



Magna International Inc.

**Management's Discussion and Analysis of Results
of Operations and Financial Position**

**for the three months
ended September 30, 2018**

MAGNA INTERNATIONAL INC.

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

Unless otherwise noted, all amounts in this Management's Discussion and Analysis of Results of Operations and Financial Position ("MD&A") are in U.S. dollars and all tabular amounts are in millions of U.S. dollars, except per share figures, which are in U.S. dollars. When we use the terms "we", "us", "our" or "Magna", we are referring to Magna International Inc. and its subsidiaries and jointly controlled entities, unless the context otherwise requires.

This MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended September 30, 2018 included in this Quarterly Report, and the audited consolidated financial statements and MD&A for the year ended December 31, 2017 included in our 2017 Annual Report to Shareholders. The most recent updates to our accounting policies, including the impact of the adoption of Accounting Standards Codification 606 – *Revenue from Contracts with Customers*, can be found in Note 2 of our unaudited interim consolidated financial statements for the three months ended September 30, 2018.

We announced a realignment of our management structure along product lines in December 2017. As a result, effective January 1, 2018, our results are reported through the following business segments: Body Exteriors & Structures, Power & Vision, Seating Systems and Complete Vehicles. Prior period amounts contained in this MD&A have been adjusted to conform to the new segment presentation. Refer to Note 19 of our unaudited interim consolidated financial statements for the three months ended September 30, 2018 for additional information.

This MD&A contains statements that are forward looking. Refer to the "Forward-Looking Statements" section in this MD&A for a more detailed discussion of our use of forward-looking statements.

This MD&A has been prepared as at November 7, 2018.

USE OF NON-GAAP FINANCIAL MEASURES

In addition to results presented in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), this report includes the use of Adjusted EBIT, Adjusted EBIT as a percentage of sales, Adjusted diluted earnings per share, Return on Invested Capital and Return on Equity (collectively, the "Non-GAAP Measures"). We believe these non-GAAP financial measures provide additional information that is useful to investors in understanding our underlying performance and trends. Readers should be aware that Non-GAAP Measures have no standardized meaning under U.S. GAAP and accordingly may not be comparable to the calculation of similar measures by other companies. We believe that Return on Invested Capital and Return on Equity are useful to both management and investors in their analysis of our results of operations and reflect our ability to generate returns. Similarly, we believe that Adjusted EBIT, Adjusted EBIT as a percentage of sales and Adjusted diluted earnings per share provide useful information to our investors for measuring our operational performance as they exclude certain items that are not reflective of ongoing operating profit or loss and facilitate a comparison of our performance with prior periods. The presentation of any Non-GAAP Measures should not be considered in isolation or as a substitute for our related financial results prepared in accordance with U.S. GAAP. Non-GAAP financial measures are presented together with the most directly comparable GAAP financial measure, and a reconciliation to the most directly comparable GAAP financial measure, can be found in the "Non-GAAP Financial Measures Reconciliation" section of this MD&A.

HIGHLIGHTS

In the third quarter ended September 30, 2018, we posted new third quarter records in sales, net income attributable to Magna, diluted earnings per share and Adjusted diluted earnings per share.

Total sales increased 9% to \$9.62 billion, compared to global light vehicle production which declined 2% from the third quarter of 2017. Our sales growth largely reflects the launch of new programs around the world and was generated despite the weakening of a number of foreign currencies against the U.S. dollar. Each of our operating segments reported increased sales.

Diluted earnings per share were \$1.62, an increase of 17% over the third quarter of 2017. The higher earnings per share reflected our higher net income attributable to Magna and a reduced share count primarily as a result of share repurchases.

We returned \$629 million to shareholders in the third quarter of 2018, including \$520 million in share repurchases and \$109 million in dividends. For the nine months ended September 30, 2018 we have returned almost \$1.69 billion to shareholders.

In the third quarter of 2018 we announced that we had signed an agreement to sell our global Fluid Pressure & Controls business to Hanon Systems, a south Korea-based global supplier of thermal and energy management systems. The sale price is approximately \$1.23 billion, before the assumption of net debt and pension liabilities at closing, and subject to customary closing adjustments for net working capital. The transaction is expected to close in the first quarter of 2019, subject to a number of customary conditions, including antitrust approvals.

OVERVIEW

OUR BUSINESS⁽¹⁾

We have more than 173,000 entrepreneurial-minded employees dedicated to delivering mobility solutions. We are a mobility technology company and one of the world's largest automotive suppliers with 340 manufacturing operations and 89 product development, engineering and sales centres in 27 countries. Our competitive capabilities include body exteriors and structures, power and vision technologies, seating systems and complete vehicle solutions. Our common shares trade on the Toronto Stock Exchange (MG) and the New York Stock Exchange (MGA). For further information about Magna, visit www.magna.com.

INDUSTRY TRENDS AND RISKS

Our operating results are primarily dependent upon the levels of North American, European and Chinese car and light truck production by our customers and the relative amount of content we have on various programs. Original equipment manufacturers' ("OEMs") production volumes in different regions may be impacted by factors which may vary from one region to the next, including but not limited to: general economic and political conditions; consumer confidence levels; interest rates; credit availability; energy and fuel prices; relative currency values; commodities prices; free trade agreements and trade disputes; labour relations issues; regulatory requirements; infrastructure; legislative changes; and environmental emissions and safety standards. These factors are discussed in our Annual Information Form ("AIF") and Annual Report on Form 40-F ("Form 40-F") in respect of the year ended December 31, 2017, together with other factors affecting our performance such as: market shifts; dependence on outsourcing; operational underperformance; product launch costs; customer pricing pressure; product quality and warranty risks; risks of conducting business through joint ventures; commodities and scrap prices; and other factors. The foregoing factors remain substantially unchanged in respect of the third quarter ended September 30, 2018, except that:

- production volumes in several of our key automotive producing regions have declined in recent months as result of a number of factors, including:
 - rising interest rates and vehicle prices in North America;
 - a new emissions testing process, the Worldwide Harmonised Light-Duty Vehicle Test Procedure in Western Europe; and
 - a decline in consumer confidence in China, due in part to a government crackdown on certain types of lending, as well as an ongoing trade dispute between China and the United States.

