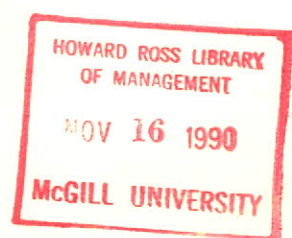




MAGNA INTERNATIONAL INC.  
1990 ANNUAL REPORT







# Magna International

## ADVANCED AUTOMOTIVE SYSTEMS MANUFACTURING

Magna International is one of North America's leading suppliers of automotive systems and components. Magna is comprised of more than 100 companies located throughout North America and Europe. These companies are organized into distinct Automotive Systems Corporations.

Magna employs more than 16,000 people who design, develop and manufacture a wide range of components and systems for many of the world's major automotive manufacturers.

Magna is a publicly traded company listed on the Toronto Stock Exchange and with NASDAQ in the United States.

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*Enjoying the employee recreational facilities at Simeon Park.*

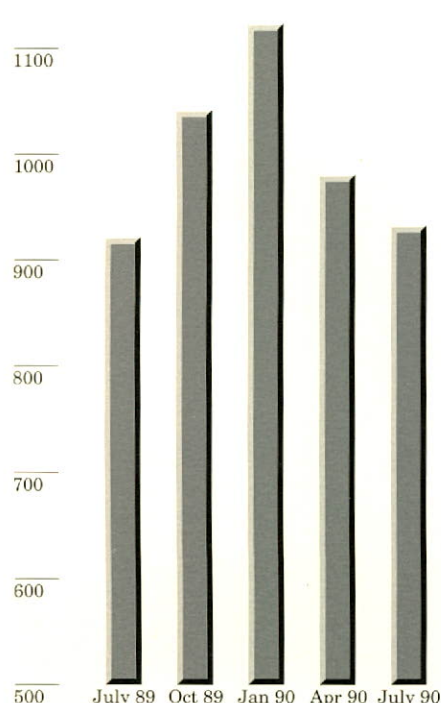
# Financial Highlights

(Canadian dollars in thousands, except per share figures)

	1986	1987	1988	1989	1990
Sales	\$1,027,776	\$1,152,463	\$1,458,603	\$1,923,657	<b>\$1,927,185</b>
Net Income (Loss)	\$47,259	\$40,345	\$19,542	\$33,611	<b>(\$224,322)</b>
Basic Earnings (Loss) per Class A or Class B Share	\$1.93	\$1.56	\$0.70	\$1.21	<b>(\$8.06)</b>
Average Number of Class A & Class B Shares Outstanding	24,323	25,860	27,836	27,819	<b>27,819</b>
Capital Expenditures	\$286,627	\$378,507	\$250,842	\$271,149	<b>\$177,885</b>
Shareholders' Equity	\$345,910	\$448,905	\$446,081	\$464,316	<b>\$231,113</b>
TSE Trading Range Class A Shares	\$17 <sup>3</sup> / <sub>4</sub> - \$36 <sup>1</sup> / <sub>2</sub>	\$22 <sup>1</sup> / <sub>2</sub> - \$36 <sup>3</sup> / <sub>8</sub>	\$9 <sup>1</sup> / <sub>4</sub> - \$24 <sup>3</sup> / <sub>8</sub>	\$10 <sup>3</sup> / <sub>4</sub> - \$15 <sup>7</sup> / <sub>8</sub>	<b>\$3.15 - \$13 <sup>3</sup>/<sub>8</sub></b>

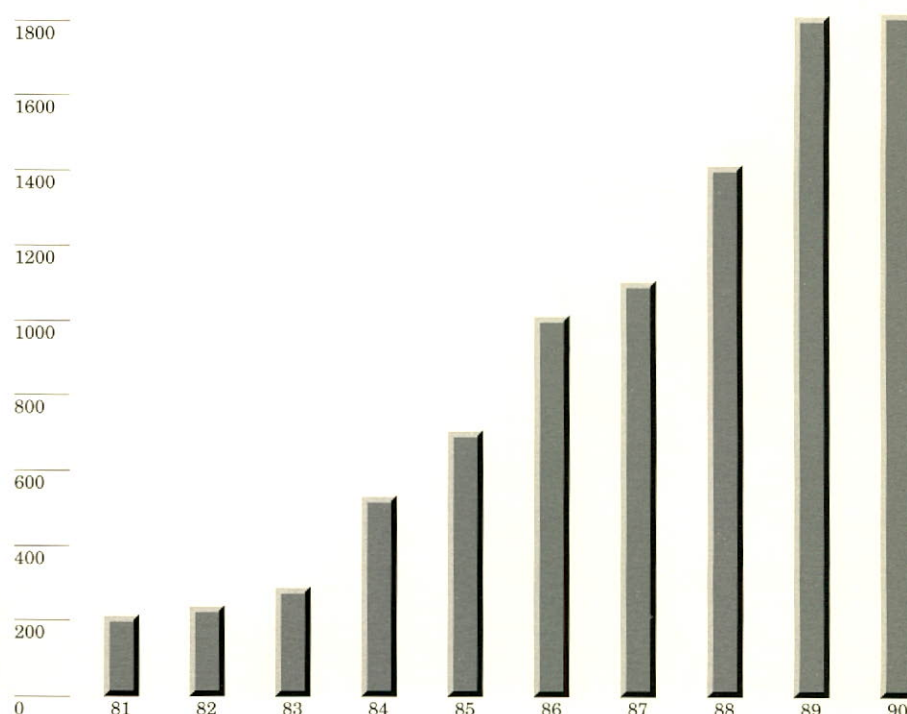
## MAGNA CONSOLIDATED DEBT (NET OF CASH)

\$ MILLIONS  
1200



## MAGNA CONSOLIDATED SALES

\$ MILLIONS  
2000







# Magna's Corporate Constitution

*Magna's Constitution is the cornerstone of its unique corporate culture – a culture which recognizes the need to constantly motivate employees, attract investors and develop commitment and excellence in management. The Corporate Constitution defines the rights of employees and investors to participate in the company's growth while also imposing certain disciplines on management.*

*Magna is a public company with two classes of shares: a Class B share which carries a multiple vote and a Class A share which carries a single vote. This share structure enables management to have operating control of the company on a day-to-day basis, provided they adhere to the principles outlined in the Constitution.*

*These principles, summarized here, strike a balance between the rights of management, employees and investors while maintaining an entrepreneurial environment.*

## Employee Equity and Profit Participation

Magna employees have a right to share in the profits they help produce. Ten per cent of Magna's profit before tax is allocated to employees: seven per cent in the form of shares held in trust and three per cent in the form of cash.

## Shareholder Profit Participation

Investors provide capital necessary for Magna's growth. On average, 20 per cent of Magna's after-tax profit is allocated to shareholders.

## Management Profit Participation

Magna believes in securing long-term commitment from management. Magna provides corporate management with a compensation arrangement which, in addition to a base salary comparable to industry standards, allows for the distribution to corporate management of up to six per cent of Magna's profit before tax.

## Research and Development

Product research ensures Magna's long-term viability. Seven per cent of Magna's profit before tax is allocated to research and product development.

## Social Responsibility

Magna believes in supporting the basic fabric of society. A maximum of two per cent of Magna's profit before tax is allocated to charitable, cultural and educational causes.

## Board of Directors

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

## Minimum Profit Performance

If Magna does not generate a minimum after-tax return of four per cent on share capital for two consecutive years, then Class A shareholders have the right to elect additional directors.

## Unrelated Investments

Class A and B shareholders, with each class voting separately, have the right to approve any investment in an unrelated business if that investment, combined with all other unrelated investments, exceeds 20 per cent of Magna's equity.

## Constitutional Amendments

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



# Chairman's Message

During the 1980s, the North American automotive industry expanded rapidly to meet growing consumer demand. Magna also underwent tremendous expansion during this time and we built a great reputation with our customers. However, when the economy took a recent downturn, the automotive industry, including Magna, was hit with high interest rates and falling car sales. This happened at a time when many of Magna's new factories were not fully on stream. As a result, Magna was faced with a cash squeeze and operating losses.

Management had to make some tough decisions. Our first priority was to stop all expansions and cash losses. Without jeopardizing our customer relations, we closed, sold or merged a number of new factories. These actions eliminated approximately \$50 million worth of operating losses which should not occur again in fiscal 1991. In factories where we could see no market improvement for the next few years, we took extensive write-downs which caused us to infringe on our banking agreements.

Our next priority was to streamline operations. We reduced the number of staff at our corporate and group offices by approximately 300. Over the past few years, Magna strayed from some of its basic principles. By getting back to those basics, Magna is now leaner and more efficient with a much smaller overhead for fiscal 1991.

**Our top priority now is to reduce debt.** We will accomplish this by selling certain operations and joint venturing major product lines. A more detailed outline can be found in the operating report.

Fiscal 1990 was without question a difficult year, but we can proudly say that during those difficult times we never let our customers down and we feel we have good, constructive working relationships with our lenders, customers and suppliers. Even though the economy does not look very promising for the near future, we feel very strongly that Magna is on the road to a healthy recovery. I regret that the share value has dropped considerably over the past few years. It has been difficult not only for management but



also for our employees. However, during this period I believe we developed a stronger management team and a stronger working relationship with our employees.

I am optimistic that with the cooperation of employees, management will be able to generate a profit for fiscal 1991 and share values will rise accordingly. I am also optimistic that Magna will slash its debt through a number of asset sales. Magna will become a slightly smaller but more profitable and competitive company heading into the 1990s.

Once again, I would like to thank our employees, customers, suppliers and lenders for their help and cooperation in striving for a healthier and stronger Magna.

**Frank Stronach**  
*Chairman of the Board*





# Management's Message

## 1990 Highlights

### February 1990

Partnership agreement signed with Voest Alpine of Austria for Magna's European operations.

### February 1990

Partnership interest in DDM Plastics sold.

### July 1990

Preliminary Debt Restructuring Plan issued to lenders.

### July 1990

Partnership interest in Lemmerz Industries sold.

### August 1990

MACI divisions sold to Siemens Automotive.

### August 1990

Partnership agreement signed with Ford Motor Company for a plastics facility in Guelph, Ontario.

## Overview

As fiscal 1990 began with an uncertain automotive environment, we realized that our cost reduction program of the previous year was well-timed. A reduction of staff within the Corporate Office and Systems Corporations, accomplished by consolidating various functions and responsibilities, resulted in significant cost savings.

Magna International has implemented clearly defined financial controls and performance targets at the Systems Corporations level. These measures have ensured stringent control of capital expenditures and will provide us with an in-depth analysis of potential new investments.

During the past 12 months, management at the Systems Corporations level have had their roles and functions re-defined. The responsibility of managing the day-to-day operations has been redirected to the sub-group and divisional levels. The onus of better performance now rests with each operating division.

Production slowdowns coincident with major start-ups depleted our cash resources. As a result, we could not bear the short-term financial burden required to bring certain newer operations to profitable levels.

A complete re-examination of all operating divisions revealed a need to take significant write-downs on certain operations. These write-downs and operating losses in the first two quarters of the year resulted in defaults of financial covenants in our loan agreements.

During fiscal 1990, a debt restructuring plan was developed with two main objectives: enhance profitability and cash flow by divesting or improving major losing operations; and raise cash to pay down debt by joint venturing existing operations and divesting non-strategic operations and non-automotive investments.

The decisive actions undertaken thus far have already substantially improved operating results in the last two quarters of fiscal 1990. This trend is expected to continue into fiscal 1991 and will reduce the long-term debt-to-equity ratio to our corporate objective of 50 cents of debt per dollar of equity.

Our short-term objective is to reduce consolidated debt from its peak of \$1.1 billion at January 31, 1990 to \$700 million by July 31, 1991. Our consolidated debt at July 31, 1990 was \$930 million (net of cash balances). We will use \$75 million of this reduction as working capital in the first and second quarters of 1991.

Major accomplishments in our debt reduction program include the sale of our MACI group to Siemens Automotive and the strategic joint venturing of two of our plastics facilities with Ford Motor Company which will ensure ongoing access to market opportunities. The recent partnership established between our European operations and Voest Alpine Stahl AG enables us to expand our presence in the dynamic European marketplace.

Similar joint venture opportunities are currently under negotiation. These initiatives will allow us to reduce debt to acceptable levels while retaining significant interest in all our strategic operations.



During the past year, we also successfully launched two major new product lines. Our door systems group is now producing complete interior door panel assemblies using foam-in-place technology. Our Integram seating group, with its three new state-of-the-art facilities, is in full production. With the successful launching of these main product lines, expenditures on capital for fiscal 1991 and 1992 will be less than \$50 million per year.

The foresight to produce and develop complete automotive systems and assemblies has proved to be the right strategy in our goal of becoming a major global supplier to the automotive industry.

Although 1990 has been a difficult year, it has also had its rewards.

The loyalty and dedication of our employees has enabled us to complete the start-up of four major facilities on time while maintaining our quality reputation. Our customers and suppliers have demonstrated their full support by implementing accelerated payment terms. Our lenders have also worked together with us in a cooperative spirit. We wish to thank all of our employees, customers, suppliers and lenders for the dedication, loyalty, support and cooperation that has been extended to us throughout the year.

## Outlook

Although the automotive market is still expected to be slow, industry forecasts are approximately 12 to 12.5 million units for the 1991 model year. Nevertheless, management feels that Magna will make a reasonable profit. This assumption is based on Magna's streamlined operations, lower overheads and backlog of orders.

## Automotive Systems Corporations

The following pages contain a review of our Systems Corporations. These Companies are majority-owned by Magna and in certain cases have minority shareholders.



A stylized, handwritten signature in black ink.

**Manfred Gingl**  
*President and  
Chief Executive Officer*



A stylized, handwritten signature in black ink.

