

**Magna  
International  
Inc.**

**Annual Report  
1982**





Magna is primarily a manufacturer of parts for the North American automotive industry, with manufacturing plants in Canada and the United States. Magna is a public Company, listed on the Toronto Stock Exchange.

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Auto Illustration—Back Cover Foldout

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Directors, Officers and  
Corporate Data—Inside Back Cover

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## Financial\* Highlights

Dollars in thousands except per share figures

	1982	1981*	1980	1979	1978	1977	1976	1975	1974
Sales	\$226,534	\$232,114	\$183,456	\$165,738	\$128,189	\$80,953	\$55,010	\$39,415	\$31,644
Income from operations	9,055	12,054	9,249	15,924	12,899	8,185	5,734	2,880	1,990
Net income**	5,265	6,911	5,640	8,455	6,595	4,093	2,786	1,339	1,080
Working capital	29,564	28,564	26,955	18,866	15,351	7,412	4,925	3,233	2,164
Earnings per share***									
Class A and Class B	\$0.97	\$1.27	\$1.06	\$1.72	\$1.42	\$0.95	\$0.72	\$0.34	\$0.28
Dividends per share***									
(Annual rate)									
Class A and Class B	\$0.25	\$0.36	\$0.36	\$0.28	\$0.19	\$0.12	\$0.06	\$0.03	\$0.03
6½% Preference	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50	\$6.50
7% Preference	\$1.75	\$1.75	\$1.75						

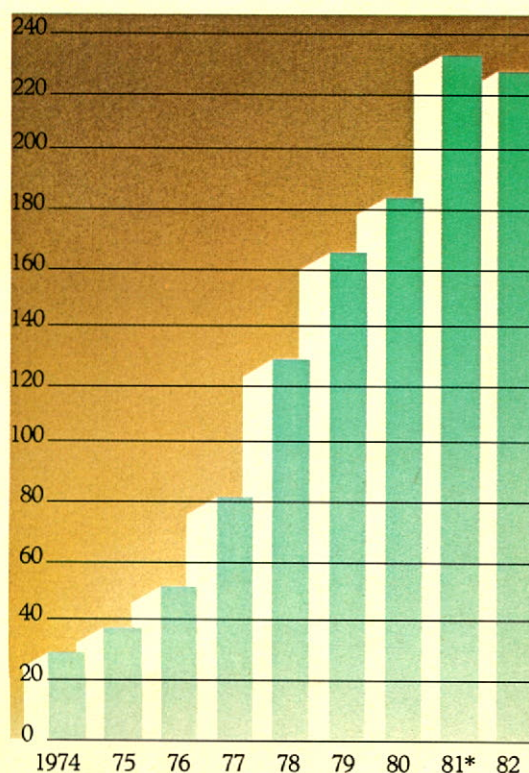
\*1981 and prior figures include sales and income of Aerospace/Defence operations sold effective August 1, 1981.

\*\*Before extraordinary items.

\*\*\*Adjusted for years prior to 1979 to give effect to the capital reorganization during 1979.

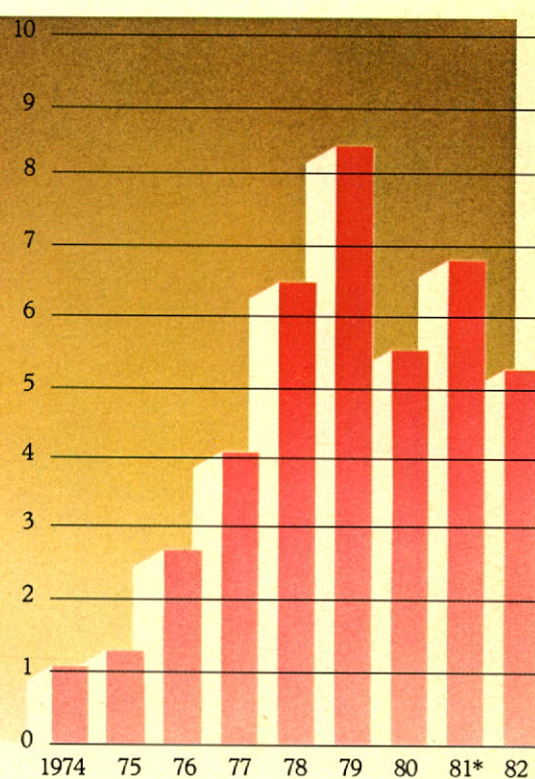
## Record of Growth\*

Sales \$ Millions



\*1981 and prior figures include sales and income of Aerospace/Defence operations sold effective August 1, 1981.

Net Income \$ Millions







## Report to the Shareholders

**T**he 1982 fiscal year has been a period of substantial progress for Magna, despite difficult economic conditions that prevailed.

Our total revenue was \$226.5 million which compares favourably to our 1981 automotive sales, an increase of 14%. We maintained positive earnings with a profit of \$5.3 million equal to \$0.97 per share, in the face of increased interest costs and lower than anticipated gross margins.

This year Magna completed the sale of the aerospace/defence division and our management resources are now fully concentrated in Automotive. We have continued the emphasis on our Group structure, and we believe that significant benefits will accrue during the coming years, due to our ability to respond quickly to customer requirements.

Our customers are revising their traditional relationship with component suppliers, emphasizing an evaluation of a total capability. Magna welcomes this trend, since our capabilities encompass research, development, design, tooling, quality assurance and manufacturing. These capabilities are further enhanced by our decentralized Group structure, a key element of our achievements.

Our Group structure has continued to mature during the year and we are entering fiscal 1983 with an organization capable of generating increased sales volume and profitability. Our philosophy of autonomous operating units, under the direction of Group Management, allows us the flexibility to respond to opportunities more rapidly.

During the year, considerable efforts were focused on Magna's newer product lines to improve our market share and profitability.

Product lines, such as door locks and reaction injection molding (RIM), were closely monitored to improve our cost effectiveness. Marketing resources were applied to these product lines to enhance our credibility as an innovative and progressive manufacturer and to maintain our growth.

Overall market conditions in the automotive industry were very uncertain during fiscal 1982, and although our sales volume increased, our customers' volume requirements reduced due to an overall market decline in automobile sales. Given this uncertainty, we applied constraint to some activities and our investment in fixed assets was \$17.4 million for fiscal 1982.

### Future Perspective:

Although the automotive industry has encountered substantial challenges over the past two years, we believe that the low point has been reached and a moderate recovery will occur in 1983. Magna is well positioned to benefit from the opportunities an expanded market will offer.

With technical advancements in new product design, and our increasingly productive personnel and facilities, we will continue to offer our customers quality products and to gain a greater portion of the market.

Financially we have a very sound base on which expansion of activity could be adequately handled. Our cash flow should improve with the return to a more buoyant economy.

Our management structure is capable and receptive to the challenges of the future, and a marked improvement is anticipated in the coming year.

We acknowledge our progress could not occur without the support and dedication of our employees. To recognize their efforts, we have allocated \$682,850 to the Employees Deferred Profit Sharing Fund.

We would also like to thank our Directors, customers and suppliers for their invaluable support.

Frank Stronach  
Chairman of the Board,  
and Chief Executive Officer

Manfred Gintl,  
President, and  
Chief Operating Officer





## Financial Review

### Statement of Income

Consolidated sales from continuing operations increased 14% to \$226,534,000. These increased sales levels were achieved through penetration into market areas developed in prior years, particularly plastics, precision locks & latches and electromechanical devices. The traditional areas of Magna's business, stamping and trim, maintained a strong market position. The level of sales achievement is extremely favourable despite the continued low level of activity in the North American automotive industry.

Operating income before interest and depreciation from continuing operations increased \$1,156,000 in the year to \$30,686,000 as a result of the higher level of sales activity. However, earnings before tax were adversely affected throughout the year by record high interest rates. Total interest expense increased \$2,970,000 in 1982, an increase of 32% over the prior year. Under pressure from these high interest rates, net earnings after tax from continuing operations decreased to \$5,265,000. Basic earnings per share for each Class A and Class B share were \$0.97. Fully diluted per share earnings were \$0.87.

### Balance Sheet

Working capital increased \$1,000,000 during the year to \$29,564,000. The ratio of current assets to current liabilities (the current ratio) was 1.49 to 1 at July 31, 1982, compared to 1.45 to 1 at July 31, 1981.

The improved working capital position results from continuous monitoring of our receivables and inventory position as well as our policy to minimize borrowings during this period of high interest rates. Cash utilization is maximized through a central cash consolidation plan which applies cash balances immediately to bank loans. In addition, a Lock Box facility was established during the year to minimize timing delays on collection of customers' accounts receivables.

Inventories increased to \$46,260,000 at July 31, 1982 in anticipation of higher levels

of sales activity for the first quarter of fiscal 1983.

### Fixed Assets

Fixed asset additions were \$17,434,000. These additions were financed primarily from operations, lien notes, capital assistance grants and loans.

### Investment in Devtek Corporation

Effective August 1, 1981, Magna disposed of its aerospace/defence assets to Devtek Corporation. As a result of this disposition, substantially all of the company's operations are now related to the automotive industry. The details of this transaction are outlined in Note 7 to the financial statements.

Magna's 20% investment in Devtek Corporation is \$2,832,000 and is accounted for on the equity basis.

### Dividends

In recognition of the business environment, your Directors reduced the dividend paid in respect of the year to \$0.25 for each Class A and Class B share. This reduction is consistent with our past policy to pay dividends equal to one-fifth of the previous year's earnings. In the future, Magna's policy will be to base the dividend payment on the current year's operations. This revised policy will better reflect the changing economic climate.

Edward E. Parent, C.A.  
Vice President, Finance and  
Chief Financial Officer





## Philosophy and Operating Policies

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**T**he continuing success of a corporation depends upon a management capable of motivating employees to greater productivity and providing investors with a fair return on their capital.

Demonstration of this capability is also vital to the preservation of the free enterprise system.

Magna firmly believes free enterprise is the most efficient economic system and that it continues to offer employees, employers and society in general the best option for improving the standard of living. Corporate profits are the driving force that will allow free enterprise societies to meet the challenges of other economic systems. We believe all individuals have the right to benefit from their contribution to corporate profits. Business must recognize this right if the free market system is to survive and prosper.

