash balances on hand, existing credit facilities and funds from operations. Funds from operations totalled \$750 million and \$634 million in the years ended December 31, 1999 and January 31, 1999, respectively.

Management's Discussion and Analysis of Results of Operations and Financial Condition

Foreign Currency Activities

Magna's North American operations negotiate sales contracts with North American OEMs for payment in both U.S. and Canadian dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. The North American operations use labour and materials, which are paid for in both U.S. and Canadian dollars.

Magna's European operations negotiate sales contracts with European OEMs for payment principally in the Euro, certain legacy currencies which are fixed against the Euro, and the British Pound. The European operations' material, equipment and labour are paid for principally in the Euro, certain legacy currencies and the British Pound.

Magna employs hedging programs, primarily through the use of foreign exchange forward contracts, in an effort to manage the foreign exchange exposure, which arises when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in foreign currencies. These commitments represent contractual obligations by Magna to deliver products over the duration of the product programs, which can last for a number of years. The amount and timing of the forward contracts will be dependent upon a number of factors, including anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency. Despite these measures, significant long-term fluctuations in relative currency values, in particular a significant change in the relative values of the U.S. dollar, Canadian dollar, Euro and certain legacy currencies (particularly the German Deutschmark and Austrian Schilling), or the British Pound, could affect Magna's results of operations.

ACCOUNTING POLICY CHANGES

Preproduction Costs Related to Long-term Supply Agreements

At its September 23, 1999 meeting, the United States Emerging Issues Task Force reached a consensus on Issue 99-5, "Accounting for Pre-production Costs Related to Long-term Supply Agreements". The consensus requires that design and development costs for products to be sold under long-term supply agreements should be expensed as incurred unless a contractual guarantee for reimbursement exists. The consensus also requires that design and development costs for moulds, dies and other tools that a supplier will not own and that will be used in producing the products under the long-term supply agreement should be expensed as incurred unless the supply arrangement provides the supplier the noncancelable right to use the moulds, dies and other tools during the supply arrangement.

This United States generally accepted accounting principles ("U.S. GAAP") consensus is effective for costs incurred after December 31, 1999 with an option to elect to adopt through a cumulative catch-up adjustment for costs incurred prior to January 1, 2000. For U.S. GAAP reporting purposes, the Company will comply with the provisions of the consensus by expensing all capitalized costs that will not qualify for capitalization as a cumulative catch-up adjustment in its first quarter of 2000.

Canadian GAAP does not explicitly address the types of costs referred to above. Given the above U.S. GAAP consensus, the Company will adopt, in its first quarter of 2000, a Canadian GAAP policy consistent with U.S. GAAP.

Start-up Costs

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 titled "Reporting on the Costs of Start-up Activities". This Statement of Position requires costs of start-up activities to be expensed as incurred and was adopted by the Company for U.S. GAAP reporting purposes in its year ended July 31, 1998. Under Canadian GAAP, costs incurred in establishing new facilities which require substantial time to reach commercial production capability ("start-up costs") may be capitalized. In conjunction with the change in the Company's Canadian GAAP accounting policy for preproduction costs related to long-term supply agreements described above, the Company will also adopt, in its first quarter of 2000, a Canadian GAAP policy for start-up costs that is consistent with U.S. GAAP.

These changes in the Company's Canadian GAAP accounting policies are being made to minimize future Canadian and U.S. GAAP reporting differences where possible.

Retroactive Impact

Canadian GAAP does not allow a change in accounting policy to be adopted through a cumulative catch-up adjustment. Instead, Canadian GAAP requires retroactive restatement when a change in accounting policy is made.

Based on the terms of specific supply agreements at December 31, 1999, other assets include \$91 million of costs for which customer reimbursement is expected but which do not meet the new capitalization requirements. In addition, fixed assets include \$45 million of capitalized start-up costs at December 31, 1999. Under Canadian GAAP, the retroactive impact of the changes in accounting policies described above will be as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
			1998	1997
Effect on operating income - automotive	\$ (15)	\$ (35)	\$ (45)	\$ (10)
Effect on income taxes	(4)	(12)	(16)	(4)
Effect on net income	\$ (11)	\$ (23)	\$ (29)	\$ (6)
Effect on earnings per Class A Subordinate Voting or Class B Share				
Basic	\$(0.14)	\$(0.29)	\$(0.41)	\$(0.09)
Fully diluted	\$(0.12)	\$(0.25)	\$(0.35)	\$(0.08)

CONTINGENCIES

Certain computer software and microprocessors use two digits rather than four digits and therefore may recognize a date using "00" as the year 1900 rather than the year 2000 (the "Year 2000 Issue").

Magna experienced a smooth transition into the new century, with no material impact on its manufacturing operations or its business and administrative systems due to the Year 2000 Issue. Similarly, there were no Year 2000-related issues at any of Magna's customers, suppliers or other business partners that had a material impact on the Company's operations. The total estimated cost of the Company's Year 2000 preparations is approximately \$15 million, of which \$8.5 million will be capitalized and \$6.5 million will be expensed. Of this amount, \$14 million was incurred through December 31, 1999 with the remainder to be spent in early calendar 2000.

While there are other known date events similar to the Year 2000 Issue that have not yet occurred and that could affect computer software and microprocessors, the Company believes that the measures already taken should mitigate the potential impact on its business. To the extent that there are unforeseen consequences arising from such other date events, the Company believes that these can be dealt with in the ordinary course of business and that there would not be a material adverse impact on its results of operations or financial condition. However, as with the Year 2000 Issue, there can be no assurance that measures taken by the Company will be effective and thus guarantee the success of its efforts.

From time to time the Company may be contingently liable for litigation and other claims. Refer to note 19 of the Company's consolidated financial statements.

EURO CONVERSION

On January 1, 1999, eleven member countries of the European Union established fixed conversion rates between their legacy currencies and a new currency, the "Euro". The eleven member countries have adopted the Euro as their common legal currency and no longer control their own monetary policies, which are now directed by a European Central Bank. The legacy currencies of each participating country will remain as legal tender in the participating countries as denominations of the Euro until December 31, 2001, after which time each participating country will issue new Euro-denominated currency for cash transactions. Many of Magna's automotive customers in Europe are expected to require that transactions be denominated in Euro before December 31, 2001. Where necessary, Magna's relevant systems have been modified to accommodate the Euro in addition to accommodating certain historic legacy currencies. The remaining relevant systems will be modified over the period to December 31, 2001, as necessary, in order to meet customer and other requirements. Based on the Company's current assessment, the Euro conversion and elimination of legacy currencies is not expected to have a material adverse impact on the results of operations and financial condition of Magna.

FORWARD-LOOKING STATEMENTS

The previous 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 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 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. These risks and uncertainties include, but are not limited to, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, dependence on certain vehicles and major OEM customers, currency exposure, technological developments by Magna's competitors, government and regulatory policies, changes in the competitive environment in which Magna operates and the impact of the Year 2000 Issue. Persons reading this Management's Discussion and Analysis of Results of Operations and Financial Condition 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 which could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Management's Responsibility for Financial Reporting

Magna's management is responsible for the preparation and presentation of the consolidated financial statements and all the information in this Annual Report. The consolidated financial statements were prepared by management in accordance with accounting principles generally accepted in Canada. Where alternative accounting methods exist, management has selected those it considered to be most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis designed to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this Annual Report has been prepared by management to ensure consistency with that in the consolidated financial statements. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of Magna.

Management is responsible for the development and maintenance of systems of internal accounting and administrative cost controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's Audit Committee is appointed by its Board of Directors annually and is comprised solely of outside directors. The Committee meets periodically with management, as well as with the independent auditors, to satisfy itself that each is properly discharging its responsibilities, to review the consolidated financial statements and the independent auditors' report and to discuss significant financial reporting issues and auditing matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young LLP, the independent auditors, in accordance with auditing standards generally accepted in Canada and the United States on behalf of the shareholders. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

Magna International Inc.

February 21, 2000.

Auditors' Report

To the Shareholders of **Magna International Inc.**

We have audited the consolidated balance sheets of **Magna International Inc.** as at December 31, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the year ended December 31, 1999, for the five month period ended December 31, 1998 and for the years ended July 31, 1998 and 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the year ended December 31, 1999, for the five month period ended December 31, 1998 and for the years ended July 31, 1998 and 1997 in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Toronto, Canada,
February 21, 2000.

Ernst & Young LLP
Chartered Accountants

*[Except as to Note 22
which is as of
March 17, 2000]*

Significant Accounting Policies

Basis of Presentation

Magna International Inc. changed its fiscal year end from July 31 to December 31, effective December 31, 1998.

The revenues and expenses of the Company's recently established non-automotive group, Magna Entertainment Corp. ["MEC"], have been separately presented in the consolidated statement of income for the year ended December 31, 1999. Prior to the year ended December 31, 1999, MEC revenues and expenses were not significant.

The consolidated financial statements have been prepared in U.S. dollars following accounting principles generally accepted in Canada ["Canadian GAAP"], which are in conformity, in all material respects, with accounting principles generally accepted in the United States ["U.S. GAAP"], except as described in note 21 to the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Magna International Inc. and its subsidiaries [collectively "Magna" or the "Company"], some of which have a minority interest. The Company accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany balances and transactions have been eliminated.

Reporting Currency

In order to more fully reflect the global nature of the Company's business and to improve investors' ability to compare the Company's results with those of most other publicly traded businesses in the automotive industry, the U.S. dollar was adopted as the Company's reporting currency effective December 31, 1998. In accordance with accounting principles generally accepted in Canada, for periods up to and including December 31, 1998, the consolidated financial statements and notes thereto were restated in U.S. dollars using the December 31, 1998 exchange rate of Cdn\$1.5305 per U.S.\$1.00. The functional currencies of each of the Company's operations were unchanged.

For periods up to and including December 31, 1998, the assets and liabilities of the Company's operations having a functional currency other than the Canadian dollar were translated into Canadian dollars using the exchange rate in effect at the period end and revenues and expenses were translated at the average rate during the period. Exchange gains or losses on translation of the Company's net equity investment in these operations were deferred as a separate component of shareholders' equity.

For years after December 31, 1998, the assets and liabilities of the Company's operations having a functional currency other than the U.S. dollar are translated into U.S. dollars using the exchange rate in effect at the year end and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as a separate component of shareholders' equity.

The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction in the Company's net investment in the operations that gave rise to such exchange gains and losses.

Foreign exchange gains and losses on transactions occurring in a currency other than an operation's functional currency are reflected in income except for gains and losses on foreign exchange contracts used to hedge specific future commitments in foreign currencies. Gains and losses on these contracts are accounted for as a component of the related hedged transaction. Gains and losses on translation of foreign currency long-term monetary liabilities are deferred and amortized over the period to maturity.

Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and short-term investments with remaining maturities of less than three months at acquisition and excludes outstanding cheques, which are classified as accounts payable.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead.

Investments

The Company accounts for its investments in which it has significant influence on the equity basis.

Fixed Assets

Fixed assets are recorded at historical cost which includes acquisition and development costs. Development costs include direct construction costs, interest capitalized on construction in progress and land under development and indirect costs wholly attributable to development.

Depreciation is provided on a straight-line basis over the estimated useful lives of fixed assets at annual rates of 2 1/2% to 5% for buildings, 7% to 10% for general purpose equipment and 10% to 30% for special purpose equipment.

Costs incurred in establishing new facilities which require substantial time to reach commercial production capability are capitalized as deferred preproduction costs. Amortization is provided generally over periods up to five years from the date commercial production is achieved [see note 20].

Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary companies over the fair value of the underlying net identifiable assets arising on acquisitions. Goodwill is generally amortized over 20 years and in all cases amortization does not exceed 40 years. The Company reviews the valuation and amortization periods of goodwill whenever events or changes in circumstances warrant such a review. In doing so, the Company evaluates whether there has been a permanent impairment in the value of unamortized goodwill based on the estimated undiscounted cash flows of each business to which the goodwill relates.

Subordinated Debentures

The Company's subordinated debentures are recorded in part as debt and in part as shareholders' equity.

The debt component consists of the present value of the future interest payments on the subordinated debentures to maturity and is presented as debentures' interest obligation. Interest on the debt component is accrued over time and recognized as a charge against income.

The equity component includes the present value of the principal amount of the subordinated debentures which can be satisfied by issuing Class A Subordinate Voting Shares of the Company at the option of the Company. This amount will be accreted to the face value of the subordinated debentures over the term to maturity through periodic charges, net of income taxes, to retained earnings.

Significant Accounting Policies

In addition, in the case of the convertible subordinated debentures, the equity component also includes the value of the holders' option to convert the convertible subordinated debentures into Class A Subordinate Voting Shares of the Company. The holders' conversion options are valued using a residual value approach.

Each of the above equity components are included in other paid-in capital in shareholders' equity.

Preferred Securities

Preferred Securities are included in shareholders' equity and financing charges, net of income taxes, on the Preferred Securities are accrued over time and charged directly to retained earnings.

Revenue Recognition

Revenue from the sale of manufactured products is recognized upon shipment to customers.