**Stephen C. Akerfeldt**  
*Vice Chairman and  
Chief Financial Officer*





# Automotive Interior Systems

**Atoma is a major supplier of automotive interior systems, including door modules, seating systems, interior panels and electrical and electronic products. Complete styling, design, engineering and testing capabilities support Atoma's manufacturing facilities.**

## Operating results

Atoma's sales in 1990 totalled \$514 million, an 18 per cent increase over 1989 sales.

Atoma opened one new facility in fiscal 1990, bringing the total to 25 facilities.

## Strategic developments

During fiscal 1990, Atoma completed three major steps in its strategic positioning for the 1990s: the successful launch of three facilities which use Atoma's proprietary seating technology; the introduction of a rigid foam substrate technology for interior panels; and the establishment of a divestiture program to sell Atoma's non-strategic operations and permit time, energy and capital to be focussed on engineered interior systems. Atoma has sold five of the ten divisions targeted, and raised \$70 million of the \$85 million of anticipated proceeds.

During 1990, Atoma was awarded a major engineering program to deliver "bolt in" door modules, incorporating all interior door hardware. This module is another example of Atoma's leadership in the development of high technology interior systems.

award. These ongoing quality achievements demonstrate that Atoma's employees are dedicated to manufacturing the highest quality products.

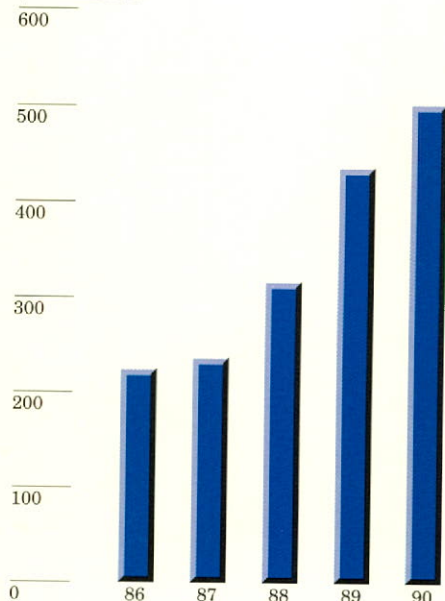
## Outlook

Atoma's present enviable market position is a direct result of its unique seating, interior panel and door system technology. The launching of new technologies and the sale of non-strategic businesses have positioned Atoma, both financially and operationally, to take advantage of opportunities in the 1990s.

Atoma's future success will be secured by its ability to exploit its leadership position and by the determination of its more than 300 engineers and technicians to further advance Atoma's technologies.

## SALES REVIEW

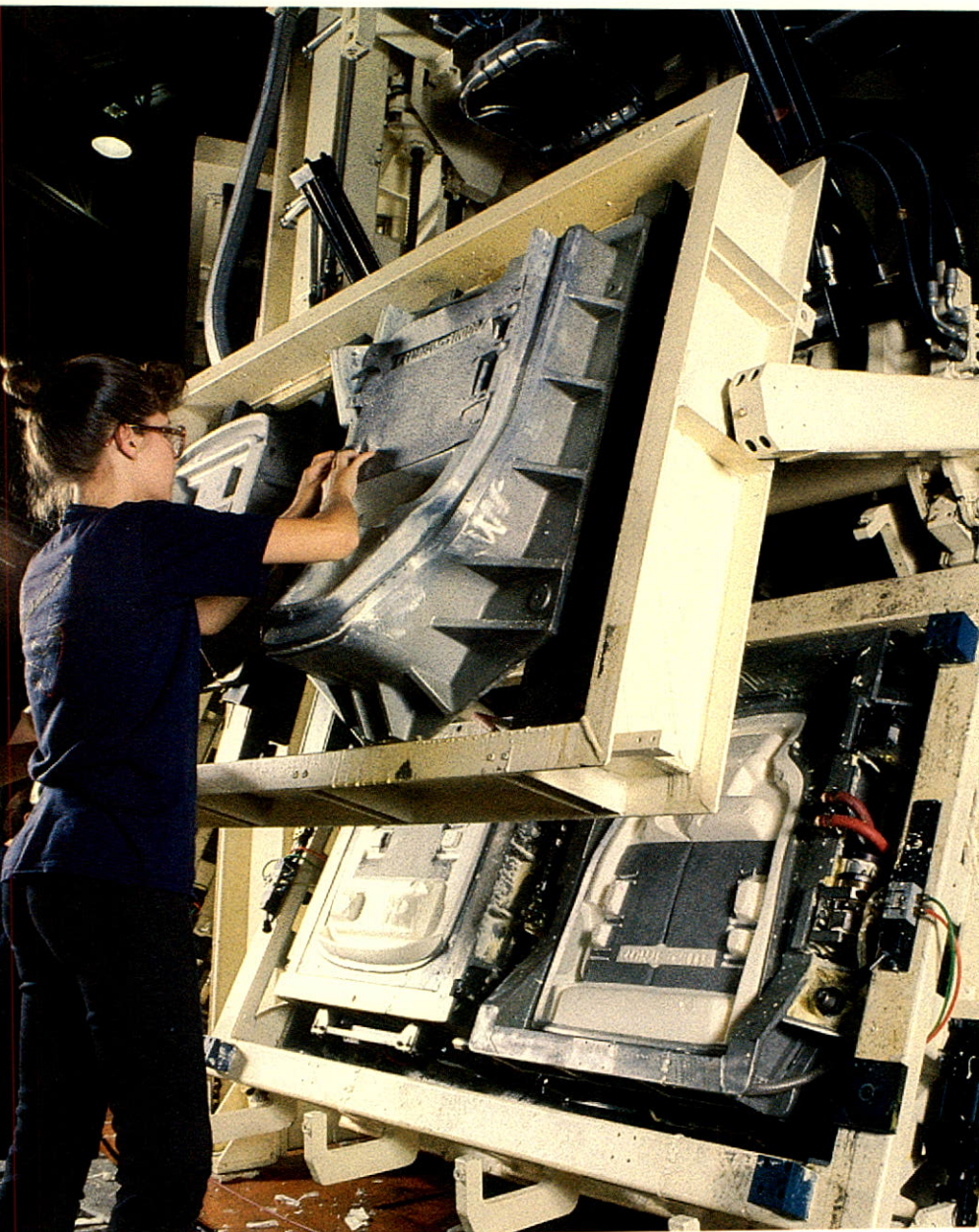
\$ IN MILLIONS



## People and quality

Atoma's commitment to quality is evidenced by the many awards it has received from its OEM customers. Atoma divisions have been awarded eight Ford "Q1" awards, seven Chrysler "Quality Excellence" awards and six General Motors "Targets for Excellence" awards, as well as the coveted General Motors "Mark of Excellence" award. Atoma is one of the few Canadian suppliers to have achieved this prestigious





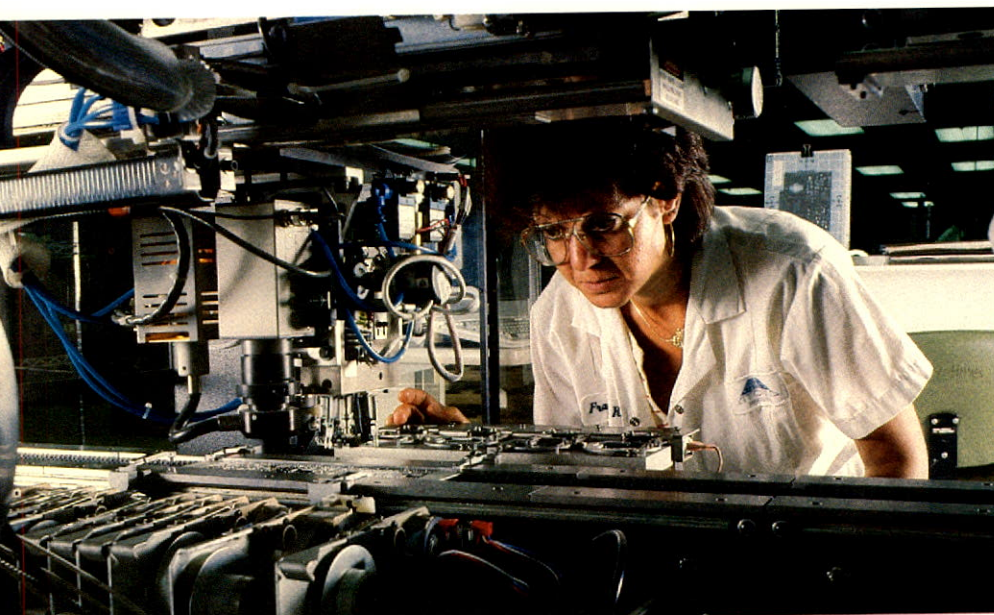
*In 1990 Atoma altered its patented moulded seat technology to eliminate chlorofluorocarbons (CFCs) produced during the foam injection process.*



*Integram provides seating systems for the Chrysler minivan.*



*Atoma's newest plant, Versatrim, produces complete interior door panels.*



*Atoma's diverse product line includes electronic and electro-mechanical devices, a number of which are designed, developed and manufactured at Invotronics.*



*Dortec Industries manufactures more than ten million door latches each year.*



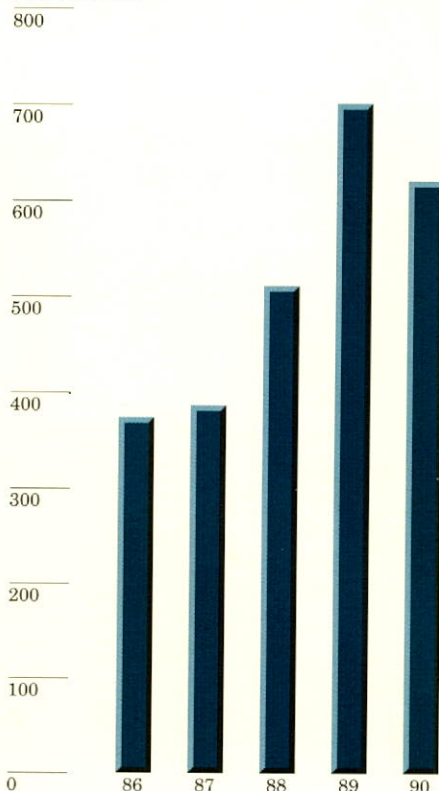


# Automotive Body Systems

**Cosma remains North America's most comprehensive supplier of metal stampings and related assemblies and one of the few capable of supplying the full range of stampings for complete vehicles. Cosma operates 18 wholly-owned facilities and four additional manufacturing plants through its two joint ventures.**

## SALES REVIEW

\$ IN MILLIONS



## Operating results

Cosma's sales in 1990 were \$622 million, down from 1989 due primarily to the sluggish economy and the resulting decline in automotive sales.

## Strategic developments

To improve customer service and transfer operating and management control to its manufacturing divisions, Cosma restructured its stamping operations in 1990 into three product-related groups: General Stampings, Chassis Stampings and Body Stampings. Body Stampings includes a joint venture with Fuji Technica Inc., a Japanese stamping die manufacturer.

Cosma continues to participate in the design, fabrication and testing of automotive sunroof assemblies in a joint venture with Webasto Holding GmbH of West Germany.

In 1990, Cosma focussed on successfully launching major product programs for new vehicles, including the Ford Explorer and Escort, the Chrysler minivan, the Buick Regal and the new General Motors Saturn vehicle. Cosma also obtained new contracts worth more than \$50 million annually for the Ford Crown Victoria and the Toyota Camry, which will begin production in late fiscal 1991 and fiscal 1992 respectively.

Cosma's manufacturing divisions in Toronto, southwestern Ontario, Iowa, Maryland, Michigan and Tennessee are strategically situated to deliver Just-In-Time to more than 90 per cent of North America's automotive assembly plants.

## People and quality

Cosma maintains an enthusiastic and motivated work force through an Employee Charter of Rights which formalizes Cosma's commitment to the fair and equitable treatment of all employees.

Cosma's commitment to customer satisfaction, employee development and training has resulted in 31 quality awards, including 14 "Q1" awards from Ford, the Toyota "Grand Slam" award, the General Motors "Mark of Excellence" award and two Chrysler "Quality Excellence" awards.

## Outlook

Cosma anticipates improved profitability over 1990 as a result of plant consolidations, corporate overhead reductions and new product launches.

Cosma has reduced its physical plant capacity during 1990, increasing capacity utilization to approximately 70 per cent.

In the future, Cosma will focus on adding product programs which further increase capacity utilization. Cosma's engineering and testing capabilities ensure that it will obtain these new programs as well as maintain existing product programs.

By emphasizing continuous improvement in customer service, employee relations and manufacturing operations, Cosma will remain a leading supplier of stamped and assembled automotive components throughout the decade.

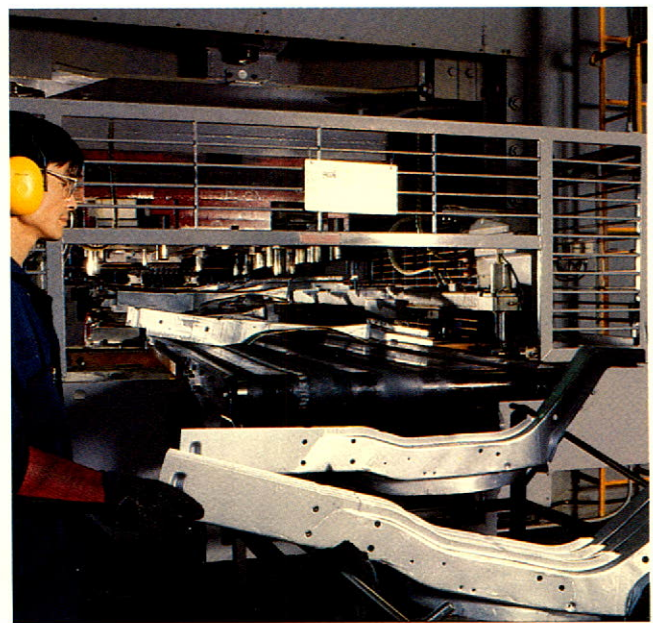




*One of three press lines at the Karmax heavy stamping plant in Milton, Ontario.*



*Cosma's automated assembly systems, such as this linear welding process at P&F Tool and Die, are designed and manufactured in-house.*



*From frame rails to Class 1 panels, Cosma supplies a wide range of body systems and components.*



# Automotive Decorative Systems

**Decoma is North America's most comprehensive supplier of automotive exterior components. Decoma's two product-specific groups offer design, engineering and manufacturing capabilities on a wide range of exterior plastics and trim systems.**

## Operating results

Decoma's sales in 1990 were \$487 million, reflecting slow economic conditions and a decline in North American automotive sales.