A significant or sustained decline in vehicle production volumes in these geographic regions could have a material adverse effect on our operations, sales and profitability.

- on October 1, 2018, the United States, Mexico and Canada reached agreement in principle on the United States-Mexico-Canada Agreement ("USMCA"), a free trade agreement which will replace the North American Free Trade Agreement, once ratified by all three countries. The most significant changes in the USMCA relating to the automotive industry include requirements that: (a) 40% of the labour content of a vehicle must be at a minimum rate of \$16/hour; and (b) 50-75% of vehicle content must originate in North America. These requirements may increase our costs and could require re-sourcing of certain parts to ensure compliance with the content origin requirements, which could have an adverse effect on our operations and profitability.
- tariffs on steel and aluminum introduced by the United States against Canada and Mexico earlier in 2018, together with retaliatory tariffs by Canada and Mexico, remain in place despite the agreement in principle regarding the USMCA. An ongoing trade dispute between the United States and China has led to the imposition by the United States of tariffs on a broad range of Chinese-origin imports into the U.S., and retaliatory tariffs by China on certain U.S.-origin imports into China, including automobiles. The continuation of these or other tariffs and/or escalation of trade disputes which interfere with automotive supply chains could have an adverse effect on our operations and profitability.

RESULTS OF OPERATIONS

AVERAGE FOREIGN EXCHANGE

	For the three months ended September 30,			For the nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
1 Canadian dollar equals U.S. dollars	0.765	0.798	- 4%	0.776	0.766	+ 1%
1 euro equals U.S. dollars	1.163	1.175	- 1%	1.195	1.114	+ 7%
1 Chinese renminbi equals U.S. dollars	0.147	0.150	- 2%	0.154	0.147	+ 5%

The preceding table reflects the average foreign exchange rates between the most common currencies in which we conduct business and our U.S. dollar reporting currency. The changes in these foreign exchange rates for the three months ended September 30, 2018 and nine months ended September 30, 2018 impacted the reported U.S. dollar amounts of our sales, expenses and income.

The results of operations for which the functional currency is not the U.S. dollar are translated into U.S. dollars using the average exchange rates in the table above for the relevant period. Throughout this MD&A, reference is made to the impact of translation of foreign operations on reported U.S. dollar amounts where relevant.

LIGHT VEHICLE PRODUCTION VOLUMES

Our operating results are mostly dependent on light vehicle production in the regions reflected in the table below:

Light Vehicle Production Volumes (thousands of units)

	For the three months ended September 30,			For the nine months ended September 30,		
	2018	2017	Change	2018	2017	Change
North America	4,156	3,979	+ 4%	12,939	12,969	—
Europe	4,971	4,973	—	17,082	16,672	+ 2%
China	5,931	6,497	- 9%	19,206	19,307	- 1%

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

SALES



Sales increased 9% or \$754 million to \$9.62 billion for the third quarter of 2018 compared to \$8.86 billion for the third quarter of 2017, primarily as a result of the launch of new programs during or subsequent to the third quarter of 2017, in particular in our Complete Vehicles and Body Exteriors & Structures businesses.

This factor was partially offset by the impact of a change in production volumes on various other programs and a \$180 million decrease in reported U.S. dollar sales as a result of the weakening of foreign currencies against the U.S. dollar, including the Canadian dollar, euro, Turkish lira, Brazilian real and Chinese renminbi.

The changes in sales are discussed further in the "Segment Analysis" section of this MD&A.

COST OF GOODS SOLD

	For the three months ended September 30,		Change
	2018	2017	
Material	\$ 5,899	\$ 5,279	\$ 620
Direct labour	717	672	45
Overhead	1,637	1,537	100
Cost of goods sold	\$ 8,253	\$ 7,488	\$ 765

Cost of goods sold increased \$765 million to \$8.25 billion for the third quarter of 2018 compared to \$7.49 billion for the third quarter of 2017 primarily as a result of higher material, overhead and direct labour costs associated with the increase in sales. In addition, cost of goods sold increased due to spending associated with electrification and autonomy, higher launch costs and higher pre-operating costs incurred at new facilities. These factors were partially offset by a \$154 million net decrease in reported U.S. dollar cost of goods sold primarily due to the weakening of the Canadian dollar, euro, Turkish lira and Brazilian real, each against the U.S. dollar.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization costs increased \$15 million to \$325 million for the third quarter of 2018 compared to \$310 million for the third quarter of 2017. The higher depreciation and amortization was primarily a result of increased capital deployed at existing facilities mainly to support the launch of new programs subsequent to the third quarter of 2017 partially offset by a \$5 million net decrease in reported U.S. dollar depreciation and amortization mainly due to the weakening of the Canadian dollar and euro, both against the U.S. dollar.

