MAGNA

Magna International Inc.

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April 9, 2001

To Non-Registered Shareholders of Magna International Inc.

In an effort to reduce costs, we are providing the Annual Report to Shareholders on our website and enclosing only the consolidated financial statements for the Company for the fiscal year ended December 31, 2000 which includes the Notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Results of Operations and Financial Condition.

If you would like to receive the Annual Report to Shareholders you may either
(1) view or download a copy from our website **http://www.magna.com** or
(2) complete and mail the form below to receive a copy by mail.

Date:_________________ , 2001

To: **Magna International Inc.**
337 Magna Drive
Aurora, Ontario, Canada
L4G 7K1

CUSIP #559222-40-1

I received a copy of the consolidated financial statements of Magna International Inc. but would like to receive a copy of the Annual Report to Shareholders by mail. Please mail a copy of the Annual Report to:

Name of Non-Registered Shareholder: ______________________________

Mailing Address: ______________________________

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Postal Code/Zip Code

Signature: ______________________________

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

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

Overview

Fiscal 2000 was another successful year for Magna, one which saw the Company achieve new records in sales, profits and earnings per share. Despite these successes the Company continues to seek ways to enhance its global competitiveness. In this regard, Magna has initiated the consolidation of its operations into major global automotive systems corporations.

Magna has now substantially achieved global scope and critical mass in key vehicle supply areas. Earlier this year the Company expanded the global capabilities of its Decoma International Inc. ["Decoma"] group and subsequently initiated a reorganization that created two new groups – Magna Steyr and Intier Automotive Inc. ["Intier"]. Decoma, which is a separate public company, now incorporates Magna's European exterior plastics operations and all of its exterior trim operations to provide the Company's customers with worldwide exterior systems capabilities. Magna Steyr will capitalize on the Company's unique capability to combine world-calibre chassis and powertrain technologies with leading-edge hydroformed vehicle frames to ultimately create a "chassis-on-wheels" module. Intier will consolidate Magna's interior, seating and closure systems to create a group that can provide total integrated interior solutions to its customers.

This reorganization is part of the Company's ongoing efforts to consolidate operations and strategically align its automotive product groups into "super groups" – standalone systems groups focused on providing large vehicle modules and systems in each key vehicle area. Management believes that this product alignment will help to boost Magna's content on various vehicles while also providing its customers with turnkey solutions for building vehicles much more quickly and cost-effectively. The move toward the creation of worldwide autonomous systems groups is also in keeping with the principles of Magna's decentralized operating philosophy and entrepreneurial culture. At the same time, the Company will continue to foster corporate-wide synergies between the groups, whether wholly owned or publicly traded, and provide overall strategic direction.

Magna heads into fiscal 2001 in a solid position to meet the challenges of the year ahead. Despite the generally anticipated reduction in North American vehicle production during the coming year, Magna is financially strong relative to its competitors. The Company has a healthy balance sheet with little debt, significant cash resources and strong cash flow.

Automotive Outlook

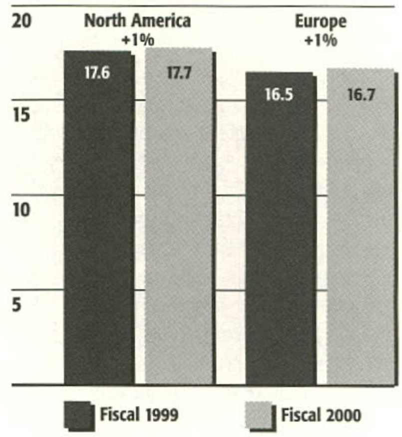
During fiscal 2000, the Company's sales and earnings showed improvements over fiscal 1999. The majority of these improvements came in the first half of fiscal 2000 when North American automotive production volumes were at record levels. First half North American production volumes of 9.6 million units were up 6% over the comparative period in fiscal 1999. However, North American automotive production volumes in the second half of fiscal 2000 of 8.1 million units were down 5% over the comparative period in fiscal 1999. Full year fiscal 2000 North American vehicle production of 17.7 million units was up 1% from fiscal 1999.

European vehicle production of 16.7 million units during fiscal 2000 was also 1% higher than production levels in fiscal 1999. European quarterly production volumes remained stable throughout fiscal 2000 relative to fiscal 1999 production.

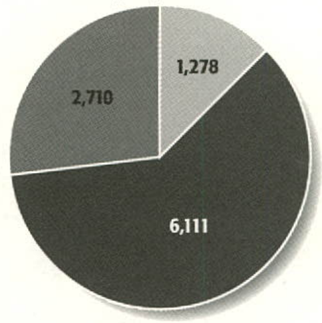
Although there can be no certainty as to future levels of production, the Company expects North American vehicle production volumes to approximate 15.9 million units for fiscal 2001 or 10% below fiscal 2000 levels. European vehicle production volumes are expected to approximate 15.9 million units for fiscal 2001 or 5% below fiscal 2000 levels.

Magna increased its average dollar content on North American produced vehicles in fiscal 2000 to an all-time high of $344. In addition, European dollar content per vehicle remains strong, averaging $162 during fiscal 2000 despite the significant negative impacts of foreign exchange translation. In addition to its significant dollar content on a wide range of best-selling cars, trucks, minivans and sport utility vehicles, Magna has strong product content on a number of new vehicle launches scheduled for fiscal 2001. Going forward, the Company expects to continue to increase its average dollar content per vehicle in both North America and Europe.

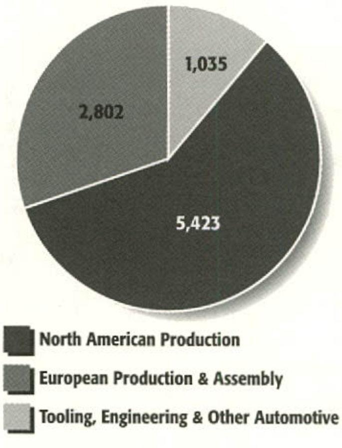
Automotive Production Volumes
[in millions]



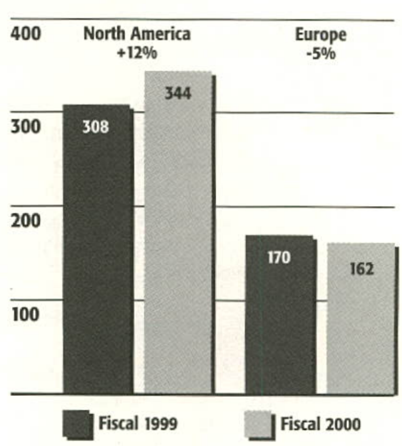
Automotive Sales Analysis
Fiscal 2000 *[in millions]*
$10,099



Automotive Sales Analysis
Fiscal 1999 *[in millions]*
$9,260



Average Dollar Content Per Vehicle



Magna's results are directly affected by the levels of North American and European car and light truck production and its ability to obtain new production contracts. Magna's results are also directly affected by the average exchange rate used to translate the results of its operations having a functional currency other than the U.S. dollar into U.S. dollars. Current factors impacting the automotive industry and the ability to obtain new production contracts from OEM customers include the requirement for suppliers to manufacture and supply more complex systems including modular systems, maintain the financial strength to expand, support and supply OEMs, provide increased engineering, finance customer-owned tooling, effectively manage complete programs, and have full service supplier capabilities, in each case on a global basis. The Company believes that Magna's product diversity and overall capabilities position it to benefit from these factors. As a result of the continued globalization of the automotive industry, increased outsourcing by OEM customers of larger, more complex modules and systems to independent Tier One suppliers and the continuing consolidation of the supplier base, the Company expects continued customer penetration in North America and Europe during fiscal 2001 and beyond.

OEM production volumes in each of North America and Europe may be impacted by a number of geographic factors, including general economic conditions, interest rates, fuel prices and availability, legislative changes, environmental emission and safety issues and labour and/or trade relations.

Magna's reliance on its OEM customers makes it susceptible to risks generally applicable to industry participants, including the extent of OEM outsourcing in both North America and Europe. The extent of OEM outsourcing is dependent on a number of factors, including the cost, quality and timeliness of external production relative to in-house production by OEMs, technological capability, the degree of unutilized capacity at OEM manufacturing facilities and OEM labour relations.

Foreign Exchange

	Years ended Dec 31,		
	2000	1999	Change
1 Canadian dollar equals U.S. dollars	**0.67**	0.67	nil
1 Euro equals U.S. dollars	**0.92**	1.06	- 13%
1 British Pound equals U.S. dollars	**1.51**	1.62	- 6%

The table above reflects the average foreign exchange rates between the most common currencies in which Magna conducts business and the Company's U.S. dollar reporting currency. Significant changes in the above foreign exchange rates impact the reported U.S. dollar amounts of Magna's sales, expenses and income. Throughout this Management's Discussion and Analysis, reference is made to the impact of foreign exchange on reported U.S. dollar amounts where relevant.

Automotive Sales

	Years ended Dec 31,		
	2000	1999	Change
North American production	**$ 6,111**	$5,423	+ 13%
European production and assembly	**2,710**	2,802	- 3%
Other automotive	**1,278**	1,035	+23%
Total automotive sales	**$10,099**	$9,260	+ 9%

Total automotive sales were a record $10,099 million during fiscal 2000, an increase of 9% or $839 million over fiscal 1999.

North American production sales during fiscal 2000 increased by 13% or $688 million over fiscal 1999 to $6,111 million. This increase was a result of an improvement in Magna's average North American dollar content per vehicle of 12% and a 1% increase in North American production volumes. The increase in dollar content per vehicle reflects new production programs, increased sales at recent start-up facilities, particularly at facilities producing for the GMT 800 program, and the consolidation of additional sales due to the acquisition in October 2000 of the remaining 49% interest in the Conix group joint venture, which operates five fascia moulding and finishing facilities in Canada, the United States, England and Belgium. These increases were partially offset by recent dispositions including the dispositions of Invotronics Manufacturing ["Invotronics"], Powerlasers and Magna's ownership interest in Webasto Sunroofs Inc. ["Webasto"] [hereinafter collectively referred to as the "North American Dispositions"] and sales reductions in fiscal 2000 related to the changeover of the Chrysler minivan program.

European production and assembly sales during fiscal 2000 decreased by 3% or $92 million from fiscal 1999 to $2,710 million. This decrease was primarily due to a reduction in reported U.S. dollar sales of $369 million due to the weakening of the Euro and British Pound each against the U.S. dollar. In addition, a number of dispositions and shutdowns [hereinafter collectively referred to as the "European Dispositions"] decreased sales. These decreases were partially offset by increased sales as a result of new production programs and recent start-up facilities, including sales at the Company's new seating plants, increased assembly sales at Steyr and an increase in European production volumes of 1%. European content per vehicle improved by 8% year over year, excluding the 13% reduction related to the impact of foreign currency translation on European sales.

Other automotive sales, which include tooling and engineering sales, increased by 23% or $243 million in fiscal 2000 to $1,278 million. This increase is primarily the result of increased tooling sales due to the Company's continued involvement in new production programs, including further GMT 800 program tooling sales, partially offset by a decrease in reported U.S. dollar sales due to the weakening of the Euro and British Pound each against the U.S. dollar and the disposition during fiscal 2000 of the only remaining non-core business unit related to Magna's acquisition of Steyr in fiscal 1998.

Substantially all of Magna's automotive sales are generated from the sale of automotive parts, components, assemblies, modules and systems, vehicle assembly and related engineering and tooling to North American and/or European OEMs. Approximately 24% and 31% of Magna's consolidated automotive production and assembly sales during fiscal 2000 and 1999, respectively, were in respect of tooling, engineering, assembly and manufactured products supplied for five vehicle types [including approximately 8% and 10% supplied for DaimlerChrysler minivans for fiscal 2000 and 1999, respectively].

Facilities

As of December 31, 2000, Magna had 166 automotive manufacturing facilities [including 4 joint venture facilities], of which 99 are in North America, 62 are in Europe, 2 are in Korea, 2 are in Brazil and 1 is in China, as well as 31 product development and engineering centres. The Company's operations outside of North America and Europe [namely in Korea, Brazil and China] are not considered separate operating segments given their small size relative to Magna's overall operating results.

Gross Margin

	Years ended Dec 31, 2000	1999	Change
Gross margin	**$1,835**	$1,601	+15%
Gross margin percentage	**18.2%**	17.3%	

Gross margin, as a percentage of total automotive sales, for fiscal 2000 was 18.2% compared to 17.3% for fiscal 1999. The increase is primarily attributable to improved performance at a number of divisions but was partially offset by ramp-up costs for new start-ups and production inefficiencies at certain divisions.

Operating Income - Automotive

	Years ended Dec 31, 2000	1999	Change
Gross margin	**$1,835**	$1,601	
Less:			
Depreciation and amortization	**372**	332	
Selling, general and administrative	**655**	607	
Interest expense, net	**13**	16	
Equity income	**(14)**	(17)	
Operating income – automotive	**$ 809**	$ 663	+22%
Selling, general and administrative expenses as a percent of total automotive sales	**6.5%**	6.5%	

Depreciation and amortization expense in fiscal 2000 increased $40 million over fiscal 1999 as a result of depreciation at recent start-up facilities and increased depreciation as a result of capital spending. These factors were partially offset by the impact of dispositions and shutdowns and a decrease in reported U.S. dollar depreciation due to the weakening of the Euro and British Pound each against the U.S. dollar.

Selling, general and administrative expenses ["SG&A"] as a percent of total automotive sales was unchanged in fiscal 2000 at 6.5%. SG&A was $655 million representing an increase of $48 million over fiscal 1999. The increase in these expenses was principally attributable to recent start-up facilities and other amounts including increased costs to support higher sales levels. These increases were partially offset by a decrease in reported U.S. dollar SG&A due to the weakening of the Euro and British Pound each against the U.S. dollar.