Government Financing

The Company makes periodic applications for financial assistance under available government assistance programs in the various jurisdictions in which the Company operates. Grants relating to capital expenditures are reflected as a reduction of the cost of the related assets. Grants and tax credits relating to current operating expenditures are recorded as a reduction of expense at the time the eligible expenses are incurred. The Company also receives loans which are recorded as liabilities in amounts equal to the cash received.

Research and Development

The Company carries on various applied research and development programs, certain of which are partially or fully funded by governments or by customers of the Company. Funding received is accounted for using the cost reduction approach. Research costs are expensed as incurred and development costs which meet certain criteria where future benefit is reasonably certain or which will be reimbursed by customers are deferred to the extent of their estimated recovery [see note 20].

Income Taxes

In the year ended July 31, 1998, the Company adopted the liability method of tax allocation for accounting for income taxes as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

Stock-based Compensation

No compensation expense is recognized for stock options granted under the Company's Incentive Stock Option Plan. Consideration paid by employees and senior officers on the exercise of stock options is credited to capital stock.

Earnings Per Class A Subordinate Voting or Class B Share

Basic earnings per Class A Subordinate Voting or Class B Share are calculated on net income less financing charges on Preferred Securities and other paid-in capital using the weighted average number of Class A Subordinate Voting and Class B Shares outstanding during the year.

Fully diluted earnings per Class A Subordinate Voting or Class B Share are calculated on the weighted average number of Class A Subordinate Voting and Class B Shares that would have been outstanding during the year had all the dilutive options and convertible subordinated debentures been exercised or converted into Class A Subordinate Voting Shares at the beginning of the year, or date of issuance, if later. The earnings applicable to the Class A Subordinate Voting and Class B Shares are increased by the amount of interest, net of applicable taxes, that would have been earned on funds received due to the exercise of the options and by the amount of financing costs, net of applicable taxes, that would have been eliminated due to the conversion of the convertible subordinated debentures.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in the consolidated financial statements. Actual results could differ from those estimates.

Consolidated Statements of Income and Retained Earnings

[U.S. dollars in millions, except per share figures]

	Note	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
				1998	1997
Sales:					
Automotive		\$9,260	\$3,396	\$6,006	\$5,024
Magna Entertainment Corp.		99			
		9,359	3,396	6,006	5,024
Automotive costs and expenses:					
Cost of goods sold		7,622	2,833	4,955	4,160
Depreciation and amortization		354	126	200	152
Selling, general and administrative		607	229	404	314
Interest expense (income), net	6	16	(1)	(2)	(10)
Equity income		(17)	(6)	(15)	(21)
Magna Entertainment Corp. costs and expenses		95			
Operating income – automotive		678	215	464	429
Operating income – Magna Entertainment Corp.		4			
Other income	13, 14			35	124
Income before income taxes and minority interest		682	215	499	553
Income taxes	5, 20	233	73	161	152
Minority interest		19	5	8	9
Net income	20	\$ 430	\$ 137	\$ 330	\$ 392
Financing charges on Preferred Securities and other paid-in capital					
		\$ (31)	\$ (10)	\$ (19)	\$ (13)
Net income available to Class A Subordinate Voting and Class B Shareholders					
		399	127	311	379
Retained earnings, beginning of period					
		1,202	1,108	850	523
Dividends on Class A Subordinate Voting and Class B Shares					
		(70)	(33)	(61)	(52)
Cumulative adjustment for change in accounting policy	5			8	
Retained earnings, end of period		\$1,531	\$1,202	\$1,108	\$ 850
Earnings per Class A Subordinate Voting or Class B Share:					
Basic	20	\$ 5.08	\$ 1.62	\$ 4.34	\$ 5.41
Fully diluted	20	\$ 4.75	\$ 1.55	\$ 4.07	\$ 5.07
Cash dividends paid per Class A Subordinate Voting or Class B Share					
		\$ 1.11	\$ 0.22	\$ 0.84	\$ 0.74
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period [in millions]:					
Basic		78.5	78.4	71.9	70.4
Fully diluted		91.8	91.3	83.7	79.3

See accompanying notes

Consolidated Statements of Cash Flows

[U.S. dollars in millions]

	Note	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
				1998	1997
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income		\$430	\$137	\$330	\$392
Items not involving current cash flows	16	399	144	203	57
		829	281	533	449
Changes in non-cash working capital	16	(79)	(97)	(121)	19
		750	184	412	468
INVESTMENT ACTIVITIES					
Fixed asset additions		(873)	(383)	(659)	(471)
Purchase of subsidiaries	2	(211)	(145)	(427)	(230)
Increase in investments and other		(49)	(43)	(100)	(32)
Proceeds from disposition of investments and other	13,14	146	24	172	256
		(987)	(547)	(1,014)	(477)
FINANCING ACTIVITIES					
Issues of Preferred Securities	7	274			
Issues of subordinated debentures	7	104		435	
Issues of debt	6	217	209	66	38
Issues of Class A Subordinate Voting Shares	9			260	
Issues of shares by subsidiaries	14	1		29	45
Repayments of debt	6	(73)	(15)	(68)	(118)
Repayments of debentures' interest obligation	7	(30)	(12)	(15)	(14)
Preferred Securities distribution	7	(3)			
Dividends paid to minority interests		(3)	(1)	(1)	(5)
Dividends		(87)	(17)	(60)	(52)
		400	164	646	(106)
Effect of exchange rate changes on cash and cash equivalents		(15)	16	49	(23)
Net increase (decrease) in cash and cash equivalents during the period		148	(183)	93	(138)
Cash and cash equivalents, beginning of period		484	667	574	712
Cash and cash equivalents, end of period		\$632	\$484	\$667	\$574

See accompanying notes

[U.S. dollars in millions]


As at December 31,

	Note	1999	1998
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 632	\$ 484
Accounts receivable	18	1,584	1,452
Inventories	3	672	681
Prepaid expenses and other		46	54
		2,934	2,671
Investments	8, 18	89	106
Fixed assets, net	4	3,543	2,873
Goodwill, net	2	267	306
Future tax assets	5	93	68
Other assets	20	272	209
		\$7,198	\$6,233
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank indebtedness	6	\$ 339	\$ 262
Accounts payable		1,391	1,281
Accrued salaries and wages		202	237
Other accrued liabilities		213	244
Income taxes payable	5	56	41
Long-term debt due within one year	6	70	42
		2,271	2,107
Long-term debt	6	253	205
Debentures' interest obligation	7	208	181
Other long-term liabilities	8	85	89
Future tax liabilities	5	233	123
Minority interest	2	124	117
Shareholders' equity:			
Capital stock	9		
Class A Subordinate Voting Shares			
[issued: 1999 – 77,438,465; 1998 – 77,256,183]		1,441	1,430
Class B Shares			
[convertible into Class A Subordinate Voting Shares]			
[issued: 1999 – 1,097,909; 1998 – 1,098,109]		1	1
Preferred Securities	7	277	
Other paid-in capital	7	689	599
Retained earnings	5, 15	1,531	1,202
Currency translation adjustment	11	85	179
		4,024	3,411
		\$7,198	\$6,233

Commitments and contingencies [notes 6 and 19]

See accompanying notes

On behalf of the Board:


Donald Resnick
Director


Frank Stronach
Chairman of the Board

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Company are set out under "Significant Accounting Policies" preceding these consolidated financial statements.

2. BUSINESS ACQUISITIONS

The following acquisitions were accounted for using the purchase method:

Acquisitions in the year ended December 31, 1999

MATAG

In September 1999, the remaining 40% minority interest in Magna Automobiltechnik AG ["MATAG"] was purchased by the Company for total cash consideration of \$44.6 million.

HACC

In January 1999, the Company completed the acquisition of 100% of the outstanding shares of Hanwha Automotive Components Corporation ["HACC"], a South Korean based manufacturer of oil and water pump systems, for cash consideration of \$5.2 million [net of cash acquired of \$2.6 million].

MEC

During the year ended December 31, 1999, MEC completed the acquisition of five racetracks. In May 1999, the real estate assets of San Luis Rey Downs, a horse boarding and training center in California, were acquired for cash consideration of \$6.4 million. In September 1999, MEC acquired Gulfstream Park in Florida for cash consideration of \$81.2 million [net of cash acquired of \$8.0 million]. In November 1999, MEC acquired the Thistledown and Remington Park racetracks in Ohio and Oklahoma, respectively, for total consideration of \$18.7 million [net of cash acquired of \$5.8 million]. Finally, in December 1999, the acquisition of Golden Gate Fields in California was completed for total consideration of \$83.4 million [net of cash acquired of \$1.2 million]. Of the total consideration, \$160.9 million was paid in cash, \$11.5 million was paid through the issuance of shares of MEC and the balance was satisfied by way of a non-interest bearing promissory note having a discounted value of \$17.3 million.

The effect of these acquisitions on the Company's consolidated balance sheet was as follows:

Non-cash working capital	\$ (13)
Fixed assets	220
Goodwill	21
Other assets	102
Bank indebtedness	(6)
Long-term debt [including portion due within one year]	(23)
Future taxes	(85)
Minority interest	23
Total purchase price [net of cash acquired]	\$239

Comprised of:

Cash	\$211
Long-term debt [including portion due within one year]	17
MEC shares [representing minority interest to Magna]	11
	\$239

Acquisitions in the five month period ended December 31, 1998

Steyr

During the five month period ended December 31, 1998, the remaining 6% minority interest in Steyr-Daimler-Puch AG ["SDP"] was purchased by the Company for total cash consideration of \$17 million.

Santa Anita

During December 1998, MEC completed the acquisition of the Santa Anita racetrack and approximately 305 acres of related real estate for \$126 million.

Summary of acquisitions in the five month period ended December 31, 1998

Consideration paid for acquisitions, including the transactions described above, consisted of cash consideration of \$145 million. The net effect on the Company's consolidated balance sheet was a decrease in net working capital of \$1 million, increases in fixed and other assets of \$129 million, an increase in goodwill of \$4 million and a decrease in minority interest of \$13 million.

Acquisitions in the year ended July 31, 1998

Decomex

In August 1997, the Company acquired 70% of Decomex Inc. ["Decomex"] for cash consideration of \$18 million. Decomex was formed to purchase the operations and assets of Moldes Para Plastico Ayareb, S.A. de C.V., a Mexican based manufacturer of fascias, grilles and other exterior appearance components.

YMOS

In November 1997, the Company acquired the operations of the YMOS Automotive Group ["YMOS"], a European based manufacturer of exterior and interior components, for cash consideration of \$95 million.

Roltra Morse

In February 1998, all of the outstanding share capital of Roltra Morse S.p.A. ["Roltra Morse"] was acquired by the Company for cash consideration of \$28 million. Roltra Morse is a European and South American based supplier of automotive latches, window regulators, cable systems, door modules and gear shift mechanisms.

Paulisch

In March 1998, the Company purchased all the outstanding share capital and limited partnership interests of Paulisch GmbH & Co. KG ["Paulisch"] for cash consideration of \$17 million. Paulisch manufactures complete seats, seat frames and other seating components for the European automotive industry.

TRIAM

In May 1998, the Company acquired all the outstanding share capital of TRIAM Automotive Inc. ["TRIAM"], a North American based manufacturer of automotive components. Consideration amounted to \$51 million and consisted of cash and the issuance of 629,887 Class A Subordinate Voting Shares of the Company.

Steyr

In June 1998, the Company initially acquired a 66.8% share interest in SDP and the 50% interest in Steyr-Daimler-Puch Fahrzeugtechnik AG & Co. KG not held by SDP [collectively "Steyr"]. Subsequent to the initial acquisition, an additional 27.2% share interest in SDP was purchased. The total cash consideration paid for these transactions was \$248 million [net of cash acquired of \$127 million]. Steyr, an Austrian based company, assembles complete vehicles for OEMs, provides vehicle engineering services and produces a variety of components, including 4-wheel drive transmission systems, for the European automotive industry. SDP also owns businesses outside the Company's core automotive systems operations, certain of which will be sold. Business units to be sold are not significant to the Company. During the year ended December 31, 1999, the Company sold one of these businesses and wound down the operations of a second business. No gains or losses arose on these transactions. The Company anticipates completing the sale of the only remaining non-core business unit in 2000 and expects no significant gain or loss to arise.

Summary of acquisitions in the year ended July 31, 1998

Consideration paid for acquisitions, including the transactions described above, consisted of cash and share consideration of \$471 million. The net effect on the Company's consolidated balance sheet was a decrease in net working capital of \$8 million and increases in fixed assets of \$604 million, goodwill of \$119 million, debt of \$247 million, future tax assets of \$22 million and minority interest of \$19 million.

Acquisitions in the year ended July 31, 1997**D&L**

In October 1996, the Company acquired all of the common shares of Douglas & Lomason Company ["D&L"], a U.S. based manufacturer of seating systems, seat frames, seat mechanisms, other seating components and soft tops, for cash consideration of \$119 million.

Caradon Automotive Components Group

In December 1996, the Company acquired the Caradon Automotive Components Group, a U.K. based manufacturer of exterior components, for cash consideration of \$29 million.

Atoma

The remaining minority interest in Atoma International Inc. ["Atoma"] was acquired for a purchase price of \$76 million. The purchase price was satisfied by the issuance of 1,572,911 Class A Subordinate Voting Shares of the Company and the transfer of 99,397 Series 1 Preferred Shares of a subsidiary of the Company, Tesma International Inc. ["Tesma"], that were owned by the Company.