SELLING, GENERAL AND ADMINISTRATIVE ("SG&A")

SG&A expense as a percentage of sales was 4.2% for the third quarter of 2018 compared to 4.6% for the third quarter of 2017. SG&A expense decreased \$3 million to \$403 million for the third quarter of 2018 compared to \$406 million for the third quarter of 2017. The 0.4% decrease in SG&A expense as a percentage of sales was primarily due to an increase in sales in our Complete Vehicles segment which has a lower SG&A expense as a percentage of sales than our consolidated average. The \$3 million decrease in SG&A expense was primarily due to:

- an \$11 million favourable impact of higher foreign exchange gains in the third quarter of 2018 compared to foreign exchange losses in the third quarter of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency;
- lower incentive and executive compensation; and
- a \$4 million net decrease in the reported U.S. dollar SG&A expense primarily due to the weakening of the Canadian dollar and euro against the U.S. dollar.

These factors were partially offset by higher labour and benefit costs and increased costs incurred at new facilities.

INTEREST EXPENSE, NET

During the third quarter of 2018, we recorded net interest expense of \$23 million compared to \$20 million for the third quarter of 2017. The \$3 million increase is primarily as a result of higher interest expense due to the increase in borrowings on our U.S. commercial paper (the "U.S. Program") and interest expense on the €600 million 1.500% fixed-rate Senior Notes issued on September 25, 2017.

EQUITY INCOME

Equity income increased \$17 million to \$62 million for the third quarter of 2018 compared to \$45 million for the third quarter of 2017, primarily due to earnings on higher sales, largely due to the launch of new business subsequent to the third quarter of 2017 and lower warranty costs, each at certain equity-accounted Power & Vision facilities.

These factors were partially offset by higher pre-operating costs incurred at a new equity-accounted Power & Vision facility and a \$3 million net decrease in reported U.S. dollar equity income mainly due to the weakening of the Chinese renminbi and Canadian dollar, both against the U.S. dollar.

OTHER EXPENSE (INCOME), NET

During the third quarter of 2018 and 2017, we recorded net restructuring charges of \$2 million (\$2 million after tax) at a certain Power & Vision operation.

INCOME FROM OPERATIONS BEFORE INCOME TAXES

Income from operations before income taxes decreased \$9 million to \$674 million for the third quarter of 2018 compared to \$683 million for the third quarter of 2017. The decrease in income from operations before income taxes is the result of a \$765 million increase in cost of sales, a \$15 million increase in depreciation and amortization and a \$3 million increase in interest expense, net partially offset by a \$754 million increase in sales, a \$17 million increase in equity income and a \$3 million decrease in SG&A, each as discussed above.

INCOME TAXES

	For the three months ended September 30,			
	2018		2017	
Income Taxes as reported	\$ 114	16.9%	\$ 162	23.7%
Reassessment of deferred tax balances	21	3.1	—	—
Tax effect on Other expense (income), net	—	—	—	(0.1)
	\$ 135	20.0%	\$ 162	23.6%

In the third quarter of 2018, we entered into an agreement to sell our global Fluid Pressure & Controls ("FP&C") business (refer to Note 3 of our unaudited interim consolidated financial statements for the three months ended September 30, 2018 for additional information). We reassessed our positions in deferred taxes in anticipation of closing the FP&C transaction in the first quarter of 2019, recognizing a \$21 million net reduction in deferred tax expense ("Reassessment of deferred tax balances").

Excluding Other expense (income), net, after tax, and the Reassessment of deferred tax balances, the effective income tax rate decreased to 20.0% for the third quarter of 2018 compared to 23.6% for the third quarter of 2017 primarily as a result of a change in our reserves for uncertain tax positions and a reduction in the U.S. federal statutory tax rate beginning in 2018 as a result of the tax reform in the U.S. partially offset by a higher accrued tax on undistributed earnings.

INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Income attributable to non-controlling interests decreased \$3 million to \$6 million for the third quarter of 2018 compared to \$9 million for the third quarter of 2017.

NET INCOME ATTRIBUTABLE TO MAGNA INTERNATIONAL INC.

Net income attributable to Magna International Inc. increased \$42 million to \$554 million for the third quarter of 2018 compared to \$512 million for the third quarter of 2017, as a result of a decrease in income taxes of \$48 million and a decrease in income attributable to non-controlling interests of \$3 million partially offset by a decrease in income from operations before income taxes of \$9 million, each as discussed above.

EARNINGS PER SHARE



	For the three months ended September 30,		Change
	2018	2017	
Earnings per Common Share			
Basic	\$ 1.63	\$ 1.39	+ 17%
Diluted	\$ 1.62	\$ 1.38	+ 17%
Weighted average number of Common Shares outstanding (millions)			
Basic	341.0	368.2	- 7%
Diluted	343.0	370.4	- 7%
Adjusted diluted earnings per share	\$ 1.56	\$ 1.39	+ 12%

Diluted earnings per share increased \$0.24 to \$1.62 for the third quarter of 2018 compared to \$1.38 for the third quarter of 2017 as a result of the increase in net income attributable to Magna International Inc. as discussed above and a decrease in the weighted average number of diluted shares outstanding during the third quarter of 2018. The decrease in the weighted average number of diluted shares outstanding was primarily due to the purchase and cancellation of Common Shares, during or subsequent to the third quarter of 2017, pursuant to our normal course issuer bids.

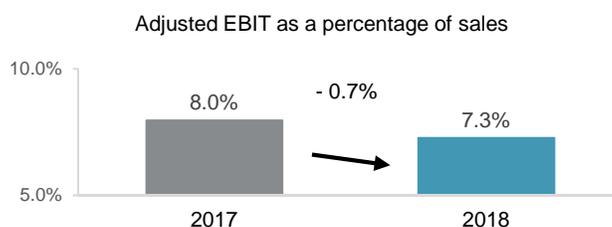
Other expense (income), net, after tax and Reassessment of deferred tax balances positively impacted diluted earnings per share by \$0.06 for the third quarter of 2018 and negatively impacted diluted earnings per share by \$0.01 for the third quarter of 2017, as discussed in the "Other expense (income), net" and "Income Taxes" sections.