Interest expense (net of interest income) decreased during fiscal 2000 to $13 million compared to $16 million in fiscal 1999. The decrease reflects an increase in average net cash balances [excluding Magna Entertainment Corp.], including proceeds on dispositions. This decrease was partially offset by interest expense on the October 2000 issuance by Decoma of $90 million 9.5% subordinated debentures in connection with the Conix group acquisition, a full year's interest expense in connection with the issue of Euro 100 million subordinated debentures in September 1999 and lower capitalized interest.

Automotive operating income was $809 million in fiscal 2000 compared to $663 million for fiscal 1999. The 22% increase in operating income in fiscal 2000 compares favourably to the 9% increase in total automotive sales in fiscal 2000 and reflects the gross margin earned on the higher sales levels, the improved gross margin percentage and reduced interest expense, partially offset by increases in SG&A and depreciation and amortization charges and reduced equity income.

Operating Income – Magna Entertainment Corp.

	Years ended Dec 31, 2000	1999
Revenues	**$414**	$187
Costs and expenses	**412**	183
Operating income – MEC	**$ 2**	$ 4

Magna Entertainment Corp. ["MEC"], one of the largest operators of premier horse racetracks in the United States, acquires, develops and operates horse racetracks and related pari-mutual wagering operations. These racetracks include Santa Anita Park, Golden Gate Fields and Bay Meadows in California, Gulfstream Park in Florida, Remington Park in Oklahoma, Thistledown in Ohio and Great Lakes Downs in Michigan. As a complement to its horse racing business, MEC is exploring the development of media sports wagering operations, including telephone account, interactive television, and internet-based wagering, as well as certain leisure and retail-based real estate projects.

MEC generated revenues of $414 million and operating income of $2 million in fiscal 2000. Current year operating income was negatively impacted by severance and other costs associated with the relocation of the Company's head office, delays with respect to the sale of certain non-strategic real estate assets and, to a lesser degree, higher than expected costs at certain racetracks.

Revenues for fiscal 2000 reflect a full year's operations for each of Santa Anita, Gulfstream, Golden Gate, Thistledown and Remington Park and ten months of operations for Great Lakes Downs which was acquired in February 2000. Fiscal 2000 revenues also reflect the operating results of Bay Meadows which was acquired in November 2000. The results for fiscal 1999 reflect a full year's operations for Santa Anita, four months of operations for Gulfstream which was acquired in September 1999, one and a half months of operations for Thistledown and Remington Park which were acquired in November 1999 and three weeks of operations for Golden Gate which was acquired in December 1999.

Fiscal 2000 revenues and operating income were benefitted by $38 million and $7 million, respectively, as a result of real estate dispositions. Fiscal 1999 revenues and operating income included $3 million and $1 million, respectively, for real estate dispositions.

During fiscal 2000, MEC changed its method of reporting revenues and costs and expenses. MEC now reports wagering revenues before deducting purses, stakes, awards and certain taxes. These amounts are now included in costs and expenses.

Previously, MEC reported wagering revenues net of purses, stakes, awards and certain taxes. All comparative period amounts have been restated on this basis. This change better aligns MEC's method of reporting with that of the methods used by its major competitors.

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

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

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

Other Income

	Years ended Dec 31,	
	2000	1999
Other Income	**$161**	$ –

During fiscal 2000, the Company realized gains before income taxes of $36 million on the sale of 4.4 million Class A Subordinate Voting Shares of Tesma International Inc. ["Tesma"], $94 million on the disposition of Webasto, a joint venture, and $31 million on the disposition of Invotronics, a wholly owned manufacturing division.

Other Items

		Years ended Dec 31,	
		2000	1999
Income Taxes	- Operating Income	**$288**	$229
	- Other Income	**60**	–
		$348	$229
Minority Interest		**26**	19
Net Income		**$598**	$419

Magna's effective income tax rate on operating income [excluding equity income] for fiscal 2000 was 36.1% compared to 35.2% in fiscal 1999. The increase in the effective tax rate reflects an increase in losses not benefitted in certain jurisdictions and a greater proportion of income being earned in higher tax rate jurisdictions. These effects were partially offset by recent reductions in the Ontario income tax rate.

Minority interest expense for fiscal 2000 increased by $7 million over fiscal 1999 to $26 million. The increase is a result of higher earnings at Tesma and Decoma and an increase in minority interest entitlements at each of Tesma and Decoma. These increases were partially offset by the impact of the acquisition in the latter part of fiscal 1999 of the remaining minority interest in the Company's European body and chassis systems operations ["MATAG"].

Net income increased $179 million to $598 million in fiscal 2000, reflecting increased automotive operating income, gains on the sale of Tesma Class A Subordinate Voting Shares and the dispositions of Webasto and Invotronics, all included in other income, partially offset by increased income taxes and minority interest.

Earnings Per Share

	Years ended Dec 31,		
	2000	1999	Change
Earnings per Class A Subordinate Voting or Class B Share			
Basic	**$7.04**	$4.94	+43%
Fully diluted	**$6.34**	$4.63	+37%
Earnings per Class A Subordinate Voting or Class B Share excluding other income			
Basic	**$5.75**	$4.94	+16%
Fully diluted	**$5.26**	$4.63	+14%
Average number of Class A Subordinate Voting and Class B Shares outstanding			
Basic	**78.5**	78.5	–
Fully diluted	**93.3**	91.8	+ 2%

On a fully diluted basis, earnings per share for fiscal 2000 were $6.34 compared to $4.63 in fiscal 1999. Fully diluted earnings per share improved by $1.71 including $1.08 related to the gains on the sale of Class A Subordinate Voting Shares of Tesma and the dispositions of Webasto and Invotronics all included in other income. Fiscal 2000 fully diluted earnings per share before other income were $5.26 representing a $0.63 or 14% improvement over fiscal 1999. The average number of fully diluted shares outstanding for fiscal 2000 was 93.3 million shares which was 1.5 million shares or 2% higher than in fiscal 1999. The increase in fully diluted shares outstanding reflects the issuance of additional stock options.

AUTOMOTIVE SEGMENTS

Magna follows a corporate policy of functional and operational decentralization. It conducts its automotive operations through divisions which function as autonomous operating units. As at December 31, 2000, the Company had 166 production facilities and 31 product development and engineering centres.

In fiscal 2000, the Company's global product groups were aggregated according to their capabilities in complete vehicle engineering and assembly versus component and systems manufacturing. The Company's Vehicle and Systems Integration operations, which include SteyrSymatec, provide complete vehicle engineering and assembly capabilities. Magna has positioned this group as a Tier 0.5™ supplier, reflecting capabilities beyond those of a Tier One supplier and closer to those of the OEM customer. The Company's Tier One and Two Automotive Manufacturing operations design, engineer, manufacture and supply components, modules and systems primarily for OEM customers and manufacture and supply components on a Tier Two basis to other Tier One suppliers. The Company's Tier One and Two Automotive Manufacturing operations are generally aligned on a product basis with the corresponding purchasing and engineering groups of Magna's OEM customers. The Company's Tier 0.5™ operations, on the other hand, increasingly deal with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Each group includes the following products and services:

Tier 0.5™ Vehicle and Systems Integration

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

Tier One and Two Automotive Components Manufacturing

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

The Company's internal financial reports provided to executive management aggregate divisional results on a global product line basis and further aggregate results between its Tier 0.5™ operations and its Tier One and Two Automotive Components Manufacturing operations. The Company's Tier 0.5™ engineering and assembly operations are expected to help grow production sales at the Company's Tier One and Two Automotive Components Manufacturing operations as a result of the Tier 0.5™ group's earlier and closer involvement with complete vehicle level purchasing and engineering personnel at Magna's OEM customers.

The Company's internal financial reports also segment Tier 0.5™ and Tier One and Two operating results between North America and Europe. This segmentation recognizes the different geographic business risks faced by the Company's North American and European divisions, especially vehicle production volumes in North America and Europe and differences in OEM customer mix, the level of OEM outsourcing and the nature of products/services outsourced and currency risk. Vehicle production volumes in North America and Europe are affected by a number of geographic factors such as general economic conditions, interest rates, fuel prices and availability, legislative changes, environmental emission and safety issues and labour and/or trade relations.

Tier One and Two operating results are further segmented in the Company's internal financial reports between the Company's publicly traded and other operations given that, in the former case, oversight of group management has been delegated to a separate independent board of directors. Publicly traded operations include Decoma, as well as Decoma Exterior Trim and Bestop [in each case the operations are closely co-ordinated with Decoma which owns 40% of each of Decoma Exterior Trim and Bestop at December 31, 2000] and Tesma.

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

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

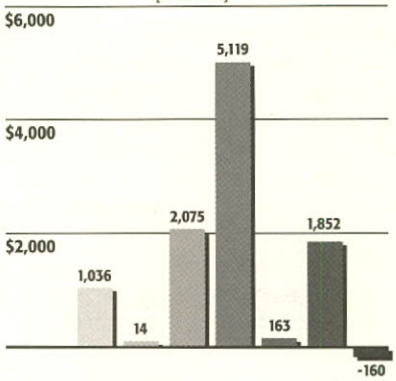
Subsequent to December 31, 2000, the Company initiated a reorganization of its operating segments. In January 2001, Decoma purchased Magna Exterior Systems and the remaining 60% of Decoma Exterior Trim owned by Magna. In addition, the Company's Tier One and Two Automotive Manufacturing interiors, seating and closure divisions will be combined to form Intier. Finally, substantially all of the Company's Tier 0.5™ Vehicle and Systems Integration segment will be combined with the Company's Tier One and Two Automotive Manufacturing powertrain businesses, excluding Tesma. This new operating group, called Magna Steyr, will also work with the hydroforming and stamping operations of the Company's Tier One and Two Automotive Manufacturing businesses. It is Magna's intention to establish both Intier and Magna Steyr as separate subsidiary public companies. As a result of this reorganization, the Company's reportable operating segments are expected to change in fiscal 2001.

Automotive segment operating results were as follows:

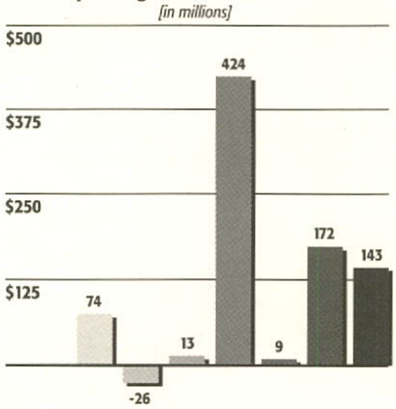
	Year ended Dec 31, 2000		Year ended Dec 31, 1999	
	Total Sales	Operating Income (Loss)	Total Sales	Operating Income (Loss)
Tier 0.5™ Vehicle and Systems Integration				
Europe	$ 1,036	$ 74	$ 1,136	$ 73
North America	14	(26)	–	(22)
Tier One and Two Automotive Manufacturing				
North America	5,119	424	4,485	380
Europe	2,075	13	2,048	(2)
Publicly Traded Tier One and Two Automotive Manufacturing				
North America	1,852	172	1,571	123
Europe	163	9	160	8
Corporate and Other	(160)	143	(140)	103
	$10,099	$809	$9,260	$663

Automotive Segments

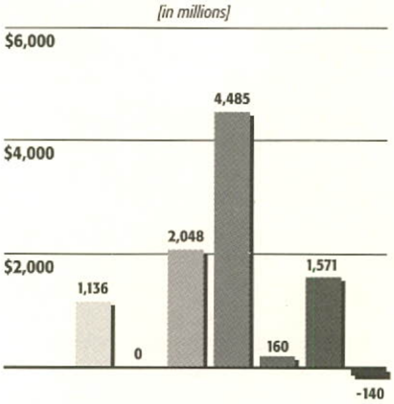
Sales – Fiscal 2000
[in millions]



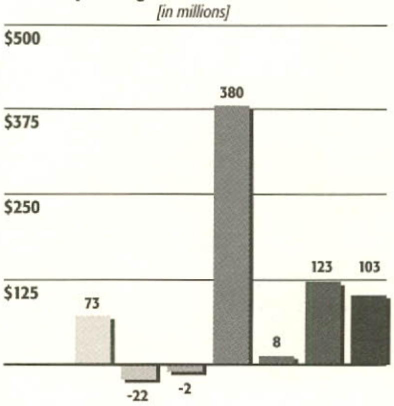
Operating Income – Fiscal 2000
[in millions]



Sales – Fiscal 1999
[in millions]



Operating Income – Fiscal 1999
[in millions]



Europe – Tier 0.5™
North America – Tier 0.5™
Europe – Tier One and Two
North America – Tier One and Two
Europe – Publicly Traded Tier One and Two
North America – Publicly Traded Tier One and Two
Corporate and Other

The Tier 0.5™ Vehicle and Systems Integration segment generated total sales of $1,050 million in fiscal 2000. Substantially all of these sales were generated in Europe as the Tier 0.5™ North American operation's first significant integration contract for Ford will generate sales in fiscal 2001. The decrease in European sales in fiscal 2000 is primarily the result of a decrease in reported U.S. dollar sales due to the weakening of the Euro against the U.S. dollar and the disposition during fiscal 2000 of the only remaining non-core business related to Magna's acquisition of Steyr during fiscal 1998. These decreases were partially offset by increased assembly and sequencing sales at Steyr.

Magna's Tier 0.5™ Vehicle and Systems Integration segment generated operating income of $48 million in fiscal 2000 including $74 million of income in Europe offset by $26 million of losses in North America. North American losses reflect design and engineering and start-up costs on SteyrSymatec's first significant integration project for Ford. European operating profits were substantially unchanged. Year over year improvements in European operating profits were realized due to the disposition during fiscal 2000 of the only remaining non-core business related to Magna's acquisition of Steyr during fiscal 1998, which incurred losses in fiscal 1999, and reduced interest expense. These improvements were offset by additional expenses in fiscal 2000, including start-up costs incurred in connection with a new engineering and assembly contract for SAAB and a decrease in reported U.S. dollar operating profit, principally due to the weakening of the Euro against the U.S. dollar.