### Employee Equity Participation

Magna believes the key to resolving present economic, labour and social problems, is providing employees with the opportunity to obtain ownership in their Company through a profit sharing plan. This plan allows employees to become shareholders with greater motivation to be productive and contribute to the growth and well-being of their Company and their social standing. Each year Magna commits 7% of pretax profits to purchase shares in the Company for the benefit of employees. In the 1982 fiscal year \$682,850 was allocated to this plan.

### Working Conditions

Magna believes effective employees are a company's greatest asset. Employees should be provided with workplaces that are pleasant, clean and safe. Management is constantly striving to upgrade the working conditions for its employees.

### Social Responsibility

Magna believes a company has responsibilities to the community of which it is a part, and should discharge these responsibilities by giving financial assistance and management advice to the development of socially beneficial projects. It is Magna's policy to contribute approximately 1% of pretax profits to selected community programs to develop healthy and socially responsible individuals.

### Technology Development

Magna believes a developing technology base is essential for the long term well-being of industrial enterprise. It is Magna's policy to allocate approximately 7% of pretax profits for approved technology development.

### Dividends

Magna believes investors should benefit from their investment. The Company intends to maintain a policy of paying dividends to its Class A and B shareholders which represent approximately one-fifth of the Company's profit, based on current profits.





## Operating Structure

### Operating Unit

Each operating unit is an autonomous business operation under the control of a General Manager. The General Manager has complete authority and responsibility for the operation of his unit. These decentralized units generally employ approximately 100 people, thus giving the General Manager close contact with his personnel and immediate control of all matters affecting the efficiency and profitability of his unit.

### Group Management



The operating units are grouped by products or markets under the direction of a Group Manager, an individual with proven general management capabilities gained from on-line experience.

The Group Manager provides support to each General Manager who is free to draw upon his experience, counsel and advice.

The Group Manager also monitors the implementation of operating policies as outlined by Executive Management.

### Executive Management

The Executive Management is responsible for establishing operational policies consistent with the Company's philosophy as developed by the Board of Directors.

This group is responsible for the allocation of corporate resources and for monitoring all business opportunities.

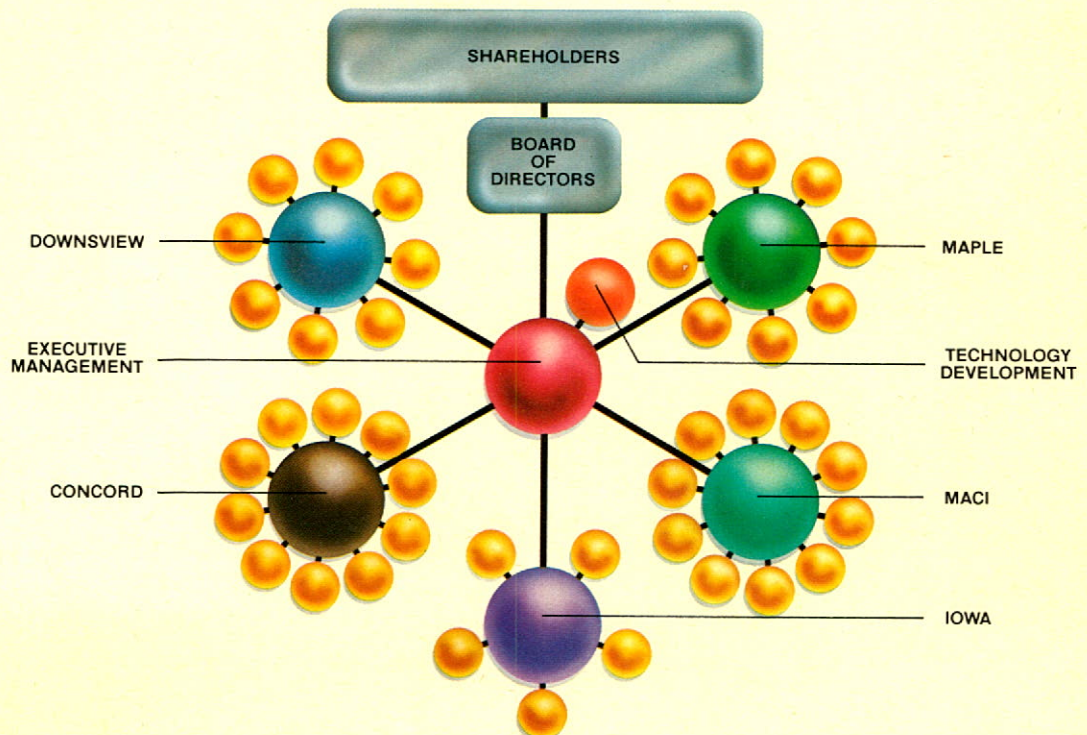
The Executive Management coordinates efforts which affect all areas of operation, such as sales and marketing, finance and corporate administration, safety, personnel and employment standards.

### Technology Development

Technology development is an important management tool in the implementation of strategic plans. Allocation of resources and the establishment of development priorities are controlled by Executive Management.

### The Board of Directors

The Board of Directors is elected by and is responsible to the Shareholders and has overall responsibility for the direction of the Company.







# CONCORD

Our Magna-Concord Group consists of 10 plants that manufacture product lines generally referred to as bright exterior trim.

These components are either stamped or roll formed out of aluminum, stainless steel, by-metals or cold rolled steel. Typical products include grille moldings, body side and wheel opening moldings, interior painted steel garnish moldings, textured instrument panel covers, front and back light bezels, and tail lamp bezels. We are also working on products using co-extrusion which employs the latest technology in combining rolled metal with plastic. Computer controlled anodizing and plating are also performed by this Group.

Coupled with each plant's in-house toolmaking capability, the plants in the Concord group can control all aspects of a customer's part and can quickly respond to changes in the marketplace.

As with all Magna plants, quality is the priority and with in-house quality control personnel, capable toolmakers and a conscientious workforce, our customers are assured top quality products.

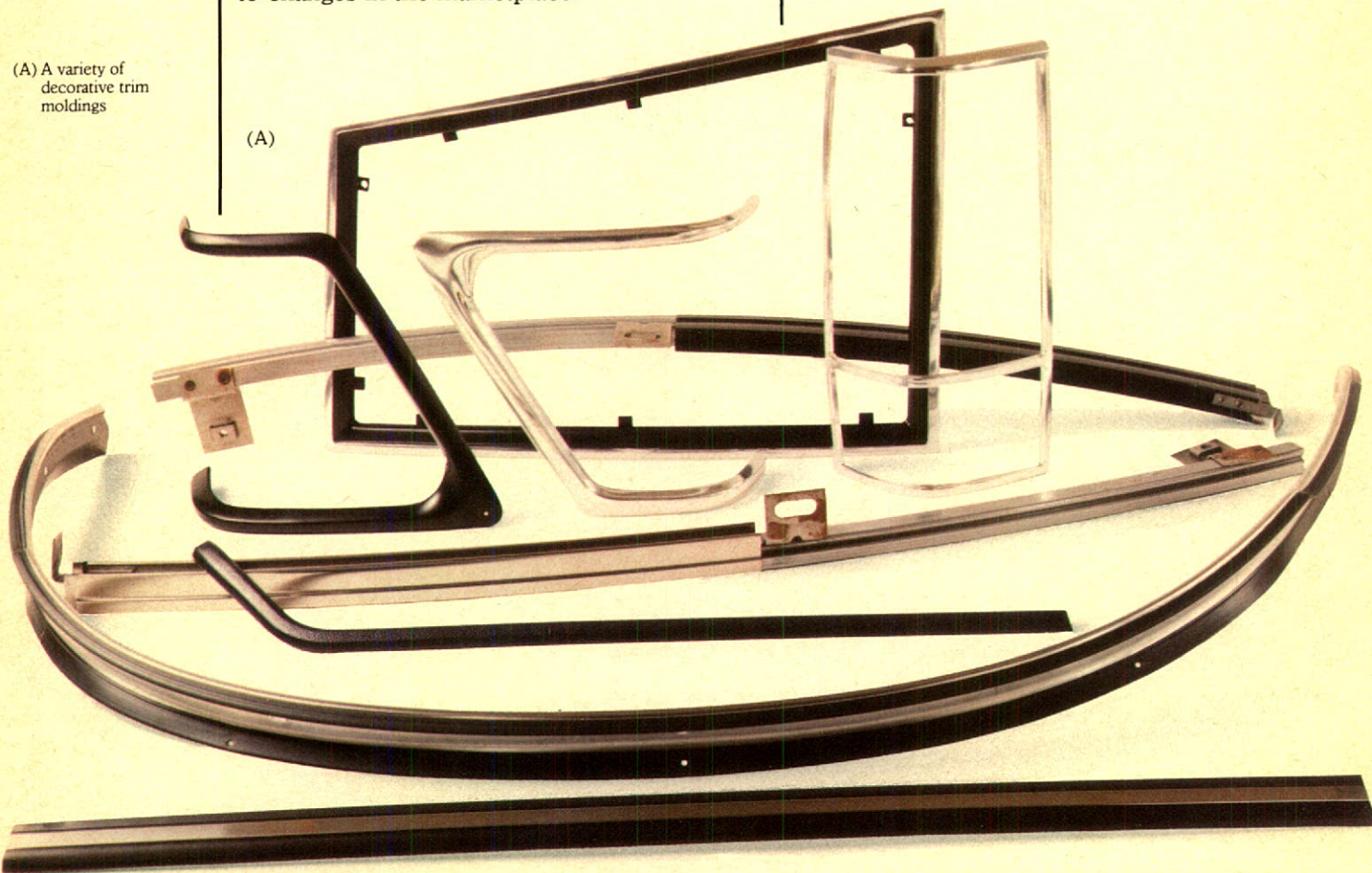
Opposite Full Page: *Modern sophisticated machinery is used in the co-extrusion process.*