## Strategic developments

During 1990, Decoma completed negotiations with Ford Motor Company to form a joint venture company which will include a new reaction injection moulding and painting facility in Guelph, Ontario and Decoma's Tycos Tool and Die. The joint venture agreement will give Decoma's Plastics Group direct access to one of its main customers, as well as ensure a sales base in the future.

Decoma Plastics has enjoyed rapid growth since its inception in 1979. A leader in injection moulding and reaction injection moulding, Decoma Plastics has expanded process capabilities with low stress acrylic moulding and polycarbonate technologies. Decoma's success with the low stress process has created inroads into the roof panel and T-roof panel industry.

During 1990, Decoma Trim supplemented its nine traditional metal plants, four finishing plants and the plastic co-extrusion facility with additional plastic moulding capability. This provides Decoma Trim with full service manufacturing capability for all its customers' automotive trim requirements.

To reduce overhead and streamline operations, Decoma closed one facility, down-sized its research and development division and reduced group office size significantly.

## People and quality

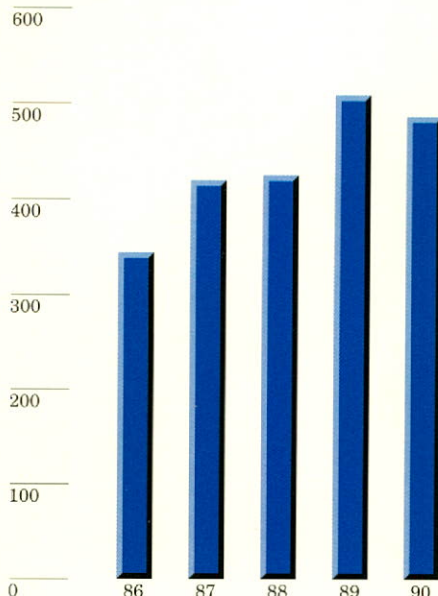
Decoma's active pursuit of quality education programs and stringent manufacturing standards has earned Decoma divisions top quality awards, including General Motors' "Targets for Excellence", Ford's "Q1" and Chrysler's "QE/Pentastar". Decoma acknowledges the contribution of its employees and is committed to proactive training and development in quality control and continuous process improvement to safeguard customer satisfaction.

## Outlook

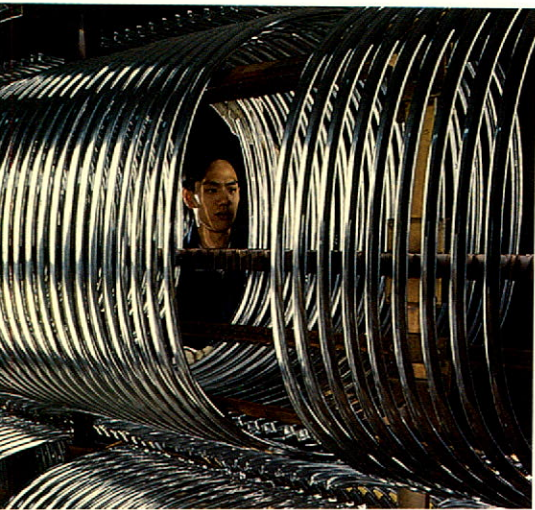
With its demonstrated capability as a full-service exterior trim and plastic components supplier, Decoma is in a strong position to increase its participation in the North American automotive industry.

### SALES REVIEW

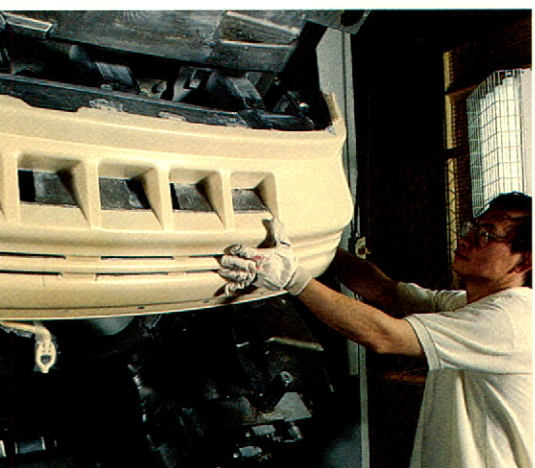
\$ IN MILLIONS







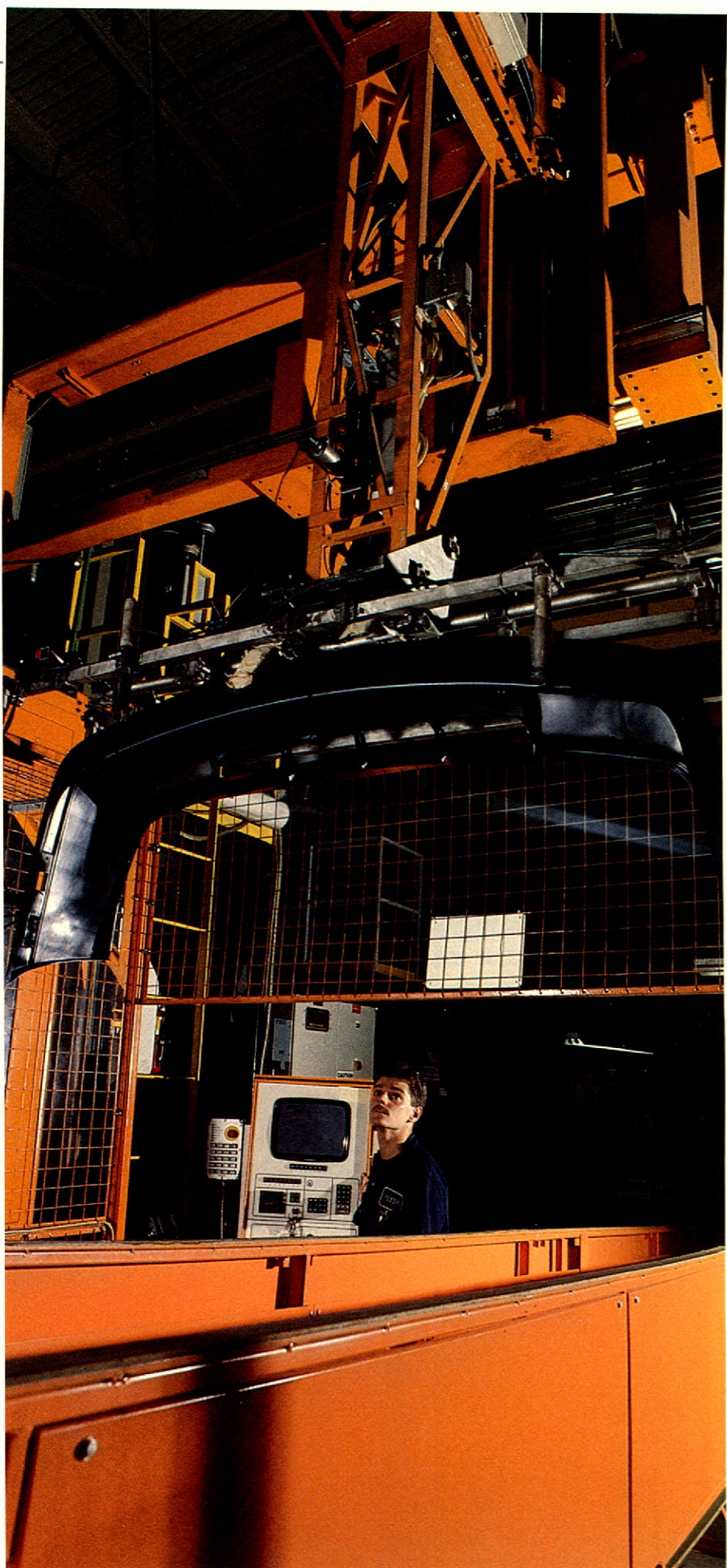
*Decoma is an industry leader in the production of exterior trim components.*



*1991 Chrysler minivan front fascias in production at Polyrim Green Lane.*



*Finished parts are shipped Just-In-Time to customers across North America.*



*Using the latest technology, Plydex produces moulded-in-colour parts at considerable cost savings to the customer.*



# Automotive Powertrain Systems

**Tesma designs, engineers and manufactures automotive powertrain components, assemblies and complete systems.**

## Operating results

Tesma sales for 1990 were \$239 million, down slightly from \$247 million in 1989. Tesma's management is confident that sales should recover as the automotive industry returns to more normal conditions.

## Strategic developments

Tesma continues to be an established quality supplier of patented Poly-V pulleys, automatic tensioners and timing devices to the world-wide automotive industry. The company also manufactures brackets, transmission and engine components and systems.

Tesma will continue to utilize its proven engineering capabilities to improve profitability and to respond to customer challenges within the global automotive market.

Operating results will be closely monitored through cost control

and the elimination of non-profitable operations through an organized program of divestiture of non-strategic divisions.

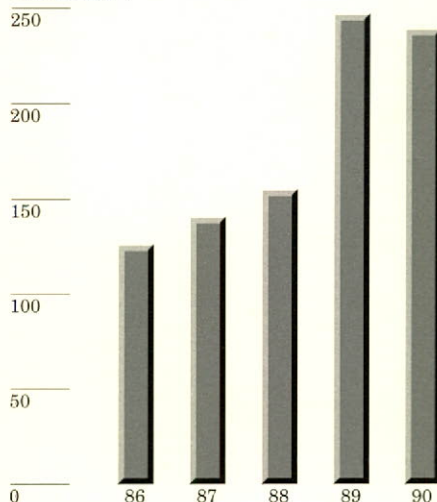
## People and quality

The success of Tesma is based on the commitment of all its employees to customers' requirements. With a strong work force and engineering base, as well as focussed management attention on asset utilization and quality, Tesma is confident that reasonable returns on investments can be achieved.

## Outlook

Tesma will build on a strong core business of engineered engine and transmission components. This, together with the skills and dedication of its employees, will ensure Tesma's success in the future.

**SALES REVIEW**  
\$ IN MILLIONS



*Tesma holds the largest share of the North American market for pulleys due to its patented roll-forming method of manufacture.*



# Total Vehicles

**Vehma is the next logical step in automotive systems — total vehicle program management. Vehma's operating divisions provide complete vehicle development. Vehma draws on Magna's manufacturing and systems divisions for expertise in the simultaneous design-through-manufacture of total vehicles.**



*Vehma possesses complete CAD/CAE capabilities.*

## Operating results

During fiscal 1991, Vehma's sales will approach \$35 million through the recent launch of its Electric Vehicle and a ten-year European engineering, testing and assembly program for a major OEM.

## Strategic developments

Growing concern with environmental issues and rising energy prices provide ever-greater impetus for alternate fuel products. Vehma is now manufacturing the first and only fully-certified Electric Vehicle for sale in North America.

This year, Vehma also obtained its first long-term vehicle design, engineering, prototyping, testing and assembly contract. This milestone contract allows Vehma to showcase its full spectrum of capabilities. Similar low-volume specialty vehicle assembly or modification programs will be the pattern of the future for the world's car makers.

Vehma's remarkable success in

its relatively short history provides a tremendous springboard for future contract awards.

## People and quality

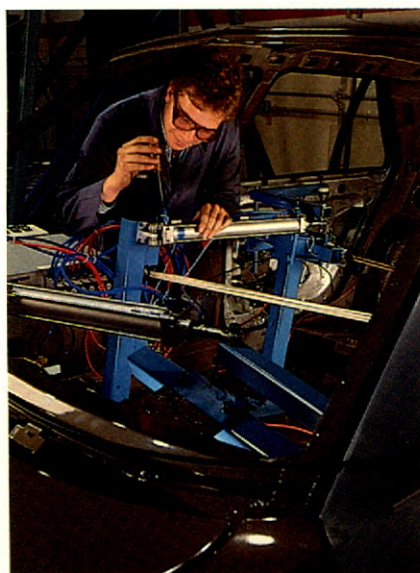
Vehma's commitment to its people is evidenced by the enthusiasm of its work force. The company's commitment to quality is evidenced in its customers' confidence, as reflected by Vehma's long-term contracts.

Accredited professionals provide the outstanding design, engineering, prototyping, testing and vehicle expertise Vehma's customers require. Staff undergo extensive training programs to ensure optimum design and build quality.