GNG

In May 1997, the Company acquired all of the outstanding share capital of Georg Naher GmbH ["GNG"], a European based manufacturer of trunk linings, interior panels and multi-functional carpet and sound insulation systems, for cash consideration of \$32 million.

Tricom

In May 1997, the Company acquired all of the outstanding share capital of Tricom Group Holdings Limited ["Tricom"], a U.K. based company which designs, engineers and manufactures complete seats, seat frames and other seating components, for cash consideration of \$46 million.

Summary of acquisitions in the year ended July 31, 1997

Consideration paid for acquisitions, including the transactions described above, consisted of cash and share consideration of \$305 million. The net effect on the Company's consolidated balance sheet were increases in net working capital of \$26 million, fixed assets of \$179 million, goodwill of \$141 million, debt of \$81 million and future tax liabilities of \$6 million and a decrease in minority interest of \$46 million.

Pro-forma Impact

If the acquisitions and disposals completed during the year ended December 31, 1999 and the five month period ended December 31, 1998 had occurred on August 1, 1998, the Company's unaudited pro-forma consolidated sales would have been \$9.5 billion for the year ended December 31, 1999 [for the five month period ended December 31, 1998 - \$3.4 billion] and net income of the Company would have been \$436 million [for the five month period ended December 31, 1998 - \$129 million].

3. INVENTORIES

Inventories consist of:

	December 31,	
	1999	1998
Raw materials and supplies	\$ 225	\$ 239
Work-in-process	110	108
Finished goods	113	131
Tooling and other	224	203
	\$ 672	\$ 681

4. FIXED ASSETS

Fixed assets consist of:

	December 31,	
	1999	1998
Cost		
Land	\$ 526	\$ 381
Buildings	1,188	851
Machinery and equipment	3,077	2,550
	4,791	3,782
Accumulated depreciation		
Buildings	(235)	(128)
Machinery and equipment	(1,058)	(812)
	3,498	2,842
Deferred preproduction costs [see note 20]	45	31
	\$3,543	\$2,873

Included in fixed assets are real estate assets [land and buildings] held by MEC with a net book value at December 31, 1999 of \$545 million. This amount includes properties available for sale with a net book value at December 31, 1999 of \$80 million. Depreciation has ceased on these properties. Properties available for sale are valued at the lower of cost, which includes acquisition and development costs, and fair value less costs of disposal. The Company evaluates the lower of cost and fair value whenever events or changes in circumstance indicate possible impairment.

Included in the cost of fixed assets are construction in progress expenditures of \$225 million [December 31, 1998 - \$385 million].

5. INCOME TAXES

[a] In the year ended July 31, 1998, the Company adopted the liability method of tax allocation for accounting for income taxes. The consolidated financial statements for periods prior to the year ended July 31, 1998 have not been restated. The cumulative effect, as at August 1, 1997, of adopting these recommendations was a reduction in future tax liabilities and an increase in retained earnings of \$8 million. There was no material impact on net income in the year of adoption.

Notes to Consolidated Financial Statements

- [b] The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates as a result of the following:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
			1998	1997
Canadian statutory income tax rate	44.6%	44.6%	44.6%	44.6%
Manufacturing and processing profits deduction	(5.8)	(5.9)	(4.6)	(4.2)
Foreign rate differentials	(4.5)	(4.6)	(4.2)	(4.0)
Earnings of equity investees	(1.1)	(1.0)	(1.1)	(1.3)
Gains on sale and issues of shares by subsidiaries			(2.1)	(6.5)
Other	1.0	0.9	(0.5)	(1.1)
Effective income tax rate	34.2%	34.0%	32.3%	27.5%

- [c] The details of income before income taxes and minority interest by jurisdiction are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
			1998	1997
Canadian	\$491	\$161	\$348	\$353
Foreign	191	54	151	200
	\$682	\$215	\$499	\$553

- [d] The details of the income tax provision are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
			1998	1997
Current provision:				
Canadian federal taxes	\$103	\$ 39	\$ 69	\$ 76
Provincial taxes	62	23	42	44
Foreign taxes	80	7	39	26
	245	69	150	146
Future provision:				
Canadian federal taxes	9	(1)	8	1
Provincial taxes	6	(1)	5	2
Foreign taxes	(27)	6	(2)	3
	(12)	4	11	6
	\$233	\$ 73	\$161	\$152

- [e] Future income taxes have been provided on temporary and timing differences which consist of the following:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31,	
			1998	1997
Tax depreciation in excess of book depreciation	\$ 16	\$ 6	\$ 17	\$ 7
Costs capitalized for accounting	5	8	7	7
Tax losses benefited	(27)	(10)	(17)	(7)
Other	(6)		4	(1)
	\$ (12)	\$ 4	\$ 11	\$ 6

- [f] Future tax assets and liabilities consist of the following temporary differences:

	December 31,	
	1999	1998
Assets:		
Tax benefit of loss carryforwards		
Pre-acquisition	\$ 24	\$ 40
Post acquisition	99	71
Share and convertible subordinated debenture issue costs	6	6
	129	117
Valuation allowance against tax benefit of loss carryforwards		
Pre-acquisition	(21)	(37)
Post acquisition	(15)	(12)
	93	68
Liabilities:		
Tax depreciation in excess of book depreciation	179	106
Other assets book value in excess of tax value	41	
Other	13	17
	233	123
Net future income taxes	\$140	\$ 55

- [g] Income taxes paid in cash were \$192 million for the year ended December 31, 1999 [for the five month period ended December 31, 1998 - \$79 million; for the years ended July 31, 1998 - \$119 million, and July 31, 1997 - \$103 million].

- [h] At December 31, 1999, the Company has income tax loss carryforwards of approximately \$99 million which relate to certain foreign subsidiaries, including \$63 million of losses obtained on acquisitions, the tax benefits of which have not been recognized in the consolidated financial statements. Of the total losses, \$92 million expire between 2000 and 2006 and the remainder have no expiry date.

- [i] Consolidated retained earnings include approximately \$616 million at December 31, 1999 of undistributed earnings of foreign subsidiaries that may be subject to tax if remitted to the Canadian parent company. No provision has been made for such taxes as these earnings are considered to be reinvested on a long-term basis.

6. DEBT AND COMMITMENTS

- [a] The Company's long-term debt, which is substantially unsecured, consists of the following:

	December 31,	
	1999	1998
Loans from governments with a weighted average interest rate of approximately 3%, denominated primarily in Euros	\$107	\$ 141
Bank term debt at a weighted average interest rate of approximately 6%, denominated primarily in Euros	129	84
Other	87	22
	323	247
Less due within one year	70	42
	\$253	\$ 205

- [b] Future principal repayments on long-term debt are estimated to be as follows:

2000	\$ 70
2001	59
2002	30
2003	19
2004	16
Thereafter	129
	\$ 323

[c] At December 31, 1999, the Company had operating lines of credit totalling \$981 million and term lines of credit totalling \$447 million. The Company had outstanding letters of credit in the amount of \$90 million drawn under its operating lines of credit. In addition to cash resources of \$632 million, the Company had unused and available operating lines of credit of approximately \$552 million and term lines of credit of approximately \$124 million.

[d] Under the terms of the Company's operating and term credit agreements, it is permitted to make use of bankers' acceptances and commercial paper to borrow at effective interest rates which are, from time to time, lower than those charged under the bank lines of credit.

[e] Net interest expense (income) includes:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Interest expense				
Current	\$22	\$ 5	\$ 9	\$ 3
Long-term	28	9	19	15
	50	14	28	18
Less: Interest capitalized	(7)	(3)	(4)	(5)
	43	11	24	13
Interest income	(27)	(12)	(26)	(23)
Net interest expense (income)	\$16	\$(1)	\$(2)	\$(10)

[f] At December 31, 1999, the Company had commitments under operating leases requiring annual rental payments as follows:

2000	\$ 62
2001	53
2002	47
2003	41
2004	35
Thereafter	144
	<u>\$382</u>

For the year ended December 31, 1999, operating lease expense amounted to approximately \$59 million [for the five month period ended December 31, 1998 - \$29 million; for the years ended July 31, 1998 - \$46 million, and July 31, 1997 - \$35 million].

7. SUBORDINATED DEBENTURES AND PREFERRED SECURITIES

[a] The Company's subordinated debentures and Preferred Securities are presented in the consolidated balance sheets as follows:

	December 31,	
	1999	1998
Debentures' interest obligation	\$208	\$181
Shareholders' equity:		
Other paid-in capital		
Present value of the face amount of the subordinated debentures	\$617	\$526
Holders' conversion options	79	79
Issue costs related to equity components	(7)	(6)
Total included in other paid-in capital	689	599
Preferred Securities, net of issue costs	277	
Total included in shareholders' equity	\$966	\$599

[b] The following is a summary of the subordinated debentures and Preferred Securities:

7.08% Subordinated Debentures

On September 21, 1999, the Company issued Euros 100 million [\$104 million on issue date] of 7.08% junior subordinated debentures at par. The unsecured subordinated debentures, which are denominated in Euros, mature on September 30, 2009.

The debentures are not redeemable except in the event of certain adverse changes in tax legislation. Upon maturity, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default.

4.875% Convertible Subordinated Debentures

On February 13, 1998, the Company issued \$480 million of 4.875% convertible subordinated debentures at par. The unsecured debentures, which are denominated in U.S. dollars, are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of \$76.17 per share [see note 22] and mature on February 15, 2005. The debentures are redeemable after February 16, 2001 or at any time in the event of certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At December 31, 1999, all debentures remained outstanding.

5% Convertible Subordinated Debentures

On October 17, 1995, the Company issued \$345 million of 5% convertible subordinated debentures at par. The unsecured debentures, which are denominated in U.S. dollars, are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of \$54.40 per share [see note 22] and mature on October 15, 2002. The debentures are redeemable after October 14, 1998 or at any time in the event of certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At December 31, 1999, there were debentures with a face value of \$344.5 million outstanding [December 31, 1998 - \$344.5 million].

7.25% Convertible Unsecured Subordinated Debentures

In July 1998, all of the outstanding 7.25% convertible unsecured subordinated debentures, which were to mature on July 5, 2005, were retired primarily in exchange for Class A Subordinate Voting Shares at a conversion price of Cdn\$60.25 per share.

8.65% Series A Preferred Securities and 8.875% Series B Preferred Securities

On September 21, 1999, the Company issued Cdn\$165 million [\$114 million on issue date] of 8.65% Series A Preferred Securities due September 30, 2048 and \$170 million 8.875% Series B Preferred Securities due September 21, 2048. The Series A Preferred Securities, which are denominated in Canadian dollars, and the Series B Preferred Securities, which are denominated in U.S. dollars, are redeemable on or after September 30, 2004 and September 21, 2004, respectively, or in each case at any time in the event of certain adverse changes in tax legislation. Hereafter, the Series A and B Preferred Securities are collectively referred to as the Preferred Securities.

Notes to Consolidated Financial Statements

Upon redemption or maturity of the Preferred Securities, the Company may at its option pay the outstanding principal amount plus any accrued and unpaid interest by delivering to the Trustee Class A Subordinate Voting Shares of the Company in which event the holders of the Preferred Securities shall be entitled to receive a cash payment equal to the amount payable on redemption or maturity from the proceeds of sale of such Class A Subordinate Voting Shares by the Trustee on behalf of the Company.

The Company also has the right to defer, at any time, and from time to time, subject to certain conditions, payments of interest on the Preferred Securities by extending the interest payment period for up to 20 consecutive quarterly interest periods.

The Company cannot pay or declare dividends on any of its capital stock when interest is being deferred. Interest continues to accrue but does not compound during such deferral periods. The Company may satisfy its obligation to pay deferred interest by delivering to the Trustee Class A Subordinate Voting Shares of the Company in which event the holders of the Preferred Securities shall be entitled to receive a cash payment equal to the deferred interest payable from the proceeds of sale of such Class A Subordinate Voting Shares by the Trustee on behalf of the Company.

The Preferred Securities are unsecured junior subordinated debentures of the Company.

- [c] Fully diluted earnings per share as presented in the consolidated statements of income and retained earnings is calculated based on the number of Class A Subordinate Voting Shares that would be issued if holders of the Company's convertible subordinated debentures exercised their conversion options.

Canadian GAAP also requires disclosure of supplementary fully diluted earnings per share if such amount is lower than fully diluted earnings per share. Supplementary fully diluted earnings per share is calculated based on the number of Class A Subordinate Voting Shares that would be issued in settling the principal amount of the Company's subordinate debentures and Preferred Securities using the Company's share settlement options on redemption or maturity. The number of Class A Subordinate Voting Shares is determined based on the market price of Class A Subordinate Voting Shares at the consolidated balance sheet date. Supplementary fully diluted earnings per share is \$4.36 for the year ended December 31, 1999.

8. EMPLOYEE BENEFIT PLANS

Pursuant to labour laws and national labour agreements in certain European countries, the Company is obligated to provide lump sum termination payments to employees on retirement or involuntary termination, and long service payments contingent upon persons reaching a predefined number of years of service.