Top Inset: *A computer controlled anodizing tank.*

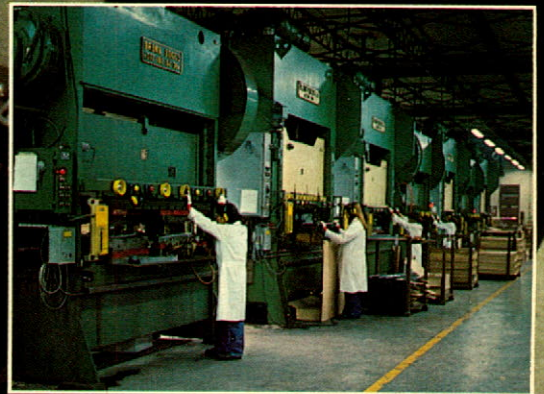
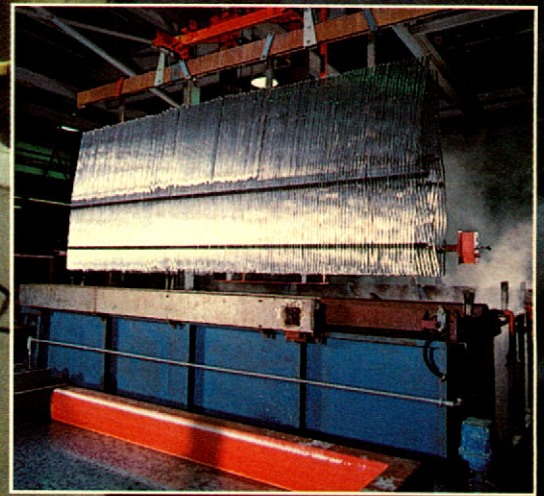
Bottom Inset: *Metal forming equipment.*

(A) A variety of decorative trim moldings

(A)











# DO WNSVIEW

Our Magna-Downsview Group includes 8 plants that manufacture door latches, seat tracks, hand brake assemblies, window lift mechanisms, heavy stampings and mechanical and stamped assemblies.

One of our key strengths in these product lines is our toolmaking ability. Each plant has its own toolroom staffed by qualified toolmakers and designers. Tool changes, tool maintenance and repairs can be accomplished quickly as the tools are designed by craftsmen who are also 'production-wise' and quality conscious.

As a result, Magna has been awarded contracts to produce a variety of stamped components from materials such as high strength steel, galvanized steel and aluminum.

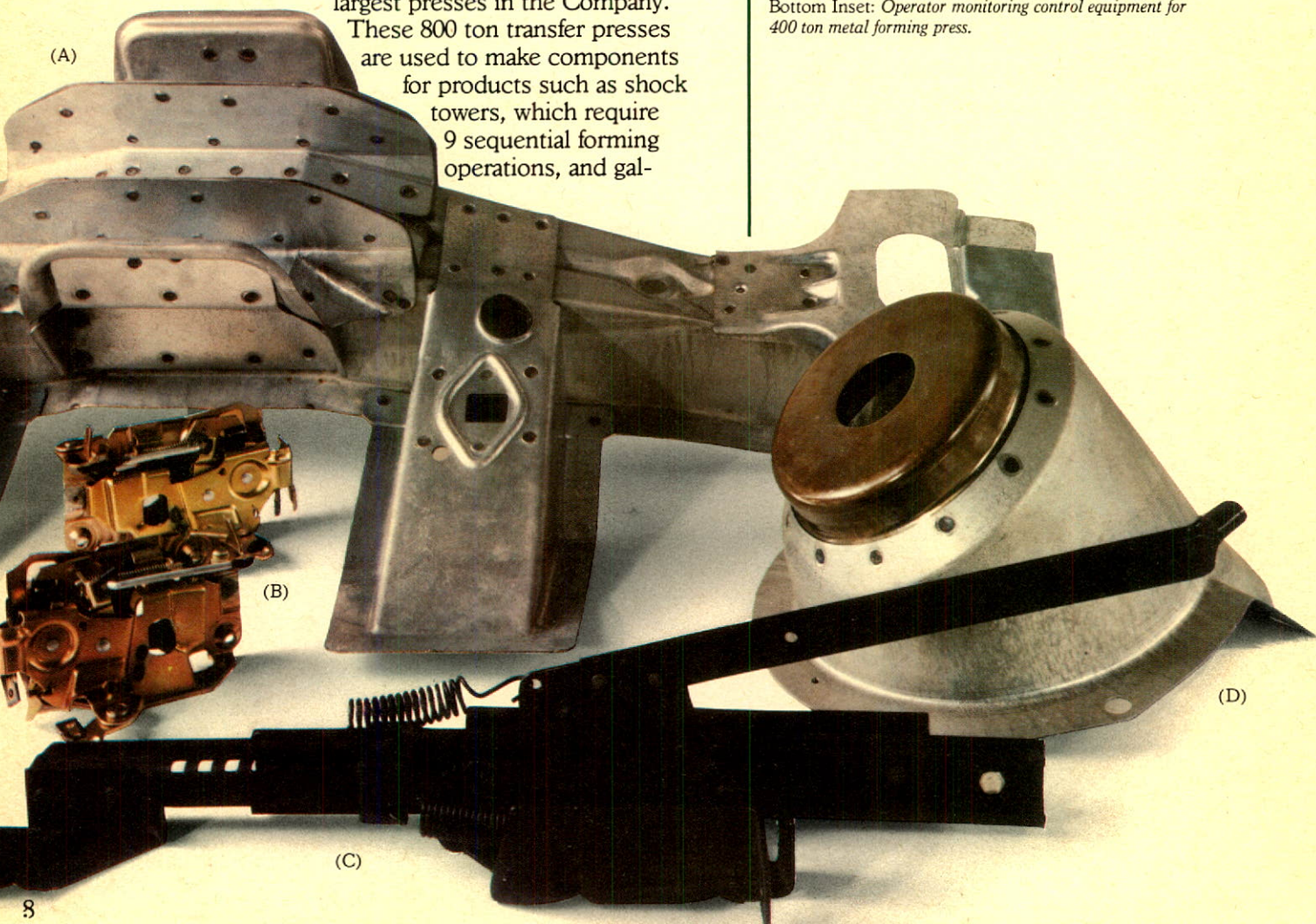
We have in this Group some of the largest presses in the Company.

These 800 ton transfer presses are used to make components for products such as shock towers, which require 9 sequential forming operations, and gal-

vanized rear cross members which are made from several individual stampings using various grades of steel. These items are key components in unibody designs.

Our Downsview Group also includes one of our more recent product lines—door latches. These products are highly technical mechanisms, and Magna, in a relatively short period of time, has become one of North America's leading producers. We currently supply a significant portion of latches and locks used by the various automakers.

- (A) Rear Floor Cross Member.
- (B) Door Latches
- (C) Seat Track
- (D) Shock Tower

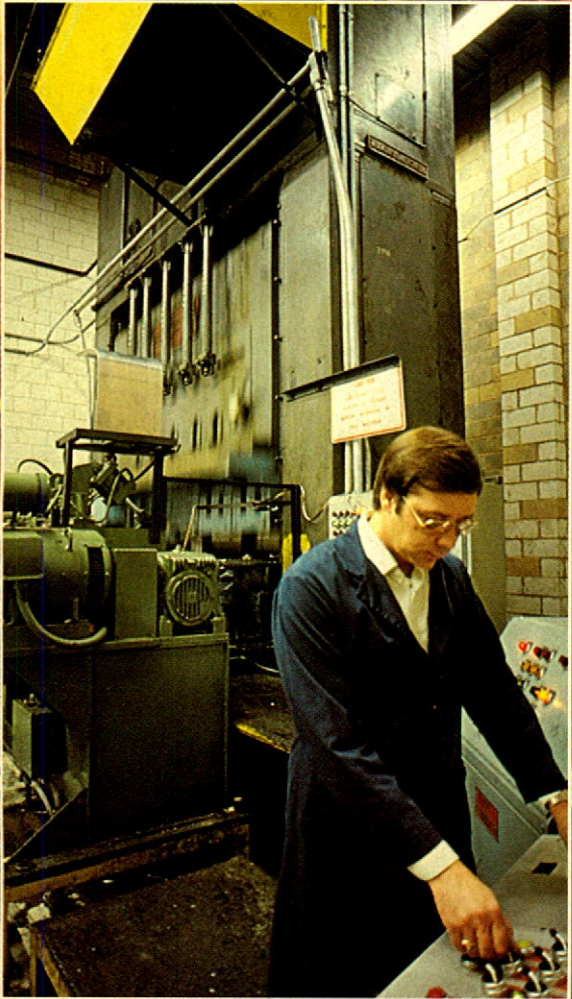


Opposite Full Page: *Seat track assembly line.*

Top Inset: *Assembling hand brake units.*

Bottom Inset: *Operator monitoring control equipment for 400 ton metal forming press.*







Our Magna-Iowa Group consists of 5 plants and manufactures a variety of stampings, oil strainers, aluminum bumper reinforcements and heavy duty transmission supports.

The Iowa Group also manufactures bumper reinforcements which are used on vehicles with RIM fascia. These are large high strength aluminum assemblies.

The Iowa operation has its own heat treating facility to temper these assemblies, which enables us to maintain the entire process in-house. We also have our own wax coating facility and can control the entire production of our heavy duty transmission supports.

The latest addition to the Iowa Group product lines are catalytic converters, exemplifying the confidence in our ability of reliable delivery and quality.

Our Iowa Group also has an extensive capability in tool design and toolmaking. These resources enable Iowa to coordinate all activities of our customers' needs, and thereby deliver a quality product on time.

A unique feature of our Iowa Group is that we own and operate a fleet of transport trucks. This equipment enables our Iowa Group to provide timely and reliable service to our customers' plants.

*Opposite Full Page: Spotwelding oil strainer assemblies.*

*Top Insert: Conveyor of oil strainer assemblies entering brazing oven.*

*Bottom Inset: Components are shipped from our Iowa plants with their own fleet of transport trucks.*

- (A) Catalytic Converter
- (B) Transmission Support Member
- (C) Oil Strainers

(A)

(B)

(C)

(C)







**O**ur Magna-MACI Group with its 10 plants produces electro-mechanical devices, electronic components and instrument clusters.

We are a major supplier of fractional horsepower D.C. motors for automotive applications. We produce and can custom build motors for air conditioner and heater units, window lifts and cooling fans. Our motor production plants use a variety of automatic winding equipment and material handling systems.