The Tier One and Two Automotive Components Manufacturing segment generated total sales of $7,194 million in fiscal 2000 including North American and European sales of $5,119 million and $2,075 million, respectively. The increase in North American sales reflects increased production and tooling sales at recent start-up facilities, including facilities producing for the GMT 800 program, recent new program launches and higher vehicle production volumes. These increases were partially offset by the impact of the North American Dispositions and sales reductions related to the changeover of the Chrysler minivan program. European sales increases, primarily related to sales at recent start-up facilities, including sales at the Company's new seating plants, new program launches and higher vehicle production volumes, were substantially offset by a decrease in reported U.S. dollar sales due to the weakening of the Euro and British Pound each against the U.S. dollar and the impact of the European Dispositions.

Magna's Tier One and Two Automotive Component Manufacturing segment generated operating income in fiscal 2000 of $424 million in North America and $13 million in Europe. North American operating income improved by $44 million over fiscal 1999 primarily due to increased contributions from certain start-up facilities, including facilities producing for the GMT 800 program, contributions from new program launches and improved performance at certain divisions. The North American Dispositions, which in aggregate incurred losses in fiscal 1999, also contributed to the year over year improvement in earnings. These increases were partially offset by increased interest and royalties paid to the corporate office, as well as operational inefficiencies at certain start-up and other divisions. European operating income improved by $15 million over fiscal 1999 due in part to increased contributions from certain start-up facilities, the impact of the European Dispositions, which in aggregate incurred losses in fiscal 1999, increased production volumes, improved performance at certain divisions and recoveries related to prior Rover production volume issues. These increases were partially offset by closure costs related to a facility in Spain, costs incurred related to a customer start of production delay, costs incurred for new program launches, the ramp up of new facilities and inefficiencies at certain European divisions.

The Publicly Traded Tier One and Two Automotive Component Manufacturing segment generated total sales of $2,015 million in fiscal 2000 including North American and European sales of $1,852 million and $163 million, respectively. North American sales during fiscal 2000 were benefitted by the consolidation of additional sales due to Decoma's acquisition in October 2000 of the remaining 49% interest in the Conix group joint venture, the ramp-up of production at a number of Decoma facilities, as well as new product and production program launches by Tesma. European sales for fiscal 2000 also benefitted from the Conix group acquisition and other content increases, but were largely offset by declines due to a decrease in reported U.S. dollar sales as a result of the weakening of the Euro and British Pound each against the U.S. dollar.

Magna's Publicly Traded Tier One and Two Automotive Component Manufacturing segment generated operating income in fiscal 2000 of $172 million and $9 million in North America and Europe, respectively. North American profits for fiscal 2000 benefitted from the previously described increases in sales but were partially offset by inefficiencies at certain divisions. European operating profits for fiscal 2000 were substantially unchanged from fiscal 1999.

Corporate and other operating income of $143 million increased $40 million over fiscal 1999. The increase is primarily attributable to increased affiliation fees, which are based on North American operating divisions' sales and profits and increased interest and royalty income from the North America Tier One and Two Automotive Manufacturing segment.

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations

	Years ended Dec 31, 2000	1999	Change
Net Income	**$598**	$ 419	
Items not involving current cash flows	**393**	373	
	$991	$792	+25%
Investments in non-cash working capital	**(336)**	(79)	
Cash provided from operating activities	**$655**	$ 713	- 8%

During fiscal 2000, cash flow from operations before changes in non-cash working capital increased by $199 million over fiscal 1999 to $991 million. The increase was attributable to increases in net income of $179 million and an increase in other non-cash items of $20 million representing increased depreciation and amortization, minority interest expense and other non-cash charges, partially offset by disposition gains. Cash invested in non-cash working capital during fiscal 2000 amounted to $336 million. Working capital levels increased in fiscal 2000 due to: (i) an increase in days in production receivables due to the ramp up of new programs and the timing of related customer collections; (ii) higher tooling inventory investments; (iii) a decrease in accounts payable to tooling suppliers largely related to the GMT 800 program; and (iv) other working capital investments. Overall cash flow from operations for fiscal 2000 was $655 million, representing a decrease of $58 million or 8% from fiscal 1999.

Capital and Investment Spending

	Years ended Dec 31, 2000	1999
Fixed assets, investments and other additions	**$ (681)**	$(885)
Purchases of subsidiaries	**(68)**	(211)
Proceeds from disposals	**346**	146
Cash used for investing activities	**$(403)**	$(950)

Fixed assets, investments and other additions totalled $681 million for fiscal 2000 compared to $885 million for fiscal 1999.

Fiscal 2000 purchases of subsidiaries reflect Decoma's acquisition of the remaining 49% interest in the Conix joint venture for $43 million [the total purchase price, net of cash acquired, was $133 million, however, the issuance by Decoma of $90 million 9.5% subordinated debentures to the vendor represents a non-cash item and has been excluded from the statement of cash flows] and MEC's acquisition of Bay Meadows for $24 million. Fiscal 1999 purchases of subsidiaries represent the Company's acquisition of the remaining 40% interest in MATAG for $45 million, Tesma's purchase of Hanwha Automotive Components Corporation for $5 million and the acquisitions by MEC of Gulfstream Park, Thistledown, Remington Park, Golden Gate Fields and San Luis Rey Downs for total cash consideration of $161 million.

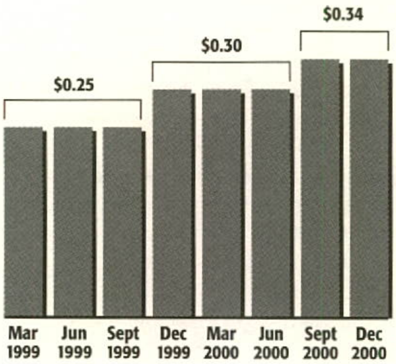
Fiscal 2000 proceeds from asset disposals include proceeds on the sale of Class A Subordinate Voting Shares of Tesma, proceeds from the dispositions of Powerlasers, Webasto, Invotronics, MEC real estate and proceeds from normal course fixed and other asset dispositions.

Financing

	Years ended Dec 31, 2000	1999
Net issues (repayments) of debt	**$ (80)**	$ 144
Repayments of debentures' interest obligations	**(33)**	(30)
Preferred Securities distributions	**(26)**	(3)
Issues of shares by subsidiaries	**4**	1
Surrender of subsidiary stock options	**(2)**	–
Issue of 7.08% Subordinated Debentures	**–**	104
Issue of Preferred Securities	**–**	274
Dividends paid to minority interests	**(6)**	(3)
Dividends	**(97)**	(87)
Cash provided from (used for) financing activities	**$(240)**	$400

Net repayments of debt, including bank indebtedness and long-term debt, totalled $80 million in fiscal 2000. The increase in Preferred Securities distributions in fiscal 2000 reflects a full year's distribution on the Series A and B Preferred Securities issued in September 1999.

Dividends Declared Per Share



Dividends

	Years ended Dec 31, 2000	1999	Change
Dividends paid per Class A Subordinate Voting and Class B Share	**$1.24**	$1.11	+12%

Dividends paid during fiscal 2000 were $1.24 per Class A Subordinate Voting and Class B Share, totalling $97 million. This represents a 12% increase over fiscal 1999. These payments relate to dividends declared in respect of the three month periods ended September 30, June 30, and March 31, 2000 and December 31, 1999.

Dividends paid in respect of fiscal 2000 increased 22% over dividends paid in respect of fiscal 1999.

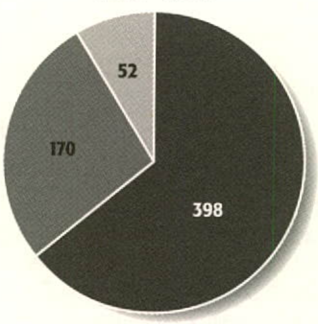
Financing Resources

Magna's wholly owned automotive operations had cash of $398 million at December 31, 2000. Magna's wholly owned automotive operations also had unused and available operating and term credit facilities totalling $515 million. The Company's non-wholly owned automotive operations and MEC had cash of $222 million and unused and available operating and term credit facilities of $138 million at December 31, 2000.

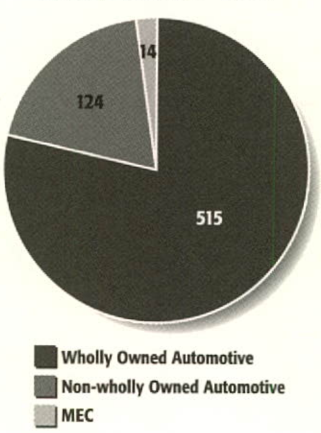
Capital and investment spending for existing businesses and projects, including wholly owned and non-wholly owned automotive operations and MEC, is expected to range between $725 million and $775 million for fiscal 2001, of which approximately $50 million relates to MEC. The majority of fiscal 2000 and fiscal 2001's automotive capital spending relates to the award of new production contracts, new production facilities, maintenance improvements and planned efficiency enhancements. Management believes Magna is in a position to meet all fiscal 2001 planned cash requirements from its cash balances on hand, existing credit facilities and cash flow from operations. Cash flow from operations totalled $655 million and $713 million in fiscal 2000 and fiscal 1999, respectively.

Financing Resources
[in millions]

Cash – $620



Unused Portion of Available Credit Facilities – $653



Foreign Currency Activities

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

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

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

ACCOUNTING POLICY CHANGES

In September 1999, the United States Emerging Issues Task Force reached a consensus on Issue 99-5 on accounting for pre-production costs related to long-term supply agreements. The consensus requires that design and development costs, for products to be sold under long-term supply agreements, be expensed as incurred unless a contractual guarantee for reimbursement exists. The consensus also requires that design and development costs for moulds, dies and other tools that a supplier will not own and that will be used in producing the products under the long-term supply agreement be expensed as incurred unless the supply arrangement provides a contractual guarantee for reimbursement or the supplier has the non-cancelable right to use the moulds, dies and other tools during the supply arrangement. Canadian GAAP does not explicitly address these types of costs.

In addition, in April 1998, the American Institute of Certified Public Accountants issued new recommendations for accounting for the costs of start-up activities. These recommendations require costs of start-up activities to be expensed as incurred. Under Canadian GAAP, costs incurred in establishing new facilities which require substantial time to reach commercial production capability ["start-up costs"] may be capitalized.

As previously disclosed, the Company has changed its Canadian GAAP accounting policies for preproduction costs. The Company now:

- expenses start-up costs as incurred;
- expenses design and engineering costs, which are paid for as part of subsequent related parts production piece price amounts, as incurred unless a contractual guarantee for reimbursement exists; and
- expenses design and development costs for moulds, dies and other tools [that the Company does not own and that will be used in, and paid for as part of the piece price amounts for, subsequent related parts production] as incurred unless the supply agreement provides a contractual guarantee for reimbursement or the non-cancelable right to use the moulds, dies and other tools during the supply arrangement.

These Canadian GAAP policy changes have been applied retroactively with restatement of all periods presented.

The retroactive changes to the consolidated statements of income are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Increase in cost of sales	$ 37	$ 41	$ 53
Decrease in depreciation and amortization	(22)	(6)	(8)
Decrease in operating income - automotive	$ (15)	$ (35)	$ (45)
Decrease in income taxes	(4)	(12)	(16)
Decrease in net income	$ (11)	$ (23)	$ (29)
Decrease in earnings per Class A Subordinate Voting or Class B Share:			
Basic	$(0.14)	$(0.29)	$(0.41)
Fully diluted	$(0.12)	$(0.25)	$(0.35)

Contingencies

From time to time, the Company may be contingently liable for litigation and other claims. Refer to note 18 of the Company's consolidated financial statements.

Forward-Looking Statements

The previous discussion contains statements which, to the extent that they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. The words "estimate", "anticipate", "believe", "expect", and similar expressions are intended to identify forward-looking statements. Such forward-looking information involves important risks, assumptions and uncertainties that could materially alter results in the future from those expressed in any forward-looking statements made by, or on behalf of, Magna. These risks, assumptions and uncertainties include, but are not limited to, industry cyclicality, trade and labour disruptions, pricing concessions and cost absorptions, dependence on certain vehicles and major OEM customers, currency exposure, technological developments by Magna's competitors, government and regulatory policies and changes in the economy and competitive environment in which Magna operates. Persons reading this Management's Discussion and Analysis of Results of Operations and Financial Condition are cautioned that such statements are only predictions and that actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Management's Responsibility for Financial Reporting

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

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

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

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

Vincent J. Galifi
Executive Vice-President,
Finance & Chief Financial Officer

Toronto, Canada,
February 20, 2001.

Auditors' Report

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

We have audited the consolidated balance sheets of **Magna International Inc.** as at December 31, 2000 and 1999 and the consolidated statements of income and retained earnings and cash flows for the years ended December 31, 2000 and 1999, the five month period ended December 31, 1998 and the year ended July 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years ended December 31, 2000 and 1999, the five month period ended December 31, 1998 and the year ended July 31, 1998 in accordance with accounting principles generally accepted in Canada.

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants

Toronto, Canada,
February 20, 2001.

Basis of Presentation

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

The revenues and expenses of the Company's non-automotive group, Magna Entertainment Corp. ["MEC"], have been separately presented in the consolidated statements of income for the years ended December 31, 2000 and 1999. Prior to the year ended December 31, 1999, MEC revenues and expenses were not significant.

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

Principles of Consolidation

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

Reporting Currency

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

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on account, demand deposits and short-term investments with remaining maturities of less than three months at acquisition.

Inventories

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

Investments

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

Fixed Assets

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

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

Costs incurred in establishing new facilities which require substantial time to reach commercial production capability are expensed as incurred. [See note 2.]

Goodwill

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

Racing Licenses

Other assets include racing licenses. Racing licenses are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over 20 years, representing the estimated useful lives of such racing licenses.

Subordinated Debentures

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

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

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

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

Each of the above equity components are included in other paid-in capital in shareholders' equity except for the equity component of subordinated debentures issued by the Company's subsidiary, Decoma International Inc. ["Decoma"]. The equity component of this subordinated debenture is included in minority interest.

Preferred Securities

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

Revenue Recognition

Revenue from the sale of manufactured products is recognized when measurable, upon shipment to [or receipt by customers depending on contractual terms], and acceptance by, customers.