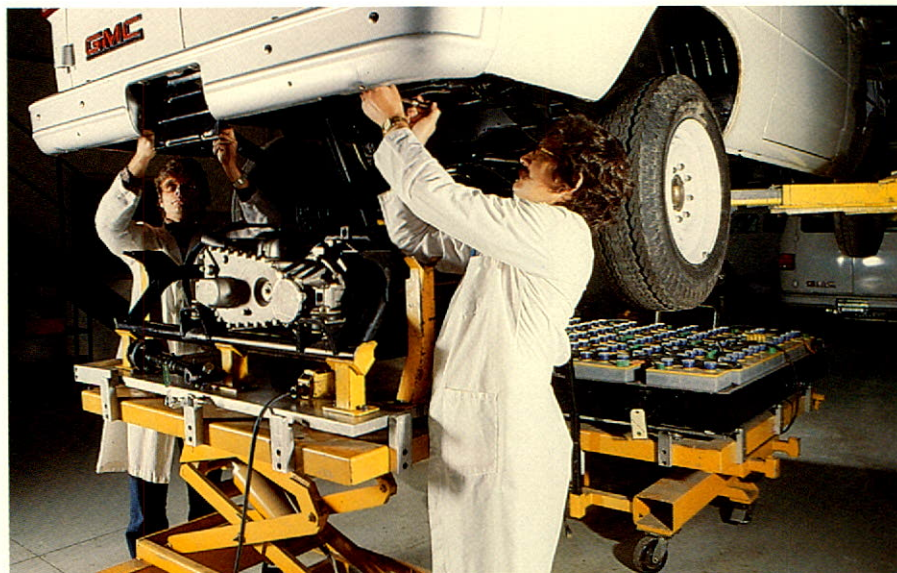
## Outlook

Vehma's resources and experience in total vehicle development and production facilitate entry into emerging specialty vehicle markets.

This extraordinary positioning gives Vehma great confidence about the future.



*Vehma's component testing operation.*

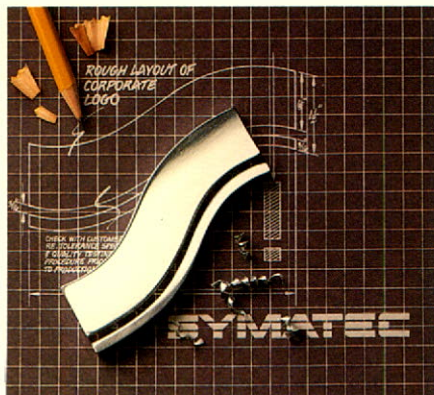


*Installation of the Vehma-designed rear sub-frame at the Electrical Vehicle assembly facility.*

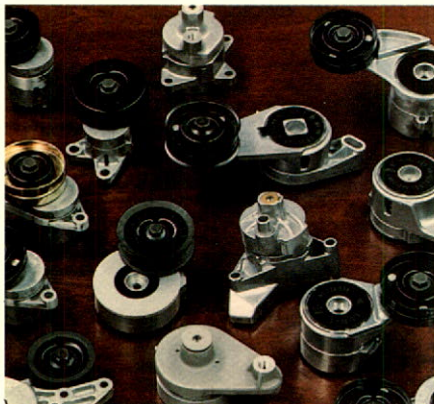


# Manufacturing Systems

**Symatec services and supplies fully-integrated production systems and their individual components.**



**Magna Automobiltechnik AG was formed in 1990 as a 50/50 joint venture with Austrian-based Voest Alpine Stahl Group to operate four facilities in Austria and Germany.**



## Operating results

In 1990 Symatec recorded sales of \$26.5 million. Symatec was successful in reducing working capital and minimizing capital expenditures.

## Strategic developments

Symatec's four divisions provide "turn key" capabilities for tooling, manufacturing, processing, materials handling and equipment testing. Symatec also provides process engineering services to help customers improve productivity in their existing operations.

## Outlook

Trend Tool will continue to design and produce injection moulds, reaction injection moulds, sheet moulding compound moulds, foaming moulds and dies for die-casting processes, while Pro-Die will continue to design and manufacture complete precision-engineered tooling programs. Its main products include transfer dies, progressive dies, fixtures and prototypes for the manufacture of automotive parts.

CCI will focus its expertise on press refurbishing, while TAE will continue designing, engineering and manufacturing assembly automation, welding automation and materials handling equipment.

# Magna Europe

## Operating results

In fiscal 1990, Magna Automobiltechnik AG achieved sales of \$41 million as two of its major stamping plants phased into commercial production.

## Strategic developments

Magna Automobiltechnik AG designs and manufactures metal forming and welded assemblies, exterior mirrors and accessory drive tensioning systems for European OEMs.

All manufacturing divisions are now in commercial production. Sales should be in excess of \$100 million in 1991. Complete tooling and engineering services for all product lines are now also available to OEM customers.

## Outlook

Recent developments in Eastern Europe and the integration of the European automotive industry into a rapidly developing global market will create numerous business opportunities. Magna Europe will continue to develop existing products and customer relations, with particular emphasis on long-term profitability and filling existing capacity.

Based on experience with international joint ventures, technical and manufacturing expertise, product diversification and involvement in "world car" programs, Magna will be in an excellent position to engage in new business opportunities in Europe as circumstances permit.



# FINANCIAL REPORTS AND SHAREHOLDER INFORMATION

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## FINANCIAL REVIEW

### RESULTS OF OPERATIONS

Consolidated sales for fiscal 1990 were \$1,927.2 million, an increase of \$3.5 million as compared to fiscal 1989 sales of \$1,923.7 million (1988 — \$1,458.6 million). Substantially all of the Company's revenues are generated from sales of automotive components, assemblies, parts and tooling to North American OEMs. This sales level was achieved despite a 7.5% decrease in production of cars and light trucks by North American OEMs. During fiscal 1990, 12.3 million vehicles were produced as compared to 13.3 million units in fiscal 1989. Production sales increased 2.2% to \$1,654.4 million reflecting lower volumes on existing products and an approximate 10% increase in new products. Tooling sales declined \$16.3 million to \$200.8 million for fiscal 1990 over fiscal 1989. Revenues from all other sources were down \$16 million to \$72 million for fiscal 1990 reflecting the Company's efforts to reduce non-automotive operations.

The Company has 112 manufacturing and product development facilities in North America and 4 in Europe. In fiscal 1990 Canadian operations accounted for 75% of total sales compared to 80% in fiscal 1989 (81% in fiscal 1988). In fiscal 1990, 82% (77% in fiscal 1989 and 78% in fiscal 1988) of Canadian sales and 95% (95% in fiscal 1989 and 94% in fiscal 1988) of United States sales represented shipments to OEMs located in the United States.

The net loss for fiscal 1990 was \$224.3 million (\$8.06 per share on a fully diluted basis) as compared to net income of \$33.6 million (\$1.19 per share) for fiscal 1989 and net income of \$19.5 million (\$0.70 per share) for fiscal 1988. The loss for the year included a restructuring provision of \$169.2 million before applicable income taxes. In fiscal 1989, income was reduced by a special provision of \$30.3 million before applicable income taxes related to the reorganization and rationalization of specific operations and cost centres. The loss for fiscal 1990 also included gains on the sale of real estate and other assets of \$20.7 million before applicable income taxes (1989 — \$63.8 million; 1988 — \$7.6 million). Fiscal 1989 included gains on the issuance of shares by subsidiaries of \$8.7 million (\$7.9 million in fiscal 1988).

Gross margin as a percentage of sales, declined to 18.7% in fiscal 1990 from 20.2% in fiscal 1989 (22.3% in fiscal 1988). Selling, general and administrative expense decreased to 10.5% of sales from 10.6% in fiscal 1989 (12.3% in fiscal 1988). Interest expense increased to 4.4% of sales from 3.8% in fiscal 1989 (3.4% in fiscal 1988).

Gross margins have been negatively affected by the low capacity utilization for certain of the Company's new production facilities. In many of these situations, the low capacity utilization was due to delays in the introduction of and lower than anticipated volumes on certain new customer vehicle programs. New programs, which will come on stream during fiscal 1991, should improve the capacity utilization for a number of these facilities.

Selling, general and administrative expenses, both as a percentage of sales and in amount, decreased slightly, reflecting management's continued efforts to control and manage these costs. It is expected that selling, general and administrative expense as a percentage of sales will continue to decrease as a result of the full implementation of the



rationalization program embarked upon during fiscal 1989 which continued through fiscal 1990.

Interest expense increased during the year reflecting increased debt levels and a higher average cost of borrowing.

Loss on equity investments was \$17.2 million for fiscal 1990 compared to equity income of \$3.7 million in fiscal 1989 (\$0.5 million of equity income in fiscal 1988). The loss for 1990 reflects significant losses relating to the commencement of production in two joint ventures as well as the general weakness of the automotive industry.

The fiscal 1990 pre-tax loss includes a restructuring provision of \$169.2 million which relates to losses incurred or expected (net of gains) relating to the sale or closure of certain operations, reductions in the carrying values of certain assets relating to continuing operations and an estimate of the restructuring fees that will be incurred through the Company's restructuring process (see below and Note 1 to the Consolidated Financial Statements). The special provision for 1989 mainly related to rationalization of specific operations and cost centres.

Income tax expense, as a percentage of pre-tax income (loss), increased 51.8% reflecting fiscal 1990 losses not tax effected and the reversal of tax benefits relating to prior years losses. The non-recognition of the tax benefits related to these losses accounted for 48% of the increase in the tax provision. As at July 31, 1990, the Company has losses of \$193 million, the tax benefits of which have not been recognized in the Consolidated Financial Statements and are generally available to offset future taxable income. For further detail on the income tax expense, reference should be made to Note 7 to the Consolidated Financial Statements.

The net effect of the above items was to reduce net income by \$257.9 million to a loss of \$224.3 million for fiscal 1990 as compared to fiscal 1989.

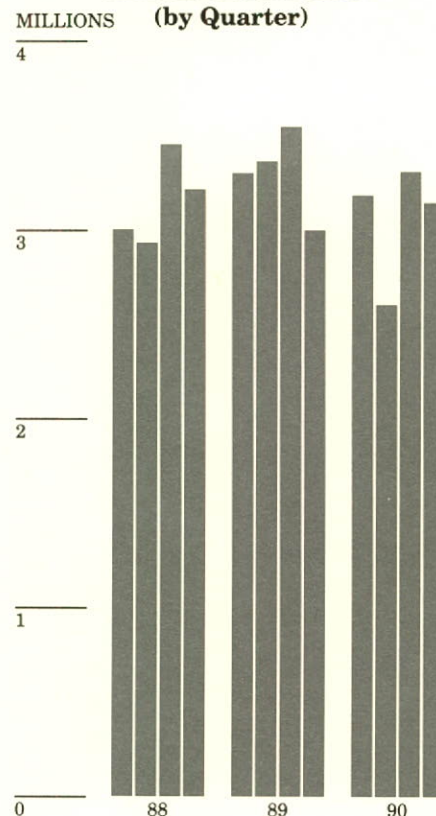
The Company's fiscal 1991 consolidated sales are projected to decline by approximately 3% as compared to fiscal 1990. The decline reflects dispositions of certain operations not strategic to the Company's long term plans as a Tier 1 supplier, the joint venturing of certain major operations as well as an anticipated reduction in North American vehicle production of approximately 0.3 million units in fiscal 1991 as compared to fiscal 1990. However, sales within equity accounted joint ventures are projected to increase by 50%. The Company anticipates a return to profitability during the 1991 fiscal year.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

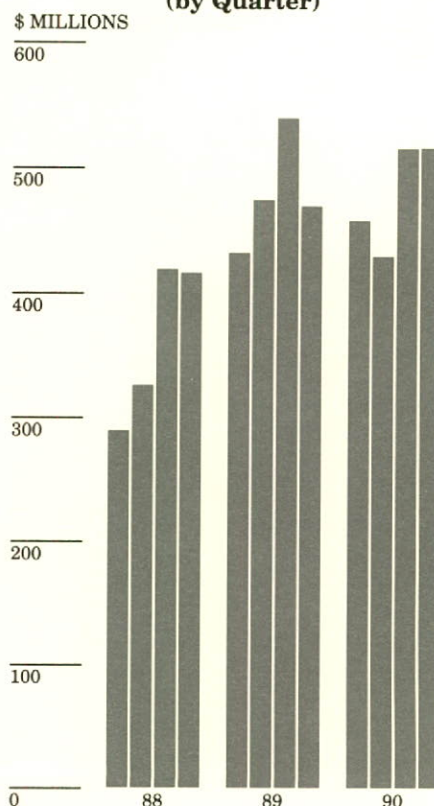
The loss incurred during fiscal 1990 resulted in the Company (including subsidiaries and joint ventures with direct third-party borrowings) being in default on most of its debt outstanding as certain financial tests under the respective lending agreements were not met. As a result of this situation, all debt of the Company has been classified as a current liability under the caption "debt to be restructured". The Company has continued to meet all operating commitments and is current on all regular interest payments.

Management has prepared a comprehensive plan to restructure the Company, including the debt. Currently the Company is in negotiations

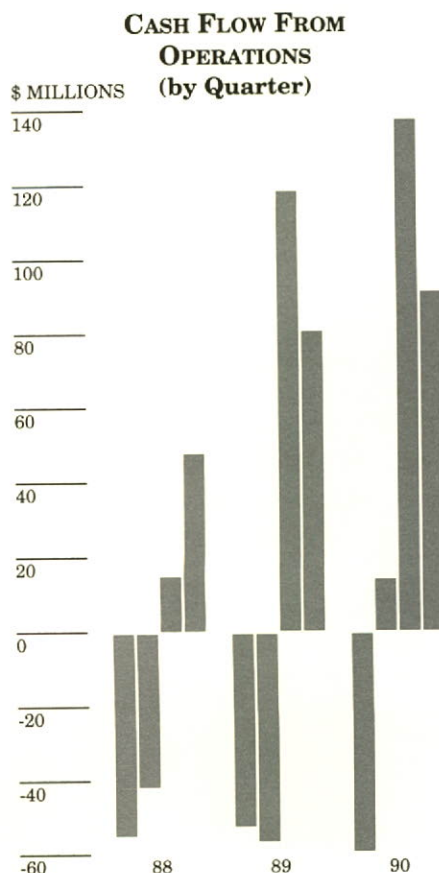
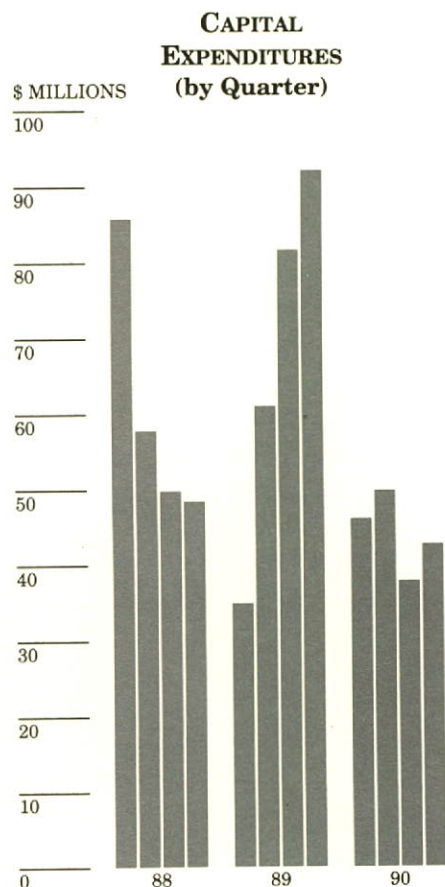
**NORTH AMERICAN  
VEHICLE PRODUCTION**  
(by Quarter)



**SALES**  
(by Quarter)







with its lenders with respect to the plan. In the event that the Company's lenders exercise their acceleration rights as a result of the non-compliance with the terms of their lending agreements there would arise significant uncertainty about the Company's ability to continue as a going concern. A more detailed discussion of the restructuring plan is included in Note 1 to the Consolidated Financial Statements.