We have integrated our production facilities to produce a wide variety of components. This approach has provided us with a cost advantage over competitive products. Our current manufacturing capability can produce 10,000 motors per day on an extremely cost effective basis.

Another product line in the MACI Group is electronic devices. We produce circuit packs for fast start diesel systems, trailer braking systems, fuel and oil level sensors and tone alarms. Relays, timers and switches are also produced by this Group.

The equipment we utilize for manufacturing electronic devices is 'state of the art' and includes the use of a high speed automatic insertion process. This process which is computer controlled, segregates,

inspects and installs componentry into circuit boards and then prior to injection, reinspects for total part integrity.

To further ensure that all components are performing to specifications, our engineers have designed computer programs to electronically check every function of all components before it is packed for shipment—making it virtually impossible to ship a defective part.

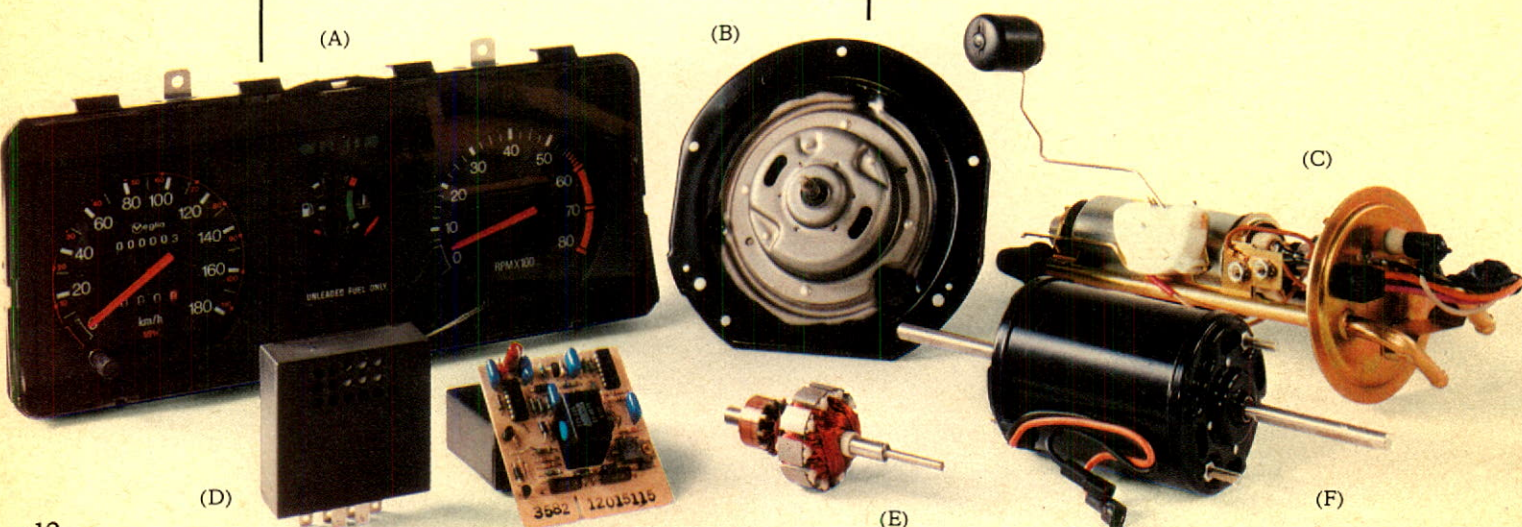
One of our newest product lines within the MACI Group is electronic instrument clusters. This activity is a joint venture with one of the world's leaders in the field, e.d. Veglia of France. We anticipate substantial sales of this product and are currently producing fully tested instrument clusters.

- (A) Instrument Cluster
- (B) D.C. Motor
- (C) Fuel Pump and Level Sending Unit
- (D) Tone Alarms
- (E) D.C. Motor Armature
- (F) D.C. Motor

Opposite Full Page: Sequencing machine preparing components for computer controlled automatic insertion machine.

Top Insert: Testing instrument cluster assemblies.

Bottom Insert: Polishing the commutators on D.C. motor armatures.









The Magna-Maple Group includes 8 plants that produce two major product lines; accessory drive systems and reaction injection molded (RIM) parts.

Magna has pioneered the development of the Poly "V" serpentine accessory drive system. This system utilizes less space than conventional pulley systems, and with the emphasis on front wheel drive and transverse mounted engines, the engine compartment space has become very limited. Our Poly "V" system has helped to alleviate this space problem and created a demand for our product line. Our systems are currently being used on several new car models.

Automatic tensioning devices have also been developed by Magna engineers to maintain constant belt tension as the belt stretches during its operating life.

This Group produces a wide variety of spun pulleys. The use of our own custom designed pulley forming equipment has enabled us to achieve and maintain critical dimensional tolerances, earning us the reputation of providing superior quality in a mass produced sheet metal pulley.

The production of RIM urethane bumper fascia is one of our newer product lines. We have invested heavily in this process to acquire 'state-of-the-art' RIM presses, pour machines, automatic painting equipment and material handling systems.

Our priming and painting facilities utilize industrial robots coupled with

an electrostatic spray system and automatic mixing equipment. Together they ensure a high standard of product finishing.

We also have our own mold making plant, capable of handling molds weighing up to 50 tons. This plant is fully equipped to produce virtually any size of RIM or injection mold.

Product development of our RIM technology is also carried out by the Maple Group, focusing on new material composites and new RIM applications.

The product lines within the Maple Group, with their own toolmaking, production and research and development capability, offers a fully integrated service to our customers.

(A) A variety of Poly V Pulleys  
(B) Automatic Belt Tensioner

(A)

(B)

Opposite Full Page: *Preparing a reaction injection mold (RIM).*

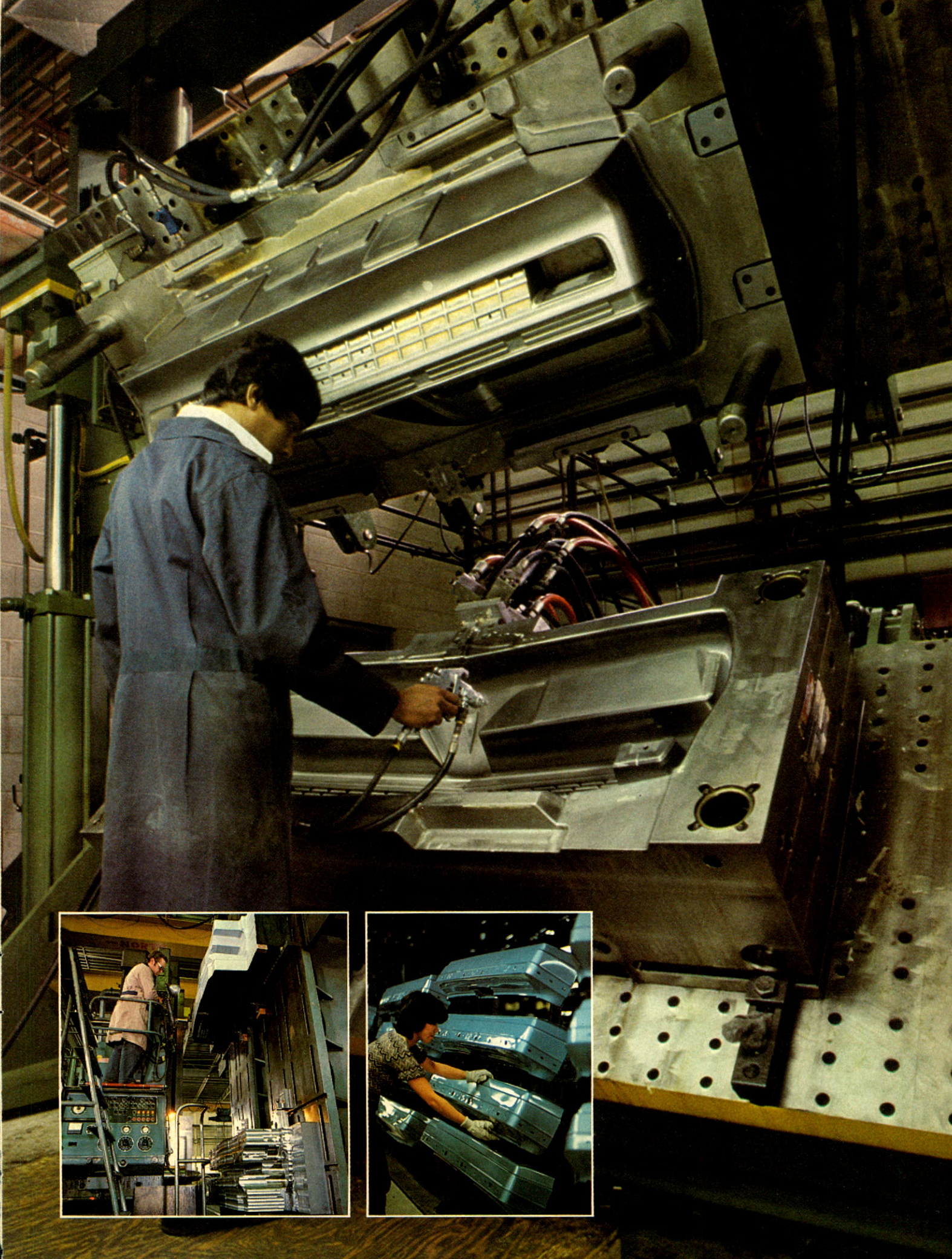
Left Inset: *Large copy mill machining a reaction injection mold (RIM).*

Right Inset: *Reaction injection mold (RIM) bumper fascia finishing line.*

(A)

(A)









## Technology Development

**W**e are continuing our commitment to technology development and have made substantial progress during fiscal 1982.

We recognize this aspect of our activity to be extremely important, since it represents the future growth of our Company. Without a dedicated effort to develop new products and improve on design, we will not prosper and grow. With a changing business climate that is evident within the automotive sector of the economy, we are constantly aware that progress in product development is essential.

Our developments this past year include a much improved process for the manufacture of automotive trim parts. Although this project is still in the initial stage, we consider this technology will enable us to remain competitive in the trim market.