Revenues from separately priced engineering service and tooling contracts are recognized on a percentage of completion basis.

Revenue and cost of sales are presented on a gross basis in the consolidated statements of income when the Company is acting as principal and is subject to significant risks and rewards in connection with the process of bringing the product to its final state and in the post sale dealings with its customers. Otherwise, components of revenues and related costs are presented on a net basis.

Preproduction Costs Related to Long-term Supply Agreements

Costs incurred [net of customer subsidies] related to design and engineering, which are paid for as part of subsequent related parts production piece price amounts, are expensed as incurred unless a contractual guarantee for reimbursement exists.

Costs incurred [net of customer subsidies] related to design and development costs for moulds, dies and other tools that the Company does not own [and that will be used in, and paid for as part of the piece price amount for, subsequent related parts production] are expensed as incurred unless the supply agreement provides a contractual guarantee for reimbursement or the non-cancelable right to use the moulds, dies and other tools during the supply agreement. [See note 2.]

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 generally recorded as a reduction of expense at the time the eligible expenses are incurred. In the case of certain foreign subsidiaries, the Company receives special tax credits, which are accounted for as a reduction of income tax expense. The Company also receives loans which are recorded as liabilities in amounts equal to the cash received.

Research and Development

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

Income Taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock-based Compensation

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

Earnings Per Class A Subordinate Voting or Class B Share

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

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

Use of Estimates

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

Consolidated Statements of Income and Retained Earnings

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

	Note	Years ended December 31, 2000	Years ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
				[restated, see notes 2 and 3]	
Sales:					
Automotive		**$10,099**	$9,260	$3,396	$6,006
Magna Entertainment Corp.	3	**414**	187	–	–
		10,513	9,447	3,396	6,006
Automotive costs and expenses:					
Cost of goods sold		**8,264**	7,659	2,874	5,008
Depreciation and amortization		**372**	332	120	192
Selling, general and administrative		**655**	607	229	404
Interest expense (income), net	7	**13**	16	(1)	(2)
Equity income		**(14)**	(17)	(6)	(15)
Magna Entertainment Corp. costs and expenses	3	**412**	183	–	–
Operating income – automotive		**809**	663	180	419
Operating income – Magna Entertainment Corp.		**2**	4	–	–
Operating income		**811**	667	180	419
Other income	13	**161**	–	–	35
Income before income taxes and minority interest		**972**	667	180	454
Income taxes	6	**348**	229	61	145
Minority interest		**26**	19	5	8
Net income		**$ 598**	$ 419	$ 114	$ 301
Financing charges on Preferred Securities and other paid-in capital		**$ (45)**	$ (31)	$ (10)	$ (19)
Net income available to Class A Subordinate Voting and Class B Shareholders		**553**	388	104	282
Retained earnings, beginning of period		**1,446**	1,128	1,057	850
Dividends on Class A Subordinate Voting and Class B Shares	14	**(209)**	(70)	(33)	(61)
Surrender of subsidiary stock options		**(1)**	–	–	–
Cumulative adjustment for change in accounting policy	2, 6	**–**	–	–	(14)
Retained earnings, end of period		**$ 1,789**	$1,446	$ 1,128	$1,057
Earnings per Class A Subordinate Voting or Class B Share:					
Basic		**$ 7.04**	$ 4.94	$ 1.33	$ 3.93
Fully diluted		**$ 6.34**	$ 4.63	$ 1.30	$ 3.72
Cash dividends paid per Class A Subordinate Voting or Class B Share		**$ 1.24**	$ 1.11	$ 0.22	$ 0.84
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period [in millions]:					
Basic		**78.5**	78.5	78.4	71.9
Fully diluted		**93.3**	91.8	91.3	83.7

See accompanying notes

Consolidated Statements of Cash Flows

[U.S. dollars in millions]

	Note	Years ended December 31, 2000	Years ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
				[restated, see note 2]	
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income		**$598**	$ 419	$ 114	$301
Items not involving current cash flows	16	**393**	373	126	179
		991	792	240	480
Changes in non-cash working capital	16	**(336)**	(79)	(97)	(121)
		655	713	143	359
INVESTMENT ACTIVITIES					
Fixed asset additions		**(653)**	(859)	(370)	(638)
Purchase of subsidiaries	19	**(68)**	(211)	(145)	(427)
Increase in investments and other		**(28)**	(26)	(15)	(68)
Proceeds from disposition of investments and other		**346**	146	24	172
		(403)	(950)	(506)	(961)
FINANCING ACTIVITIES					
Issues of debt	7	**67**	217	209	66
Issues of shares by subsidiaries	14	**4**	1	–	29
Repayments of debt	7	**(147)**	(73)	(15)	(68)
Repayments of debentures' interest obligation	8	**(33)**	(30)	(12)	(15)
Preferred Securities distributions	8	**(26)**	(3)	–	–
Surrender of subsidiary stock options		**(2)**	–	–	–
Issues of Preferred Securities	8	**–**	274	–	–
Issues of subordinated debentures	8	**–**	104	–	435
Issues of Class A Subordinate Voting Shares	10	**–**	–	–	260
Dividends paid to minority interests		**(6)**	(3)	(1)	(1)
Dividends		**(97)**	(87)	(17)	(60)
		(240)	400	164	646
Effect of exchange rate changes on cash and cash equivalents		**(24)**	(15)	16	49
Net increase (decrease) in cash and cash equivalents during the period		**(12)**	148	(183)	93
Cash and cash equivalents, beginning of period		**632**	484	667	574
Cash and cash equivalents, end of period		**$620**	$632	$484	$667

See accompanying notes

Consolidated Balance Sheets

Incorporated under the laws of Ontario

[U.S. dollars in millions]

	Note	As at December 31, 2000	1999
ASSETS			*[restated, see note 2]*
Current assets:			
Cash and cash equivalents		**$ 620**	$ 632
Accounts receivable	4	**1,684**	1,467
Inventories	4	**767**	760
Prepaid expenses and other		**66**	46
		3,137	2,905
Investments	9, 17	**86**	89
Fixed assets, net	5	**3,589**	3,498
Goodwill, net	19	**295**	267
Future tax assets	6	**96**	93
Other assets		**205**	181
		$7,408	$7,033
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank indebtedness	7	**$ 338**	$ 339
Accounts payable	17	**1,314**	1,362
Accrued salaries and wages		**215**	202
Other accrued liabilities		**119**	213
Income taxes payable	6	**51**	56
Long-term debt due within one year	7	**46**	70
		2,083	2,242
Long-term debt	7	**268**	253
Debentures' interest obligation	8	**191**	208
Other long-term liabilities	9	**84**	85
Future tax liabilities	6	**224**	188
Minority interest	8, 19	**356**	124
Shareholders' equity:			
Capital stock	10		
Class A Subordinate Voting Shares [issued: 2000 – 77,467,153; 1999 – 77,438,465]		**1,442**	1,441
Class B Shares [convertible into Class A Subordinate Voting Shares] [issued: 1,097,909]		**1**	1
Preferred Securities	8	**277**	277
Other paid-in capital	8	**734**	689
Retained earnings	6, 15	**1,789**	1,446
Currency translation adjustment	12	**(41)**	79
		4,202	3,933
		$7,408	$7,033

Commitments and contingencies [notes 7 and 18]

See accompanying notes

On behalf of the Board:

Director

Chairman of the Board

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

1. SIGNIFICANT ACCOUNTING POLICIES

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

2. PREPRODUCTION COSTS

In September 1999, the United States Emerging Issues Task Force reached a consensus on Issue 99-5 on accounting for preproduction costs related to long-term supply agreements. The consensus requires that design and development costs, for products to be sold under long-term supply agreements, be expensed as incurred unless a contractual guarantee for reimbursement exists. The consensus also requires that design and development costs for moulds, dies and other tools that a supplier will not own and that will be used in producing the products under the long-term supply agreement be expensed as incurred unless the supply arrangement provides a contractual guarantee for reimbursement or the supplier has the non-cancelable right to use the moulds, dies and other tools during the supply arrangement. Canadian GAAP does not explicitly address these types of costs.

In addition, in April 1998, the American Institute of Certified Public Accountants issued new recommendations for accounting for the costs of start-up activities. These recommendations require costs of start-up activities to be expensed as incurred. Under Canadian GAAP, costs incurred in establishing new facilities which require substantial time to reach commercial production capability ["start-up costs"] may be capitalized.

As previously disclosed, the Company has changed its Canadian GAAP accounting policies for preproduction costs. The Company now:

- *expenses start-up costs as incurred;*
- *expenses design and engineering costs, which are paid for as part of subsequent related parts production piece price amounts, as incurred unless a contractual guarantee for reimbursement exists; and*
- *expenses design and development costs for moulds, dies and other tools [that the Company does not own and that will be used in, and paid for as part of the piece price amounts for, subsequent related parts production] as incurred unless the supply agreement provides a contractual guarantee for reimbursement or the non-cancelable right to use the moulds, dies and other tools during the supply arrangement.*

These Canadian GAAP policy changes have been applied retroactively with restatement of all periods presented.

The retroactive changes to the consolidated statements of income are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Increase in cost of sales	$ 37	$ 41	$ 53
Decrease in depreciation and amortization	(22)	(6)	(8)
Decrease in operating income - automotive	(15)	(35)	(45)
Decrease in income taxes	(4)	(12)	(16)
Decrease in net income	$ (11)	$ (23)	$ (29)
Decrease in earnings per Class A Subordinate Voting or Class B Share:			
Basic	$(0.14)	$(0.29)	$(0.41)
Fully diluted	$(0.12)	$(0.25)	$(0.35)

The cumulative adjustment to retained earnings at August 1, 1997 as a result of these policy changes was a decrease of $22 million.

The retroactive changes to the consolidated statements of cash flows are as follows:

	Year ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
OPERATING ACTIVITIES			
Decrease in net income	$ (11)	$ (23)	$ (29)
Decrease in items not involving current cash flows	$ (26)	$ (18)	$ (24)
INVESTMENT ACTIVITIES			
Decrease in fixed asset additions	$ 14	$ 13	$ 21
Decrease in investments and other	$ 23	$ 28	$ 32

The retroactive changes to the consolidated balance sheet are as follows:

	December 31, 1999
Decrease in fixed assets	$(45)
Decrease in other assets	$(91)
Decrease in future tax liabilities	$(45)
Decrease in retained earnings	$(85)
Decrease in currency translation adjustment	$ (6)

3. MEC REVENUES AND COSTS AND EXPENSES

During the current year, MEC changed its method of reporting revenues and costs and expenses. MEC now reports wagering revenues before deducting purses, stakes, awards and certain taxes. These amounts are now included in costs and expenses. Previously, MEC reported wagering revenues net of purses, stakes, awards and certain taxes. All comparative period amounts have been restated on this basis.

4. INVENTORIES

Inventories consist of:

	December 31,	
	2000	1999
Raw materials and supplies	**$257**	$225
Work-in-process	**98**	110
Finished goods	**116**	113
Tooling and engineering	**296**	312
	$767	$760

Tooling and engineering inventory represents costs incurred on separately priced tooling and engineering services contracts in excess of billed and unbilled amounts included in accounts receivable. Unbilled amounts, net of customer advances, included in accounts receivable totalled $66 million [December 31, 1999 - $27 million].

5. FIXED ASSETS

Fixed assets consist of:

	December 31,	
	2000	1999
Cost		
Land	**$ 536**	$ 526
Buildings	**1,208**	1,188
Machinery and equipment	**3,436**	3,077
	5,180	4,791
Accumulated depreciation		
Buildings	**(248)**	(235)
Machinery and equipment	**(1,343)**	(1,058)
	$3,589	$3,498

Included in fixed assets are real estate assets [land and buildings] held by MEC that include properties available for sale with a net book value at December 31, 2000 of $49 million [December 31, 1999 - $80 million]. Depreciation has ceased on these properties. Properties available for sale are valued at the lower of cost, which includes acquisition and development costs, and estimated fair value less costs of disposal. The Company evaluates the lower of cost and fair value whenever events or changes in circumstances indicate possible impairment.

Also included in the cost of fixed assets are construction in progress expenditures of $161 million [December 31, 1999 - $225 million].

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

6. INCOME TAXES

[a] In the year ended July 31, 1998, the Company adopted the liability method of tax allocation for accounting for income taxes. The cumulative effect, as at August 1, 1997, of adopting these recommendations was a reduction in future tax liabilities and an increase in retained earnings of $8 million. There was no material impact on net income in the year of adoption.

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Canadian statutory income tax rate	**44.0%**	44.6%	44.6%	44.6%
Manufacturing and processing profits deduction	**(4.5)**	(5.8)	(5.9)	(4.6)
Foreign rate differentials	**(2.7)**	(4.5)	(4.6)	(4.2)
Earnings of equity investees	**(0.6)**	(1.1)	(1.0)	(1.1)
Gains on sale and issues of shares by subsidiaries	**(1.1)**	–	–	(2.1)
Other	**0.7**	1.1	0.8	(0.7)
Effective income tax rate	**35.8%**	34.3%	33.9%	31.9%

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Canadian	**$645**	$499	$151	$337
Foreign	**327**	168	29	117
	$972	$667	$180	$454

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Current provision:				
Canadian federal taxes	**$132**	$103	$39	$ 69
Provincial taxes	**76**	62	23	42
Foreign taxes	**113**	80	7	39
	321	245	69	150
Future provision:				
Canadian federal taxes	**12**	11	(4)	6
Provincial taxes	**7**	7	(2)	3
Foreign taxes	**8**	(34)	(2)	(14)
	27	(16)	(8)	(5)
	$348	$229	$61	$145

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Tax depreciation in excess of book depreciation	**$ 28**	$ 17	$ 2	$ 8
Tax losses benefited	**(7)**	(27)	(10)	(17)
Other	**6**	(6)	–	4
	$ 27	$ (16)	$(8)	$ (5)

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

	December 31, 2000	1999
Assets:		
Tax benefit of loss carryforwards		
Pre-acquisition	**$ 26**	$24
Post acquisition	**126**	99
Share and convertible subordinated debenture issue costs	**3**	6
	155	129
Valuation allowance against tax benefit of loss carryforwards		
Pre-acquisition	**(18)**	(21)
Post acquisition	**(41)**	(15)
	96	93
Liabilities:		
Tax depreciation in excess of book depreciation	**177**	139
Other assets book value in excess of tax value	**37**	36
Other	**10**	13
	224	188
Net future income taxes	**$128**	$95

[g] Income taxes paid in cash were $267 million for the year ended December 31, 2000 [for the year ended December 31, 1999 - $192 million; for the five month period ended December 31, 1998 - $79 million; for the year ended July 31, 1998 - $119 million].