Adjusted diluted earnings per share, as reconciled in the "Non-GAAP Financial Measures Reconciliation" section, increased \$0.17 to \$1.56 for the third quarter of 2018 compared to \$1.39 for the third quarter of 2017.

NON-GAAP PERFORMANCE MEASURES - FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

The following non-GAAP Measures should not be considered in isolation or as a substitute for the discussion of our related financial results prepared in accordance with U.S. GAAP. A reconciliation of the non-GAAP measures to the most directly comparable GAAP financial measure, can be found in the "Non-GAAP Financial Measures Reconciliation" section of this MD&A.

ADJUSTED EBIT AS A PERCENTAGE OF SALES



The table below shows the change in Magna's Sales and Adjusted EBIT by segment and the impact each segment's changes have on Magna's Adjusted EBIT as a percentage of sales for the third quarter of 2018 compared to the third quarter of 2017:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Third quarter of 2017	\$ 8,864	\$ 705	8.0%
Increase (Decrease) related to:			
Body Exteriors & Structures	176	16	—
Power & Vision	117	(9)	- 0.2%
Seating Systems	2	(26)	- 0.3%
Complete Vehicles	453	7	- 0.3%
Corporate and Other	6	6	+ 0.1%
Third quarter of 2018	\$ 9,618	\$ 699	7.3%

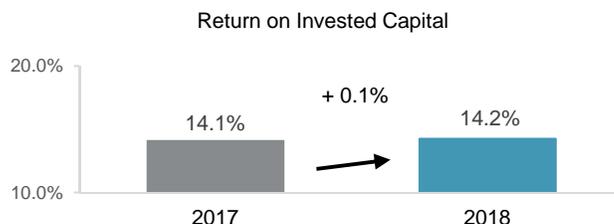
Adjusted EBIT as a percentage of sales decreased 0.7% to 7.3% for the third quarter of 2018 compared to 8.0% for the third quarter of 2017 primarily as a result of:

- an increase in the proportion of sales generated in our Complete Vehicles segment relative to total sales, which have a lower margin than our consolidated average;
- spending associated with electrification and autonomy in our Power & Vision segment;
- higher launch costs;
- higher pre-operating costs incurred at new facilities;
- inefficiencies at a plant we are closing and restructuring costs incurred at a certain facility, both in Body Exteriors & Structures;
- favourable customer pricing resolutions in the third quarter of 2017 in our Seating Systems segment; and
- \$8 million related to newly established tariffs, primarily on steel and aluminum in our Body Exteriors & Structures segment.

These factors were partially offset by:

- higher equity income, primarily in our Power & Vision segment;
- favourable customer pricing resolutions in the third quarter of 2018 in our Body Exteriors & Structures segment;
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities; and
- an \$11 million favourable impact in our Corporate and Other segment of foreign exchange gains in the third quarter of 2018 compared to foreign exchange losses in the third quarter of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency.

RETURN ON INVESTED CAPITAL



Return on Invested Capital increased 0.1% to 14.2% for the third quarter of 2018 compared to 14.1% for the third quarter of 2017, primarily as a result of an increase in After-tax operating profits partially offset by higher Average Invested Capital.

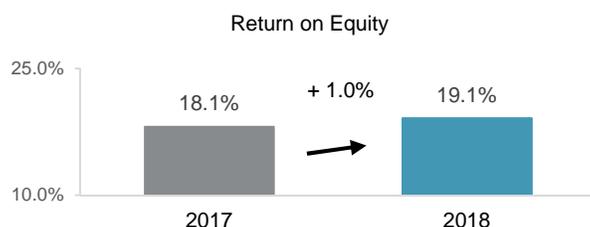
After-tax operating profits increased primarily as a result of higher sales, lower income taxes, higher equity income and lower SG&A partially offset by higher cost of goods sold and depreciation and amortization, each as discussed above.

Average Invested Capital increased \$1.12 billion to \$16.34 billion for the third quarter of 2018 compared to \$15.22 billion for the third quarter of 2017 primarily due to:

- an increase in our investment in fixed assets to refurbish or replace assets consumed in the normal course of business and for manufacturing equipment for programs that will be launching subsequent to the third quarter of 2018;
- an increase in investments, including our investment in Lyft, Inc. ("Lyft") equity during the second quarter of 2018; and
- an increase in working capital.

These factors were partially offset by the reduction in Average Invested Capital due to the net weakening of foreign currencies against the U.S. dollar.

RETURN ON EQUITY



Return on Equity was 19.1% for the third quarter of 2018, compared to 18.1% for the third quarter of 2017. Return on Equity was higher as net income attributable to Magna increased at a higher rate than the increase in Average Shareholders' Equity. Foreign exchange had a 0.3% unfavourable impact on Return on Equity.

SEGMENT ANALYSIS

We are a global automotive supplier which has complete vehicle engineering and contract manufacturing expertise, as well as product capabilities including body, chassis, exterior, seating, powertrain, advanced driver assistance, electronics, vision, mechatronics and roof systems. Magna also has electronic and software capabilities across many of these areas.