In fiscal 1990, Magna invested \$178 million (fiscal 1989 — \$271 million; fiscal 1988 — \$251 million) in land, plant facilities and equipment and \$40 million (fiscal 1989 — \$45 million; fiscal 1988 — \$59 million) in joint ventures and other long term assets. In fiscal 1988, the Company also invested \$32 million to acquire controlling interests in certain businesses. Included in the \$178 million of capital spending for fiscal 1990 is \$102 million of expenditures related to new facilities which are expected to be joint ventured as part of the Company's restructuring plan. Capital spending for fiscal 1991 is forecast to be approximately \$47 million.

Cash provided from operations increased \$94 million to \$185 million in fiscal 1990 as compared to \$91 million for fiscal 1989. Cash used in operations was \$33 million in fiscal 1988. Cash from operations includes cash generated from non-cash working capital of \$112 million in fiscal 1990 (\$4 million for fiscal 1989 and cash used to finance working capital of \$132 for fiscal 1988). This increase in funds generated from non-cash working capital reflects a reduction in inventory levels related to improved management of production inventory levels and lower tooling inventories, a reduction in accounts receivable related to the Company's major customers accelerating their payments to the Company during the third and fourth quarters of fiscal 1990 and an increase in trade payables as suppliers extended better payment terms to the Company.

The Company has committed to its major customers and suppliers to return to normal payment terms over the period August through November 1990. The effect of this, combined with the usual cyclical increase in working capital through the first and second quarters of the fiscal year is forecast to result in a net cash requirement of approximately \$75 million during this period. This cash requirement should be reduced during the third and fourth quarters of fiscal 1991.

Total sources of cash during fiscal 1990 were \$331 million including \$185 million from operations, \$25 million from proceeds on the sale of assets, \$56 million from proceeds related to restructuring transactions and a net increase in debt of \$65 million. These funds were utilized to finance fixed asset acquisitions of \$178 million, investments in joint ventures and other assets of \$40 million, dividends to shareholders and minority interests of \$13 million and an increase in cash of \$100 million. This cash will be used to fund operations and debt reduction during fiscal 1991.

At July 31, 1990 all the Company's debt is classified as current debt to be restructured. Further information regarding the Company's debt is provided in Note 8 to the consolidated financial statements.

The Company's fiscal 1991 capital expenditure program, working capital requirements and debt repayments will be financed from cash available at July 31, 1990, cash from operating activities and from proceeds received from restructuring transactions.



### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Magna's management is responsible for the integrity and fair presentation of the financial statements and all information in the Annual Report. The financial statements were prepared by management in accordance with generally accepted accounting principles as set out preceding the financial statements. The financial statements have been reviewed by the Audit Committee and approved by the Board of Directors.

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

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


The consolidated financial statements have been examined by Ernst & Young, the independent auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company.

Magna International Inc.

### AUDITORS' REPORT

*To the Shareholders of Magna International Inc.:*  
We have examined the consolidated balance sheets of Magna International Inc. as at July 31, 1990 and 1989 and the consolidated statements of income (loss) and retained earnings (deficit) and cash flows for each of the years in the three-year period ended July 31, 1990. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at July 31, 1990 and 1989 and the results of its operations and the changes in its financial position for each of the years in the three-year period ended July 31, 1990 in accordance with accounting principles generally accepted in Canada applied on a consistent basis.



Toronto, Canada  
October 18, 1990

Ernst & Young  
Chartered Accountants

### *Comments by Auditors for U.S. Readers on Canadian/U.S. Reporting Conflict*

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties such as those referred to in the attached consolidated balance sheet as at July 31, 1990 and as described in Note 1 to the consolidated financial statements. Our report to the shareholders dated October 18, 1990, is expressed in accordance with Canadian reporting standards which do not permit a reference to such uncertainties in the auditors' report when the uncertainties are adequately disclosed in the consolidated financial statements.



Toronto, Canada  
October 18, 1990

Ernst & Young  
Chartered Accountants



## SIGNIFICANT ACCOUNTING POLICIES

### (A) BASIS OF PRESENTATION

The consolidated financial statements have been prepared in Canadian dollars following accounting policies generally accepted in Canada. These policies are also in conformity, in all material respects, with accounting policies generally accepted in the United States except as described in note 3 to the consolidated financial statements.

### (B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Magna International Inc. and its subsidiaries, some of which have a minority interest. All significant intercompany balances and transactions have been eliminated on consolidation. The Company accounts for its joint ventures and investments in which it has significant influence on the equity basis.

### (C) 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.

### (D) FIXED ASSETS

Fixed assets are recorded at historical cost including interest capitalized on construction in progress and land under development less related investment tax credits.

Depreciation is provided on a straight-line basis over the estimated useful lives of fixed assets at annual rates of 2½% to 5% for buildings, 7% to 10% for general purpose equipment and 10% to 30% for special purpose equipment, vehicles and aircraft.

Costs incurred in establishing new facilities which require substantial time to reach commercial production capability are capitalized as deferred preproduction costs. Amortization is being provided over terms ranging from two to five years from the date commercial production capability is achieved.

### (E) GOODWILL

Goodwill, which is the excess of purchase price of the Company's interest in subsidiary companies over the fair value of the underlying net identifiable assets arising on acquisitions, is amortized over 10 years.

### (F) REVENUE RECOGNITION

Revenue from sales of manufactured products is recognized upon shipment to customers. Revenue on major tooling contracts is recognized on a percentage of completion basis.

### (G) RESEARCH AND DEVELOPMENT

Research and development expenses are charged against income in the year of expenditure.

### (H) 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.

### (I) FOREIGN EXCHANGE

Assets and liabilities of foreign subsidiaries are translated 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 subsidiaries 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 equity investment in these subsidiaries.

Foreign exchange gains and losses on transactions during the year are reflected in income except for gains and losses on specific foreign exchange forward contracts used to hedge certain fixed asset commitments payable in foreign currencies. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

Gains and losses on translation of unhedged foreign currency long-term liabilities and debt to be restructured are deferred and amortized.

### (J) INCOME TAXES

The Company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between accounting and taxable income result in the recording of deferred income taxes.

Investment tax credits relating to fixed asset purchases and research and development expenses are accounted for as a reduction of the cost of such assets and expenses, respectively.

### (K) EARNINGS PER SHARE

Basic earnings per share is calculated on the weighted average number of shares outstanding during the year.

Fully diluted earnings per share is calculated on the weighted average number of shares that would have been outstanding during the respective period had all of the convertible subordinated bonds outstanding at the year-end having a dilutive effect been converted into Class A Subordinate Voting shares at the beginning of the year. In making this calculation, the earnings applicable to the Class A Subordinate Voting and Class B shares have been increased by the amount of interest on the convertible subordinated bonds (net of applicable income taxes).



# CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)

(Canadian dollars in thousands, except per share figures)

		Years ended July 31		
	Note	1990	1989	1988
Sales		\$ 1,927,185	\$1,923,657	\$1,458,603
Cost of goods sold		1,567,432	1,534,864	1,133,226
Depreciation and amortization		104,243	99,390	74,570
Selling, general and administrative		203,129	203,752	178,757
Interest	8	85,461	73,045	49,768
Equity loss (income)	5	17,210	(3,682)	(538)
Restructuring provision	1,5	169,200		
Special provision	1		30,300	
Net gains on sale of real estate and other assets		(20,692)	(63,765)	(7,580)
Income (loss) before the undernoted		(198,798)	49,753	30,400
Gains on the issuance of shares of subsidiaries	11		8,700	7,890
Income (loss) before income taxes and minority interest		(198,798)	58,453	38,290
Income taxes	7	23,800	23,250	12,670
Minority interest		1,724	1,592	6,078
Net income (loss) for the year		(224,322)	33,611	19,542
Retained earnings, beginning of year		179,456	159,198	154,969
		(44,866)	192,809	174,511
Deduct:				
Dividends on Class A Subordinate				
Voting and Class B shares		6,677	13,353	13,366
Repurchase of Class B shares				1,947
		6,677	13,353	15,313
Retained earnings (deficit), end of year		\$ (51,543)	\$ 179,456	\$ 159,198
Earnings (loss) per Class A Subordinate				
Voting or Class B share:				
Basic		\$ (8.06)	\$ 1.21	\$ 0.70
Fully diluted		\$ (8.06)	\$ 1.19	\$ 0.70
Cash dividends paid per Class A				
Subordinate Voting or Class B				
share		\$ 0.24	\$ 0.48	\$ 0.48

(See accompanying notes)



# CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Canadian dollars in thousands)</i>		<i>Years ended July 31</i>		
	<i>Note</i>	<b>1990</b>	1989	1988
Cash provided from (used for):				
Operating activities	13	<b>\$ 184,845</b>	\$ 90,928	\$ (33,222)
Investment activities –				
Fixed asset additions		<b>\$ (75,642)</b>	\$(271,149)	\$(250,842)
Fixed asset additions to be joint ventured	5	<b>(102,243)</b>		
Increase in investments		<b>(39,833)</b>	(45,135)	(58,502)
Proceeds from disposition of fixed assets and other		<b>24,991</b>	123,760	81,692
Proceeds from restructuring transactions	1	<b>55,603</b>		
Purchase of subsidiaries				(31,752)
Total investment activities		<b>\$ (137,124)</b>	\$(192,524)	\$(259,404)
Financing activities –				
Issue of debt		<b>\$ 80,819</b>	\$ 104,875	\$ 288,912
Repayment of debt	1	<b>(15,470)</b>	(50,700)	(23,379)
Issuance of shares by subsidiaries	11		70,000	50,000
Repurchase of Class B shares				(2,025)
Dividends paid to (net of capital contribution by) minority interests		<b>(6,423)</b>	(9,226)	(7,516)
Dividends		<b>(6,677)</b>	(13,353)	(13,366)
Total financing activities		<b>\$ 52,249</b>	\$ 101,596	\$ 292,626
Cash, end of year	1	<b>\$ 99,970</b>	Nil	Nil

*(See accompanying notes)*



# CONSOLIDATED BALANCE SHEETS

(Incorporated under the laws of Ontario)


(Canadian dollars in thousands)

July 31

	Note	1990	1989
<b>ASSETS</b>			
Current assets:			
Cash	1	\$ 99,970	
Accounts receivable		193,711	\$ 328,911
Inventories	4	168,899	255,280
Prepaid expenses		14,443	16,746
Net assets to be sold	1, 5	297,182	
		<b>774,205</b>	600,937
Investments	5	145,797	116,425
Fixed assets	6	781,284	1,101,217
Goodwill		12,409	21,356
Other assets		41,199	23,182
		<b>\$1,754,894</b>	\$1,863,117
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Debt to be restructured and other current liabilities:			
Bank indebtedness	8		\$ 220,005
Accounts payable		\$ 216,608	251,961
Accrued salaries and wages		37,877	38,269
Other accrued liabilities		29,707	19,223
Income taxes payable	7	6,321	
Long-term debt due within one year	8		15,835
		<b>290,513</b>	545,293
Debt to be restructured	1, 8	1,029,969	
		<b>1,320,482</b>	545,293
Long-term debt	8		685,909
Deferred gains and financing obligations		12,743	2,922
Deferred income taxes	7	69,276	57,444
Minority interest	5, 11	121,280	107,233
Contingency	1		
Shareholders' equity:			
Capital stock	9		
Class A Subordinate Voting shares (issued: 1990 - 26,525,210; 1989 - 26,524,910)		289,977	289,976
Class B shares (convertible into Class A Subordinate Voting shares) (issued: 1990 - 1,294,209; 1989 - 1,294,509)		1,511	1,512
Retained earnings (deficit)		(51,543)	179,456
Currency translation adjustment	10	(8,832)	(6,628)
		<b>231,113</b>	464,316
		<b>\$1,754,894</b>	\$1,863,117

(See accompanying notes)

On behalf of the Board:

  
Director

  
Chairman, Board of Directors



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## JULY 31, 1990

### 1. FINANCIAL POSITION OF MAGNA INTERNATIONAL INC. AND ITS SUBSIDIARIES

During fiscal 1990, the general weakness of the automotive industry, together with significant funding requirements related to the commencement of production in certain major new operations, caused a serious strain on the Company's financial resources. As a result, the Company reassessed the viability of all its operating units and concluded that certain of these should be divested or closed. To reflect management's intention with respect to those operations, a write-down of the carrying values of certain assets to net realizable value was necessary. During the second quarter a restructuring provision aggregating \$153 million was made. This write-down, in combination with significant operating losses in the second quarter, resulted in the Company (including subsidiaries and joint ventures with direct third-party borrowings) being in default on most of its debt outstanding as certain financial tests under the respective lending agreements were not met. The Company has continued to meet all operating commitments and is current on all regular interest payments.