[h] At December 31, 2000, the Company has income tax loss carryforwards of approximately $153 million which relate to certain foreign subsidiaries, including $49 million of losses obtained on acquisitions, the tax benefits of which have not been recognized in the consolidated financial statements. Of the total losses, $85 million expire between 2001 and 2007 and the remainder have no expiry date.

[i] Consolidated retained earnings include approximately $827 million at December 31, 2000 of undistributed earnings of foreign subsidiaries that may be subject to tax if remitted to the Canadian parent company. No provision has been made for such taxes as these earnings are considered to be reinvested for the foreseeable future.

7. DEBT AND COMMITMENTS

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

	December 31, 2000	1999
Loans from governments with a weighted average interest rate of approximately 3%, denominated primarily in Euros	**$ 97**	$107
Bank term debt at a weighted average interest rate of approximately 7%, denominated primarily in Euros and U.S. dollars	**118**	129
Other	**99**	87
	314	323
Less due within one year	**46**	70
	$268	$253

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

2001	$ 46
2002	59
2003	77
2004	13
2005	10
Thereafter	109
	$314

[c] At December 31, 2000, the Company has operating lines of credit totalling $299 million and term lines of credit totalling $1.1 billion. The Company had outstanding letters of credit in the amount of $93 million drawn primarily under its term lines of credit. In addition to cash resources of $620 million, the Company had unused and available operating lines of credit of approximately $31 million and term lines of credit of approximately $622 million.

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

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

[e] Net interest expense (income) includes:

	Years ended December 31, **2000**	Years ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Interest expense				
Current	**$20**	$22	$ 5	$ 9
Long-term	**25**	28	9	19
	45	50	14	28
Less: Interest capitalized	**–**	(7)	(3)	(4)
	45	43	11	24
Interest income	**(32)**	(27)	(12)	(26)
Interest expense (income), net	**$13**	$16	$(1)	$(2)

[f] At December 31, 2000, the Company had commitments under operating leases requiring annual rental payments as follows:

2001	$ 53
2002	44
2003	39
2004	32
2005	29
Thereafter	83
	$280

For the year ended December 31, 2000, operating lease expense amounted to approximately $60 million [for the year ended December 31, 1999 - $59 million; for the five month period ended December 31, 1998 - $29 million; for the year ended July 31, 1998 - $46 million].

8. SUBORDINATED DEBENTURES AND PREFERRED SECURITIES

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

	December 31, **2000**	December 31, 1999
Debentures' interest obligation	**$ 191**	$208
Minority interest	**$ 69**	–
Shareholders' equity:		
Other paid-in capital		
Present value of the face amount of the subordinated debentures	**$ 662**	$ 617
Holders' conversion options	**79**	79
Issue costs related to equity components	**(7)**	(7)
Total included in other paid-in capital	**734**	689
Preferred Securities, net of issue costs	**277**	277
Total included in shareholders' equity	**$1,011**	$966

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

Decoma 9.5% Subordinated Debentures

On October 16, 2000, Decoma issued $90 million of 9.5% subordinated debentures at par. The subordinated debentures are unsecured, denominated in U.S. dollars and are redeemable at any time at par plus accrued and unpaid interest. Upon their redemption or maturity on October 16, 2003, Decoma may, at its option, satisfy the amounts payable under the subordinated debentures by delivering such number of Decoma Class A Subordinate Voting Shares to a registered trustee for sale to open bidders as required to satisfy the obligation. Interest on the obligation is payable in U.S. dollars on a quarterly basis. The present value of the principal amount of these subordinated debentures is included in Decoma's equity. Accordingly, such amount is classified in minority interest in the Company's consolidated balance sheet.

7.08% Subordinated Debentures

On September 21, 1999, the Company issued Euros 100 million [$104 million on issue date] of 7.08% junior subordinated debentures at par. The unsecured subordinated debentures, which are denominated in Euros, mature on September 30, 2009. The debentures are not redeemable except in the event of certain adverse changes in tax legislation. Upon maturity, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default.

4.875% Convertible Subordinated Debentures

On February 13, 1998, the Company issued $480 million of 4.875% convertible subordinated debentures at par. The unsecured debentures, which are denominated in U.S. dollars, are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of $74.27 per share and mature on February 15, 2005. The debentures are redeemable after February 16, 2001 or at any time in the event of certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At December 31, 2000, all debentures remained outstanding.

5% Convertible Subordinated Debentures

On October 17, 1995, the Company issued $345 million of 5% convertible subordinated debentures at par. The unsecured debentures, which are denominated in U.S. dollars, are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of $53.04 per share and mature on October 15, 2002. The debentures are redeemable after October 14, 1998 or at any time in the event of certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At December 31, 2000 and 1999, there were debentures with a face value of $344 million outstanding.

7.25% Convertible Unsecured Subordinated Debentures

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

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

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

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

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

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

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

Canadian GAAP also requires disclosure of supplementary fully diluted earnings per share if such amount is lower than fully diluted earnings per share. Supplementary fully diluted earnings per share is calculated based on the number of Class A Subordinate Voting Shares that would be issued in settling the principal amount of the Company's subordinated debentures and Preferred Securities using the Company's share settlement options on redemption or maturity. The number of Class A Subordinate Voting Shares is determined based on the market price of Class A Subordinate Voting Shares at the consolidated balance sheet date. Supplementary fully diluted earnings per share is $5.58 for the year ended December 31, 2000 [for the year ended December 31, 1999 - $4.25].

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

9. EMPLOYEE BENEFIT PLANS

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

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

All Austrian lump sum termination and long service payment arrangements are unfunded. In addition, all European defined benefit pension plan and similar arrangements, other than in the United Kingdom, are unfunded. However, certain Austrian subsidiaries hold long-term government securities in connection with their unfunded obligations. Such assets amounted to $27 million and $25 million at December 31, 2000 and 1999, respectively, and are included in investments in the Company's consolidated balance sheets.

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

During the year ended December 31, 2000, the Company introduced a post retirement medical benefits plan covering eligible employees and retirees. Retirees age 60 or older with ten or more years of service will be eligible for benefits. In addition, existing retirees as at August 1, 2000 that meet the above criteria are also eligible for benefits. Benefits are capped based on years of service.

Prior to the Steyr acquisition in June 1998, the Company did not sponsor any substantial defined benefit pension plan or similar arrangements. Accordingly, a reconciliation of the projected benefit obligation, plan assets, funded status and the components of net periodic benefit cost has not been provided for the year ended July 31, 1998.

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

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

Discount rate	5.5% to 6.0%
Rate of compensation increase	2.5% to 3.5%
Expected return on plan assets	8.0%

	Years ended December 31, **2000**	1999	Five month period ended December 31, 1998
Projected benefit obligation			
Beginning of period	**$122**	$123	$107
Past service obligation arising on plan introduction	**14**	–	–
Current service and interest costs	**15**	9	6
Actuarial losses and changes in actuarial assumptions	**2**	3	1
Benefits paid	**(5)**	(3)	(2)
Acquisitions	**–**	1	7
Currency translation	**(9)**	(11)	4
End of period	**$139**	$122	$123
Plan assets at fair value			
Beginning of period	**$ 37**	$ 34	$ 26
Acquisitions	**–**	–	6
Return on plan assets	**5**	2	1
Employer contributions	**3**	2	1
Currency translation	**(2)**	(1)	–
End of period	**$ 43**	$ 37	$ 34
Unfunded amount	**$ 96**	$ 86	$ 89
Unrecognized past service obligation	**(13)**	–	–
Unrecognized actuarial gains (losses)	**1**	(1)	–
Net amount recognized in the consolidated balance sheets	**$ 84**	$ 85	$ 89
Net periodic benefit cost			
Current service and interest costs	**$ 15**	$ 9	$ 6
Past service cost amortization	**1**	–	–
Expected return on plan assets	**(5)**	(2)	(1)
Actuarial losses	**1**	2	1
	$ 12	$ 9	$ 6

10. CAPITAL STOCK

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

Preference shares – issuable in series –

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

Class A Subordinate Voting Shares and Class B Shares –

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

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

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

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

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

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

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

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

[b] Changes in the Class A Subordinate Voting Shares and Class B Shares for the years ended December 31, 2000 and 1999, for the five month period ended December 31, 1998, and for the year ended July 31, 1998 are shown in the following table [number of shares in the following table are expressed in whole numbers and have not been rounded to the nearest million]:

	Class A Subordinate Voting		Class B	
	Number of shares	Stated value	Number of shares	Stated value
Issued and outstanding at July 31, 1997	70,084,554	$1,024	1,098,309	$1
Issued for cash under the Incentive Stock Option Plan	16,100	1		
Issued under the Dividend Reinvestment Plan	5,498	–		
Conversion of 5% convertible subordinated debentures	7,513	–		
Issued on acquisition of a subsidiary	629,887	44		
Issued for cash	4,025,000	263		
Conversion of 7.25% convertible subordinated debentures	2,484,968	98		
Issued and outstanding at July 31, 1998	77,253,520	1,430	1,098,309	1
Conversion of Class B Shares to Class A Subordinate Voting Shares	200	–	(200)	–
Conversion of 5% convertible subordinated debentures	1,578	–		
Issued under the Dividend Reinvestment Plan	885	–		
Issued and outstanding at December 31, 1998	77,256,183	1,430	1,098,109	1
Conversion of Class B Shares to Class A Subordinate Voting Shares	200	–	(200)	–
Issued to fund Employee Equity and Profit Participation Plan ["EPSP"] contributions	170,000	10		
Issued for cash under the Incentive Stock Option Plan	8,000	1		
Issued under the Dividend Reinvestment Plan	3,807	–		
Conversion of 5% convertible subordinated debentures	275	–		
Issued and outstanding at December 31, 1999	77,438,465	1,441	1,097,909	1
Issued under the Dividend Reinvestment Plan	12,688	–		
Issued for cash under the Incentive Stock Option Plan	16,000	1		
Issued and outstanding at December 31, 2000	77,467,153	$1,442	1,097,909	$1

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

[c] Under the amended and restated Incentive Stock Option Plan, the Company may grant options to purchase Class A Subordinate Voting Shares to full-time employees, senior officers, outside directors or consultants of the Company. The maximum number of shares that can be reserved for issuance under the plan is 6.0 million shares. The number of unoptioned shares available to be reserved at December 31, 2000 was 4.0 million [December 31, 1999 – 4.2 million]. All options granted are for a term of ten years from the grant date. For periods up to and including December 31, 1998, options vested 12½% on the date of the grant and 12½% in each of the following seven years. Options issued subsequent to 1998 generally vest 20% on the date of the grant and 20% in each of the following four years. All options allow the holder to purchase Class A Subordinate Voting Shares at a price equal to or greater than the market price of such shares at the date of the grant.
The following is a continuity schedule of options outstanding [number of options in the table below are expressed in whole numbers and have not been rounded to the nearest million]:

	Options outstanding		
	Number of options	Weighted average exercise price	Number of options exercisable
Outstanding at July 31, 1997	96,500	Cdn$62.75	22,500
Granted	210,000	Cdn$92.43	–
Exercised	(16,100)	Cdn$62.75	(16,100)
Vested	–	–	65,000
Outstanding at July 31, 1998	290,400	Cdn$84.21	71,400
Vested	–	–	12,500
Outstanding at December 31, 1998	290,400	Cdn$84.21	83,900
Granted	1,532,500	Cdn $77.75	–
Exercised	(8,000)	Cdn$62.75	(8,000)
Vested	–	–	400,250
Outstanding at December 31, 1999	1,814,900	Cdn$78.85	476,150
Granted	120,000	Cdn$75.00	–
Exercised	(16,000)	Cdn$62.75	(16,000)
Surrendered	(10,000)	Cdn$75.00	(2,000)
Vested	–	–	411,250
Outstanding at December 31, 2000	1,908,900	Cdn$78.76	869,400

At December 31, 2000, the outstanding options consist of [number of options in the table below are expressed in whole numbers and have not been rounded to the nearest million]:

		Options outstanding		
	Exercise price	Number of options	Remaining contractual life	Number of options exercisable
Tranche 1	Cdn$62.75	56,400	5.3	32,400
Tranche 2	Cdn$92.45	150,000	6.6	75,000
Tranche 3	Cdn$92.35	60,000	6.6	30,000
Tranche 4	Cdn $91.50	235,000	8.0	141,000
Tranche 5	Cdn$83.50	40,000	8.0	24,000
Tranche 6	Cdn$75.00	1,257,500	7.8	503,000
Tranche 7	Cdn$75.00	40,000	9.1	36,000
Tranche 8	Cdn$75.00	60,000	9.3	24,000
Tranche 9	Cdn$75.00	10,000	9.7	4,000
		1,908,900	8.4	869,400
Weighted average exercise price		Cdn$78.76		Cdn$79.58

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

[e] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at December 31, 2000 were exercised:

Class A Subordinate Voting Shares and Class B Shares outstanding at December 31, 2000	78.6
5% convertible subordinated debentures [based on holders' conversion option]	6.5
4.875% convertible subordinated debentures [based on holders' conversion option]	6.5
Stock options	1.9
	93.5

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

11. FINANCIAL INSTRUMENTS

[a] Foreign Exchange Contracts

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

At December 31, 2000, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell foreign currencies in exchange for Canadian and U.S. dollars as follows:

	For Canadian dollars				For U.S. dollars	
Buy (Sell)	U.S. dollar amount	Weighted average rate	Euro amount	Weighted average rate	Euro amount	Weighted average rate
2001	$ 292	1.4828	€ 20	1.4955	€ 29	0.9165
2001	(449)	1.4646	(67)	1.4305	(33)	0.9262
2002	110	1.4537	21	1.4576	35	0.9067
2002	(264)	1.4426	–	–	(2)	1.0914
2003	55	1.4446	12	1.5305	29	0.9187
2003	(117)	1.4840	–	–	–	–
2004	33	1.4514	8	1.6277	20	0.9317
2004	(95)	1.4755	–	–	–	–
2005	16	1.4428	7	1.6582	3	0.9397
2005	(87)	1.4727	–	–	–	–
Thereafter	–	–	27	1.6683	–	–
Thereafter	(16)	1.3862	–	–	–	–
	$(522)		€ 28		€ 81	

Based on forward foreign exchange rates as at December 31, 2000 for contracts with similar remaining terms to maturity, the unrecognized net losses relating to the Company's foreign exchange forward contracts are approximately $14 million. If the Company's forward exchange contracts ceased to be effective as hedges, for example if projected net foreign cash inflows declined significantly, previously unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign denominated cash flows would be recognized in income at the time this condition was identified.