Our business is managed under operating segments which have been determined on the basis of technological opportunities, product similarities, as well as market and operating factors. Our internal financial reporting is aligned with the way our business is managed. Accordingly, we report key internal operating performance measures for Body Exteriors & Structures, Power & Vision, Seating Systems, and Complete Vehicles for presentation to the chief operating decision maker to use in the assessment of operating performance, allocation of resources, and to help plan our long-term strategic direction and future global growth.

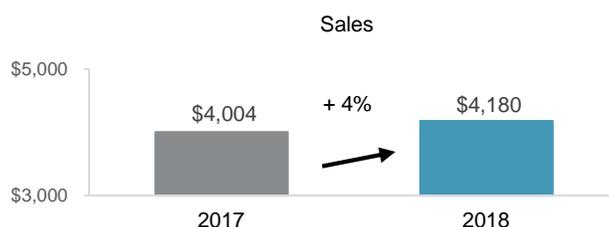
Our chief operating decision maker uses Adjusted EBIT as the measure of segment profit or loss, since we believe Adjusted EBIT is the most appropriate measure of operational profitability or loss for our reportable segments. Adjusted EBIT has been reconciled in the "Non-GAAP Financial Measures Reconciliation" section included in this MD&A.

	For the three months ended September 30,					
	Sales			Adjusted EBIT		
	2018	2017	Change	2018	2017	Change
Body Exteriors & Structures	\$ 4,180	\$ 4,004	\$ 176	\$ 322	\$ 306	\$ 16
Power & Vision	2,947	2,830	117	258	267	(9)
Seating Systems	1,219	1,217	2	69	95	(26)
Complete Vehicles	1,391	938	453	24	17	7
Corporate and Other	(119)	(125)	6	26	20	6
Total reportable segments	\$ 9,618	\$ 8,864	\$ 754	\$ 699	\$ 705	\$ (6)

BODY EXTERIORS & STRUCTURES

	For the three months ended September 30,		
	2018	2017	Change
Sales	\$ 4,180	\$ 4,004	\$ 176 + 4%
Adjusted EBIT	\$ 322	\$ 306	\$ 16 + 5%
Adjusted EBIT as a percentage of sales	7.7%	7.6%	+ 0.1%

Sales – Body Exteriors & Structures



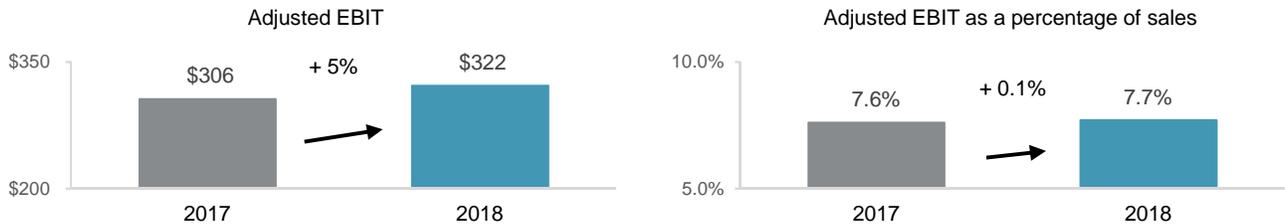
Sales for Body Exteriors & Structures increased 4% or \$176 million to \$4.18 billion for the third quarter of 2018 compared to \$4.00 billion for the third quarter of 2017, primarily as a result of the launch of new programs during or subsequent to the third quarter of 2017, including the:

- Ram 1500 pickup;
- BMW X3;
- Chevrolet Traverse and Buick Enclave;
- Chevrolet Equinox and GMC Terrain; and
- Ford Expedition and Lincoln Navigator.

These factors were partially offset by:

- the impact of a change in production volumes on various other programs;
- a \$79 million decrease in reported U.S. dollar sales primarily as a result of the weakening of the Canadian dollar, Brazilian real, euro, Russian ruble and Turkish lira, each against the U.S. dollar; and
- net customer price concessions subsequent to the third quarter of 2017.

Adjusted EBIT – Body Exteriors & Structures



Adjusted EBIT for Body Exteriors & Structures increased \$16 million to \$322 million for the third quarter of 2018 compared to \$306 million for the third quarter of 2017 primarily as a result of:

- favourable customer pricing resolutions in the third quarter of 2018;
- earnings on higher sales;
- productivity and efficiency improvements at certain facilities; and
- higher scrap steel recoveries in excess of higher net commodity costs.

These factors were partially offset by:

- higher launch costs;
- inefficiencies at a plant we are closing and restructuring costs incurred at a certain facility, both in Body Exteriors & Structures;
- an \$8 million decrease in reported U.S. dollar Adjusted EBIT primarily due to the weakening of the Canadian dollar and Russian ruble, each against the U.S. dollar;
- \$7 million related to newly established tariffs, primarily on steel and aluminum; and
- net customer price concessions subsequent to the third quarter of 2017.

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures increased 0.1% to 7.7% for the third quarter of 2018 compared to 7.6% for the third quarter of 2017 primarily as a result of:

- favourable customer pricing resolutions in the third quarter of 2018; and
- productivity and efficiency improvements at certain facilities.

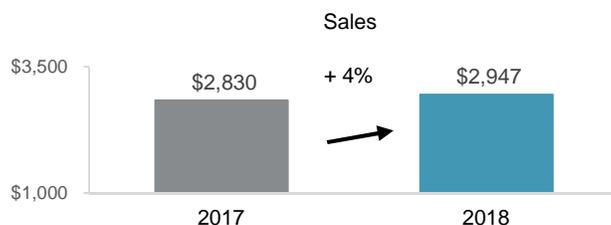
These factors were partially offset by:

- higher launch costs; and
- inefficiencies at a plant we are closing and restructuring costs incurred at a certain facility, both in Body Exteriors & Structures.