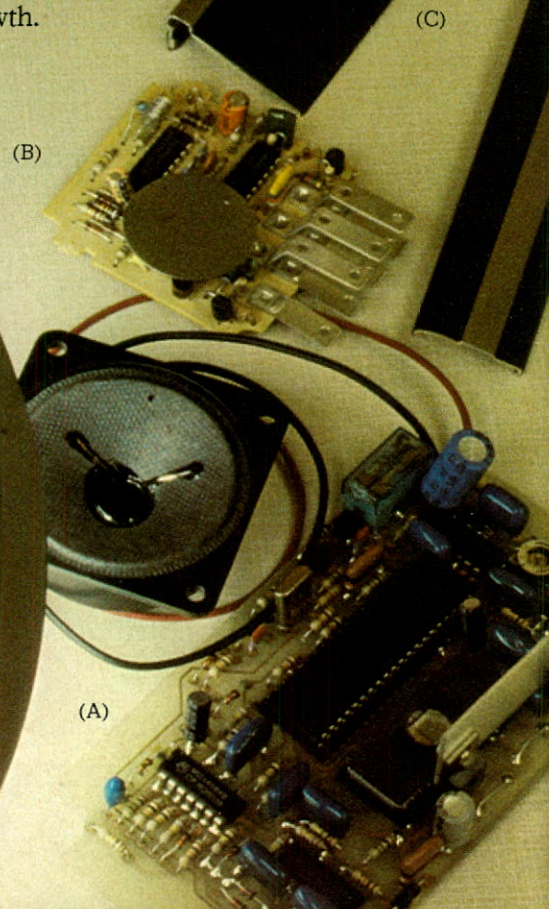
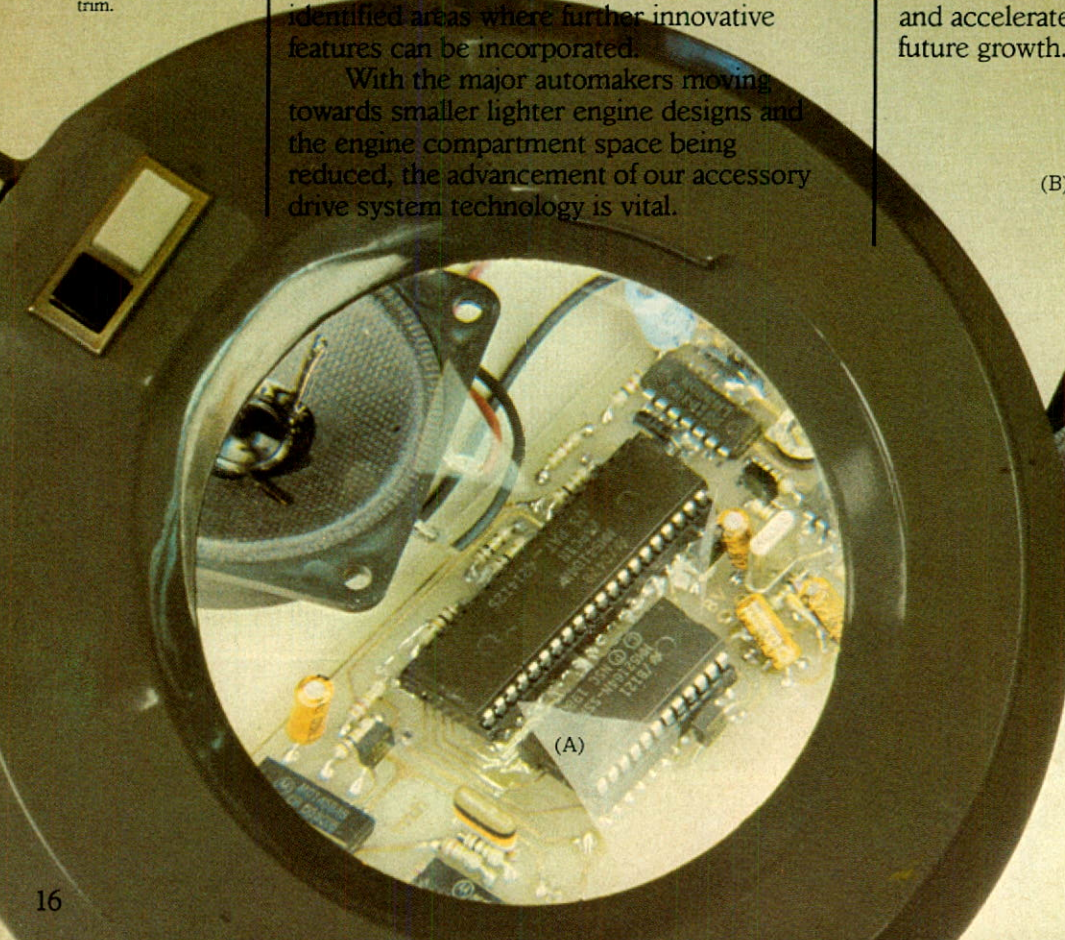
Development efforts are being applied to advance the design of our serpentine accessory drive system technology. Magna is the originator of this system, and we have identified areas where further innovative features can be incorporated.

With the major automakers moving towards smaller lighter engine designs and the engine compartment space being reduced, the advancement of our accessory drive system technology is vital.

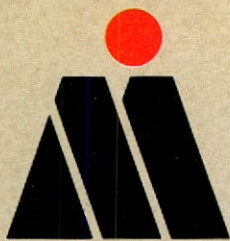
Instrument clusters were also successfully developed and produced during the year. This product line is a cooperative effort between Magna and our European partner, e.d. Veglia of France. With plans for expansion of similar products in the future, this joint venture will be a key ingredient in Magna's growth.

Various other product lines continue to be assessed for improvement in design and methods. Development of this nature is performed in the operating units and will be continued. In addition, we consider our technology development to be extremely important and have recently decided to construct a Technical Centre devoted to the research and design of new products. The Centre will also have tool building capability and the expertise to produce prototypes. Expected to be complete in mid-1983, the Centre will enable us to strengthen our technical resources and work more closely with our customers' engineers to arrive at new designs more rapidly. We believe this commitment to our technology resources will accrue major benefits and accelerate our future growth.

- (A) Under a quality control inspection magnifier, a Voice Synthesized Alarm which re-creates the human voice through digital sound is gradually replacing the more familiar Tone-Alarm (B)  
(C) Examples of co-extruded decorative trim.







## Management's Responsibility for Financial Reporting

**M**agna's management is responsible for the integrity and fair presentation of the financial statements and all information in the Annual Report. The financial statements were prepared by management in accordance with generally accepted accounting principles as set out in Note 1 of the financial statements. The financial statements have been approved by the Board of Directors.

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

The Company's Audit Committee is appointed by the Board of Directors annually, and is comprised of a majority of non-management Directors. The Committee meets periodically with management, as well the independent auditor, to satisfy itself that each group is properly discharging its responsibilities and to review the

financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders.

The consolidated financial statements have been examined independently by Clarkson Gordon on behalf of the shareholders, in accordance with generally accepted auditing standards. Their report below outlines the nature of their examination and their opinion on the consolidated financial statements of the Company.

Edward E. Parent, C.A.  
Vice President, Finance and  
Chief Financial Officer

Manfred Gingl,  
President, and  
Chief Operating Officer

November 4, 1982

## Auditors' Report

*Clarkson Gordon*

To the Shareholders of  
Magna International Inc.:

We have examined the consolidated balance sheet of Magna International Inc. as at July 31, 1982 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants

Toronto, Canada,

October 22, 1982.



# Magna International Inc.

## Consolidated Statement of Income and Retained Earnings

Year Ended July 31, 1982

(with comparative figures for 1981)

(dollars in thousands except per share figures)

	1982	1981 (note 7)
Sales from—continuing operations	\$226,534	\$198,721
—discontinued aerospace/defence operations (note 7)		33,393
	\$226,534	\$232,114
Income from continuing operations before the following	\$ 30,686	\$ 29,530
Deduct:		
Depreciation	9,325	7,558
Interest on long-term debt	6,507	5,208
Other interest expense	5,591	3,920
Amortization of goodwill	208	305
	21,631	16,991
Income from continuing operations	9,055	12,539
Deduct:		
Loss from operations discontinued in fiscal 1982 (note 7)		485
Income taxes	3,581	5,151
Minority interest	209	(8)
	3,790	5,628
Net income for the year	5,265	6,911
Retained earnings, beginning of year	30,940	26,265
	36,205	33,176
Deduct:		
Preference share dividends	398	398
Class A and Class B share dividends	1,546	1,838
Reduction on shares cancelled (note 6)	1,628	
	3,572	2,236
Retained earnings, end of year	\$ 32,633	\$ 30,940
Earnings per share:		
Basic—Class A and Class B	\$ .97	\$ 1.27
Fully diluted—Class A and Class B	\$ .87	\$ 1.13



**Magna International Inc.** (Incorporated under the laws of Ontario)  
**Consolidated Balance Sheet**

July 31, 1982

(with comparative figures at July 31, 1981)

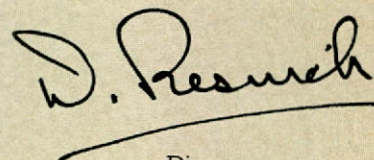
(dollars in thousands)

Assets	1982	1981 (note 7)
<b>Current assets:</b>		
Cash	\$ 253	\$ 252
Accounts receivable	42,151	47,310
Inventories (note 2)	46,260	43,530
Prepaid expenses and deposits (note 10)	1,791	1,031
<b>Total current assets</b>	<b>90,455</b>	<b>92,123</b>
Investment in Devtek Corporation, at equity (note 7)	2,832	
<b>Fixed assets (note 3)</b>	<b>70,553</b>	<b>74,074</b>
<b>Other assets:</b>		
Goodwill	3,553	3,251
Debenture issue expense, at amortized cost	224	215
Sundry assets, at cost	869	866
	<b>4,646</b>	<b>4,332</b>
	<b>\$168,486</b>	<b>\$170,529</b>
<b>Liabilities</b>	<b>1982</b>	<b>1981 (note 7)</b>
<b>Current liabilities:</b>		
Bank indebtedness (note 5(c))	\$ 23,700	\$ 24,932
Accounts payable and accrued charges	23,218	27,166
Income and other taxes payable	6,500	5,783
Long-term debt and lease obligations due within one year	7,473	5,678
<b>Total current liabilities</b>	<b>60,891</b>	<b>63,559</b>
Lease obligations (note 4)	1,722	3,210
Long-term debt (note 5)	53,656	53,098
Deferred income taxes	2,388	2,668
Minority interest in subsidiary companies	3,135	2,682
<b>Shareholders' equity:</b>		
Capital stock (note 6)	14,061	14,372
Retained earnings	32,633	30,940
	<b>46,694</b>	<b>45,312</b>
	<b>\$168,486</b>	<b>\$170,529</b>