In addition, a limited number of the Company's European subsidiaries sponsor defined benefit pension and similar arrangements for their employees.

All Austrian lump sum termination and long service payment arrangements and substantially all European defined benefit pension plan and similar arrangements are unfunded. However, certain Austrian subsidiaries hold long-term government securities in connection with their unfunded obligations. Such assets amounted to \$25 million and \$27 million at December 31, 1999 and 1998, respectively, and are included in Investments in the Company's consolidated balance sheets.

Substantially all of the net pension obligation recognized in the Company's consolidated balance sheets arose through the acquisition of Steyr in June 1998.

In addition, through the acquisition of Santa Anita in December 1998, the Company assumed responsibility for a defined benefit pension plan.

Prior to the Steyr and Santa Anita acquisitions, the Company did not sponsor any substantial defined benefit pension plan or similar arrangements. Accordingly, a reconciliation of the projected benefit obligation, plan assets, funded status and the components of net periodic benefit cost has not been provided for periods prior to the five month period ended December 31, 1998.

The cost of benefits earned by employees under all of the above arrangements is actuarially determined using the projected benefit method pro rated on service and management's best estimate of compensation increases, retirement ages of employees, future termination levels and expected returns on plan assets.

The significant actuarial assumptions adopted in measuring the Company's projected benefit obligations are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998
Discount rate		5.5% to 6.0%
Rate of compensation increase		2.5% to 3.5%
Expected return on plan assets		8.0%
Projected benefit obligation		
Beginning of period	\$123	\$107
Current service and interest costs	9	6
Actuarial losses and changes in actuarial assumptions	3	1
Benefits paid	(3)	(2)
Acquisitions	1	7
Currency translation	(11)	4
End of period	\$122	\$123
Plan assets at fair value		
Beginning of period	\$ 34	\$ 26
Acquisitions		6
Return on plan assets	2	1
Employer contributions	2	1
Currency translation	(1)	
End of period	\$ 37	\$ 34
Unfunded amount	\$ 86	\$ 89
Unrecognized actuarial losses	(1)	
Net amount recognized in the consolidated balance sheets	\$ 85	\$ 89
Net periodic benefit cost		
Current service and interest costs	\$ 9	\$ 6
Expected return on plan assets	(2)	(1)
Actuarial losses	2	1
	\$ 9	\$ 6

9. CAPITAL STOCK

- [a] The Company's authorized, issued and outstanding capital stock is as follows:

Preference shares - issuable in series -

The Company's authorized capital stock includes 99,760,000 preference shares, issuable in series. None of these shares are currently issued or outstanding.

Class A Subordinate Voting Shares and Class B Shares -

Class A Subordinate Voting Shares without par value [unlimited amount authorized] have the following attributes:

- [i] Each share is entitled to one vote per share at all meetings of shareholders.

- [ii] Each share shall participate equally as to dividends with each Class B Share.

Class B Shares without par value [authorized - 1,412,341] have the following attributes:

- [i] Each share is entitled to 500 votes per share at all meetings of shareholders.

[ii] Each share shall participate equally as to dividends with each Class A Subordinate Voting Share.

[iii] Each share may be converted at any time into a fully-paid Class A Subordinate Voting Share on a one-for-one basis.

In the event that either the Class A Subordinate Voting Shares or the Class B Shares are subdivided or consolidated, the other class shall be similarly changed to preserve the relative position of each class.

[b] Changes in the Class A Subordinate Voting Shares and Class B Shares for the year ended December 31, 1999, for the five month period ended December 31, 1998, and for the years ended July 31, 1998 and 1997 are shown in the following table [number of shares in the following table are expressed in whole numbers and have not been rounded to the nearest million]:

	Class A		Class B	
	Subordinate Voting Number of shares	Stated value	Number of shares	Stated value
Issued and outstanding at July 31, 1996	68,506,610	\$ 956	1,098,309	\$ 1
Issued for cash under the 1987 Incentive Stock Option Plan	3,500			
Issued under the Dividend Reinvestment Plan	1,533			
Issued on acquisition of a subsidiary	1,572,911	68		
Issued and outstanding at July 31, 1997	70,084,554	1,024	1,098,309	1
Issued for cash under the 1987 Incentive Stock Option Plan	16,100	1		
Issued under the Dividend Reinvestment Plan	5,498			
Conversion of 5% convertible subordinated debentures	7,513			
Issued on acquisition of a subsidiary	629,887	44		
Issued for cash	4,025,000	263		
Conversion of 7.25% convertible subordinated debentures	2,484,968	98		
Issued and outstanding at July 31, 1998	77,253,520	1,430	1,098,309	1
Conversion of Class B Shares to Class A Subordinate Voting Shares	200		(200)	
Conversion of 5% convertible subordinated debentures	1,578			
Issued under the Dividend Reinvestment Plan	885			
Issued and outstanding at December 31, 1998	77,256,183	1,430	1,098,109	1
Conversion of Class B Shares to Class A Subordinate Voting Shares	200		(200)	
Issued to fund Employee Equity and Profit Participation Plan ["EPSP"] contributions	170,000	10		
Issued for cash under the 1987 Incentive Stock Option Plan	8,000	1		
Issued under the Dividend Reinvestment Plan	3,807			
Conversion of 5% convertible subordinated debentures	275			
Issued and outstanding at December 31, 1999	77,438,465	\$1,441	1,097,909	\$1

[c] Under the 1987 Incentive Stock Option Plan originally approved by the shareholders in December 1987, as amended and subsequently approved by the shareholders in December 1995, the Company may grant options to purchase Class A Subordinate Voting Shares to full-time employees or senior officers of the Company. The maximum number of shares that can be reserved for issuance under the plan is 6.0 million shares. The number of unoptioned shares available to be reserved at December 31, 1999 was 4.2 million [December 31, 1998 – 5.7 million]. All options granted are for a term of ten years from the grant date. For periods up to and including December 31, 1998, options vested 12¹/₂% on the date of the grant and 12¹/₂% on July 31 in each of the following seven years. The current year options vest 20% on the date of the grant and 20% on December 31 in each of the following four years. All options allow the holder to purchase Class A Subordinate Voting Shares at a price equal to or greater than the market price of such shares at the date of the grant.

The following is a continuity schedule of options outstanding [number of options in the table below are expressed in whole numbers and have not been rounded to the nearest million]:

	Options outstanding		Number of options exercisable
	Number of options	Weighted average exercise price	
Outstanding at July 31, 1996	100,000	Cdn\$62.75	12,500
Exercised	(3,500)	Cdn\$62.75	(3,500)
Vested			12,500
Outstanding at July 31, 1997	96,500	Cdn\$62.75	21,500
Granted	210,000	Cdn\$92.43	
Exercised	(16,100)	Cdn\$62.75	(16,100)
Vested			65,000
Outstanding at July 31, 1998	290,400	Cdn\$84.21	70,400
Vested			12,500
Outstanding at December 31, 1998	290,400	Cdn\$84.21	82,900
Granted	1,532,500	Cdn\$77.75	
Exercised	(8,000)	Cdn\$62.75	(8,000)
Vested			651,750
Outstanding at December 31, 1999	1,814,900	Cdn\$78.85	726,650

At December 31, 1999, the outstanding options consist of [number of options in the table below are expressed in whole numbers and have not been rounded to the nearest million]:

	Options outstanding			Number of options exercisable
	Exercise price	Number of options	Remaining contractual life	
Tranche 1	Cdn\$62.75	72,400	6.3	34,900
Tranche 2	Cdn\$92.45	150,000	7.6	56,250
Tranche 3	Cdn\$92.35	60,000	7.6	22,500
Tranche 4	Cdn\$91.50	235,000	9.0	94,000
Tranche 5	Cdn\$83.50	40,000	9.0	16,000
Tranche 6	Cdn\$75.00	1,257,500	9.8	503,000
		1,814,900	9.3	726,650
Weighted average exercise price	Cdn\$78.85			Cdn\$78.62

[d] The Company has a Dividend Reinvestment Plan whereby shareholders have the option to receive their dividends in the form of Class A Subordinate Voting Shares in lieu of cash.

[e] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at December 31, 1999 were exercised:

Class A Subordinate Voting Shares and Class B Shares outstanding at December 31, 1999	78.5
5% convertible subordinated debentures [based on holders' conversion option]	6.3
4.875% convertible subordinated debentures [based on holders' conversion option]	6.3
Stock options	1.8
	92.9

The above amounts exclude Class A Subordinate Voting Shares issuable, only at the Company's option, to settle the 7.08% subordinated debentures and Preferred Securities on redemption or maturity. The number of shares issuable is dependent on the trading price of Class A Subordinate Voting Shares at redemption or maturity of the 7.08% subordinated debentures and Preferred Securities.

10. FINANCIAL INSTRUMENTS

[a] Foreign Exchange Contracts

The Company operates globally, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange. The Company uses foreign exchange contracts to manage foreign exchange risk from its underlying customer contracts. In particular, the Company uses foreign exchange forward contracts and foreign exchange range forward contracts for the sole purpose of hedging certain of the Company's future committed U.S. dollar and Euro outflows and inflows. Gains and losses on these hedging instruments are recognized in the same period as, and as part of, the hedged transaction. The Company does not enter into foreign exchange contracts for speculative purposes.

At December 31, 1999, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell foreign currencies in exchange for Canadian dollars as follows:

Buy (Sell)	U.S. Dollar Amount	Weighted Average Rate	Euro Amount	Weighted Average Rate
2000	\$282	1.4606	Euros 21	1.5678
2000	(146)	1.4464	(25)	1.5345
2001	114	1.4622	13	1.5942
2001	(85)	1.4479		
2002	88	1.4595	10	1.6129
2002	(59)	1.4432		
2003	36	1.4587	7	1.6368
2003	(37)	1.4408		
2004	26	1.4606	7	1.6498
2004	(30)	1.4255		
Thereafter	7	1.4897	35	1.6662
Thereafter	(40)	1.3932		
	\$156		Euros 68	

Based on forward foreign exchange rates as at December 31, 1999 for contracts with similar remaining terms to maturity, the unrecognized net losses relating to the Company's foreign exchange forward contracts are approximately \$9 million. If the Company's forward exchange contracts ceased to be effective as hedges, for example if projected net foreign cash inflows declined significantly, previously unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign denominated cash flows would be recognized in income at the time this condition was identified.

[b] Fair Value

The methods and assumptions used to estimate the fair value of financial instruments are described below.

Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities

Due to the short period to maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

Investments

Fair value information is not readily available. However, management believes the market value to be in excess of the carrying value of investments.

Long-term debt and debentures' interest obligation

The fair values of the Company's long-term debt and debentures' interest obligation, based on current rates for debt with similar terms and maturities, are not materially different from their carrying value.

[c] Credit Risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable and foreign exchange forward contracts.

Cash and cash equivalents which consist of short-term investments, including commercial paper, is only invested in governments and corporations with an investment grade credit rating. Credit risk is further reduced by limiting the amount which is invested in any one government or corporation.

The Company, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the automotive industry.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

[d] Interest Rate Risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. In addition, the Company's exposure to interest rate risk on fixed rate long-term instruments is also reduced given the minimum periods to redemption with respect to the convertible subordinated debentures and Preferred Securities.

11. CURRENCY TRANSLATION ADJUSTMENT

Unrealized translation adjustments, which arise on the translation to U.S. dollars of assets and liabilities of the Company's self-sustaining foreign operations, resulted in an unrealized currency translation loss of \$94 million for the year ended December 31, 1999. The unrealized loss resulted primarily from the weakening of the Euro and British Pound partially offset by the strengthening of the Canadian dollar, both against the U.S. dollar.

12. RESEARCH AND DEVELOPMENT

Research and development expense, net of amounts funded by governments or customers, for the year ended December 31, 1999 was \$113 million [for the five month period ended December 31, 1998 - \$51 million; for the years ended July 31, 1998 - \$99 million; and July 31, 1997 - \$90 million] [see note 20].

13. MST AND TBCA TRANSACTIONS

During the year ended July 31, 1997, the Company purchased the remaining interests not owned by it in MST Automotive GmbH ["MST"] and TEMIC Bayern-Chemie Airbag GmbH ["TBCA"] and immediately resold an 80% interest in these companies. During the year ended July 31, 1998, the Company sold its remaining 20% interest in MST and TBCA. The Company recognized gains on these transactions of \$97 million and \$25 million, respectively, which have been reported in other income.

14. SUBSIDIARY PUBLIC OFFERINGS

During the year ended July 31, 1998, Decoma International Inc. ["Decoma"], a subsidiary of the Company, completed an initial public offering by issuing shares to third parties for aggregate cash consideration, net of share issue expenses, of \$26 million. The Company recognized a gain of \$10 million from its ownership dilution arising from the issue. The gain realized was not subject to income taxes as the issue was completed on a primary basis by Decoma.

During the year ended July 31, 1997, Tesma completed a public offering by issuing shares for aggregate cash consideration, net of share issue expenses, of \$44 million. The Company recognized a gain of \$22 million from its ownership dilution arising from the issue. The gain realized was not subject to income taxes as the issue was completed on a primary basis by Tesma. The Company also recorded a gain of \$5 million on the sale of 1,000,000 Class A Subordinate Voting Shares of Tesma acquired on the conversion of 110,250 Series 3 Preferred Shares of Tesma.