[b] Fair Value

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

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

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

Investments

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

Long-term debt and debentures' interest obligation

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

[c] Credit Risk

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

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

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

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

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

[d] Interest Rate Risk

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

12. CURRENCY TRANSLATION ADJUSTMENT

Unrealized translation adjustments, which arise on the translation to U.S. dollars of assets and liabilities of the Company's self-sustaining foreign operations, resulted in an unrealized currency translation loss of $120 million during the year ended December 31, 2000 [during the year ended December 31, 1999 – loss of $96 million]. The current year unrealized loss resulted primarily from the weakening of the Euro, British Pound and Canadian dollar against the U.S. dollar.

13. OTHER INCOME

[a] During the year ended December 31, 2000, the Company recognized a gain before income taxes of $36 million on the sale of 4.4 million Class A Subordinate Voting Shares of Tesma International Inc. ["Tesma"], a publicly traded subsidiary of the Company.

The Company also completed the sale of its 50% interest in Webasto Sunroofs Inc., a joint venture, and related real estate and completed the sale of Invotronics, a wholly-owned manufacturing division. The Company recognized gains before income taxes of $94 million and $31 million on these disposals, respectively.

[b] During the year ended July 31, 1998, the Company sold its remaining 20% interest in MST Automotive GmbH ["MST"] and TEMIC Bayern-Chemie Airbag GmbH ["TBCA"] and recognized a gain of $25 million.

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

14. MEC SPECIAL DIVIDEND

On March 10, 2000, Magna paid a special stock dividend of approximately 20% of MEC's equity to Magna Class A Subordinate Voting and Class B shareholders of record on February 25, 2000 [the "special dividend"]. Dividends include $111 million related to the special dividend.

In connection with the special dividend, the holders' conversion prices with respect to the Company's 4.875% and 5% convertible subordinated debentures have been adjusted [See note 8]. The conversion price with respect to the 4.875% convertible subordinated debentures was reduced to $74.27, from $76.17. Similarly, the conversion price with respect to the 5% convertible subordinated debentures was reduced to $53.04 from $54.40.

15. INTERESTS IN JOINTLY CONTROLLED ENTITIES

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

Balance Sheets

	December 31,	
	2000	1999
Current assets	**$101**	$197
Long-term assets	**49**	148
Current liabilities	**49**	104
Long-term liabilities	**52**	79

Statements of Income

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Sales	**$668**	$671	$260	$517
Cost of goods sold, expenses and income taxes	**634**	638	249	492
Net income	**$ 34**	$ 33	$ 11	$ 25

Statements of Cash Flows

	Years ended December 31, 2000	1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Cash provided from (used for):				
Operating activities	**$74**	$54	$16	$68
Investment activities	**(67)**	(46)	(18)	(27)
Financing activities	**(33)**	6	(3)	(30)

The Company's share of equity in jointly controlled entities includes undistributed earnings of $41 million [December 31, 1999 - $90 million].

16. DETAILS OF CASH FROM OPERATING ACTIVITIES

[a] Items not involving current cash flows:

	Years ended December 31, 2000	1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Depreciation and amortization	**$ 372**	$332	$ 120	$ 192
MEC depreciation and amortization	**20**	8	–	–
Equity income and other	**24**	11	1	(5)
Minority interest	**26**	19	5	8
Future income taxes and non-cash portion of current taxes	**52**	3	–	19
Gains on sale and issues of shares by subsidiaries	**(101)**	–	–	(35)
	$ 393	$373	$ 126	$ 179

[b] Changes in non-cash working capital:

	Years ended December 31, 2000	1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Accounts receivable	**$(126)**	$(44)	$(289)	$(104)
Inventories	**(135)**	(84)	(20)	(35)
Prepaid expenses and other	**(39)**	8	(17)	(12)
Accounts payable, accrued salaries and wages and other accrued liabilities	**(17)**	17	243	32
Income taxes payable	**(19)**	24	(14)	(2)
	$(336)	$(79)	$ (97)	$(121)

17. TRANSACTIONS WITH RELATED PARTIES

The Company has agreements with an affiliate of the Chairman of the Board for the provision of business development and consulting services. In addition, the Company has an agreement with the Chairman of the Board for the provision of business development and other services. The aggregate amount expensed under these agreements with respect to the year ended December 31, 2000 was $28 million [for the year ended December 31, 1999 - $23 million; for the five month period ended December 31, 1998 - $9 million; for the year ended July 31, 1998 - $18 million].

During the year ended December 31, 2000, trusts, which exist to make orderly purchases of the Company's shares for employees either for transfer to the EPSP or to recipients of either bonuses or rights to purchase such shares from the trusts, borrowed up to $41 million [for the year ended December 31, 1999 - $18 million; for the five month period ended December 31, 1998 - $23 million; for the year ended July 31, 1998 - $31 million] from the Company to facilitate the purchase of Class A Subordinate Voting Shares of the Company. At December 31, 2000, the trusts' indebtedness to the Company, which is included in accounts payable, was $26 million [December 31, 1999 - $15 million].

Investments include $2 million [December 31, 1999 - $2 million], at cost, in respect of an investment in a company that was established to acquire shares of the Company for sale to employees.

During the year ended December 31, 2000, a subsidiary of the Company purchased from a company associated with members of the family of Mr. F. Stronach, Ms. B. Stronach and Mr. A. Stronach, the Chairman of the Board, Vice-Chairman and Chief Executive Officer, and Vice-President, Business Development, respectively of the Company, approximately 200 acres of land and improvements in Aurora, Ontario for a purchase price of approximately $11.0 million. In addition, during the year ended December 31, 2000, a subsidiary of the Company sold approximately 3 acres of land and improvements in Aurora, Ontario to the same company associated with members of the family of Mr. F. Stronach, Ms. B. Stronach and Mr. A. Stronach for approximately $0.2 million.

18. CONTINGENCIES

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

In October 1998, a class action was filed in the United States District Court, Eastern District of New York naming SDP, an Austrian-based subsidiary of the Company which was acquired in 1998, as a defendant together with one other named Austrian company which is not related to the Company. The plaintiffs claim unspecified compensatory and punitive damages, for an accounting and for restitution, all in relation to unpaid work [forced/slave labour] performed by the plaintiffs for SDP and the other defendant at their facilities in Europe during World War II. Since this action was filed, nine other actions have been filed in District Courts in New York, New Jersey, Maryland and California specifically naming SDP and/or the Company, as the controlling shareholder of SDP, as defendants together with various other defendants. More than 50 similar class actions have been commenced in the United States in the last three years in respect of various activities during World War II related to forced/slave labour. All of these cases involved multiple named defendants in addition to the Company [various other defendants include Ford Motor Company, General Motors Corporation, DaimlerChrysler AG, Bayerische Motoren Werke AG, Siemens AG and other major international companies] and are structured to permit the addition of other Austrian and German companies as defendants in the future. Preliminary motions to dismiss have been filed in three of the ten cases involving the Company and in several other cases involving other defendants. Defendants have been successful on all three of the preliminary motions to dismiss which have been heard to date, all of which have been appealed by the plaintiffs involved. All of the class actions involving slave/forced labour in Germany, including nine of the cases naming SDP and/or the Company, were consolidated before Judge Bassler in the District Court, District of New Jersey by the end of October 2000.

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

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

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

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

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

19. BUSINESS ACQUISITIONS

The following acquisitions were accounted for using the purchase method:

Acquisitions in the year ended December 31, 2000

Conix

In October 2000, the Company acquired the remaining 49% minority interests in Conix Canada Inc., Conix Corporation, Conix U.K. Ltd. and Conix Belgium N.V. [collectively the "Conix Group"] for a total purchase price of $133 million [net of $7 million of cash acquired]. The Conix Group operates fascia moulding and finishing operations in Canada, the United States, England and Belgium. Of the total consideration, $43 million was paid in cash and the balance was satisfied through the issuance by Decoma of $90 million 9.5% subordinated debentures.

MEC

In February 2000, MEC acquired the assets and assumed certain liabilities of Great Lakes Downs, Inc. racetrack in Muskegon, Michigan for a purchase price of $2 million, payable through the issuance of shares of MEC Class A stock. In November 2000, MEC acquired all of the membership interest and capital stock in Bay Meadows Operating Company, LLC and Bay Meadows Catering, respectively, operators of the Bay Meadows racetrack in California for cash consideration of $24 million.

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

Non-cash working capital		$ 22
Fixed assets		90
Goodwill		68
Other assets		21
Bank indebtedness		(19)
Long-term debt [including portion due within one year]		(18)
Future tax liabilities		(5)
Total purchase price [net of cash acquired]		$159
Comprised of:		
Cash		$67
Decoma $90 million 9.5% subordinated debentures presented as:		
Debentures' interest obligation	$22	
Minority interest	68	90
MEC Class A stock presented as minority interest		2
		$159

Acquisitions in the year ended December 31, 1999

MATAG

In September 1999, the remaining 40% minority interest in Magna Automobiltechnik AG ["MATAG"] was purchased by the Company for total cash consideration of $45 million.

HACC

In January 1999, the Company completed the acquisition of 100% of the outstanding shares of Hanwha Automotive Components Corporation ["HACC"], a South Korean based manufacturer of oil and water pump systems, for cash consideration of $5 million [net of cash acquired of $3 million].

MEC

During the year ended December 31, 1999, MEC completed the acquisition of five racetracks. In May 1999, the real estate assets of San Luis Rey Downs, a horse boarding and training center in California, were acquired for cash consideration of $6 million. In September 1999, MEC acquired Gulfstream Park in Florida for cash consideration of $81 million [net of cash acquired of $8 million]. In November 1999, MEC acquired the Thistledown and Remington Park racetracks in Ohio and Oklahoma, respectively, for total consideration of $19 million [net of cash acquired of $6 million]. Finally, in December 1999, the acquisition of Golden Gate Fields in California was completed for total consideration of $84 million [net of cash acquired of $1 million]. Of the total consideration, $161 million was paid in cash, $12 million was paid through the issuance of shares of MEC Class A stock and the balance was satisfied by way of a non-interest bearing promissory note having a discounted value of $17 million.

Summary of acquisitions in the year ended December 31, 1999

Consideration paid for acquisitions, including the transactions described above, consisted of cash, promissory notes and subsidiary share consideration of $211 million, $17 million and $12 million, respectively. The net effects on the Company's consolidated balance sheet were decreases in non-cash working capital of $13 million and minority interest of $23 million, and increases in fixed assets of $220 million, other assets of $102 million, goodwill of $21 million, bank indebtedness and long-term debt of $29 million and net future tax liabilities of $85 million.

Acquisitions in the five month period ended December 31, 1998

Steyr

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

Santa Anita

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

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

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

Acquisitions in the year ended July 31, 1998

Decomex

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

YMOS

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

Roltra Morse

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

Paulisch

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

TRIAM

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

Steyr

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

Summary of acquisitions in the year ended July 31, 1998

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

Proforma Impact

If the acquisitions and disposals [see note 13] completed during the year ended December 31, 2000 and 1999 occurred on January 1, 1999, the Company's unaudited proforma consolidated sales would have been $10.7 billion for the year ended December 31, 2000 [1999 - $9.5 billion] and net income of the Company would have been $606 million [1999 - $445 million].

20. SEGMENTED INFORMATION

[a] Magna follows a corporate policy of functional and operational decentralization. It conducts its automotive operations through divisions which function as autonomous operating units. As at December 31, 2000, the Company had 166 production facilities and 31 product development and engineering facilities operating in 18 countries. Divisional operating results and each division's annual business plan and capital spending budget are reviewed by executive management.

In fiscal 2000, the Company's global product groups were aggregated according to their capabilities in complete vehicle engineering and assembly versus component and systems manufacturing. The Company's Vehicle and Systems Integration operations, which include SteyrSymatec, provide complete vehicle engineering and assembly capabilities. Magna has positioned this group as a Tier 0.5™ supplier, reflecting capabilities beyond those of a Tier One supplier and closer to those of the OEM customer. The Company's Tier One and Two Automotive Manufacturing operations design, engineer, manufacture and supply components, modules and systems primarily for OEM customers and manufacture and supply components on a Tier Two basis to other Tier One suppliers. The Company's Tier One and Two Automotive Manufacturing operations are generally aligned on a product basis with the corresponding purchasing and engineering groups of Magna's OEM customers. The Company's Tier 0.5™ operations, on the other hand, increasingly deal with complete vehicle level purchasing and engineering personnel at Magna's OEM customers. Each group includes the following products and services:

Tier 0.5™ Vehicle and Systems Integration

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

Tier One and Two Automotive Manufacturing

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

The Company's internal financial reports provided to executive management aggregate divisional results on a global product line basis and further aggregate results between its Tier 0.5™ operations and its Tier One and Two Automotive Manufacturing operations. The Company's Tier 0.5™ engineering and assembly operations are expected to help grow sales at the Company's Tier One and Two Automotive Manufacturing operations as a result of the Tier 0.5™ group's earlier and closer involvement with complete vehicle level purchasing and engineering personnel at Magna's OEM customers.