On behalf of the Board:



Director



Director



# Magna International Inc.

## Consolidated Statement of Changes in Financial Position

Year Ended July 31, 1982  
(with comparative figures for 1981)  
(dollars in thousands)

	1982	1981 (note 7)
<b>Sources of working capital:</b>		
From operations—		
Net income to shareholders—continuing operations	\$ 5,265	\$ 7,241
—discontinued aerospace/defence operations		(330)
	5,265	6,911
Charges to net income which do not affect working capital, including depreciation, deferred income taxes, amortization and minority interest—continuing operations	9,339	6,131
—aerospace/defence		1,630
	9,339	7,761
	14,604	14,672
Disposal of aerospace/defence fixed assets (note 7)	\$ 11,489	
Less non-current liabilities assumed by purchaser	5,388	
	6,101	
Less non-current consideration received	4,407	
	1,694	
Proceeds from disposal of other fixed assets	140	203
Operating assistance loans	1,665	2,867
Capital contribution by minority interest	600	400
Class A shares issued for cash		650
	18,703	18,792
<b>Uses of working capital:</b>		
Additions to fixed assets	17,434	21,052
Financed by—		
Lien notes payable	(1,315)	(8,157)
Mortgages payable		(2,761)
Capital assistance grants and loans	(1,124)	(2,467)
Capital lease obligations	(812)	
	14,183	7,667
Reduction of mortgage payable	702	
Reduction of long-term lease obligations		5,876
Purchase and cancellation of 6½% preference and Class A shares	364	
Dividends	1,944	2,236
Purchase of goodwill	510	
Cost of acquisition of minority interests in subsidiaries		
less amount financed by the issue of Class A shares		801
Dividends on common and preference shares and redemption of preference shares held by minority interest		603
	17,703	17,183
Increase in working capital	1,000	1,609
Working capital, beginning of year	28,564	26,955
Working capital, end of year	\$29,564	\$28,564



# Magna International Inc.

## Notes to the Consolidated Financial Statements

July 31, 1982

### 1. Significant accounting policies

#### Principles of consolidation—

The consolidated financial statements include the accounts of Magna International Inc. and its subsidiaries, some of which have a minority interest. All significant intercompany balances and transactions have been eliminated in consolidation.

The company accounts for its investment in Devtek Corporation, in which it has a 20% equity interest, on the equity basis. Under the equity method, the company recognizes in income its proportionate share of that company's earnings since acquisition with a corresponding entry to the investment account. Dividends, when received, are credited to the investment account.

#### Foreign exchange—

Assets and liabilities stated in other currencies, together with the accounts of the company's U.S. subsidiaries, are translated as follows:

Monetary assets and liabilities—at year-end rate.

Non-monetary assets and depreciation expense—at historic rates.

Revenues and expenses, other than depreciation—at average exchange rates for the year.

Foreign exchange gains and losses on transactions during the year and on the year-end translation of the accounts, which are reflected in income, were not significant.

#### 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.

#### Revenue recognition—

Revenue from sales of manufactured products is recognized upon shipment to customers. Profits on contracts in the company's construction division are accounted for under the completed contract method. Anticipated losses on contracts in progress are charged to income as and when the amount of such losses are determined.

#### Research and development costs—

Research and development costs (except for capital assets) are charged against income in the year of expenditure. Such costs totalled approximately \$1.1 million in 1982 (\$2.4 million in 1981).

#### Government assistance—

The company makes periodic applications for financial assistance under available government incentive programs. Assistance resulting from these applications under government incentive programs is recorded in the accounts on the following basis:

#### Capital and operating grants—

Grants relating to capital expenditures are reflected as a reduction of the cost of such assets. Grants relating to current operating expenditures are recorded as a reduction of expense at the time the eligible expenses are incurred. The company also receives assistance in the form of non-forgivable loans which are recorded as liabilities.

#### Income taxes—

The company follows the tax allocation method of providing for income taxes. Where appropriate, maximum capital cost allowance is claimed for income tax purposes and a related provision is made for deferred income taxes (\$280,000 provision in 1982; \$2,008,000 drawdown in 1981).

Investment tax credits relating to fixed asset purchases are accounted for as a reduction in the current year's tax provision, net of deferred income taxes where applicable. As a result, the provision was reduced by a net amount of \$253,000 in 1982 (\$425,000 in 1981). In addition, the income tax provision has been reduced by \$485,000 in 1982 (\$394,000 in 1981) as a result of claiming available inventory allowances.

#### Fixed assets—

Fixed assets are recorded at historical cost. Expenditures for maintenance and repairs are charged to income as incurred. Fixed assets retired or otherwise disposed of, and the related accumulated depreciation, are removed from the accounts with the net gain or loss being included in income.

Certain lease obligations for fixed assets have been capitalized as they represent financing leases covering the estimated useful lives of the assets. The amounts capitalized in the accounts are equivalent to the present value of future lease payments using the interest rates stated in the leases.

Depreciation is provided on a straight-line basis over the estimated useful lives of fixed assets at annual rates of 5% for buildings and 10% for machinery and equipment.

**Goodwill** (excess of purchase price of interest in subsidiary companies over fair value of underlying net identifiable assets)—

For acquisitions which occurred prior to April, 1974, goodwill, which has a value of \$2,106,000, is being carried in the accounts at cost without amortization, and in the view of management, there has been no impairment in such value. For acquisitions subsequent to April, 1974, the value, to the extent that there has been no impairment, is being amortized over such periods as is deemed appropriate for each acquisition (currently, 10 years).

#### Earnings per share—

Earnings per share are calculated on the weighted average number of shares outstanding during the year.

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all of the 8¾% convertible debentures been converted into Class A shares at the beginning of the year. In making this calculation, the earnings applicable to Class A and Class B shares have been increased by the amount of the interest on the 8¾% convertible debentures, net of applicable income taxes.

### 2. Inventories

Inventories consist of:

	1982	1981
	(dollars in thousands)	
Raw materials and supplies	\$21,019	\$21,813
Finished and in process	25,241	21,717
	<u>\$46,260</u>	<u>\$43,530</u>

### 3. Fixed assets

Fixed assets consist of:

	1982	1981
	(dollars in thousands)	
Land	\$ 6,372	\$ 6,320
Buildings	9,555	13,771
Machinery and equipment	89,456	84,512
	<u>105,383</u>	<u>104,603</u>
Less accumulated depreciation	34,830	30,529
	<u>\$ 70,553</u>	<u>\$ 74,074</u>



# Magna International Inc.

## 4. Lease obligations

	1982	1981
	(dollars in thousands)	
Long-term portion of capital lease obligations at their effective interest rates ranging from 5½% to 7¼% maturing over twenty years with purchase options at nominal amounts on termination of leases	\$ 1,722	\$ 3,210

At July 31, 1982 the company had commitments under operating leases requiring annual rental payments in each of the next five years as follows:

	(dollars in thousands)
1983	—
1984	—
1985	—
1986	—
1987	—
	\$1,957
	1,893
	1,480
	1,289
	1,204

## 5. Long-term debt

(a) Long-term debt consists of:

	1982	1981
	(dollars in thousands)	
6½% sinking fund debentures due December 1, 1987	\$ 121	\$ 121
8¾% unsecured convertible debentures due January 15, 1988	7,000	7,000
The 8¾% convertible debentures are convertible into Class A shares at a value of \$7.33 per Class A share until January, 1983 and \$9.07 per share until 1988		
10% unsecured convertible debenture due 1989	5,600	5,600
The 10% convertible debentures are convertible into Class A shares at a value of \$19 per share until 1982 and at varying amounts from \$21.50 to \$29.00 per share from 1983 to 1989		
Non-forgivable capital and operating assistance loans—non-interest bearing due 1985	12,194	10,238
Mortgages payable at interest rates from 9% to 20% due 1982 to 2004	11,203	12,478
Lien notes payable (mainly at prime interest rate to prime plus 1%)—due 1982 to 1989	24,854	23,133
	60,972	58,570
Less due within one year	7,316	5,472
	\$53,656	\$53,098

(b) Required payments (including \$157,000 each year relating to lease obligations capitalized as referred to in note 4) are as follows:

	(dollars in thousands)
1983	—
1984	—
1985	—
1986	—
1987	—
Thereafter	—
	\$ 7,473
	7,466
	5,815
	7,780
	5,795
	28,522

(c) The company's assets are pledged, by way of fixed or floating charges as collateral for bank debt, mortgages, lien notes and capital lease obligations.

## 6. Shareholders' equity

The company's authorized and issued capital stock is as follows:

Authorized:

8,312	6½% cumulative sinking fund preference shares with a par value of \$100 each, redeemable at \$105
	Preference shares with par value of \$25, issuable in series:
224,000	7% non-voting, cumulative, convertible preference shares, 1980 series

18,699,497 Class A Common (subordinate voting) shares without par value  
1,863,503 Class B shares without par value

	1982	1981
	(dollars in thousands)	
Issued:		
773 6½% preference shares (1981—812 shares)	\$ 77	\$ 81
224,000 7% preference shares, 1980 Series (1980—224,000)	5,600	5,600
3,161,218 Class A Common (subordinate voting) shares (1981—3,166,528 shares)	6,325	6,417
1,803,368 Class B shares (1981—1,991,558 shares)	2,059	2,274
	\$14,061	\$14,372

6½% cumulative sinking fund preference shares—

During the year, the company purchased for cancellation 39 preference shares.