The gains described above have been reported in other income.

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The following is the Company's combined proportionate share of the major components of the financial statements of the jointly controlled entities in which the Company has an interest [before eliminations]:

Balance Sheets

	December 31,	
	1999	1998
Current assets	\$197	\$165
Long-term assets	148	129
Current liabilities	104	98
Long-term liabilities	79	39

Statements of Income

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Sales	\$ 671	\$ 260	\$ 517	\$ 478
Cost of goods sold, expenses and income taxes	638	249	492	445
Net income	\$ 33	\$ 11	\$ 25	\$ 33

Statements of Cash Flows

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Cash provided from (used for):				
Operating activities	\$ 54	\$ 16	\$ 68	\$ 49
Investment activities	(46)	(18)	(27)	(21)
Financing activities	6	(3)	(30)	(14)

The Company's share of equity in jointly controlled entities includes undistributed earnings of \$90 million [December 31, 1998 - \$88 million].

16. DETAILS OF CASH FROM OPERATING ACTIVITIES

[a] Items not involving current cash flows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Depreciation and amortization	\$ 354	\$ 126	\$ 200	\$ 152
MEC depreciation and amortization	8			
Equity income and other	11	1	(5)	5
Minority interest	19	5	8	9
Future income taxes and non-cash portion of current taxes	7	12	35	15
Gains on sale and issues of shares by subsidiaries			(35)	(124)
	\$ 399	\$ 144	\$ 203	\$ 57

[b] Changes in non-cash working capital:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Accounts receivable	\$(161)	\$(289)	\$(104)	\$(85)
Inventories	4	(20)	(35)	(60)
Prepaid expenses and other	8	(17)	(12)	(6)
Accounts payable, accrued salaries and wages and other accrued liabilities	46	243	32	148
Income taxes payable	24	(14)	(2)	22
	\$ (79)	\$ (97)	\$(121)	\$ 19

17. SEGMENTED INFORMATION

[a] Magna follows a corporate policy of functional and operational decentralization. It conducts its automotive operations through divisions which function as autonomous operating units. As at December 31, 1999, the Company had 174 production facilities and 33 product development and engineering facilities operating in 19 countries. Divisional operating results and each division's annual business plan and capital spending budget are reviewed by executive management, including the Company's President & CEO.

Divisions were historically grouped geographically [principally between North America and Europe] and along product lines into operating groups, which were overseen by a Group management team. In furtherance of the commitment to decentralization, the Company has established certain of these operating groups as separate public corporations.

During the current year, the Company reorganized its wholly-owned operating groups along global product lines. In prior years, the majority of the Company's European product line operating groups were managed separately from the corresponding North American product line operating groups. This operational reorganization was undertaken to further consolidate recent acquisitions, particularly in Europe, to better meet the needs of customers and more accurately reflect the increasingly global nature of the automotive industry. The Company's global product groups have been aggregated according to their capabilities in complete vehicle engineering and assembly versus component and systems manufacturing. The Company's Vehicle and Systems Integration operations, which include SteyrSymatec, provide complete vehicle engineering and assembly capabilities. Magna has positioned this group as a Tier 0.5™ supplier, reflecting capabilities beyond those of a Tier One supplier and closer to those of the OEM customer. The Company's Tier One and Two Automotive Manufacturing operations design, manufacture and supply components, modules and systems primarily for OEM customers and manufacture and supply components on a Tier Two basis to other Tier One suppliers. The Company's Tier One and Two Automotive Manufacturing operations are generally aligned on a product basis with the corresponding purchasing and engineering groups of Magna's OEM customers. The Company's Tier 0.5™ operations, on the other hand, increasingly deal with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Each group includes the following products and services:

Tier 0.5™ Vehicle and Systems Integration

- This group, which operates under the name SteyrSymatec, includes the engineering and complete vehicle assembly operations of Steyr in Europe and the operations of Symatec in North America, which is focusing on securing additional key integrator contracts to design, engineer and deliver complete vehicle modules and to assemble niche vehicles on behalf of its OEM customers. This group also includes the Company's complete door system division as well as certain engineering facilities, all in Europe.

Tier One and Two Automotive Manufacturing

- *Body* – Body products include the Company's metallic body and chassis divisions, including divisions producing hydroformed components and assemblies. Body products also include the Company's exterior systems operations comprised of Decoma Exterior Systems [including Decoma International Inc., a publicly traded subsidiary of the Company, Decoma Exterior Trim and Bestop] and Magna Exterior Systems. The exterior systems divisions supply plastic and metallic exterior components and systems including fascias, grilles, body panels, trim products, door frames, various exterior mouldings, sealing and greenhouse systems and soft tops for sport utility vehicles.
- *Interiors* – Interiors products include the Company's seating divisions which supply complete seat systems, seat tracks, seat frames, integrated child safety seats and other seating components. Interior products also include the Company's interior systems divisions which supply instrument panels, cockpit modules, consoles, glove boxes, package trays, overhead systems, door trim panels, automotive carpets, interior panels and other interior components and systems.
- *Powertrain* – Powertrain products include Tesma, a publicly traded subsidiary of the Company which supplies engine, transmission and fueling systems and components; and Steyr Powertrain, a supplier of four wheel drive and other powertrain components.
- *Other Automotive* – Other automotive products include the Company's closure and electronic systems divisions and exterior and interior mirror systems divisions.

The Company's internal financial reports provided to executive management, including the Company's President & CEO, aggregate divisional results on a global product line basis and further aggregate results between its Tier 0.5TM operations and its Tier One and Two automotive manufacturing operations. The Company's Tier 0.5TM engineering and assembly operations are expected to help grow sales at the Company's Tier One and Two automotive manufacturing operations as a result of the Tier 0.5TM group's earlier and closer involvement with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Over the long-term, Tier One and Two divisions, in all product areas, are individually expected to contribute similar returns on funds employed.

The Company's internal financial reports also segment Tier 0.5TM and Tier One and Two operating results between North America and Europe. This segmentation recognizes the different geographic business risks faced by the Company's North American and European divisions, especially vehicle production volumes in

North America and Europe and differences in OEM customer mix, the level of OEM outsourcing and the nature of products/services outsourced 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.

Tier One and Two operating results are further segmented, in the Company's internal financial reports, between the Company's publicly traded and other operations given that, in the former case, oversight of group management has been delegated to a separate independent board of directors. Publicly traded operations include Decoma International Inc., as well as Decoma Exterior Trim and Bestop [in each case the operations are closely co-ordinated with Decoma International Inc., which owns 40% of each of Decoma Exterior Trim and Bestop] and Tesma.

As a result of the above internal reporting structure, automotive operating segments reported in these consolidated financial statements include:

- *Tier 0.5TM Vehicle and Systems Integration with Europe and North America* reported separately;
- *Tier One and Two Automotive Manufacturing Operations with North America and Europe* reported separately; and
- *Publicly Traded Tier One and Two Automotive Manufacturing Operations with North America and Europe* reported separately.

In addition to the Company's Automotive Operating Segments, the Company has certain non-automotive operations held through its subsidiary, MEC [formerly called Ventures]. During the five month period ended December 31, 1998, substantially all of the Company's directly and indirectly wholly-owned automotive real estate assets and non-automotive assets were reorganized under MI Developments Inc. ["MID"]. The automotive real estate assets are leased back to the Company's other segments. In March 1999, the Company's Board of Directors approved the establishment of a new company, MEC, to hold all the non-automotive assets of Magna. These non-automotive assets were reorganized under MEC during 1999. Prior to the completion of the reorganization which established MEC as a separate company and operating segment, MID and MEC were previously reported as one segment from August 1, 1998. Now that MEC has been fully established, it has been reported separately and MID has been included in the Corporate and Other segment. Prior to August 1, 1998, the MEC and MID assets were held by the Company's other segments.

Segment reporting has been restated to reflect the Company's new structure in 1999.

	Year ended December 31, 1999						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5TM Vehicle and Systems Integration							
Europe	\$1,136	\$ 41	\$ 4		\$ 73	\$ 75	\$ 183
North America					(22)	5	5
Tier One and Two Automotive Manufacturing							
North America	4,485	129	22	17	380	330	1,013
Europe	2,048	92	27		10	148	486
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	1,571	64	10		129	104	486
Europe	160	5			9	28	55
MEC (i)	99				4	54	567
Corporate and other (ii)	(140)	23	(47)		99	129	748
Total reportable segments	\$9,359	\$354	\$ 16	\$ 17	\$682	\$873	\$3,543
Current assets							2,934
Investments, goodwill and other assets							721
Consolidated total assets							\$7,198

	Five month period ended December 31, 1998						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	\$ 495	\$ 17	\$ (2)		\$ 38	\$ 48	\$ 366
North America					(2)		
Tier One and Two Automotive Manufacturing							
North America	1,644	44	4	6	113	116	794
Europe	691	34	17		(13)	70	443
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	543	20	3		43	52	420
Europe	61	3			3	4	38
MEC (i)	11				(4)	18	335
Corporate and other (ii)	(49)	8	(23)		37	75	477
Total reportable segments	\$3,396	\$126	\$ (1)	\$ 6	\$215	\$383	\$ 2,873
Current assets							2,671
Investments, goodwill and other assets							689
Consolidated total assets							\$ 6,233

	Year ended July 31, 1998						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	\$ 157	\$ 7			\$ 9	\$ 23	\$ 342
North America							
Tier One and Two Automotive Manufacturing							
North America	3,410	85	18	14	277	297	899
Europe (iii)	1,323	52	21	1	66	125	479
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	1,057	43	8		64	128	377
Europe	127	5	1		6	7	34
Corporate and other (ii)	(68)	8	(50)		77	79	311
Total reportable segments	\$6,006	\$200	\$ (2)	\$ 15	\$499	\$659	\$ 2,442
Current assets							2,608
Investments, goodwill and other assets							583
Consolidated total assets							\$ 5,633

	Year ended July 31, 1997						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	\$ 3				\$ (1)	\$ 2	\$ 2
North America							
Tier One and Two Automotive Manufacturing							
North America	3,125	74	16	14	244	244	648
Europe (iii)	960	30	11	7	160	62	235
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	886	37	3		66	70	232
Europe	96	4	1		5	15	26
Corporate and other (ii)	(46)	7	(41)		79	78	210
Total reportable segments	\$5,024	\$152	\$ (10)	\$ 21	\$553	\$471	\$ 1,353
Current assets							1,795
Investments, goodwill and other assets							333
Consolidated total assets							\$3,481

Notes:

- (i) Included in MEC operating income for the year ended December 31, 1999 is depreciation and amortization and net interest income of \$8 million and \$1 million, respectively. For the five month period ended December 31, 1998, depreciation and amortization and net interest expense were \$3 million and \$2 million, respectively.
- (ii) Included in Corporate and other operating income for the year ended July 31, 1998 are gains on the sale and issue of shares by subsidiaries of \$10 million [1997 - \$27 million] as described in note 14. Also included in Corporate and other income before income taxes and minority interest are intercompany fees, rent and interest charged to the other segments.
- (iii) Included in the Tier One and Two European Automotive Manufacturing Segment operating income for the year ended July 31, 1998 is a gain on the sale of MST and TBCA of \$25 million [1997 - \$97 million] as described in note 13.

Notes to Consolidated Financial Statements

[b] In the year ended December 31, 1999, sales to the Company's four largest customers amounted to 32%, 20%, 18% and 6% [for the five month period ended December 31, 1998 – 29%, 18%, 17% and 4%; for the years ended July 31, 1998 – 22%, 21%, 15% and 6%; July 31, 1997 - 25%, 22%, 17% and 7%] of total sales, respectively.

[c] The following table shows certain information with respect to geographic segmentation:

	Year ended December 31, 1999			
	Canada	Europe	United States and Other	Total
Sales	\$3,376	\$3,269	\$2,714	\$9,359
Fixed assets, net	\$1,052	\$1,073	\$1,418	\$3,543
Goodwill, net	\$ 77	\$ 127	\$ 63	\$ 267

	Five month period ended December 31, 1998			
	Canada	Europe	United States and Other	Total
Sales	\$1,159	\$1,244	\$ 993	\$3,396
Fixed assets, net	\$ 952	\$1,034	\$ 887	\$2,873
Goodwill, net	\$ 74	\$ 171	\$ 61	\$ 306

	Year ended July 31, 1998			
	Canada	Europe	United States and Other	Total
Sales	\$2,465	\$1,600	\$1,941	\$6,006
Fixed assets, net	\$ 934	\$ 920	\$ 588	\$2,442
Goodwill, net	\$ 78	\$ 163	\$ 63	\$ 304

	Year ended July 31, 1997			
	Canada	Europe	United States and Other	Total
Sales	\$2,281	\$1,054	\$1,689	\$5,024
Fixed assets, net	\$ 639	\$ 321	\$ 393	\$1,353
Goodwill, net	\$ 49	\$ 82	\$ 64	\$ 195

18. TRANSACTIONS WITH RELATED PARTIES

Two wholly owned subsidiaries of the Company have agreements with an affiliate of the Chairman of the Board for the provision of business development and consulting services. In addition, a wholly owned subsidiary of the Company has an agreement with the Chairman of the Board for the provision of business development and other services. The aggregate amount expensed under these agreements with respect to the year ended December 31, 1999 was \$23 million [for the five month period ended December 31, 1998 - \$9 million; for the years ended July 31, 1998 - \$18 million, and July 31, 1997 - \$15 million].