The Company's internal financial reports also segment Tier 0.5™ and Tier One and Two operating results between North America and Europe. This segmentation recognizes the different geographic business risks faced by the Company's North American and European divisions, especially vehicle production volumes in North America and Europe and differences in OEM customer mix, the level of OEM outsourcing and the nature of products/services outsourced and currency risk. Vehicle volumes in North America and Europe are affected by a number of geographic factors such as general economic conditions, interest rates, fuel prices and availability, legislative changes, environmental emission and safety issues and labour and/or trade relations.

Tier One and Two operating results are further segmented in the Company's internal financial reports between the Company's publicly traded and other operations given that, in the former case, oversight of group management has been delegated to a separate independent board of directors. Publicly traded operations include Decoma International Inc., as well as Decoma Exterior Trim and Bestop [in each case the operations are closely co-ordinated with Decoma International Inc. which owns 40% of each of Decoma Exterior Trim and Bestop at December 31, 2000] and Tesma.

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

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

In addition to the Company's Automotive Operating Segments, the Company has certain non-automotive operations held through its subsidiary, MEC.

Year ended December 31, 2000	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income (loss)	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	$ 1,036	$ 40	$(2)	$ –	$ 74	$ 29	$ 154
North America	14	1	–	–	(26)	20	24
Tier One and Two Automotive Manufacturing							
North America	5,119	137	38	16	424	217	978
Europe	2,075	85	25	–	13	115	467
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	1,852	73	11	–	172	90	535
Europe	163	7	–	–	9	27	97
MEC (i)	414			–	2	52	569
Corporate and other (ii)	(160)	29	(59)	(2)	143	103	765
Total reportable segments	$10,513	$372	$13	$14	$811	$653	$3,589
Current assets							3,137
Investments, goodwill and other assets							682
Consolidated total assets							$7,408

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

	Year ended December 31, 1999						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	$ 1,136	$ 41	$ 4	$ –	$ 73	$ 75	$ 183
North America	–	–	–	–	(22)	5	5
Tier One and Two Automotive Manufacturing							
North America	4,485	116	22	17	380	327	982
Europe	2,048	87	27	–	(2)	148	481
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	1,571	62	10	–	123	95	478
Europe	160	5	–	–	8	27	53
MEC (i)	187			–	4	55	567
Corporate and other (ii)	(140)	21	(47)	–	103	127	749
Total reportable segments	$9,447	$332	$16	$17	$667	$859	$3,498
Current assets							2,905
Investments, goodwill and other assets							630
Consolidated total assets							$7,033

	Five month period ended December 31, 1998						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income (loss)	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	$ 495	$ 17	$(2)	$ –	$ 38	$ 48	$ 366
North America	–	–	–	–	(2)	–	–
Tier One and Two Automotive Manufacturing							
North America	1,644	37	4	6	97	101	754
Europe	691	36	17	–	(20)	71	417
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	543	20	3	–	37	46	415
Europe	61	3	–	–	3	4	37
MEC (i)	11			–	(4)	18	335
Corporate and other (ii)	(49)	7	(23)	–	31	82	518
Total reportable segments	$3,396	$120	$(1)	$ 6	$180	$370	$2,842
Current assets							2,671
Investments, goodwill and other assets							603
Consolidated total assets							$ 6,116

	Year ended July 31, 1998						
	Total sales	Depreciation and amortization	Interest (income) expense, net	Equity income	Operating income	Fixed asset additions	Fixed assets, net
Tier 0.5™ Vehicle and Systems Integration							
Europe	$ 157	$ 7	$ –	$ –	$ 9	$ 23	$ 342
North America	–	–	–	–	–	–	–
Tier One and Two Automotive Manufacturing							
North America	3,410	78	18	14	250	284	882
Europe	1,323	51	21	1	27	121	475
Publicly Traded Tier One and Two Automotive Manufacturing							
North America	1,057	43	8	–	60	124	373
Europe	127	5	1	–	6	7	34
Corporate and other (ii)	(68)	8	(50)	–	67	79	311
Total reportable segments	$6,006	$192	$(2)	$15	$419	$638	$2,417
Current assets							2,608
Investments, goodwill and other assets							526
Consolidated total assets							$5,551

Notes:

(i) Included in MEC operating income for the year ended December 31, 2000 is depreciation and amortization and net interest income of $20 million and $nil, respectively [for the year ended December 31, 1999 - $8 million and $1 million, respectively; for the five month period ended December 31, 1998 - $3 million and $2 million, respectively].

(ii) Included in Corporate and other operating income are intercompany fees, rent and interest charged to the other automotive segments.

Subsequent to December 31, 2000, the Company initiated a reorganization of its operating segments. In January 2001, Decoma purchased Magna Exterior Systems and the remaining 60% of Decoma Exterior Trim owned by Magna. In addition, the Company's Tier One and Two Automotive Manufacturing interiors, seating and closure divisions will be combined to form Intier Automotive. Finally, substantially all of the Company's Tier 0.5™ Vehicle and Systems Integration segment will be combined with the Company's Tier One and Two Automotive Manufacturing powertrain businesses, excluding Tesma. This new operating group, called Magna Steyr, will also work with the hydroforming and stamping operations of the Company's Tier One and Two Automotive Manufacturing businesses. It is Magna's intention to establish both Magna Steyr and Intier Automotive as separate subsidiary public companies. As a result of this reorganization, the Company's reportable operating segments are expected to change in 2001.

[b] In the year ended December 31, 2000, sales to the Company's three largest customers amounted to 28%, 22% and 20% [for the year ended December 31, 1999 – 32%, 20% and 18%; for the five month period ended December 31, 1998 – 29%, 18% and 17%; for the year ended July 31, 1998 – 22%, 21% and 15%] of total sales, respectively.

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

	Year ended December 31, 2000			
	Canada	**Europe**	**United States and Other**	**Total**
Sales	$3,801	$3,237	$3,475	$10,513
Fixed assets, net	$ 1,031	$ 1,027	$ 1,531	$ 3,589
Goodwill, net	$ 58	$ 167	$ 70	$ 295

	Year ended December 31, 1999			
	Canada	**Europe**	**United States and Other**	**Total**
Sales	$3,376	$3,269	$2,802	$ 9,447
Fixed assets, net	$ 1,036	$ 1,067	$ 1,395	$ 3,498
Goodwill, net	$ 77	$ 127	$ 63	$ 267

	Five month period ended December 31, 1998			
	Canada	**Europe**	**United States and Other**	**Total**
Sales	$ 1,159	$ 1,244	$ 993	$ 3,396
Fixed assets, net	$ 935	$ 1,028	$ 879	$ 2,842
Goodwill, net	$ 74	$ 171	$ 61	$ 306

	Year ended July 31, 1998			
	Canada	**Europe**	**United States and Other**	**Total**
Sales	$2,465	$ 1,600	$ 1,941	$ 6,006
Fixed assets, net	$ 922	$ 917	$ 578	$ 2,417
Goodwill, net	$ 78	$ 163	$ 63	$ 304

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

21. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

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

[a] The gain or loss on translation of debt denominated in a currency other than the operation's functional currency is deferred and amortized over the remaining life of the debt. Under U.S. GAAP, the gain or loss on translation is included in income when it arises.

[b] The Company's subordinated debentures are recorded in part as debt and in part as shareholders' equity. In addition, the Company's Preferred Securities are recorded entirely as shareholders' equity. Under U.S. GAAP, the subordinated debentures and Preferred Securities would be recorded entirely as debt.

[c] The Company has certain interests in jointly controlled entities which have been proportionately consolidated in the Company's financial statements. For purposes of U.S. GAAP, these interests would be accounted for by the equity method. Net income, earnings per share and shareholders' equity under U.S. GAAP are not impacted by the proportionate consolidation of these interests in jointly controlled entities.

[d] Design and development costs reimbursed through a subsequent production part piece price are expensed as incurred unless a contractual guarantee for reimbursement exists. Design and development costs for moulds, dies and other tools that the Company does not own [and that will be used in, and paid for as part of the piece price amount for, subsequent production] are also expensed as incurred unless a contractual guarantee for reimbursement exists or the supply agreement provides the non-cancelable right to use the moulds, dies and other tools. These policies were adopted for Canadian GAAP in the year ended December 31, 2000 on a retroactive basis. Under U.S. GAAP, the above policies are applied through a cumulative catch-up adjustment as of January 1, 2000.

Start-up costs are expensed as incurred. This policy was also adopted for Canadian GAAP in the year ended December 31, 2000 on a retroactive basis. Under U.S. GAAP, this policy was applied through a cumulative catch-up adjustment as of August 1, 1997.

[e] In December 1999, the United States Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ["SAB 101"], Revenue Recognition in Financial Statements. Effective January 1, 2000, the Company changed its method of accounting under U.S. GAAP for in-house engineering service and tooling contracts provided in conjunction with subsequent assembly or production activities, which are regarded as a single arrangement. Previously, the Company had recognized revenue from these engineering service and tooling contracts on a percentage of completion basis. Under the new accounting method adopted effective January 1, 2000 for U.S. GAAP purposes, the Company recognizes revenue and related cost of sales for these activities over the estimated life of the assembly or production arrangement. The effect of the change on the year ended December 31, 2000 was to decrease net income by $3 million [$0.03 per share].

For the year ended December 31, 2000, revenues and expenses under U.S. GAAP are lower by $61 million and $58 million, respectively, as a result of this difference between Canadian and U.S. GAAP. The net revenue reduction for the year ended December 31, 2000, includes $102 million in revenue that was included in the cumulative effect adjustments as of January 1, 2000.

[f] Under U.S. GAAP, APB Opinion No. 25, when a stock option is repurchased by the Company for a cash payment, the Company must record compensation expense. Under Canadian GAAP, the payment is considered a capital transaction and recorded in retained earnings.

[g] Effective December 31, 1998, the Company adopted the U.S. dollar as its reporting currency. Prior to this change the Canadian dollar had been used as the Company's reporting currency. Under Canadian GAAP, the Company's consolidated financial statements for all periods presented through December 31, 1998 have been translated from Canadian dollars to U.S. dollars using the exchange rate in effect at December 31, 1998. Under U.S. GAAP, the consolidated financial statements for periods prior to the change in reporting currency must be translated to U.S. dollars using the current rate method, which method uses specific year end or specific annual average exchange rates as appropriate. The significant differences arising from the application of the current rate method to the periods presented are the effects on net income and comprehensive income described in item [h] below and the effects on sales and cost of goods sold. Sales and cost of goods sold under U.S. GAAP were as follows:

	Five month period ended December 31, 1998	Year ended July 31, 1998
Sales	$3,382	$6,432
Cost of goods sold	2,822	5,306

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

	Years ended December 31, 2000	1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Net income under Canadian GAAP	**$ 598**	$419	$114	$301
Adjustments [net of related tax effects]:				
Deferred gains (losses) on foreign currency denominated debt [net of amortization] [a]	**(17)**	28	(5)	(35)
Additional interest expense on subordinated debentures and Preferred Securities [b]	**(32)**	(19)	(6)	(13)
Design and development costs [d]	**–**	5	9	20
In-house tooling and engineering [e]	**(3)**	–	–	–
Surrender of subsidiary stock options [f]	**(1)**	–	–	–
Change in reporting currency [g]	**–**	–	–	24
Net income under U.S. GAAP before cumulative catch-up adjustments	**545**	433	112	297
Cumulative adjustments for change in accounting for design and development costs and in-house tooling and engineering [d], [e]	**(69)**	–	–	–
Cumulative adjustment for change in accounting for deferred preproduction costs [d]	**–**	–	–	(2)
Net income under U.S. GAAP	**$ 476**	$433	$112	$295
Other comprehensive income (loss):				
Foreign currency translation adjustment	**(109)**	(131)	38	(54)
Comprehensive income under U.S. GAAP	**$ 367**	$302	$150	$241

	Years ended December 31, 2000	1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Earnings per Class A Subordinate Voting or Class B Share under U.S. GAAP:				
Basic				
Before cumulative catch-up adjustments	**$6.94**	$5.52	$1.43	$4.13
Cumulative catch-up adjustments [d], [e]	**(0.88)**	–	–	(0.03)
After cumulative catch-up adjustment	**$6.06**	$5.52	$1.43	$4.10
Diluted				
Before cumulative catch-up adjustments	**$6.39**	$4.70	$1.35	$4.06
Cumulative catch-up adjustments [d], [e]	**(0.75)**	–	–	(0.03)
After cumulative catch-up adjustment	**$5.64**	$4.70	$1.35	$4.03

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

Proforma net income under U.S. GAAP before cumulative catch-up adjustments and related diluted earnings per Class A Subordinate Voting or Class B Share under U.S. GAAP as if the change in accounting policies for design and development costs had been applied during all periods presented are as follows:

	Years ended December 31, 2000	Years ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Net income under U.S. GAAP before cumulative catch-up adjustments				
As reported	**$ 545**	$ 433	$ 112	$ 297
Restatement for change in accounting policies for design and development costs	**–**	(5)	(9)	(20)
Restatement for in-house tooling and engineering	**–**	(3)	–	(3)
Proforma	**$ 545**	$ 425	$ 103	$ 274
Earnings per Class A Subordinate Voting or Class B Share under U.S. GAAP				
Basic				
As reported	**$6.94**	$5.52	$1.43	$4.13
Restatement for change in accounting policies for design and development costs	**–**	(0.06)	(0.12)	(0.28)
Restatement for in-house tooling and engineering	**–**	(0.05)	–	(0.04)
Proforma	**$6.94**	$5.41	$1.31	$3.81
Diluted				
As reported	**$6.39**	$4.70	$1.35	$4.06
Restatement for change in accounting policies for design and development costs	**–**	(0.05)	(0.10)	(0.27)
Restatement for in-house tooling and engineering	**–**	(0.04)	–	(0.04)
Proforma	**$6.39**	$4.61	$1.25	$3.75