### THE RESTRUCTURING PLAN

Management has prepared a comprehensive plan to restructure the Company. With the approval of the Board of Directors of the Company, the restructuring plan ("the Plan") has been distributed on a strictly confidential basis to the Company's lenders whose loans are in default and certain other interested parties. Lenders to Magna and its subsidiaries are currently conducting review procedures with respect to the Plan and the underlying business plan and discussions between the lenders and management concerning the Plan are continuing. The Company is in the process of preparing a Revised Plan to be distributed in November, 1990 incorporating the comments received on the Plan and for which the lenders' approval will be sought. It is anticipated that the Revised Plan will provide the framework for the required financing of the Company's operations.

The Plan incorporates the following objectives:

1. Reduction of debt
2. Divestiture of certain operations
3. Completion of the independent financing of the Automotive Systems Corporations
4. Preservation of shareholder value

During the restructuring period, the Company will, in general, deposit with non-lender financial institutions all cash from operations and cash proceeds generated from asset dispositions. Funds will be withdrawn from these accounts to fund operating requirements. In March 1990, the Company received support from its major customers and suppliers through improved payment terms on normal course business transactions. This support continued substantially through to July 31, 1990. The Company has committed to revert to normal payment terms during the period August through November, 1990.

Substantially all of the assets of the parent company relate to investments and advances to subsidiary and affiliate companies. The parent has \$418 million of debt outstanding at July 31, 1990. The majority of these subsidiary companies have direct borrowing arrangements which require the subsidiary to meet certain minimum financial tests and ratios. Due to the losses incurred during fiscal 1990, all the bank debt of subsidiary companies is in default and therefore there are restrictions as to the flow of funds from the subsidiaries to the parent company. In conjunction with the Restructuring Plan, the Company expects to transfer substantially all of its outstanding debt of the parent, with the exception of the

public debt instruments, to subsidiary companies and renegotiate the financial covenants of the subsidiaries to allow for the normal operations of the parent company.

The reduction of debt is to be achieved substantially by the sale of assets together with the joint venturing, including independent direct debt financing related thereto, of certain of the Company's larger automotive operations. Assets and operations identified for disposal or joint venture in accordance with the Plan have been aggregated under the caption "Net assets to be sold" on the consolidated balance sheet. Included in this balance is \$141 million of net assets related to operations to be joint ventured, \$113 million relating to net assets of operations to be sold and \$43 million relating to real estate and other assets to be sold. The Company has completed a number of these transactions to date. As of October 18, 1990, the Company and its subsidiaries had received approximately \$123 million in asset proceeds (including approximately \$67 million received subsequent to July 31, 1990) representing approximately 30 percent of the Plan's objective. Certain of these funds are not currently available to reduce debt outstanding as they have been used to fund working capital requirements since July 31, 1990.

As part of the Plan, the Company has identified automotive operations which are not necessary to the Company's long-term strategy of being a Tier 1 automotive systems supplier. Certain of these operations generated significant losses which had a material negative effect on the Company's consolidated results. In some cases, these operations have been, or will be closed. In addition, substantially all non-automotive operations have been sold or closed.

Provisions for the expected losses (net of gains) relating to the sale or closure of operations as identified in the Plan are included in the restructuring provision. The provision of \$169.2 million for 1990 also includes an estimate of the restructuring fees that will be incurred through the restructuring process. The special provision for 1989 mainly related to rationalization of specific operations and cost centres.

In the event that the Company's lenders exercise their acceleration rights as a result of the non-compliance with the terms of their lending arrangements, there would arise significant uncertainty about the Company's ability to continue as a going concern. The acceptance of a restructuring plan is expected to include renegotiation of covenants and waivers for the prior non-compliance of covenants. These financial statements are prepared on the basis of accounting principles applicable to a going concern, which contemplates continuity of operations and realization of assets and settlement of liabilities in the normal course of business. They do not give effect to adjustments that would be necessary should the Company not be able to continue as a going concern, including adjustments relating to the amounts and classification of assets and liabilities.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## JULY 31, 1990

### 3. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's accounting policies do not differ from accounting principles generally accepted in the United States ("United States GAAP") except that under United States GAAP, the gain on the translation of the Company's foreign currency denominated debt would have been included in income as set out below.

Years ended July 31	1990	1989	1988
(Canadian dollars in thousands, except per share amounts)			
Net income (loss) under Canadian GAAP	\$(224,322)	\$33,611	\$19,542
Adjustment to include in income deferred gains on foreign currency denominated debt	287	257	3,905
Net income (loss) under United States GAAP	\$(224,035)	\$33,868	\$23,447
Earnings (loss) per Class A Subordinate Voting or Class B Share under U.S. GAAP			
Primary	\$ (8.05)	\$ 1.22	\$ 0.84
Fully diluted	\$ (8.05)	\$ 1.20	\$ 0.84

### 4. INVENTORIES

Inventories consist of:	1990	1989
(Canadian dollars in thousands)		
Raw materials and supplies	\$ 60,491	\$ 89,788
Work in process	81,450	121,685
Finished goods	26,958	43,807
	\$168,899	\$255,280

At July 31, 1990, work in process inventories included tooling of approximately \$40 million (1989 - \$63 million).

### 5. JOINT VENTURES AND EQUITY ACCOUNTED INVESTMENTS

The Company conducts certain of its operations through joint ventures. In addition, the Company has made certain investments in other businesses. The Company's ownership percentage ranges from 40% to 60% for joint ventures and 40% to 50% for the other investments. Both joint ventures and investments are accounted for on the equity basis.

#### (a) Summary of transactions:

In January, 1990, the Company sold a 50% interest in its four European manufacturing facilities to a major European steel manufacturer thereby forming a strategic European joint venture. The Company transferred to the new joint venture \$32 million of assets net of \$27 million of third party liabilities, including \$15 million of debt.

As a consequence of changed circumstances, one of the Company's joint ventures has been consolidated as a controlled subsidiary effective January 31, 1990. The net effect of this transaction was an increase in assets by \$105 million, an increase in debt by \$82 million and an increase in minority interest by \$23 million.

The Company disposed of its interest in two joint ventures during fiscal 1990 as part of the restructuring plan. Proceeds on disposition of these two investments were \$7 million resulting in a loss on disposal of \$29 million which has been included in the restructuring provision. Equity losses recorded for fiscal 1990 related to these joint ventures aggregated \$3 million prior to their disposal. These two joint ventures had debt outstanding aggregating \$82 million for which the Company has provided guarantees or deficiency agreements. The Company expects to be released of all commitments relating to this debt.

The Company, as part of the restructuring program, has plans to form joint ventures with respect to two of its existing operations. In August, 1990, the Company entered into a joint venture agreement with respect to one of these operations. This transaction is scheduled to close in October, 1990. The Company is currently in negotiations with an interested party with respect to the other operation. At July 31, 1990, assets of these operations aggregate \$221 million (\$245 million of assets net of \$24 million of liabilities). These balances are included in the consolidated balance sheet as net assets to be sold in the amount of \$141 million and investments in the amount of \$80 million. The amount included in investments represents the Company's estimate of its continuing investment in these operations.

#### (b) Condensed information:

The following are condensed combined balance sheets and income (loss) statements of the joint ventures and equity accounted investments in which the Company has an interest:

Balance Sheets (as at July 31)	1990	1989	
(Canadian dollars in thousands)			
Current assets	\$109,036	\$109,202	
Fixed assets	162,800	339,514	
Other	8,076	35,254	
Total assets	\$279,912	\$483,970	
Current liabilities	\$103,746	\$152,840	
Debt to be restructured	62,345		
Due affiliated companies	25,319		
Other long-term debt and deferred income taxes	12,723	193,058	
Long-term subordinated loans from shareholders	18,235	10,148	
Shareholders' equity	57,544	127,924	
Total liabilities and shareholders' equity	\$279,912	\$483,970	
Statements of Income (Loss)	1990	1989	1988
(Canadian dollars in thousands)			
Sales	\$394,058	\$360,554	\$186,679
Gross profit	\$ 63,757	\$ 61,738	\$ 27,604
Net income (loss)	\$(27,918)	\$ 6,662	\$ 1,109

The Company's proportionate share of total assets is \$150 million (1989 - \$258 million), its proportionate share of sales is \$209 million (1989 - \$192 million; 1988 - \$97 million) and proportionate share of net income (loss) is \$(17.2) million (1989 - \$3.7 million; 1988 - \$0.5 million).

(c) The Company and one of its joint venture partners have guaranteed specific bank lines of one joint venture. The Company's share of such guarantees is \$32 million (1989 - \$75.3 million). In addition, the Company has commit-



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 1990

ted, along with certain of its partners, to maintain minimum equity balances in certain of its joint ventures. At July 31, 1990, no additional investments were required to maintain such minimum equity balances.

## 6. FIXED ASSETS

Fixed assets consist of:	1990	1989
(Canadian dollars in thousands)		
Land	\$ 36,281	\$ 73,106
Buildings	210,888	277,194
Machinery and equipment	794,262	967,006
	1,041,431	1,317,306
Less accumulated depreciation	280,059	287,704
	761,372	1,029,602
Deferred preproduction costs (net of accumulated amortization)	19,912	71,615
	\$ 781,284	\$ 1,101,217

At July 31, 1990 there are no facilities (buildings and machinery and equipment) under construction included in fixed assets (1989 - \$91 million).

## 7. INCOME TAXES

(a) The provision for income tax expense differs from the expense that would be obtained by applying Canadian statutory rates as a result of the following:

	1990	1989	1988
Expected income tax rate	44.3%	44.3%	50.9%
Manufacturing and processing profits deduction	(0.8)	(0.4)	(5.4)
Foreign rate differentials	0.1	1.4	(0.3)
Income taxable at capital gains rate	2.3	(6.5)	(8.0)
Non-taxable gains and losses	(9.0)	(0.9)	(5.0)
Losses not tax effected	(48.1)		
Other	(0.8)	1.9	0.9
Effective income tax rate	(12.0)%	39.8%	33.1%

(b) Details of income tax provision are:

	1990	1989	1988
(Canadian dollars in thousands)			
Current provision -			
Canadian federal taxes	\$ 3,851	\$ 4,495	\$ (5,270)
Provincial taxes	767	3,490	(2,930)
Foreign taxes	2,054	985	
	6,672	8,970	(8,200)
Deferred provision -			
Canadian federal taxes	9,242	11,236	13,070
Provincial taxes	6,436	7,609	7,260
Foreign taxes	1,450	(4,565)	540
	17,128	14,280	20,870
	\$23,800	\$23,250	\$12,670

(c) Deferred taxes have been provided on timing differences which consist of the following:

	1990	1989	1988
(Canadian dollars in thousands)			
Tax depreciation in excess of book depreciation	\$19,062	\$10,433	\$10,915
Preproduction costs capitalized for accounting purposes (net of amortization) deducted for tax	(4,491)	5,048	8,920
Interest capitalized for accounting purposes deducted for tax	750	(1,242)	2,555
Other	1,807	41	(1,520)
	\$17,128	\$14,280	\$20,870

(d) Income taxes paid (refunded) in cash were \$0.7 million for fiscal 1990 (1989 - \$(5.8) million; 1988 - \$2.9 million).

(e) Consolidated retained earnings (deficit) include approximately \$10.5 million at July 31, 1990 (\$23.8 million at July 31, 1989) of undistributed earnings of United States 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.

(f) At July 31, 1990 the Company has losses of \$193 million, the tax benefits of which have not been recognized in the consolidated financial statements. These losses are generally available to offset future taxable income and expire between 1994 and 2005.

## 8. DEBT TO BE RESTRUCTURED, OTHER DEBT AND COMMITMENTS

(a) The Company's debt consists of:

	1990	1989
(Canadian dollars in thousands)		
Bank debt at floating rates that approximate prime (of which \$230 million is denominated in U.S. dollars)	\$ 802,938	\$664,108
10% unsecured debentures	75,000	75,000
7% convertible subordinated bonds (\$75 million U.S.)	93,051	94,602
Loans from governments	28,108	29,580
Mortgages payable at interest rates from 5% to 12.5% due 1991 to 2004	12,717	20,215
Other	18,155	38,244
	\$1,029,969	\$921,749

The debt is classified on the consolidated balance sheet as follows:

	1990	1989
(Canadian dollars in thousands)		
Debt to be restructured	\$1,029,969	
Bank indebtedness		\$220,005
Long-term debt due within one year		15,835
Long-term debt		685,909
	\$1,029,969	\$921,749



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## JULY 31, 1990

- (b) All current and long-term debts of the Company are in default due to the Company not meeting certain financial ratio tests during the year (see note 1) with the exception of the 7% convertible subordinated bonds and certain of the government loans, mortgages and other debts of the Company. Due to the continuation of the defaults, payments in full on all loans in default may be demanded at any time. However, none of the loans in default have been accelerated. An acceleration of a loan may cause the 7% convertible subordinated bonds to be in default. Accordingly, these bonds have been classified as debt to be restructured.
- (c) The Company utilizes interest rate swaps to fix interest rates on its bank debt. As at July 31, 1990, the Company has entered into interest rate swap agreements to fix interest rates on approximately \$310 million of bank debt at interest rates varying between 11.5% and 13.2% for terms up to 4 years.
- (d) The 7% convertible subordinated bonds are convertible into Class A Subordinate Voting shares at a conversion price of \$20.75 U.S. (approximately \$24.00 Cdn. as at July 31, 1990) and mature on November 26, 1993.
- (e) Interest paid includes:

	1990	1989	1988
	(in millions of Canadian dollars)		
Interest expense	\$85.5	\$73.0	\$49.8
Interest capitalized to:			
Fixed assets	3.1	10.8	12.8
Deferred preproduction	0.4	6.5	5.4
Net assets to be sold	8.2		
Interest payable beginning of year	2.7	2.3	1.1
Interest payable end of year	(5.9)	(2.7)	(2.3)
Interest paid for year	\$94.0	\$89.9	\$66.8

Interest expense in 1989 included interest on long-term debt of \$42.9 million and interest on other debt of \$30.1 million (1988 – \$26.1 million and \$23.7 million respectively).