During the year ended December 31, 1999, trusts, which exist to make orderly purchases of the Company's shares for employees either for transfer to the EPSP or to recipients of either bonuses or rights to purchase such shares from the trusts, borrowed up to \$18 million [for the five month period ended December 31, 1998 - \$23 million; for the years ended July 31, 1998 - \$31 million, and July 31, 1997 - \$26 million] from the Company to facilitate the purchase of Class A Subordinate Voting Shares of the Company. At December 31, 1999, the trusts' indebtedness to the Company, which is included in accounts receivable, was \$15 million [December 31, 1998 - \$1 million].

Investments include \$2 million [December 31, 1998 - \$2 million], at cost, in respect of an investment in a company that was established to acquire shares of the Company for sale to employees.

During the five month period ended December 31, 1998, a subsidiary of the Company entered into an agreement to purchase from a company associated with members of the family of Mr. F. Stronach and Ms. B. Stronach, the Chairman of the Board and an Executive Vice-President respectively of the Company, approximately 200 acres of land and improvements in Aurora, Ontario for a purchase price of approximately \$11 million. As at December 31, 1999, a subsidiary of the Company had paid \$9 million to the vendor in connection with this transaction. A subsidiary of the Company has also agreed to sell approximately 4 acres of land and improvements in Aurora, Ontario to the same company associated with members of the family of Mr. F. Stronach and Ms. B. Stronach for approximately \$0.3 million.

In the year ended July 31, 1997, the Company purchased the Chairman of the Board's interest in a life insurance policy maintained by the Company on his behalf for \$1 million. Subsequently, the Company surrendered the life insurance policy and received proceeds of \$5 million.

In January 1997, a wholly-owned subsidiary of the Company paid an affiliate of the Chairman of the Board a consulting fee of \$4 million related to the sale of MST and TBCA.

19. CONTINGENCIES

[a] In November 1997, the Company was 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 the Company, TRW Inc. and other unrelated third party automotive supplier defendants of such technology in North America; and (iv) a conspiracy by the Company, TRW Inc. 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 Inc. its interest in KS Centoco Ltd. in conjunction with Magna's sale to TRW Inc. of its interest in MST and 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 counter claim 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, an Austrian-based subsidiary of the Company which was acquired by the Company in 1998, as a defendant together with one other named Austrian company which is not related to the Company. The plaintiffs claim unspecified compensatory and punitive damages, for an accounting and for restitution, all in relation to unpaid work [forced/slave labour] performed by the plaintiffs for SDP and the other defendant at their facilities in Europe during World War II. In January 1999, a second class action was filed in the United States District Court, District of New Jersey naming the Company, as the controlling shareholder of SDP, as a defendant together with 21 other named defendants. The plaintiffs in this action also claim unspecified compensatory and punitive damages, for restitution and for disgorgement, all in relation to forced/slave labour performed by the plaintiffs and other Polish nationals for SDP and the other Austrian and German corporate defendants at their facilities in Europe during World War II. Subsequently during 1999, three additional class actions were commenced in United States District Courts in New Jersey and New York, and one additional action was

commenced in the United States District Court, District of Maryland, in which similar claims were made in respect to different classes of plaintiffs based on forced/slave labour during World War II. All of these cases involve more than 15 named defendants in addition to the Company [various other defendants include Ford Motor Company, General Motors Corporation, DaimlerChrysler AG, Bayerische Motoren Werke AG, 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. Over 50 similar class actions have been commenced in the United States in the last two years against many European and American banks, insurance companies and manufacturing companies in respect of various activities during World War II, including over 40 related to forced/slave labour. Preliminary motions to dismiss have been filed in three of the cases involving the Company and in several others involving other defendants. Defendants have been successful on all three of the preliminary motions to dismiss which have been heard to date, all of which have been appealed by the plaintiffs involved. In addition, various German and Austrian lawyers have made similar written claims against SDP and other German and Austrian companies on behalf of various individuals for compensation for forced/slave labour.

The American, German 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/slave labour issues which have been raised. These parties have announced the creation of a \$5.2 billion German remembrance fund, which will be funded equally by the German Government and German industry, the details for which are currently being finalized. Forced/slave labourers will receive payments from the remembrance fund in return for which the United States Government will assist bringing the class action litigation to an end in the United States. The Austrian government is currently exploring the creation of a similar remembrance fund in respect to forced/slave labourers who worked in Austria during World War II. The funding for, or nature of the Austrian fund is not yet known. Until the final details are settled for the German and Austrian funds, the Company cannot determine whether SDP will voluntarily contribute to any such fund.

The Company intends to vigorously defend these cases. At this time, notwithstanding the early stages of these legal proceedings and the difficulty in predicting final outcomes, management believes that the ultimate resolution of these claims will not have a material adverse effect on the consolidated financial position of the Company.

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.

- [b] The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers, or other third parties, have been fully resolved.

20. PREPRODUCTION COSTS

Preproduction Costs Related to Long-term Supply Agreements

At its September 23, 1999 meeting, the United States Emerging Issues Task Force reached a consensus on Issue 99-5, "Accounting for Pre-production Costs Related to Long-term Supply Agreements".

The consensus requires that design and development costs for products to be sold under long-term supply agreements should be expensed as incurred unless a contractual guarantee for reimbursement exists. The consensus also requires that design and development costs for moulds, dies and other tools that a supplier will not own and that will be used in producing the products under the long-term supply agreement should be expensed as incurred unless the supply arrangement provides the supplier the noncancelable right to use the moulds, dies and other tools during the supply arrangement.

This U.S. GAAP consensus is effective for costs incurred after December 31, 1999 with an option to elect to adopt through a cumulative catch-up adjustment for costs incurred prior to January 1, 2000. For U.S. GAAP reporting purposes, the Company will comply with the provisions of the consensus by expensing all capitalized costs that will not qualify for capitalization as a cumulative catch-up adjustment in its first quarter of 2000.

Canadian GAAP does not explicitly address the types of costs referred to above. Given the above U.S. GAAP consensus, the Company will adopt, in its first quarter of 2000, a Canadian GAAP policy consistent with U.S. GAAP.

Start-up Costs

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 titled "Reporting on the Costs of Start-Up Activities". This Statement of Position requires costs of start-up activities to be expensed as incurred and was adopted by the Company for U.S. GAAP reporting purposes in its year ended July 31, 1998. Under Canadian GAAP, costs incurred in establishing new facilities which require substantial time to reach commercial production capability ["start-up costs"] may be capitalized. In conjunction with the change in the Company's Canadian GAAP accounting policy for preproduction costs related to long-term supply agreements described above, the Company will also adopt, in its first quarter of 2000, a Canadian GAAP policy for start-up costs that is consistent with U.S. GAAP.

These changes in the Company's Canadian GAAP accounting policies are being made to minimize future Canadian and U.S. GAAP reporting differences where possible.

Retroactive Impact

Canadian GAAP does not allow a change in accounting policy to be adopted through a cumulative catch-up adjustment. Instead, Canadian GAAP requires retroactive restatement when a change in accounting policy is made.

Based on the terms of specific supply agreements at December 31, 1999, other assets include \$91 million of costs for which customer reimbursement is expected but which do not meet the new capitalization requirements. In addition, fixed assets include \$45 million of capitalized start-up costs at December 31, 1999. Under Canadian GAAP, the retroactive impact of the changes in accounting policies described above will be as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Effect on				
operating income –				
automotive	\$ (15)	\$ (35)	\$ (45)	\$ (10)
Effect on income taxes	(4)	(12)	(16)	(4)
Effect on net income	\$ (11)	\$ (23)	\$ (29)	\$ (6)
Effect on earnings per				
Class A Subordinate				
Voting or Class B Share				
Basic	\$(0.14)	\$(0.29)	\$(0.41)	\$(0.09)
Fully diluted	\$(0.12)	\$(0.25)	\$(0.35)	\$(0.08)

Refer to note 21 for a quantification of the U.S. GAAP impact of these changes in accounting policies.

Notes to Consolidated Financial Statements

21. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's accounting policies as reflected in these consolidated financial statements do not materially differ from U.S. GAAP except for:

- [a] The gain or loss on translation of debt denominated in a currency other than the operation's functional currency is deferred and amortized over the remaining life of the debt. Under U.S. GAAP, the gain or loss on translation is included in income when it arises.
- [b] Prior to the year ended July 31, 1998, the income tax provision was based on the deferral method and adjustments were generally not made for changes in income tax rates. Under U.S. GAAP, the provision is based on the liability method and adjustments are made for enacted changes in income tax rates.
- [c] The Company's subordinated debentures are recorded in part as debt and in part as shareholders' equity. In addition, the Company's Preferred Securities are recorded entirely as shareholders' equity. Under U.S. GAAP, the subordinated debentures and Preferred Securities would be recorded entirely as debt.
- [d] The Company has certain interests in jointly controlled entities which have been proportionately consolidated in the Company's financial statements. For purposes of U.S. GAAP, these interests would be accounted for by the equity method. Net income, earnings per share and shareholders' equity under U.S. GAAP are not impacted by the proportionate consolidation of these interests in jointly controlled entities.
- [e] In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 titled "Reporting on the Costs of Start-Up Activities". This new Statement of Position requires costs of start-up activities to be expensed as incurred. The effects of adopting this statement in the year ended July 31, 1998 have been reported as the cumulative effect of a change in accounting policy.
- [f] Effective December 31, 1998, the Company adopted the U.S. dollar as its reporting currency. Prior to this change the Canadian dollar had been used as the Company's reporting currency. Under Canadian GAAP, the Company's financial statements for all periods presented through December 31, 1998 have been translated from Canadian dollars to U.S. dollars using the exchange rate in effect at December 31, 1998. Under U.S. GAAP, the financial statements for periods prior to the change in reporting currency must be translated to U.S. dollars using the current rate method, which method uses specific year end or specific annual average exchange rates as appropriate. The significant differences arising from the application of the current rate method to the periods presented are the effects on net income and comprehensive income described in item [g] below and the effects on sales and cost of goods sold. Sales and cost of goods sold under U.S. GAAP were as follows:

	Five month period ended December 31, 1998	Years ended July 31, 1998	1997
Sales	\$3,382	\$6,432	\$5,621
Cost of goods sold	2,822	5,306	4,652

- [g] The following table presents net income and earnings per share information following U.S. GAAP:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Net income under Canadian GAAP	\$430	\$137	\$330	\$392
Adjustments [net of related tax effects]:				
Deferred gains (losses) on foreign currency denominated debt [net of amortization]	28	(5)	(35)	
Additional interest expense on subordinated debentures and Preferred Securities	(19)	(6)	(13)	(11)
Deferred preproduction costs	(6)	(14)	(9)	
Cumulative adjustment for change in accounting for deferred preproduction costs			(2)	
Change in reporting currency			24	49
Net income under U.S. GAAP	\$433	\$112	\$295	\$430
Other comprehensive income:				
Foreign currency translation adjustment	(131)	38	(54)	(103)
Comprehensive income under U.S. GAAP	\$ 302	\$150	\$241	\$327
Earnings per Class A Subordinate Voting or Class B Share under U.S. GAAP:				
Basic	\$5.52	\$1.43	\$4.10	\$6.11
Diluted	\$4.70	\$1.35	\$4.03	\$5.66

Earnings per share data were computed as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Basic EPS				
Net income under U.S. GAAP	\$ 433	\$ 112	\$ 295	\$ 430
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period	78.5	78.4	71.9	70.4
Basic EPS	\$5.52	\$1.43	\$4.10	\$6.11
Diluted EPS				
Net income under U.S. GAAP for Basic EPS	\$ 433	\$ 112	\$ 295	\$ 430
Adjustments [net of related tax effects]:				
Interest and issue cost amortization on 7.25% convertible subordinated debentures			4	5
Interest, issue cost amortization and foreign exchange on 5% convertible subordinated debentures	(2)	5		13
Interest, issue cost amortization and foreign exchange on 4.875% convertible subordinated debentures	(3)	6		
	\$ 428	\$ 123	\$ 299	\$ 448
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period	78.5	78.4	71.9	70.4
7.25% convertible subordinated debentures			2.3	2.5
5% convertible subordinated debentures	6.3	6.3		6.3
4.875% convertible subordinated debentures	6.3	6.3		
	91.1	91.0	74.2	79.2
Diluted EPS	\$4.70	\$1.35	\$4.03	\$5.66

[h] The following table indicates the significant items in the consolidated balance sheets that would have been affected had the consolidated financial statements been prepared under U.S. GAAP:

	December 31,	
	1999	1998
Fixed assets, net	\$3,498	\$2,842
Other assets	287	195
Future tax liabilities, net	117	6
Subordinated debentures	928	825
Debentures' interest obligation		
Preferred Securities	282	
Shareholders' equity:		
Capital stock	1,583	1,572
Preferred Securities		
Other paid-in capital		
Retained earnings	1,638	1,275
Accumulated other comprehensive income	(215)	(84)
Shareholders' equity	\$3,006	\$2,763

- [i] Interest paid in cash was \$84 million for the year ended December 31, 1999 [for the five month period ended December 31, 1998 - \$25 million; for the years ended July 31, 1998 - \$37 million, and July 31, 1997 - \$30 million].
- [j] The Company does not recognize compensation expense for its outstanding fixed price stock options. Under U.S. GAAP, the Company is required to disclose compensation expense assuming compensation expense for the stock option plan had been determined based upon the fair value at the grant date, consistent with the methodology prescribed under FASB Statement No. 123 "Accounting for Stock-Based Compensation".