Earnings per share data after cumulative catch-up adjustments were computed as follows:

	Years ended December 31, 2000	Years ended December 31, 1999	Five month period ended December 31, 1998	Year ended July 31, 1998
Basic EPS – After cumulative catch-up adjustments				
Net income under U.S. GAAP	**$ 476**	$ 433	$ 112	$ 295
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period	**78.5**	78.5	78.4	71.9
Basic EPS	**$6.06**	$5.52	$1.43	$4.10
Diluted EPS – After cumulative catch-up adjustments				
Net income under U.S. GAAP for Basic EPS	**$ 476**	$ 433	$ 112	$ 295
Adjustments [net of related tax effects]:				
Interest and issue cost amortization on 7.25% convertible subordinated debentures	**–**	–	–	4
Interest, issue cost amortization and foreign exchange on 5% convertible subordinated debentures	**17**	(2)	5	–
Interest, issue cost amortization and foreign exchange on 4.875% convertible subordinated debentures	**23**	(3)	6	–
	$ 516	$ 428	$ 123	$ 299
Average number of Class A Subordinate Voting and Class B Shares outstanding during the period	**78.5**	78.5	78.4	71.9
7.25% convertible subordinated debentures	**–**	–	–	2.3
5% convertible subordinated debentures	**6.5**	6.3	6.3	–
4.875% convertible subordinated debentures	**6.5**	6.3	6.3	–
	91.5	91.1	91.0	74.2
Diluted EPS	**$5.64**	$4.70	$1.35	$4.03

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

	December 31, 2000	1999
Other assets, net	**$ 217**	$ 287
Future tax liabilities, net	**98**	117
Subordinated debentures	**1,018**	928
Debentures' interest obligation	**–**	–
Preferred Securities	**282**	282
Minority interest	**287**	124
Shareholders' equity:		
Capital stock	**1,583**	1,583
Preferred Securities	**–**	–
Other paid-in capital	**–**	–
Retained earnings	**1,905**	1,638
Accumulated other comprehensive loss	**(324)**	(215)
Shareholders' equity	**$3,164**	$3,006

[j] Interest paid in cash was $103 million for the year ended December 31, 2000 [for the year ended December 31, 1999 - $84 million; for the five month period ended December 31, 1998 - $25 million; for the year ended July 31, 1998 - $37 million].

[k] The Company does not recognize compensation expense for its outstanding fixed price stock options. Under U.S. GAAP, the Company is required to disclose compensation expense assuming compensation expense for the stock option plan had been determined based upon the fair value at the grant date, consistent with the methodology prescribed under FASB Statement No. 123 "Accounting for Stock-Based Compensation".

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

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

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

(all amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted)

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Proforma net income after cumulative catch-up adjustments attributable to Class A Subordinate Voting and Class B Shares	**$ 461**	$ 426	$ 110	$ 294
Proforma earnings per Class A Subordinate Voting or Class B Share after cumulative catch-up adjustments				
Basic	**$ 5.87**	$5.43	$1.41	$ 4.08
Diluted	**$ 5.47**	$4.62	$1.33	$ 4.01

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

	Years ended December 31,		Five month period ended December 31,	Year ended July 31,
	2000	1999	1998	1998
Weighted average fair value of options granted during the period	**$10.54**	$9.85	–	$16.83

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

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", ["Statement 133"], as amended by FASB Statements No. 137 and 138, is effective for the Company's year ending December 31, 2001. Statement 133 requires companies to recognize all of its derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value and establish certain criteria to be met in order to designate a derivative instrument as a hedge and to deem a hedge as effective. The Company has not yet implemented a new treasury management system that complies with the new documentation requirements for hedge accounting under Statement 133. The Company anticipates having a system in place for its calendar 2002 year. As a result, foreign exchange contracts used to manage foreign exchange risk related to the Company's underlying customer contracts will be marked to market through U.S. GAAP earnings during calendar 2001.

The Company has not yet completed its review of contracts for embedded derivatives. Embedded derivatives, if any, will be recorded as assets or liabilities at their fair value at January 1, 2001 and marked to market through earnings after December 31, 2000.

22. SUBSEQUENT EVENTS

On December 21, 2000, MEC announced it had entered into an agreement to acquire the account wagering operations of Ladbroke Racing Corp., The Meadows harness track, four off-track betting facilities and an interest in The Racing Network. The purchase price is $54 million of which $27 million will be paid in cash, $13 million will be paid through the issuance of Class A Subordinate voting stock of MEC and $14 million will be paid through the issuance of a 6% promissory note, of which $7 million matures on the first anniversary of the date of the closing and $7 million matures on the second anniversary. Subject to the receipt of regulatory approvals, the acquisition is expected to close in March 2001.

23. COMPARATIVE FIGURES

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

Financial Summary

(U.S. dollars in millions, except per share figures - see Note 1)

	Years ended December 31,		Five Month Period ended December 31,	Years ended July 31,							
	2000	1999	1998	1998	1997	1996	1995	1994	1993	1992	1991
Operational Data											
Total Sales	**$10,513**	$9,447	$3,396	$6,006	$5,024	$3,826	$3,133	$2,538	$1,881	$1,683	$1,445
Net income	**598**	419	114	301	386	207	204	153	92	64	11
Basic earnings per Class A or Class B Share	**$ 7.04**	$ 4.94	$ 1.33	$ 3.93	$ 5.32	$ 3.17	$ 3.35	$ 2.73	$ 2.02	$ 1.90	$ 0.39
Fully diluted earnings per Class A or Class B Share	**$ 6.34**	$ 4.63	$ 1.30	$ 3.72	$ 4.99	$ 3.05	$ 3.32	$ 2.53	$ 1.67	$ 1.36	$ 0.38
Depreciation and amortization	**372**	332	120	192	147	121	102	90	81	78	76
Cash flow from operations (2)	**655**	713	143	359	453	198	298	244	220	155	77
Cash dividends paid per Class A or Class B Share	**$ 1.24**	$ 1.11	$ 0.22	$ 0.84	$ 0.74	$ 0.71	$ 0.71	$ 0.53	$ 0.36	$ 0.13	–
Average number of Class A and Class B Shares outstanding (thousands)	**78,546**	78,490	78,353	71,909	70,369	62,152	61,034	55,973	45,443	33,625	27,825
Financial Position											
Total assets	**7,408**	7,033	6,116	5,551	3,447	2,836	2,008	1,596	1,094	1,002	1,032
Fixed assets less accumulated depreciation and amortization	**3,589**	3,498	2,842	2,417	1,353	981	852	703	564	576	629
Working capital (3)	**1,054**	663	564	716	763	986	360	232	140	67	14
Capital expenditures	**653**	859	370	638	471	216	193	148	55	36	64
Long-term debt (3)	**459**	461	386	328	163	186	108	68	110	209	428
Shareholders' equity (4)	**4,202**	3,933	3,334	3,177	2,112	1,785	1,077	862	552	386	175
Equity per Class A or Class B Share	**$ 53.48**	$50.08	$42.55	$40.55	$29.67	$25.64	$17.53	$14.18	$11.05	$ 9.64	$ 5.82
Long-term debt to shareholders' equity ratio (3, 4)	**0:11:1**	0.12:1	0.12:1	0.10:1	0.08:1	0.10:1	0.10:1	0.08:1	0.20:1	0.54:1	2.45:1

(1) The figures presented for the year ended December 31, 1999, the five month period ended December 31, 1998 and the years ended July 31, 1998, 1997, 1996 and 1995 have been restated to reflect the Company's new accounting policies with respect to preproduction costs (see note 2 in the financial statements).

(2) All amounts up to and including the five month period ended December 31, 1998, have been restated in U.S. dollars, in accordance with accounting principles generally accepted in Canada, using the December 31, 1998 exchange rate of Cdn$1.5305 per U.S.$1.00.

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

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

Supplementary Quarterly Financial Data (unaudited)

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

Year Ended December 31, 2000	March 31	June 30	September 30	December 31	Total
Sales	$2,808	$2,610	$2,354	$2,741	$10,513
Gross Margin on automotive sales	487	471	403	474	1,835
Net Income	146	170	162	120	598
Earnings per share:					
Basic	$ 1.71	$ 2.03	$ 1.91	$ 1.38	$ 7.04
Fully Diluted	1.55	1.82	1.71	1.26	6.34

Year Ended December 31, 1999	March 31	June 30	September 30	December 31	Total
Sales	$2,329	$2,359	$ 2,180	$2,579	$ 9,447
Gross Margin on automotive sales	377	396	365	463	1,601
Net Income	104	108	80	127	419
Earnings per share:					
Basic	$ 1.25	$ 1.29	$ 0.92	$ 1.48	$ 4.94
Fully Diluted	1.17	1.21	0.89	1.36	4.63

Share Information

The Class A Subordinate Voting Shares ("Class A Shares") are listed and traded in Canada on The Toronto Stock Exchange ("TSE") and in the United States on The New York Stock Exchange ("NYSE"). The Class B Shares are listed and traded in Canada on the TSE. As of March 12, 2001 there were 1,063 registered holders of Class A Shares and 99 holders of Class B Shares.

Distribution of Shares

	Class A	Class B
Canada	43.33%	98.99%
United States	56.65%	1.01%
Other	.02%	–

Dividends

Dividends on the Magna Class A Subordinate Voting and Class B Shares in respect of the calendar year 2000 were paid on each of March 10, June 15 and September 15, 2000 at the rate of U.S. $0.30 per share, and on December 15, 2000 at the rate of U.S.$0.34 per share.

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

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

Price Range of Shares – Canada

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

CLASS A (TSE) ($CDN)

	Year Ended December 31, 2000			Year Ended December 31, 1999		
Quarter	Volume	High	Low	Volume	High	Low
1st	23,615,597	72.25	55.10	18,419,087	96.00	84.35
2nd	17,965,031	79.70	56.50	9,073,329	96.25	82.75
3rd	12,695,894	76.75	62.50	8,932,057	90.00	71.25
4th	19,059,692	70.75	57.40	12,487,940	74.85	59.00

CLASS B (TSE) ($CDN)

	Year Ended December 31, 2000			Year Ended December 31, 1999		
Quarter	Volume	High	Low	Volume	High	Low
1st	1,873	83.00	69.00	7,938	102.00	90.00
2nd	1,932	83.00	77.00	1,841	96.50	85.00
3rd	2,195	89.00	77.00	558	93.00	72.00
4th	1,465	98.00	83.00	22,593	80.00	62.00

Price Range of Shares – United States

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

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

	Year Ended December 31, 2000			Year Ended December 31, 1999		
Quarter	Volume	High	Low	Volume	High	Low
1st	15,567,900	50.31	38.19	14,352,400	63.00	55.69
2nd	9,182,300	52.88	39.63	8,125,400	64.94	56.38
3rd	6,604,100	51.50	41.75	68,173,000	60.75	48.44
4th	9,173,800	47.06	37.82	85,747,000	51.13	40.06

Officers

Belinda Stronach
Vice-Chairman & Chief Executive Officer

James Nicol
President & Chief Operating Officer

J. Brian Colburn
Executive Vice-President, Special Projects & Secretary

Vincent J. Galifi
Executive Vice-President, Finance & Chief Financial Officer

Werner Czernohorsky
Executive Vice-President, Capital Investments & Chief Administrative Officer

Jeffrey O. Palmer
Executive Vice-President

Frank Burke
Vice-President & Treasurer

Marc Neeb
Vice-President, Human Resources

John Simonetti
Vice-President, Taxation

Keith J. Stein
Vice-President, Corporate Affairs

Andrew Stronach
Vice-President, Business Development

Paul Brock
Assistant Treasurer

Bruce R. Cluney
Assistant Secretary

Board of Directors

Frank Stronach
Chairman of the Board

The Honourable William G. Davis
Counsel, Torys

William H. Fike
Corporate Director

The Honourable Edward C. Lumley
Vice-Chairman, BMO Nesbitt Burns

Karlheinz Muhr
Chairman & Chief Executive Officer, KM Management LLC

James Nicol
President & Chief Operating Officer

Gerhard Randa
Chairman & Chief Executive Officer, Bank Austria AG

Donald Resnick
Corporate Director

Royden R. Richardson
Chairman, Gateway Telecom Canada Inc.

Belinda Stronach
Vice-Chairman & Chief Executive Officer

The Honourable Franz Vranitzky
Corporate Director

Donald Walker
President & Chief Executive Officer, Intier Automotive Inc.

Siegfried Wolf
President & Chief Executive Officer, Magna Steyr

Transfer Agents and Registrars

Canada – Class A and Class B
Computershare Trust Company of Canada
(formerly Montreal Trust Company of Canada)
Toronto, Montreal and Vancouver

United States – Class A
Computershare Trust Company Inc.
Lakewood, Colorado

Exchange Listings

Class A –	The Toronto Stock Exchange	(MG.A)
	The New York Stock Exchange	(MGA)
Class B –	The Toronto Stock Exchange	(MG.B)
5% Convertible Subordinated Debentures –	The New York Stock Exchange	(MGA#02)
8.65% Series A Preferred Securities –	The Toronto Stock Exchange	(MG.PR.A)
8.875% Series B Preferred Securities –	The New York Stock Exchange	(MGAPRB)

Office Locations for Magna and its Major Subsidiaries and Groups

CORPORATE OFFICES

Magna International Inc.
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Magna International of America, Inc.
600 Wilshire Drive
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Magna Europa AG
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GROUP OFFICES

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Closure Systems
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Interior Systems

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Telephone: (626) 574-7223

2000 Annual Report

Copies of the 2000 Annual Report may be obtained from:
The Secretary, Magna International Inc., 337 Magna Drive, Aurora, Ontario, Canada L4G 7K1
Copies of financial data and other publicly filed documents are available through the internet on the System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at: www.sedar.com