POWER & VISION

	For the three months ended September 30,		Change	
	2018	2017		
Sales	\$ 2,947	\$ 2,830	\$ 117	+ 4%
Adjusted EBIT	\$ 258	\$ 267	\$ (9)	- 3%
Adjusted EBIT as a percentage of sales	8.8%	9.4%		- 0.6%

Sales – Power & Vision



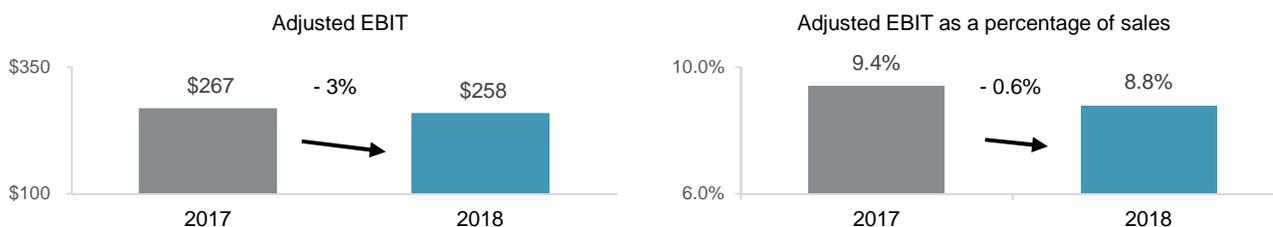
Sales for Power & Vision increased 4% or \$117 million to \$2.95 billion for the third quarter of 2018 compared to \$2.83 billion for the third quarter of 2017, primarily as a result of the launch of new programs during or subsequent to the third quarter of 2017, including the:

- Ram 1500 pickup;
- Audi A6;
- Chevrolet Traverse and Buick Enclave;
- BYD Tang;
- Volkswagen Tayron; and
- dual-clutch transmissions on various BMW and Daimler vehicles.

These factors were partially offset by:

- the impact of a change in production volumes on various other programs;
- a \$40 million decrease in reported U.S. dollar sales as a result of the weakening of foreign currencies against the U.S. dollar, including the Canadian dollar, euro, Chinese renminbi and Turkish lira, each against the U.S. dollar;
- facility divestitures subsequent to the third quarter of 2017 which negatively impacted sales by \$9 million; and
- net customer price concessions subsequent to the third quarter of 2017.

Adjusted EBIT – Power & Vision



Adjusted EBIT for Power & Vision decreased \$9 million to \$258 million for the third quarter of 2018 compared to \$267 million for the third quarter of 2017 primarily as a result of:

- spending associated with electrification and autonomy;
- a \$6 million decrease in reported U.S. dollar Adjusted EBIT primarily due to the weakening of the Canadian dollar and Chinese renminbi, each against the U.S. dollar;
- higher foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017;
- higher warranty costs of \$4 million; and
- net customer price concessions subsequent to the third quarter of 2017.

These factors were partially offset by:

- higher equity income, excluding the impact of foreign exchange, of \$17 million;
- earnings on higher sales; and
- lower launch costs.

Equity income, excluding the impact of foreign exchange, was \$17 million higher due to earnings on higher sales at certain equity-accounted operations, largely due to the launch of new business subsequent to the third quarter of 2017 and lower warranty costs at certain facilities partially offset by higher pre-operating costs incurred at a new facility.

Adjusted EBIT as a percentage of sales for Power & Vision decreased 0.6% to 8.8% for the third quarter of 2018 compared to 9.4% for the third quarter of 2017 primarily as a result of:

- spending associated with electrification and autonomy;
- higher foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017; and
- higher warranty costs.

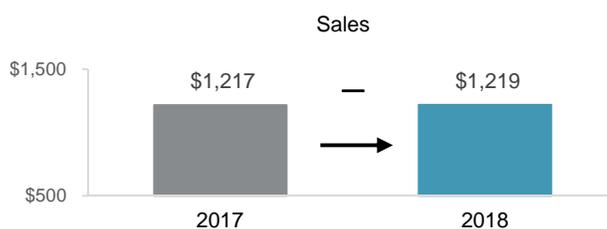
These factors were partially offset by:

- higher equity income; and
- lower launch costs.

SEATING SYSTEMS

	For the three months ended September 30,		Change	
	2018	2017		
Sales	\$ 1,219	\$ 1,217	\$ 2	—
Adjusted EBIT	\$ 69	\$ 95	\$ (26)	- 27%
Adjusted EBIT as a percentage of sales	5.7%	7.8%		- 2.1%

Sales – Seating Systems



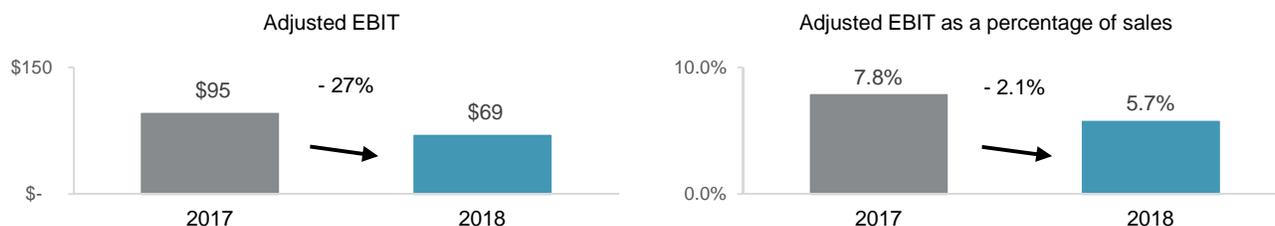
Sales in Seating Systems were substantially unchanged at \$1.22 billion for the third quarter of 2018 and 2017. Factors increasing sales were primarily as a result of the launch of new programs during or subsequent to the third quarter of 2017, including the:

- Ford Expedition and Lincoln Navigator;
- Lynk & Co. 01 and 02;
- Chevrolet Traverse and Buick Enclave; and
- BMW X5.