- (f) At July 31, 1990, the Company had commitments under operating leases requiring annual rental payments as follows:

	(Canadian dollars in thousands)
1991	\$ 31,866
1992	24,256
1993	18,302
1994	15,517
1995	12,561
Thereafter	65,871
	\$168,373

In 1990, payments under operating leases amounted to approximately \$34 million (1989 – \$30 million; 1988 – \$26 million).

- (g) The Company has significant net cash inflows denominated in U.S. dollars. The Company utilizes foreign exchange forward contracts to hedge these exposures. At July 31, 1990, the Company had outstanding foreign exchange forward contracts representing a net commitment to sell U.S. dollars aggregating approximately \$200 million at weighted average rates of exchange approximating \$0.80 Canadian that mature over the next 3 years.

## 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 99,776,000 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:

- Each share is entitled to one vote per share at all meetings of shareholders.
- 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:

- Each share is entitled to 500 votes per share at all meetings of shareholders.
- Each share shall participate equally as to dividends with each Class A Subordinate Voting share.
- 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 and Class B shares for the years 1988, 1989 and 1990 are shown in the following table (Canadian dollars in thousands):

	Class A Subordinate Voting		Class B	
	Shares	Stated value	Shares	Stated value
Issued and outstanding at July 31, 1987	26,524,710	\$289,976	1,362,209	\$1,590
Repurchase of Class B shares			(67,500)	(78)
Issued and outstanding at July 31, 1988	26,524,710	289,976	1,294,709	1,512
Conversion of Class B shares to Class A shares	200		(200)	
Issued and outstanding at July 31, 1989	26,524,910	289,976	1,294,509	1,512
Conversion of Class B shares to Class A shares	300	1	(300)	(1)
Issued and outstanding at July 31, 1990	26,525,210	\$289,977	1,294,209	\$1,511

- (c) The Company has reserved two million Class A Subordinate Voting shares for issuance under the 1987 Incentive Stock



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## JULY 31, 1990

Option Plan approved by the shareholders in December 1987. Prior to August 1, 1989 no options were issued under this Plan. During the year ended July 31, 1990, options to purchase 400,000 Class A Subordinate Voting shares were issued. As at July 31, 1990, none of these options were exercised. The options are exercisable up to July 26, 1995 at a fixed price of \$3.65 per share.

### 10. CURRENCY TRANSLATION ADJUSTMENT

The following is a continuity of the currency translation account included in shareholders' equity:

	1990	1989
	(Canadian dollars in thousands)	
Balance, beginning of year	\$(6,628)	\$(4,605)
Adjustment for disposals	350	
Translation adjustments	(2,554)	(2,023)
Balance, end of year	\$(8,832)	\$(6,628)

### 11. SHARE ISSUES BY SUBSIDIARY COMPANIES

(a) During fiscal 1989, Tesma International Inc. and Atoma International Inc., both subsidiaries of the Company, issued shares on a private basis. Tesma International Inc. issued 1,538,462 Class A Subordinate Voting shares at an issue price of \$9.75 and 446,030, 6% Class D Convertible, Redeemable, Preferred shares at an issue price of \$11.21 for aggregate cash consideration of \$20 million. Atoma International Inc. issued 7,142,757 Class A Subordinate Voting Shares at an issue price of \$7 for cash consideration of \$50 million.

During 1988, Cosma International Inc. issued on a private transaction basis 3,076,923 Class A Subordinate Voting shares at \$6.50 per share and 300,000, 5% Class D Convertible, Redeemable, Preferred shares at \$100 per share for aggregate cash consideration of \$50 million.

At July 31, 1990, Magna's ownership percentage in these companies on a fully diluted basis is: Atoma - 75.5%; Tesma - 79%; and Cosma - 82%.

(b) Minority interest includes \$35 million of cumulative preferred shares issued by subsidiary companies in the above transactions, the majority of which are redeemable in fiscal 1995.

### 12. RESEARCH AND DEVELOPMENT

Research and development expense and grants earned for the three years ended July 31, 1990, were as follows:

	1990	1989	1988
	(in millions of Canadian dollars)		
Research and development expense	\$15.5	\$19.3	\$17.9
Less grants earned	1.3	2.4	2.2
Net research and development expense	\$14.2	\$16.9	\$15.7

### 13. CASH PROVIDED FROM (USED FOR) OPERATING ACTIVITIES

	1990	1989	1988
	(Canadian dollars in thousands)		
Net income (loss)	\$(224,322)	\$ 33,611	\$ 19,542
Items not involving a current cash flow:			
Depreciation and amortization	104,243	99,390	74,570
Minority interest	1,724	1,592	6,078
Deferred income taxes	17,128	14,280	20,870
Equity (income) loss	17,210	(3,682)	(538)
Gains on the disposal of assets	(20,692)	(63,830)	(7,580)
Gains on the issuance of shares by subsidiaries		(8,700)	(7,890)
Restructuring provision	168,777		
Other	8,776	14,169	(6,048)
	72,844	86,830	99,004
Changes in non-cash working capital:			
Accounts receivable	56,285	(43,225)	(93,020)
Inventories	41,527	(21,718)	(60,332)
Prepaid expenses	(4,136)	(5,458)	(2,943)
Accounts payable and accrued liabilities	11,335	51,552	40,531
Accrued salaries and wages	(392)	6,056	3,700
Income taxes payable	7,382	16,891	(20,162)
	112,001	4,098	(132,226)
Cash provided from (used for) operating activities	\$ 184,845	\$ 90,928	\$ (33,222)

### 14. SEGMENTED INFORMATION

The Company's operations are substantially all related to the automotive industry. Operations include the manufacture of automobile parts for the original equipment manufacturers as well as products for the after-market. Substantially all automotive revenue is derived from sales to North American facilities of the major automobile manufacturers. In 1990, sales to the Company's three largest customers amounted to 33%, 29% and 19% (1989 - 32%, 26% and 22%; 1988 - 37%, 27% and 21%) of total sales, respectively.

The following table shows certain information with respect to geographic segmentation (Canadian dollars in thousands):

	1990		
	Canada	United States	Total
Sales	\$1,444,666	\$482,519	\$1,927,185
Income (loss) before the following	\$ (103,422)	\$ 13,082	\$ (90,340)
Gains on sale of real estate and other assets			20,692
Corporate expense <sup>(1)</sup>			(129,150)
Loss before income tax and minority interest			\$ (198,798)
Assets	\$1,210,097	\$481,498	\$1,691,595
Corporate assets			63,299
Total assets			\$1,754,894



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## JULY 31, 1990

	1989		
	Canada	United States	Total
Sales	\$1,537,703	\$385,954	\$1,923,657
Income before the following	\$ 81,456	\$ 17,908	\$ 99,364
Gains on sale of real estate and issuance of subsidiaries' shares			72,465
Corporate expense <sup>(1)</sup>			(113,376)
Income before income tax and minority interest			\$ 58,453
Assets	\$1,427,840	\$368,231	\$1,796,071
Corporate assets			67,046
Total assets			\$1,863,117

	1988		
	Canada	United States	Total
Sales	\$1,187,868	\$270,735	\$1,458,603
Income before the following	\$ 103,851	\$ 10,148	\$ 113,999
Gains on sale of real estate and issuance of subsidiary shares			15,470
Corporate expense <sup>(1)</sup>			(91,179)
Income before income tax and minority interest			\$ 38,290
Assets	\$1,335,343	\$266,802	\$1,602,145
Corporate assets			63,511
Total assets			\$1,665,656

### NOTES:

(1) Corporate expense includes:	1990	1989	1988
Interest expense (net)	\$ 85,461	\$ 73,045	\$49,768
Selling, general and administrative	43,689	40,331	41,411
	\$129,150	\$113,376	\$91,179

Selling, general and administrative expense includes gains on foreign currency transactions of \$3.2 million in 1990 (1989 - \$2.6 million; 1988 - \$3.2 million).

(2) Canadian sales include export sales of \$1,181 million (1989 - \$1,185 million; 1988 - \$931 million) substantially all of which are to the United States.

(3) Loss before income taxes from foreign operations amounts to \$17.9 million (1989 - loss of \$11.3 million; 1988 - income of \$1.5 million).

## 15. TRANSACTIONS WITH RELATED PARTIES

During the year, trusts which exist to make orderly purchases of the Company's shares for employees, either for transfer to the employees' Deferred Profit Sharing Plan which invests exclusively in such shares, or to recipients of either bonuses or rights to purchase such shares from the trusts, borrowed up to \$4,798,000 (1989 - \$6,707,000; 1988 - \$10,697,000) from the Company to facilitate the purchase of Class A Subordinate Voting shares and Class B shares of the Company. At the year-end, the trusts' indebtedness to the Company was \$805,000 (1989 - \$2,799,000; 1988 - \$6,707,000).

From time to time, the Company makes advances to officers to assist them in the purchase of shares of the Company and to assist in the purchase of houses following relocations. The maximum amount outstanding under such arrangements during the year was \$2,823,000 (1989 - \$1,262,000; 1988 - \$2,025,000). The balance outstanding at the year-end was \$2,793,000 (1989 - \$1,099,000; 1988 - \$921,000). These amounts are included in accounts receivable.

The Company obtains services from firms in which non-officer directors and former non-officer directors of the Company are partners or officers. These services included legal services and underwriting of equity and debt issues. On an annual basis, legal fees paid were not in excess of one half of one percent of revenue and underwriters' commissions were not in excess of four tenths of one percent of revenue.

## 16. COMPARATIVE FIGURES AND BASIS OF PRESENTATION

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



# 10-YEAR FINANCIAL SUMMARY

<i>(Canadian dollars in thousands, except per share figures)</i>										
<i>Fiscal years ending July 31</i>										
	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
<b>Operations Data</b>										
Sales	<b>\$1,927,185</b>	\$1,923,657	\$1,458,603	\$1,152,463	\$1,027,776	\$690,400	\$493,559	\$302,451	\$226,534	\$198,721
Income (loss) from continuing operations <sup>(1,4,5)</sup>	<b>(224,322)</b>	33,611	19,542	40,345	47,259	38,165	29,489	14,253	5,178	6,335
Income from discontinued operations <sup>(1)</sup>										287
Net income (loss) <sup>(1,4,5)</sup>	<b>(224,322)</b>	33,611	19,542	40,345	47,259	38,165	29,489	14,253	5,178	6,622
Basic earnings (loss) per Class A or Class B share <sup>(2,4,5)</sup>	<b>\$(8.06)</b>	\$1.21	\$0.70	\$1.56	\$1.93	\$1.77	\$1.81	\$1.07	\$0.48	\$0.61
Fully diluted earnings (loss) per Class A or Class B share <sup>(2,4,5)</sup>	<b>\$(8.06)</b>	\$1.19	\$0.70	\$1.52	\$1.93	\$1.71	\$1.73	\$1.04	\$0.43	\$0.54
Depreciation and amortization <sup>(4)</sup>	<b>104,243</b>	99,390	74,570	55,012	36,375	23,280	14,748	11,310	9,253	7,792
Cash flow from operating activities	<b>184,845</b>	90,928	(33,222)	52,276	124,785	19,200	24,266	30,566	13,313	(194)
Dividends declared per Class A and Class B share <sup>(2,3)</sup>	<b>\$0.12</b>	\$0.48	\$0.48	\$0.48	\$0.48	\$0.48	\$0.31	\$0.13	\$0.13	\$0.18
Cash dividends per Class A and Class B share <sup>(2,3)</sup>	<b>\$0.24</b>	\$0.48	\$0.48	\$0.48	\$0.48	\$0.46	\$0.26	\$0.10	\$0.15	\$0.18
Average number of Class A and Class B shares outstanding <sup>(2)</sup>	<b>27,819</b>	27,819	27,836	25,860	24,323	21,424	16,105	12,964	10,035	10,243
<b>Financial Position</b>										
Total assets <sup>(1,4)</sup>	<b>1,754,894</b>	1,863,117	1,665,656	1,282,982	908,291	629,622	360,148	204,353	165,895	145,487
Fixed assets less accumulated depreciation and amortization <sup>(4,5)</sup>	<b>781,284</b>	1,101,217	999,671	881,239	590,294	358,897	173,390	84,812	68,439	72,135
Working capital <sup>(6)</sup>	<b>(546,277)</b>	55,644	54,300	57,999	68,331	64,121	79,804	48,291	31,792	30,792
Capital expenditures <sup>(4)</sup>	<b>177,885</b>	271,149	250,842	378,507	286,627	212,359	105,708	28,990	16,979	20,290
Long-term debt	<b>Note 6</b>	685,909	615,537	469,636	279,980	109,097	101,597	47,336	61,231	62,389
Equity relating to Class A and Class B shares <sup>(2,4)</sup>	<b>231,113</b>	464,316	446,081	448,905	345,910	289,403	140,060	80,075	39,896	38,597
Equity per Class A or Class B share <sup>(2,4)</sup>	<b>\$8.31</b>	\$16.69	\$16.04	\$16.10	\$13.63	\$12.08	\$8.23	\$5.48	\$4.01	\$3.74
Long-term debt and convertible sub- ordinated bonds to equity ratio <sup>(2,4)</sup>	<b>Note 6</b>	1.48:1	1.38:1	1.05:1	0.81:1	0.38:1	0.73:1	0.59:1	1.53:1	1.62:1

(1) 1981 figures have been restated to exclude assets, sales, expenses and results of operations of Aerospace/Defence operations sold effective August 1, 1981.