7% preference shares—

The preference shares are convertible into Class A Common (subordinate voting) shares at \$19 per share until 1986 after which the shares may be purchased for cancellation by the company at their par value. These shares are redeemable by the holder after 1989 provided that none of the 6½% cumulative sinking fund preference shares are outstanding at that time.

Class A Common (subordinate voting) and Class B shares—

Class A Common (subordinate voting) shares have the following attributes:

(a) Each share is entitled to one vote per share at all meetings of shareholders.

(b) Each share shall participate equally as to dividends with each Class B share.

Class B shares have the following attributes:

(a) Each share is entitled to 500 votes per share at all meetings of shareholders.

(b) Each share shall participate equally as to dividends with each Class A Common (subordinate voting) share.

(c) Each share may be converted at any time into a fully-paid Class A Common (subordinate voting) share on a one-for-one basis.

In the event that either the Class A Common (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.

During the year, transactions involving Class A Common (subordinate voting) and Class B shares were as follows (dollars in thousands):

	Class A		Class B	
	Number of shares	Paid-up value	Number of shares	Paid-up value
Outstanding at July 31, 1981	3,166,528	\$6,417	1,991,558	\$2,274
Conversion of Class B shares to Class A shares (at average paid-up value per share)	93,500	107	(93,500)	(107)
Shares received and cancelled on the disposition of the aerospace/defence assets (note 7)	(62,810)	(127)	(94,690)	(108)
Shares purchased and cancelled (note 10)	(36,000)	(72)		
Outstanding at July 31, 1982	3,161,218	\$6,325	1,803,368	\$2,059



# Magna International Inc.

In accordance with the provisions of the Business Corporations Act (Ontario) the authorized and issued capital of the company was decreased on the cancellation of shares.

The difference between the value assigned to the shares cancelled and the amount deducted from capital stock at the average paid-up value, amounting to \$1,628,000, has been charged to retained earnings.

## 7. Discontinued operations

Effective August 1, 1981, the company disposed of its aerospace/defence assets to Devtek Corporation. This disposition is summarized as follows (dollars in thousands):

Book value on July 31, 1981 of assets disposed:	
Current assets	\$11,614
Fixed assets	11,489
	<u>\$23,103</u>
Value assigned to consideration received:	
Cash	\$ 7,067
Current liabilities assumed by purchaser	6,241
Non-current liabilities assumed by purchaser	5,388
Class A and Class B shares of Magna International Inc. owned by Devtek Corporation (note 6)	1,575
Common and special shares of Devtek Corporation	2,832
	<u>\$23,103</u>

The special shares of Devtek Corporation are redeemable at the rate of 20% of pre-tax earnings in excess of \$2,500,000 per annum.

The comparative figures have been restated on the statement of income and retained earnings and of changes in financial position to present separately the results of discontinued operations. The comparative figures on the balance sheet include the aerospace/defence assets and liabilities at July 31, 1981.

## 8. Acquisitions

During the year the company acquired one company, the minority interest in a subsidiary company and the remaining 50% interest of a joint venture for an aggregate cash consideration of \$531,100. These acquisitions were accounted for as purchases with \$510,000 allocated to goodwill.

## 9. Segment information

The company's directors have determined that as a result of the disposition of the aerospace/defence operations, as set out in note 7 to the consolidated financial statements, substantially all of the company's remaining operations are related to a single industry segment, the automotive industry. Automotive operations include the manufacture of automobile parts for original equipment manufacture as well as the after market. Substantially all revenue is derived from sales to the four North American automobile manufacturers.

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

	1982		
	Canada	United States	Total
Revenue from continuing operations	\$195,227	\$31,307	\$226,534
Operating profit before	\$ 21,936	\$ 2,747	\$ 24,683
Interest expense			12,098
Corporate expense			3,530
Income before income taxes and minority interest			\$ 9,055
Assets	\$134,679	\$19,527	\$154,206
Corporate and other assets			14,280
Total assets			<u>\$168,486</u>

	1981		
	Canada	United States	Total
Revenue from—			
continuing operations	\$167,689	\$31,032	\$198,721
discontinued operations	33,393		33,393
	<u>\$201,082</u>	<u>\$31,032</u>	<u>\$232,114</u>
Operating profit before	\$ 23,694	\$ 2,385	\$ 26,079
Interest expense			9,128
Corporate expense			4,412
Loss from discontinued operations			485
Income before income taxes and minority interest			<u>\$ 12,054</u>
Assets—			
continuing operations	\$110,374	\$17,282	\$127,656
discontinued operations	27,336		27,336
	<u>\$137,710</u>	<u>\$17,282</u>	<u>\$154,992</u>
Corporate and other assets			15,537
Total assets			<u>\$170,529</u>

Canadian revenue includes export sales of \$161,771,000 (\$154,009,000 in 1981).

## 10. Transactions with related parties

The company leases certain of its real estate from companies in which certain of the officers of Magna are shareholders. Payments under these leases totalled approximately \$623,000 in 1982. In addition, the company manufactured and sold certain prototype equipment to an officer for \$30,000 during the year and its construction division sold \$190,000 of steelwork to a company in which an officer of Magna is a shareholder.

At the year end the company had made a deposit of \$1,549,000 in connection with the purchase of a building from a company in which an officer of Magna is a shareholder.

At the year end directors and officers were indebted to the company in the aggregate amount of \$545,000 in connection with loans to assist them in the purchase of shares of the company and in one case to assist in the purchase of a house following relocation.

Three directors and two senior officers of the company held substantial interests in Devtek Corporation at the time of its acquisition of the company's aerospace/defence assets. As part of this transaction the company purchased 36,000 Class A shares from a director and former officer of the company for \$360,000.

During the year a Trust (which has as its trustees officers of Magna and which exists to make orderly purchases of Magna shares from time to time for employees, either for transfer to the employees' Deferred Profit Sharing Plan which invests exclusively in such shares, or as recipients of either bonuses or rights to purchase such shares at cost from the Trust) borrowed \$1,862,000 from the company to facilitate the purchase during the year of 38,270 Class A and 172,006 Class B shares of the company. Of the Class B shares, 106,250 were purchased from former employees and directors or parties related to them as part of the transaction involving the company's sale of its aerospace/defence assets. The remainder of the Class B and all of the Class A shares were purchased on the open market. Subsequent to the year end the Trust acquired a further 8,300 Class A shares and 1,700 Class B shares in the open market and sold in the open market, at prevailing market prices, 200,000 Class A shares (all of the Class B shares having first been converted into Class A shares) and the proceeds of disposition were used to retire the Trust's borrowings from the company. The remaining 20,276 Class A shares are being held for the employees' Deferred Profit Sharing Plan to satisfy a portion of the company's 1982 obligations to the Plan.



# Magna International Inc.

## Nine Year Comparative Summary\*

Dollars in thousands except per share figures

	1982	1981*	1980	1979	1978	1977	1976	1975	1974
<b>Operations Data</b>									
Sales	\$226,534	\$232,114	\$183,456	\$165,738	\$128,189	\$80,953	\$55,010	\$39,415	\$31,644
Income from operations	9,055	12,054	9,249	15,924	12,899	8,185	5,734	2,880	1,990
Net income before extraordinary items	5,265	6,911	5,640	8,455	6,595	4,093	2,786	1,339	1,080
Extraordinary items			(1,922)	272	795				
<b>Earnings per share**</b>									
Before extraordinary items									
Class A and Class B	\$0.97	\$1.27	\$1.06	\$1.72	\$1.42	\$0.95	\$0.72	\$0.34	\$0.28
After extraordinary items									
Class A and Class B			\$0.68	\$1.78	\$1.59				
Depreciation	9,325	9,188	6,154	4,506	3,349	2,210	1,416	1,118	890
Cash flow from operations	14,604	14,672	12,052	15,275	13,160	7,542	5,171	2,757	2,241
<b>Dividends per share**</b>									
(Annual rate)									
Class A and Class B	\$0.25	\$0.36	\$0.36	\$0.28	\$0.19	\$0.12	\$0.06	\$0.03	\$0.03
<b>Financial Position</b>									
Working capital	29,564	28,564	26,955	18,866	15,351	7,412	4,925	3,233	2,164
Capital expenditures	17,434	21,052	23,630	23,085	16,231	8,584	3,456	2,016	2,237
Fixed assets									
(Less accum. depreciation)	70,553	74,074	62,629	47,089	30,269	19,387	8,940	6,900	6,001
Long-term debt	53,656	53,098	42,591	26,961	16,607	7,767	4,469	4,398	3,962
Equity relating to									
Class A and Class B shares	41,071	39,631	33,792	32,086	23,270	15,266	9,646	6,951	5,726
<b>Equity per share**</b>									
Class A and Class B	\$8.26	\$7.68	\$6.69	\$6.35	\$4.82	\$3.36	\$2.49	\$1.80	\$1.49

\*1981 and prior include sales and income from Aerospace/Defense operations sold effective August 1, 1981.

\*\*Adjusted for years prior to 1979 to give effect to the capital reorganization during 1979.