The fair value of stock options is estimated at the date of grant using the Black Scholes option pricing model with the following weighted average assumptions:

Risk free interest rate	6.25%
Expected dividend yield	1.45%
Expected volatility	24%
Expected time until exercise	4 – 7 years

The Black Scholes option valuation model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future stock price volatility and expected time until exercise. Because the Company's outstanding stock options have characteristics which are significantly different from those of traded options, and because changes in any of the assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

For purposes of proforma disclosures, the Company's net income attributable to Class A Subordinate Voting and Class B Shares and basic and diluted earnings per Class A Subordinate Voting or Class B Shares would have been:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Proforma net income attributable to Class A Subordinate Voting and Class B Shares	\$ 426	\$ 110	\$ 294	\$ 429
Proforma earnings per Class A Subordinate Voting or Class B Share				
Basic	\$5.43	\$1.41	\$ 4.08	\$6.10
Diluted	\$4.62	\$1.33	\$ 4.01	\$5.65

The weighted average fair value of options granted during the period are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Years ended July 31, 1998 1997	
Weighted average fair value of options granted during the period	\$9.85		\$16.83	

[k] Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates.

As described in note 20, the United States Emerging Issues Task Force reached a consensus on Issue 99-5, "Accounting for Pre-production Costs Related to Long-term Supply Agreements". This U.S. GAAP consensus is effective for costs incurred after December 31, 1999 with an option to elect to adopt through a cumulative catch-up adjustment for costs incurred prior to January 1, 2000. For U.S. GAAP reporting purposes, the Company will comply with the provisions of the consensus by expensing all capitalized costs that will not qualify for capitalization as a cumulative catch-up adjustment in its first quarter of 2000. Such cumulative catch-up adjustment will total a charge of \$60 million, net of income taxes.

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", is effective for the Company's year ending December 31, 2001. The Company has not determined the impact, if any, of this pronouncement on its consolidated financial statements.

22. SUBSEQUENT EVENTS

On February 14, 2000, MEC filed a final prospectus with the securities regulators in the Provinces of Canada and MEC's registration statement previously filed with the Securities and Exchange Commission in the United States was declared effective. On the same date, Magna declared a special stock dividend of approximately 20% of MEC's equity to Magna Class A Subordinate Voting and Class B shareholders of record on February 25, 2000 [the "special dividend"]. On March 10, 2000, the special dividend was paid. The approximate book value of the dividend of \$115 million resulted in an increase in minority interest and a reduction in shareholders' equity as presented in Magna's consolidated balance sheet.

In connection with the special dividend, the holders' conversion prices with respect to the Company's 4.875% and 5% convertible subordinated debentures have been adjusted to \$74.27 and \$53.04, respectively, as of March 17, 2000.

23. COMPARATIVE FIGURES

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

Financial Summary

(U.S. dollars in millions, except per share figures - see Note 4) (unaudited)

	Year Ended	Five Month Period		Years Ended July 31,							
	Dec. 31, 1999	Ended Dec. 31, 1998	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operational Data											
Total Sales	\$9,359	\$3,396	\$6,006	\$5,024	\$3,826	\$3,133	\$2,538	\$1,881	\$1,683	\$1,445	\$1,377
Net income (loss)	430	137	330	392	209	207	153	92	64	11	(146)
Basic earnings (loss) per Class A or Class B Share	\$ 5.08	\$ 1.62	\$ 4.34	\$ 5.41	\$ 3.20	\$ 3.40	\$ 2.73	\$ 2.02	\$ 1.90	\$ 0.39	\$(5.27)
Fully diluted earnings (loss) per Class A or Class B Share	\$ 4.75	\$ 1.55	\$ 4.07	\$ 5.07	\$ 3.08	\$ 3.37	\$ 2.53	\$ 1.67	\$ 1.36	\$ 0.38	\$(5.27)
Depreciation and amortization	354	126	200	152	124	107	90	81	78	76	75
Cash flow from operations (2)	750	184	412	468	205	309	244	220	155	77	113
Cash dividends paid per Class A or Class B Share	\$ 1.11	\$ 0.22	\$ 0.84	\$ 0.74	\$ 0.71	\$ 0.71	\$ 0.53	\$ 0.36	\$ 0.13		\$ 0.16
Average number of Class A and Class B Shares outstanding (thousands)	78,490	78,353	71,909	70,369	62,152	61,034	55,973	45,443	33,625	27,825	27,819
Financial Position											
Total assets	7,198	6,233	5,633	3,481	2,860	2,030	1,596	1,094	1,002	1,032	1,217
Fixed assets less accumulated depreciation and amortization	3,543	2,873	2,442	1,353	981	852	703	564	576	629	657
Working capital (3)	663	564	716	763	986	360	232	140	67	14	(422)
Capital expenditures	873	383	659	471	216	193	148	55	36	64	125
Long-term debt (3)	461	386	328	163	186	108	68	110	209	428	
Shareholders' equity (4)	4,024	3,411	3,231	2,134	1,801	1,091	862	552	386	175	151
Equity per Class A or Class B Share	\$51.27	\$43.53	\$41.24	\$29.98	\$25.88	\$17.75	\$14.19	\$11.05	\$ 9.63	\$ 5.82	\$ 5.43
Long-term debt to shareholders' equity ratio (3, 4)	0.11:1	0.11:1	0.10:1	0.08:1	0.10:1	0.10:1	0.08:1	0.20:1	0.54:1	2.44:1	

(1) All amounts up to and including the five month period ended December 31, 1998, 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.

(2) Cash flow from operations for the years ended July 31, 1998, 1997 and 1996 have been restated to exclude the effects of exchange rate changes on cash and cash equivalents as required by new accounting recommendations issued by The Canadian Institute of Chartered Accountants.

(3) 1990 figures reflect all debt as a current liability defined as "debt to be restructured".

(4) 1991 figures include \$13 million of warrants to purchase Class A Subordinate Voting Shares.

Supplementary Financial and Share Information

Supplementary Quarterly Data (unaudited)

[U.S. dollars in millions, except per share figures]

Year Ended December 31, 1999	March 31	June 30	September 30	December 31	Total
Sales	\$2,273	\$2,344	\$2,179	\$2,563	\$9,359
Gross Margin on automotive sales	389	410	372	467	1,638
Net Income	109	116	80	125	430
Earnings per share:					
Basic	\$ 1.31	\$ 1.39	\$ 0.92	\$ 1.46	\$ 5.08
Fully Diluted	1.22	1.30	0.89	1.34	4.75

Five Month Period Ended December 31, 1998	October 31	Two Month Period Ended December 31	Total
Sales	\$1,982	\$1,414	\$3,396
Gross Margin	349	214	563
Net Income	97	40	137
Earnings per share:			
Basic	\$ 1.16	\$ 0.46	\$ 1.62
Fully Diluted	1.09	0.46	1.55

Year Ended July 31, 1998	October 31	January 31	April 30	July 31	Total
Sales	\$1,363	\$1,416	\$1,609	\$1,618	\$6,006
Gross Margin	232	241	302	276	1,051
Net Income	63	89	109	69	330
Earnings per share:					
Basic	\$ 0.82	\$ 1.22	\$ 1.47	\$ 0.83	\$ 4.34
Fully Diluted	0.80	1.14	1.33	0.80	4.07

Share Information

The Class A Subordinate Voting Shares ("Class A Shares") are listed and traded in Canada on The Toronto Stock Exchange ("TSE") and in the United States on The New York Stock Exchange ("NYSE"). The Class B Shares are listed and traded in Canada on the TSE. As of March 23, 2000 there were 1,095 registered holders of Class A Shares and 103 holders of Class B Shares.

Distribution of Shares

	Class A	Class B
Canada	43.25%	99.08%
United States	56.73%	.92%
Other	.02%	-

Price Range of Shares – Canada

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and Class B Shares and volumes of Class A Shares and Class B Shares traded, in each case as reported by the TSE.

CLASS A (TSE) (\$CDN)

Quarter	Year Ended December 31, 1999			Five Month Period Ended December 31, 1998			Year Ended July 31, 1998		
	Volume	High	Low	Volume	High	Low	Volume	High	Low
1st	18,419,087	96.00	84.35	10,687,946	104.25	83.00	9,380,665	101.50	86.50
2nd	9,073,329	96.25	82.75	14,805,523	106.20	89.20	9,930,306	94.85	82.50
3rd	8,932,057	90.00	71.25				11,631,605	113.00	82.70
4th	12,487,940	74.85	59.00				8,002,354	112.50	98.50

CLASS B (TSE) (\$CDN)

Quarter	Year Ended December 31, 1999			Five Month Period Ended December 31, 1998			Year Ended July 31, 1998		
	Volume	High	Low	Volume	High	Low	Volume	High	Low
1st	7,938	102.00	90.00	991	104.00	84.00	2,450	105.00	91.00
2nd	1,841	96.50	85.00	5,510	105.00	92.65	1,300	95.00	90.10
3rd	558	93.00	72.00				7,223	109.00	84.00
4th	22,593	80.00	62.00				5,421	112.00	98.00

Price Range of Shares – United States

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and volumes of Class A Shares traded, as reported on the NYSE.

CLASS A (NYSE) (\$U.S.)

Quarter	Year Ended December 31, 1999			Five Month Period Ended December 31, 1998			Year Ended July 31, 1998		
	Volume	High	Low	Volume	High	Low	Volume	High	Low
1st	14,352,400	63.00	55.69	10,281,200	68.31	53.88	9,454,700	73.88	62.31
2nd	8,125,400	64.94	56.38	13,945,800	68.94	58.56	11,164,600	67.25	57.00
3rd	68,173,000	60.75	48.44				21,743,300	79.50	57.81
4th	85,747,000	51.13	40.06				12,735,800	77.81	67.25

Dividends

Dividends on the Magna Class A Subordinate Voting and Class B Shares in respect of the calendar year 1999 were paid on each of June 15, September 15, and December 15, 1999 at the rate of U.S.\$0.25 per share, and on March 10, 2000 at the rate of U.S.\$0.30 per share.

A special stock dividend of one-fifth of one share of Class A Subordinate Voting Stock of Magna Entertainment Corp., Magna's non-automotive subsidiary, for each Magna Class A Subordinate Voting Share and for each Magna Class B Share was paid on March 10, 2000. Shareholders of Magna resident in Canada were deemed to elect to receive Exchangeable Shares of MEC Holdings (Canada) Inc., a Canadian subsidiary of Magna Entertainment Corp., rather than Class A Subordinate Voting Stock of Magna Entertainment Corp. unless they specifically elected otherwise in writing.

Dividends on the Class A Subordinate Voting and Class B Shares and the special stock dividend, when payable to holders who are non-residents of Canada, are generally subject to withholding tax at a rate of 25 percent (25%) unless reduced, according to the provisions of the applicable tax treaty. Currently, the reduced rate applicable to dividends paid to a resident of the United States is generally 15 percent (15%).

Corporate Directory

Officers

Donald Walker

President & Chief Executive Officer

James Nicol

Vice-Chairman

Siegfried Wolf

Vice-Chairman

Donald Amos

*Executive Vice-President,
Administration & Human Resources*

C. Dennis Bausch

*Executive Vice-President,
Marketing & Planning*

J. Brian Colburn

*Executive Vice-President,
Special Projects & Secretary*

Vincent J. Galifi

*Executive Vice-President,
Finance and Chief Financial Officer*

Graham J. Orr

*Executive Vice-President,
Corporate Development*

Jürgen Stockmar

*Executive Vice-President,
Engineering, Research & Development*

Belinda Stronach

Executive Vice-President

Frank Burke

Vice-President & Treasurer

Guy R. Jones

Vice-President & Controller

John Simonetti

Vice-President, Taxation

Keith J. Stein

Vice-President, Corporate Affairs

Bruce R. Cluney

Assistant Secretary

Paul Brock

Assistant Treasurer

Board of Directors

Frank Stronach

Chairman of the Board

Donald Walker

President & Chief Executive Officer

The Honourable William G. Davis

Counsel, Torys

William H. Fike

Corporate Director

The Honourable

Edward C. Lumley

*Vice-Chairman,
Nesbitt Burns Inc.*

Karlheinz Muhr

*Managing Director,
Private Banking, UBS AG*

James Nicol

Vice-Chairman

Gerhard Randa

*Chairman & Chief Executive Officer,
Bank Austria AG*

Donald Resnick

Corporate Director

Royden R. Richardson

*Chairman,
Gateway Telecom Canada Inc.*

Belinda Stronach

Executive Vice-President

The Honourable Franz Vranitzky

Corporate Director

Siegfried Wolf

Vice-Chairman

Transfer Agents and Registrars

Canada – Class A and Class B

*Montreal Trust Company of Canada,
Toronto, Montreal and Vancouver*

United States – Class A

*American Securities Transfer & Trust, Inc.
New York*

Stock Listings

Class A – The Toronto Stock Exchange (MG.A)

The New York Stock Exchange (MGA)

Class B – The Toronto Stock Exchange (MG.B)

Office Locations for Magna and its Major Subsidiaries

Magna International Inc.