(2) 1983 and prior figures adjusted to give effect to the stock dividend issued June 1983.

(3) In addition, stockholders received a special dividend issued June 1983.

(4) 1985 and prior years' figures have been restated to give effect to a change in method of accounting for investment tax credits.

(5) 1990 figures include a restructuring provision and a number of changes in joint ventures. See notes 1 and 5 to the Consolidated Financial Statements.

(6) 1990 figures reflect all debt as a current liability defined as "debt to be restructured". See notes 1 and 8 to the Consolidated Financial Statements.



# SHAREHOLDER AND OTHER FINANCIAL INFORMATION

## SUPPLEMENTARY FINANCIAL INFORMATION

### SUPPLEMENTARY QUARTERLY DATA (unaudited) (Canadian dollars in thousands, except per share figures)

		October 31	January 31	April 30	July 31	Total
Fiscal 1990	Sales	\$459,733	\$ 431,621	\$517,607	\$518,224	\$1,927,185
	Gross Profit	\$ 56,741	\$ 53,158	\$ 75,247	\$ 83,244	\$ 268,390
	Net Income (Loss)	\$ (9,906)	\$(186,636)	\$ (6,408)	\$ (21,372)	\$ (224,322)
Earnings (loss) per share:						
	Basic	\$(0.36)	\$(6.71)	\$(0.23)	\$(0.76)	\$(8.06)
	Fully Diluted	\$(0.36)	\$(6.71)	\$(0.23)	\$(0.76)	\$(8.06)
Fiscal 1989	Sales	\$434,310	\$ 476,209	\$541,687	\$471,451	\$1,923,657
	Gross Profit	\$ 67,080	\$ 78,228	\$ 87,748	\$ 69,015	\$ 302,071
	Net Income	\$ 5,375	\$ 13,227	\$ 7,645	\$ 7,364	\$ 33,611
Earnings per share:						
	Basic	\$0.19	\$0.48	\$0.27	\$0.27	\$1.21
	Fully Diluted	\$0.19	\$0.46	\$0.27	\$0.27	\$1.19

## SHARE INFORMATION

Class A Subordinate Voting shares are traded on the Toronto Stock Exchange (TSE) in Canada and NASDAQ in the United States. Class B shares are traded on the TSE in Canada. As of October 18, 1990, there were 2,456 registered holders of Class A shares and 219 registered holders of Class B shares.

## DISTRIBUTION OF SHARES

	Class A	Class B
Canada	70.7%	90.9%
United States	29.0%	9.1%
Other	0.3%	nil

## PRICE RANGE OF SHARES

### Canada

The Class A shares and Class B shares are listed on the Toronto Stock Exchange. The following table sets forth, for the fiscal period indicated, the high and low sales 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.

### CLASS A (TSE) (\$CDN)

	1990			1989		
Quarter	Volume	High	Low	Volume	High	Low
1st	2,987,019	13.38	9.13	2,325,684	13½	10¾
2nd	5,783,693	9.75	6.25	3,391,663	16¼	11¼
3rd	5,999,918	8.13	3.15	4,850,171	15½	12¾
4th	3,926,693	4.15	3.25	1,705,516	13¾	11¾

### CLASS B (TSE) (\$CDN)

	1990			1989		
Quarter	Volume	High	Low	Volume	High	Low
1st	3,200	28.88	20.88	4,064	25½	25
2nd	751	24.00	15.00	2,138	29	25½
3rd	10,139	9.00	4.90	2,191	29	28
4th	10,100	6.00	5.00	14,079	29	27¾

### United States

The Class A shares have been traded on the NASDAQ National Market System since December 16, 1985. The following table sets forth, for the fiscal periods indicated, the high and low sale prices as reported by NASDAQ.

### CLASS A (NASDAQ) (\$US)

	1990			1989		
Quarter	Volume	High	Low	Volume	High	Low
1st	1,895,310	11.13	7.63	4,275,712	11	8¾
2nd	2,731,500	8.38	5.25	3,640,377	13¾	9½
3rd	2,473,049	6.75	2.75	2,273,301	13¼	10
4th	2,864,030	3.75	2.81	1,320,908	11½	10



### THE 1990 ANNUAL MEETING

The 1990 Annual Meeting of Shareholders will be held at Roy Thomson Hall, Toronto, Canada on Thursday, December 6 at 10 a.m.

### TRANSFER AGENTS AND REGISTRARS CANADA - CLASS A AND B

Montreal Trust Company of Canada, Toronto,  
Calgary, Halifax, Montreal, Regina, Vancouver and  
Winnipeg.

### UNITED STATES - CLASS A AND B

The Bank of Nova Scotia Trust Company of New  
York, New York.

### DIVIDENDS

Dividends on Class A Subordinated Voting and Class B shares are normally paid on the first day of September, December, March and June. The dividend rate for September 1, 1984 was \$0.10 per share and for each subsequent quarter to September 1989, \$0.12 per share. The dividend declared payable on December 1, 1989 and March 1, 1990 was reduced to \$0.06 per share. No dividends have been declared payable for subsequent periods. Dividends paid on the Class A Subordinate Voting and Class B shares to holders who are non-residents of Canada are subject to withholding tax at a rate of 25 per cent unless reduced according to provisions of any applicable tax treaty. Currently, the reduced rate applicable to dividends paid to a resident of the United States is generally 15 per cent.

### STOCK LISTING

Toronto Stock Exchange - Class A - MG.A  
Toronto Stock Exchange - Class A - MG.B  
NASDAQ - Class A - MAGAF

### BOARD OF DIRECTORS

William B. Boggs, *Chairman, Field Aviation Holdings Ltd.*

The Honourable William G. Davis, *Counsel, Tory, Tory, DesLauriers & Binnington*

Manfred Gingl, *President and Chief Executive Officer*

George C. Hitchman, *Corporate Director*

James F. McCallum, *Partner, Blake, Cassels & Graydon*

The Honourable Edward C. Lumley, *Partner, Burns Fry Limited*

Donald Resnick, *Consulting Associate, Deloitte & Touche*

Belinda Stronach, *Assistant to the Chairman*

Frank Stronach, *Chairman, Board of Directors*

### HEAD OFFICE LOCATIONS FOR MAGNA AND ITS AUTOMOTIVE SYSTEMS CORPORATIONS

Magna International Inc.  
36 Apple Creek Boulevard  
Markham, Ontario L3R 4Y4  
Telephone: (416) 477-7766

Atoma International Inc.  
521 Newpark Boulevard  
Newmarket, Ontario L3Y 4X7  
Telephone: (416) 737-0796

Cosma International Inc.  
7655 Bramalea Road  
Brampton, Ontario L4T 4Y5  
Telephone: (416) 458-0930

Decoma International Inc.  
353 Wildcat Road  
Downsview, Ontario M3J 2S3  
Telephone: (416) 665-4611

Tesma International Inc.  
300 Edgeley Boulevard  
Concord, Ontario L4K 3Y3  
Telephone: (416) 738-1236

Vehma International Inc.  
330 Cochrane Drive  
Markham, Ontario L3R 8E4  
Telephone: (416) 477-1489

Symatec  
300 Edgeley Boulevard  
Concord, Ontario L4K 3Y3  
Telephone: (416) 738-1236

Magna International GmbH  
Altenhasslauer Weg 5-7  
6460 Gelnhausen 1  
Germany  
Telephone: 011-49-6051-60020





# Product Directory



## DOOR SYSTEMS

Body Colour Painting  
Deck & Tailgate Hinges  
Deck & Tailgate Latches  
Door Hinges, Latches & Checks  
Fuel Filler Doors  
Fuel Filler & Trunk Releases  
Hood Hinges & Latches  
Manual Mirror Assemblies  
Manual Window Regulators  
Power Mirror Assemblies  
Power Window Regulators

Power Deck Latches  
Remote Control Mirror Assemblies  
Modular Door Assemblies

## INTERIOR SYSTEMS

Armrests & Headrests  
Door Trim Panels  
Foam Cushions  
Interior Lamp Assemblies  
Manual Seat Tracks  
Moulded Seats  
Power Seat Tracks  
Interior Panels



## BODY SHEET METAL

Body Side Assemblies  
Deck Lid Assemblies  
Door Assemblies  
Door Opening Frames  
Hood Assemblies  
Rear Quarter Panels  
Roofs  
Floor Panels  
Wheel House Panels  
Fender Assemblies

BRAKE COMPONENT SYSTEMS  
Backing Plates  
Master Cylinder Vacuum Shells

## BUMPER RELATED STAMPINGS

Aluminum Impact Bars  
Bumper Brackets  
Hi-Tensile Steel Impact Bars  
Electroplated Bumpers

## CHASSIS STAMPINGS

Cross Members (Front & Rear)  
Engine Compartment Rails



## DECOMA PLASTICS

Complete Bumper Systems  
Vertical & Horizontal Body Panels  
Hard Tops & Roof Systems  
Complete Body Dress-Up Kits  
Airdams  
Body Cladding  
Clear Hard-Coated Glazing Panels  
Grilles  
Headlamp Lenses  
Rocker Panels

Spoilers  
Bumper Beams

## DECOMA TRIM

Complete Body Trim Systems  
Body Front, Rear & Side Mouldings  
Bright Metal Mouldings  
(Interior & Exterior)  
Bumper Guards  
Co-extruded PVC & EPDM Mouldings  
Door/Window Channels  
Fuel Tank Straps



## TRANSMISSION COMPONENTS

Clutch Housings & Hubs  
Clutch Pistons  
Oil Filters  
Stamped Covers & Housings

## ENGINE COMPONENTS

Air Conditioning Clutch Rotor Assemblies  
Automatic Belt Tensioners  
Bracketry  
Engine Timing Belt Tensioners & Sprockets

Flywheels  
Heat Shields  
Idle Pulleys  
Noise Shields  
Oil Dip Stick Tubes  
Oil Pickup Tubes  
Plastic Pulleys  
Poly-V Pulleys in Sheet Metal & Plastic  
Starter Ring Gears  
Thermostat Housings  
Timing Chain Covers



## DESIGN

Styling  
Clay Modeling  
Industrial Design & Development  
Human Factors Engineering  
Model Making  
Digitizing

## ENGINEERING

Design & Engineering - Body & Chassis  
CAD/CAM/CAE  
Finite Element Analysis

Packaging/Assembly Layouts  
Testing - Component & Vehicle  
Complete Body Hardware Testing  
Technical Publication Generation  
Planning & Manufacturing Preparation  
Computer Simulation  
Innovative Powertrain Design & Development  
Battery Engineering  
Homologation Programs



Seat Adjusters/Recliners/Risers  
Switch Plate Assemblies  
Instrument Panels  
Sunshades  
Complete Seats

#### **ELECTRONIC SYSTEMS**

Fractional Horsepower DC Motors  
Instrument Clusters  
Reed Switch Assemblies  
Relays (DPDT, ISO, Solid State)  
Cooling Fan Modules  
Laminated Magnetic Materials

Tone Alarms/Chimes  
Vehicle Maintenance Monitors  
Door & Hood Ajar Switches  
Fuel Sender Assemblies  
PCB Assemblies/SMD Boards  
Switches  
Multiplexing  
Delayed Accessory Bus  
Constant Current Modules  
ABS-sensors  
Instrument Dimming Switches  
Timers, Flashers

Daylight Running Light Controls  
Connectors  
Driver Information Modules

#### **OTHER PRODUCTS**

Vehicle Emblems  
Clutch & Brake Pedals & Cable Systems  
Parking Brakes  
Jack Assemblies  
Cable Release System  
Shift Selectors  
Headlamp Assemblies

Frame Rails  
Radiator Supports  
Shock Towers

#### **ENGINE RELATED STAMPINGS**

Catalytic Converter Housings  
Engine Covers  
Heat Shields  
Mounting Brackets  
Oil Pans  
Valve Covers  
Water Pumps

Oil Strainers

#### **GENERAL STRUCTURAL STAMPINGS**

Armrest Supports  
Headrest Supports  
Instrument Panel Supports  
Seat Belt Anchor Plates  
Transmission Supports  
Pillar Assemblies

#### **SUNROOFS**

Electric Sliding and Tilting

Electric Spoiler Design  
Manual Sliding  
Pop Up

#### **TOOLING**

Progressive & Transfer Dies  
Class 1 Sheet Metal Dies  
Precision Die Models  
FMC Casting Patterns  
Checking Fixtures

Headlamp Bezels  
Headlamp Retainers  
Rocker Panel Mouldings  
Scuff Plates  
Tail Light Bezels  
Trim Rings  
Wheel House Opening Mouldings  
Roof Drip Mouldings

Torsional Isolators/Decouplers  
Torsional Vibration Dampers  
Tubular Brazed & Welded Assemblies  
Water Inlet/Outlet Connectors  
Water Pump Accessories

#### **SYSTEMS**

Automatic Belt Tensioner Systems  
Front End Accessory Drive Systems  
Wiring Harnesses

#### **ADDITIONAL COMPONENTS AND PROCESSES**

Aluminum Die Castings  
Collapsible Drive Shafts  
Fine Blanked Components  
Phenolics  
Shafts  
Steering Column Brackets  
Switches

#### **MANUFACTURING AND ASSEMBLY**

Prototyping  
Prototype Sheet Metal Work  
Vehicle Modification  
Port of Entry Program  
Low-Volume Vehicle Assembly  
Program Management  
Electric Drive Systems & Components  
Specialty Vehicle Assembly  
Environmentally-Friendly Products  
Concept Cars & Clinic Models





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