These factors were partially offset by:

- a \$48 million decrease in reported U.S. dollar sales as a result of the weakening of certain foreign currencies against the U.S. dollar, including the Turkish lira, Canadian dollar and Brazilian real;
- the impact of a change in production volumes on various other programs;
- a facility divestiture subsequent to the third quarter of 2017 which negatively impacted sales by \$13 million; and
- net customer price concessions subsequent to the third quarter of 2017.

Adjusted EBIT – Seating Systems



Adjusted EBIT for Seating Systems decreased \$26 million to \$69 million for the third quarter of 2018 compared to \$95 million for the third quarter of 2017 primarily as a result of:

- higher pre-operating costs incurred at new facilities;
- favourable customer pricing resolutions in the third quarter of 2017; and
- higher foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017, primarily due to the weakening of the Argentine peso against U.S. dollar.

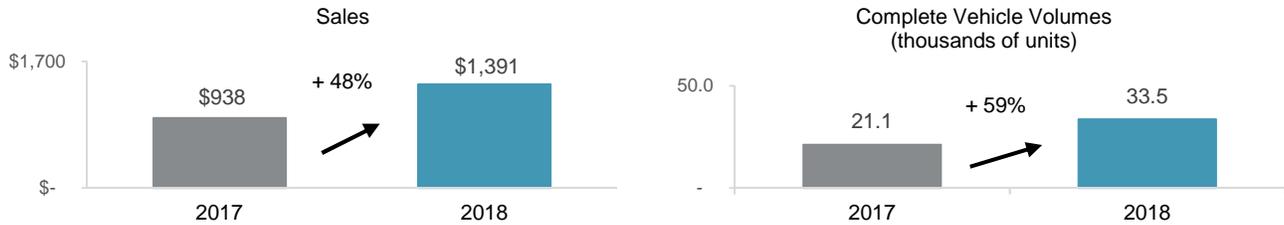
Adjusted EBIT as a percentage of sales for Seating Systems decreased 2.1% to 5.7% for the third quarter of 2018 compared to 7.8% for the third quarter of 2017 primarily as a result of higher pre-operating costs incurred at new facilities, favourable customer pricing resolutions in the third quarter of 2017 and higher foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017.

COMPLETE VEHICLES

	For the three months ended September 30,		Change	
	2018	2017		
Complete Vehicle Assembly Volumes (thousands of units)⁽ⁱ⁾	33.5	21.1	12.4	+ 59%
Sales	\$ 1,391	\$ 938	\$ 453	+ 48%
Adjusted EBIT	\$ 24	\$ 17	\$ 7	+ 41%
Adjusted EBIT as a percentage of sales	1.7%	1.8%		- 0.1%

(i) Vehicles produced at our Complete Vehicle operations are included in Europe Light Vehicle Production volumes.

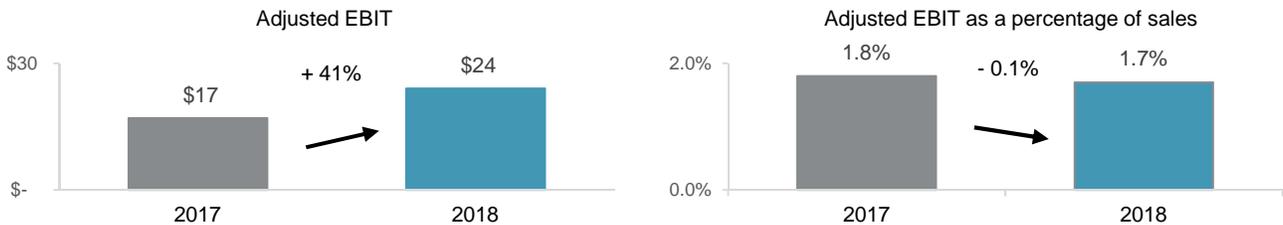
Sales – Complete Vehicles



Sales increased 48% or \$453 million to \$1.39 billion for the third quarter of 2018 compared to \$938 million for the third quarter of 2017 and assembly volumes increased 59% or 12.4 thousand units.

The increase in Complete Vehicle sales is primarily due to the launch of the Jaguar E-Pace program which started production during the third quarter of 2017 and the launch of the Jaguar I-Pace program which started production during the first quarter of 2018.

Adjusted EBIT – Complete Vehicles



Adjusted EBIT for Complete Vehicles increased \$7 million to \$24 million for the third quarter of 2018 compared to \$17 million for the third quarter of 2017 primarily as a result of earnings on higher sales and lower launch costs relating to the Jaguar E-Pace.

These factors were partially offset by higher depreciation and amortization, launch and other costs relating to the Mercedes-Benz G-Class.

Adjusted EBIT as a percentage of sales for Complete Vehicles decreased 0.1% to 1.7% for the third quarter of 2018 compared to 1.8% for the third quarter of 2017 primarily as a result of higher depreciation and amortization, launch and other costs relating to the Mercedes-Benz G-Class.