## Directors, Officers and Corporate Data

---

### DIRECTORS:

Michael R. Gardiner  
Manfred Gintl  
Paul B. Helliwell  
George C. Hitchman  
Helmut Hofmann  
James F. McCallum  
Burton V. Pabst  
Donald Resnick  
D. Robin Sloan  
Frank Stronach

### OFFICERS:

Frank Stronach,  
Chairman of the Board and Chief Executive Officer  
Burton V. Pabst,  
Vice Chairman of the Board  
Manfred Gintl,  
President and Chief Operating Officer  
D. Robin Sloan,  
Senior Vice President  
Bruce N. Bound,  
Vice President and Treasurer  
J. Brian Colburn,  
Vice President, Secretary and General Counsel  
Michael R. Hottinger,  
Vice President, Planning  
Robert M. Jones,  
Vice President, Marketing  
Edward E. Parent,  
Vice President, Finance  
Harry Bytzek,  
Group Vice President  
Richard G. Hrga,  
Group Vice President  
Herman Koob,  
Group Vice President  
Ron Peck,  
Group Vice President

### AUDITORS:

Clarkson Gordon, Toronto

### SOLICITORS:

Miller, Thomson, Sedgewick, Lewis & Healy, Toronto

### STOCK EXCHANGE LISTING:

The Toronto Stock Exchange  
Symbols: Class A—MG A  
Class B—MG B

### REGISTRAR AND TRANSFER AGENT:

The Canada Trust Company, Toronto

### PRINCIPAL BANKER:

The Bank of Nova Scotia, Toronto

### HEAD OFFICE:

355 Wildcat Road  
Downsview, Ontario  
M3J 2S3  
Telephone: (416) 661-1485  
Telex: 065-24550



### Reaction Injection Moldings

- 1 Front bumper and grille fascia
- 2 Rear bumper fascia

### Electromechanical Devices

- 3 Cooling fan motors
- 4 Heating fan motors
- 5 Windshield wiper motors
- 6 Immersible fuel pumps
- 7 Thermostatic air controllers
- 8 Magnetic capsule switches
- 9 Relay switches

### Electronic Devices

- 10 Instrument clusters
- 11 Fuel control devices
- 12 Electronic tone alarms and voice synthesized alarms
- 13 Electronic fluid level devices

### Latch Assemblies

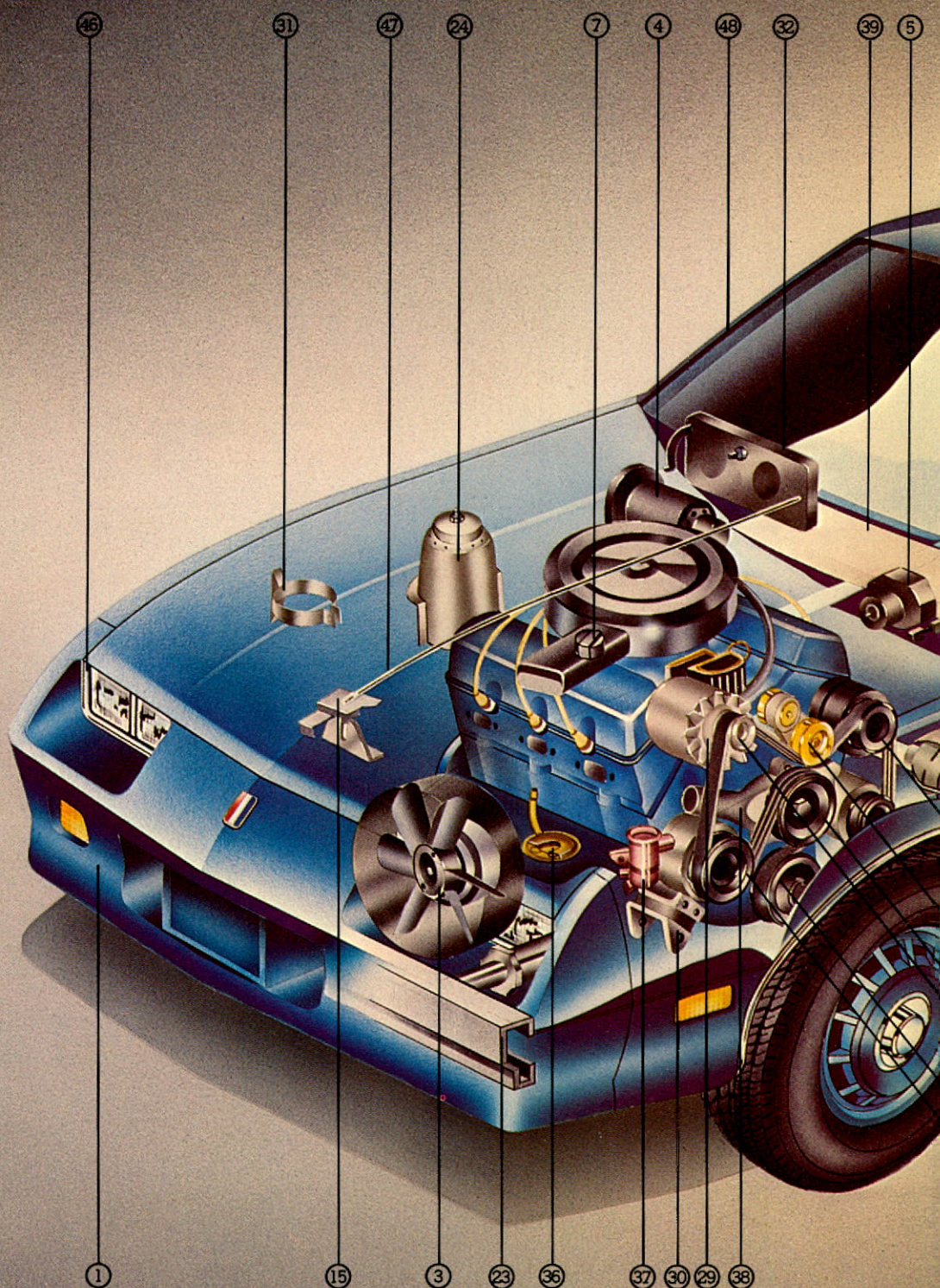
- 14 Door latches
- 15 Hood latches
- 16 Trunk latches

### Accessory Drive Systems

- 17 Poly V crankshaft pulleys
- 18 Power steering pulleys
- 19 Alternator pulleys
- 20 Automatic Poly V belt tensioners
- 21 Water pump pulleys
- 22 Compressor pump pulleys

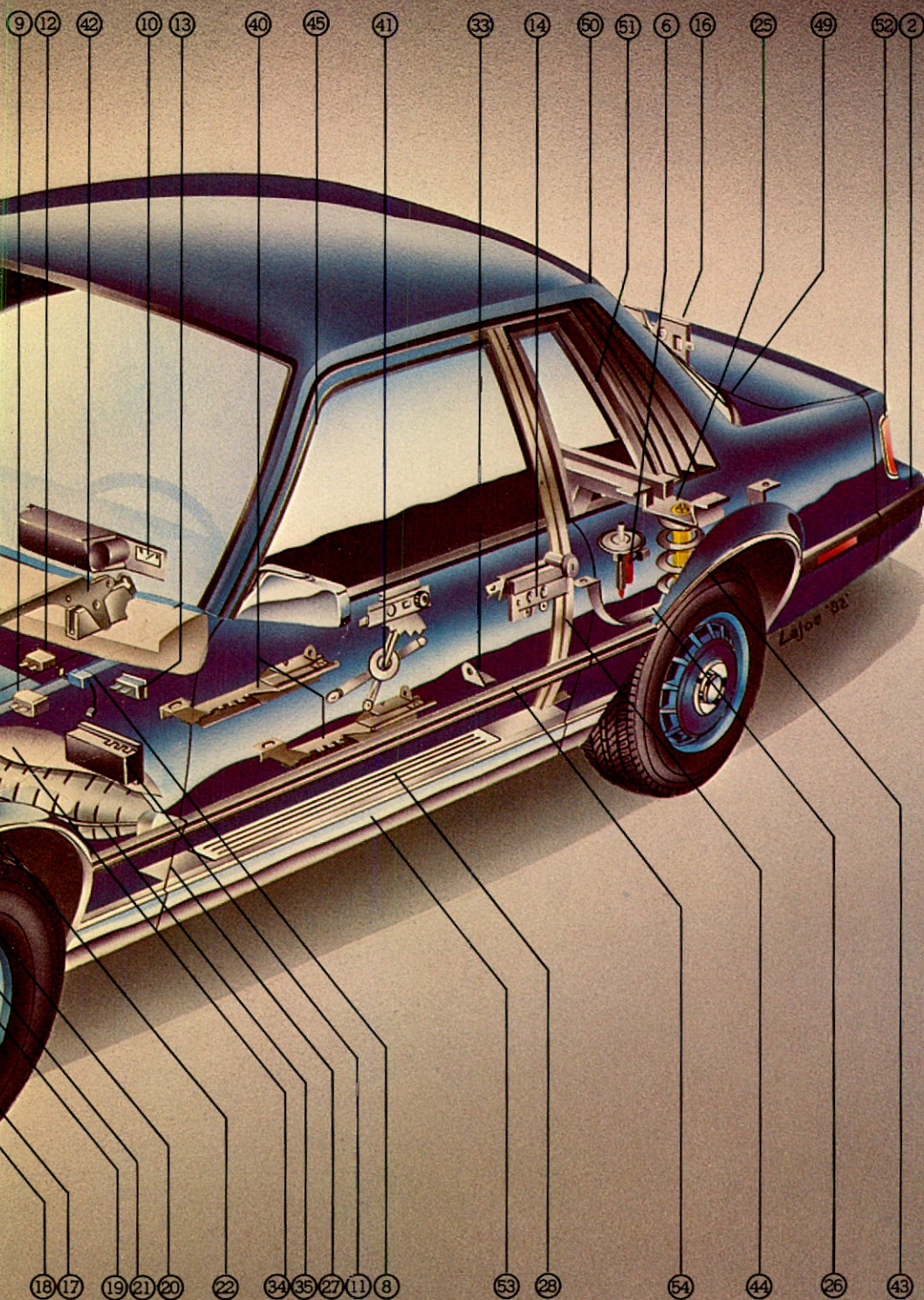
### Stampings

- 23 Aluminum bumper reinforcements
- 24 Shock absorber towers





OWNSVIEW



- 25 Rear cross members
- 26 Fuel tank straps
- 27 Sill plates
- 28 Scuff plates
- 29 Alternator fans
- 30 Motor mounts
- 31 Cannister support brackets
- 32 Glove box doors
- 33 Seat belt anchors
- 34 Heat shields
- 35 Catalytic converters
- 36 Oil strainers
- 37 Thermostat housings
- 38 Water pump housings
- 39 Instrument panel supports

#### Mechanical Assemblies

- 40 Seat track mechanisms
- 41 Window winding regulators
- 42 Hand brake assemblies

#### Trim

- 43 Wheel house opening moldings
- 44 Window channels
- 45 Weather strip channels
- 46 Headlamp retainers
- 47 Centre hood moldings
- 48 Windshield moldings
- 49 Rear window moldings
- 50 Drain trough moldings
- 51 Exterior window moldings
- 52 Tail light bezels
- 53 Rocker panel moldings
- 54 Body side moldings





**Magna  
International  
Inc.**

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