337 Magna Drive
Aurora, Ontario, Canada L4G 7K1
Telephone: (905) 726-2462
Website: <http://www.magnaint.com>

Magna International of America, Inc.

600 Wilshire Drive,
Troy, Michigan, USA 48084
Telephone: (248) 729-2400

Magna Europa AG

Magna-Strasse 1,
A-2522 Oberwaltersdorf, Austria
Telephone: 011-43-2253-600-0

Atoma International Corp.

521 Newpark Boulevard
Newmarket, Ontario, Canada L3Y 4X7
Telephone: (905) 898-2665

Cosma International Inc.

50 Casmir Court
Concord, Ontario, Canada L4K 4J5
Telephone: (905) 669-9000

Decoma Exterior Trim Inc.

50 Casmir Court
Concord, Ontario, Canada L4K 4J5
Telephone: (905) 669-2888

Decoma International Inc.

50 Casmir Court
Concord, Ontario, Canada L4K 4J5
Telephone: (905) 669-2888

Magna Exterior Systems

Feldstrasse 12
D-63171 Obertshausen, Germany
Telephone: 011-49-6104-7060

Magna Seating Systems

19700 Haggerty Road, South Building
Livonia, Michigan, USA 48152
Telephone: (734) 591-4440

Eisenbahnstrasse 17

D-97816 Lohr am Main, Germany
Telephone: 011-49-6104-7060

Magna Interior Systems

27300 Haggerty Road, Suite F-10
Farmington Hills, Michigan, USA 48331
Telephone: (248) 553-9500

Bircholt Road, Parkwood Industrial Trading Estate
Maidstone, Kent, England ME15 9XT
Telephone: 011-44-162-268-6311

Magna Mirror Systems

4185 44th Street, S.E.
Kentwood, Michigan, USA 49512
Telephone: (616) 554-3135

Industriestrasse 3
D-97959 Assamstadt, Germany
Telephone: 011-49-6294-909-0

Steyr-Daimler-Puch Fahrzeugtechnik AG & Co. KG

Liebenauer Hauptstrasse 317
A-8041 Graz, Austria
Telephone: 011-43-316-4040

SteyrSymatec

375 Magna Drive
Aurora, Ontario, Canada L4G 7L6
Telephone: (905) 726-7200

600 Wilshire Drive
Troy, Michigan, USA 48084
Telephone: (248) 729-2400

Steyr Powertrain

Liebenauer Hauptstrasse 317
A-8041 Graz, Austria
Telephone: 011-43-316-4040

Tesma International Inc.

99 Ortona Court
Concord, Ontario, Canada L4K 3M3
Telephone: (905) 669-5444

MI Developments Inc.

455 Magna Drive
Aurora, Ontario, Canada L4G 7A9
Telephone: (905) 713-6322

Magna Entertainment Corp.

285 West Huntington Drive
Arcadia, California, USA 91007
Telephone: (626) 574-7223

Product and Services Directory

STEYRSYMATEC

- Advanced R&D Concept Development
- Total Vehicle Program Management
- Systems Sequencing and Logistics Capability
- Complete Niche Vehicle Assembly

Vehicle Modules

- Modular Chassis Systems
- Modular Door Systems
- Modular Hood Systems
- Modular Interior Systems
- Modular Front/Rear End Systems

Complete Vehicle Manufacturing

- Sub-Assemblies
- Body-In-White
- Painting
- Vehicle Assembly
- CKD Manufacturing

OEM Engineering and Complete Vehicle and Systems Capability

- Concepts and Designs
 - Advance Development
 - Feasibility Studies
- Development
 - Technical Calculation and Simulation
 - Prototype Building
 - Rig and Vehicle Testing
- Noise and Vibration Testing
- Safety Engineering
- Type Approvals
- Production Planning
- Technical Software Development

STEYR POWERTRAIN

Passenger Vehicle Systems

- Powertrains
- Transmissions
- Transfer Cases
- Differentials and Couplings
- Axles and Chassis Components

Commercial Vehicle Drive Systems

- Transfer Cases
- Automatic Drivetrain Management Systems
- Power Take Offs
- Special Purpose Transmissions

Engine Systems

- Balancing Shafts

MAGNA MIRROR SYSTEMS

Products

- Exterior Mirrors
- Interior Mirrors
- Power Actuators

Electric Technologies

- Single Pivot Powerfold Actuator
- Car Memory Powerpacks
- Truck Memory Powerpacks

Advanced Technologies

- A.M.P.S. (Advanced Mirror Positioning Systems)
- Extendable Trailer Towing Mirrors
- Transparent Heating for Mirrors
- Multiplex Powerpacks

ATOMA

Closure Systems

- Door, Hood, Rear Latching Systems
- Electronic Latching Systems
- Sliding Door & Liftgate Latching Systems
- Door Strikers, Hinges and Checkers
- Door Handle Assemblies
- Release & Control Cables
- Remote Hood, Fuel Door & Decklid Release Mechanisms
- Fuel Filler Doors
- Window Regulators – Cable and Drum, Arm and Sector & Quarter
- Modular Door Assemblies
- Complete Door Systems
- Power Sliding Doors
- Power Liftgates
- Sunroof Systems
 - Electric Sliding & Tilting
 - Electric Spoiler
- Roof Preparation
- Niche Specialty Sunroof

Electronic Systems

- Switches & Switchplates
- Door Lock, Power Cinching, Liftgate Actuators
- Thermo-Electrics
- Instrument Clusters
- Electronic Control Modules
- Electronic Display Modules
- Electronic Audible Modules
- ABS/VAPS Coil Modules
- Interior Lighting
- Beverage Mate
- Gear Shift Indicators (PRNDLS)
- Multiplexed Systems
- Low Current Switching
- Wiper Systems
- Electrical Motors
- Navigation Systems

Components

- Clutch & Brake Pedal Assemblies
- Accelerator Pedal Assemblies
- Hand & Foot Parking Brake Assemblies

MAGNA SEATING SYSTEMS

- Modular Seat Assemblies
 - Cut & Sew
 - Mould-In-Place
- Integrated Restraint Seats
- Removable Integrated Restraint Seats
- Integrated Airbag Restraints
- Integrated Child Safety Seats
- In-Vehicle Stowable Seating
- Bunk Beds
- Head Restraints & Armrests
 - Cut & Sew
 - Mould-In-Place
- Roof Integrated Head Restraints
- Trim Covers
- Laminated Trim
- Occupant Sensing
- Moulded Polyurethane Foam Pads

Seating Hardware Systems

- Risers
- Adjusters (2-4-6 way manual)
- Specialty Latches
- Recliners
- Seat Frames
- Wire Frames
- Spring Suspension Systems
- Height Adjusters
- Easy Entry Mechanisms
- Fold & Tumble Mechanisms
- Split Panels
- Sliding Load Space Floor

DECOMA

Front and Rear Bumper Systems

- Spoilers and Grilles (MIC, Paint or Bright)
- GOP Mouldings & Nerf Strips
- Energy Management Systems
- Front & Rear Bumper Fascias
- Complete Front & Rear End Modules

Greenhouse Systems

- Backlite Mouldings
- Belt & Windshield Mouldings
- Pillar Appliques
- Door Surround Mouldings
- Roof Drip Mouldings
- Cowl Screens
- Window Surround Module

Body Side Systems

- Body Side Mouldings & Claddings
- Wheel Opening Mouldings
- Running Boards
- Rocker Panels
- Stone Guards/Mud Flaps
- Vertical Body Panels
- Front & Truckside Fenders
- Door Panels
- Quarter Panels

Lighting Systems

- LED Rear Combination Lamps
- Modular Lighting Systems
- Auxiliary LED Lighting
- CHMSLS

Sealing Systems

- Door Primary/Secondary Seals
- Inner & Outer Belt Seals
- Glass Run Channels
- Sliding Door, Pop-Out Window & Liftgate Seals
- Complete Convertible Sealing Systems

Polymeric Glazing Systems

- Backlites & Quarter Windows
- Decklid Appliques
- Headlamp & Tail Lamp Lenses
- Fixed Vent Windows
- Sunroofs, T-Tops & Targa Roofs

Top Systems

- OEM & Aftermarket Convertible Soft Tops
- Light Bars
- Hard /Soft Tonneau Covers

Vehicle Enhancement Packages

- Tonneau Covers
- Aerodynamic Enhancements
- Brush Guards

MAGNA INTERIOR SYSTEMS

Instrument Panel Systems

- Instrument Panels
- Cockpit Modules
- Consoles
- Integrated Supplemental Restraint Systems
- Assembly & Sequencing
- PSIR Doors

Overhead Systems

- Headliner Substrates
- Complete Overhead System Modules
- Integrated Supplement Restraint Systems
- Assembly & Sequencing
- Consoles

Side Wall Systems

- Door Panels
- Door Panel Modules
- Hard Trim
- Assembly & Sequencing

Package Trays

Interior Garnish Trim

Interior Systems Integration

COSMA

Chassis Systems

- Crossmember Assemblies
- Engine Compartment Panels
- Radiator Supports
- Shock Towers
- Transmission Supports
- Engine Cradles
- Full Frames
- Instrument Panel Reinforcements
- Suspension Systems
- Control Arms
- Complete Space Frames

Stampings

- Arm Rest Supports
- Seat Belt Anchor Plates
- Instrument Panel Supports
- Bumper Beams (Stamped & Roll Formed)
- Door Intrusion Systems (Stamped & Roll Formed)
- Oil Strainers
- Heat Shields
- Brake Backing Plates
- Master Cylinder Vacuum Shells
- Friction Welded Bearing Retainers

Body Systems

- Floor Pans (Stamped & Roll Formed)
- Body Side Assemblies
- Door/Hood/Deck Assemblies
- Roof Panels
- Fender/Quarter Panels
- Tailgate/Liftgate Assemblies
- Medium/Large Stamping Dies/ Class A Dies

Finishing

- E-Coating
- Powder Coating
- Aluminum Heat Treating
- Hot Wax Systems

Design & Engineering

- Complete CAD/CAM Capabilities
- Complete Body Engineering
- Complete FEAs
- Prototypes
- Concept Vehicles
- Laser Trimming/Welding
- Complete Testing
 - Component/Module/System

MAGNA EXTERIOR SYSTEMS

- Front & Rear Bumper Fascias
- Complete Front & Rear End Modules
- Spoilers
- Bodyside Mouldings
- Bodyside Claddings
- Rocker Panels/Sill Finishers
- Radiator Grilles
- Metal Trim
 - Roof Rails
 - Window Finishers
 - Decklid Mouldings
 - Wheel Arch Liners
- Complete Plastic Tailgates
- Plastic Fenders
- Hardtops
- Roof & Window Mouldings
- Door Extensions
- Expanding Seals
- Underbody Panels
- Truck Body Panels
- Headlamp Covers

TESMA

Engine Systems

- Accessory Drive Belt Tensioners & Systems
- Engine Timing Drive Belt Tensioners
- Idle Assemblies
- Shaft Decoupler Mechanism
- Over-running Alternator Decouplers
- Alternator Pulleys
- Crankshaft Pulleys
- Water Pump Pulleys
- Power Steering Pump & Pulley Assemblies
- Phenolic Pulleys
- Aluminum Pulleys
- Air Conditioner Clutch Rotors
- Crankshaft Isolators
- Torsional Vibration Dampers
- Water Pumps
- Oil Pumps
- Aluminum Die Cast and Machined Assemblies
- Crankshaft Seals
- Oil Pans
- Engine Covers
- Rocker Covers
- Cam Covers
- Valve Train Guides
- Charged Air Cooler Side Manifolds
- Water Outlet Pipes
- Water Cross-Over Tubes
- Thermostat Housings
- Water Management Systems

Transmission Systems

- Drive Shaft Assemblies
- One & Two Piece Flexplates
- Roll Formed Transmission Components
- Die/Flow Formed Automatic Transmission Components & Assemblies
- Torque Converter Damper Plate Assemblies
- Fineblanked Components
- Aluminum Die Cast and Machined Components
- Transmission Extensions
- Transmission Oil Pans
- Transmission Oil Pumps
- CVT Components
- Transmission Servo Assembly

Fuel Systems

- Fuel, Radiator and Oil Caps
- Oil Cap & Dipstick Assemblies
- Fuel Filler Necks
- Refueling Vapour Recovery Valve
- Encapsulated Metal Plastic Components
- Stainless Steel Fuel Filler Modules
- Fuel Tank Fill and Vent Tubes



www.magnaint.com

337 Magna Drive
Aurora, Ontario, Canada
L4G 7K1

Telephone: (905) 726-2462
Fax: (905) 726-7164