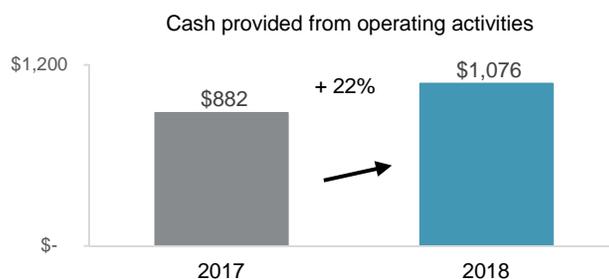
These factors were partially offset by higher margins earned on higher sales and lower launch costs relating to the Jaguar E-Pace.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other increased \$6 million to \$26 million for the third quarter of 2018 compared to \$20 million for the third quarter of 2017, primarily due to an \$11 million favourable impact of foreign exchange gains in the third quarter of 2018 compared to foreign exchange losses in the third quarter of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency partially offset by higher net foreign exchange losses and other net costs.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW FROM OPERATIONS



	For the three months ended September 30,		
	2018	2017	Change
Net income	\$ 560	\$ 521	
Items not involving current cash flows	339	352	
	899	873	\$ 26
Changes in operating assets and liabilities	177	9	168
Cash provided from operating activities	\$ 1,076	\$ 882	\$ 194

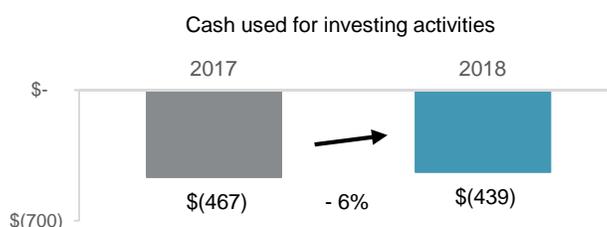
Cash provided from operating activities increased \$194 million for the third quarter of 2018 compared to the third quarter of 2017 primarily as a result of:

- a \$878 million increase in cash received from customers; and
- a \$23 million decrease in cash paid for taxes.

These factors were partially offset by:

- a \$550 million increase in cash paid for material and overhead;
- a \$136 million increase in cash paid for labour; and
- lower dividends received from equity investments of \$6 million.

CAPITAL AND INVESTING SPENDING



	For the three months ended September 30,		
	2018	2017	Change
Fixed asset additions	\$ (381)	\$ (380)	
Investments, other assets and intangible assets	(114)	(158)	
Fixed assets, investments, other assets and intangible assets additions	(495)	(538)	
Investment in Lyft	(20)	—	
Proceeds from disposition	76	71	
Cash used for investing activities	\$ (439)	\$ (467)	\$ 28

Fixed assets, investments, other assets and intangible assets additions

In the third quarter of 2018, we invested \$381 million in fixed assets. While investments were made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the third quarter of 2018 was for manufacturing equipment and buildings for programs that will be launching subsequent to the third quarter of 2018. In addition, we invested \$108 million in other assets related primarily to fully reimbursable tooling, planning, and engineering costs for programs that launched during the third quarter of 2018 or will be launching subsequent to the third quarter of 2018, and we invested a further \$6 million in equity-accounted investments.

Investment in Lyft

In the third quarter of 2018, we purchased \$20 million in Lyft shares for an equity compensation program for employees working on the multi-year collaboration with Lyft to jointly develop and manufacture self-driving systems.

Proceeds from disposition

In the third quarter of 2018, the \$76 million of proceeds related to normal course fixed and other asset disposals.

FINANCING

	For the three months ended September 30,		Change
	2018	2017	
Issues of debt	\$ 119	\$ 715	
Increase (Decrease) in short-term borrowings	149	(541)	
Repayments of debt	(6)	(33)	
Issue of Common Shares on exercise of stock options	1	9	
Repurchase of Common Shares	(520)	(422)	
Shares repurchased for tax withholdings on vesting of equity awards	(4)	—	
Dividends paid to non-controlling interest	—	(26)	
Dividends paid	(109)	(99)	
Cash used for financing activities	\$ (370)	\$ (397)	\$ 27

The increase in short-term borrowings relates primarily to a \$115 million increase in the U.S. Program and a \$105 million increase in euro-commercial paper [the "euro-Program"] during the third quarter of 2018. These increases were offset by a reduction in our bank indebtedness.

Repurchases of Common Shares during the third quarter of 2018 are related to 9.21 million Common Shares repurchased for aggregate cash consideration of \$520 million.

Cash dividends paid per Common Share were \$0.330 for the third quarter of 2018, for a total of \$109 million compared to cash dividends paid per Common Share of \$0.275 for the third quarter of 2017, for a total of \$99 million.

FINANCING RESOURCES

	As at September 30, 2018	As at December 31, 2017	Change
Liabilities			
Short-term borrowings	\$ 1,291	\$ 259	
Long-term debt due within one year	231	108	
Long-term debt	3,112	3,195	
	4,634	3,562	\$ 1,072
Non-controlling interests	487	502	(15)
Shareholders' equity	11,018	11,210	(192)
Total capitalization	\$ 16,139	\$ 15,274	\$ 865

Total capitalization increased by \$865 million to \$16.14 billion as at September 30, 2018 compared to \$15.27 billion at December 31, 2017, primarily as a result of a \$1.07 billion increase in liabilities partially offset by a \$192 million decrease in shareholders' equity and a \$15 million decrease in non-controlling interests.

The increase in liabilities relates primarily to a \$885 million increase in the U.S. Program and a \$134 million increase in the euro-Program during the first nine months of 2018.

The decrease in shareholders' equity was primarily as a result of:

- the \$1.35 billion repurchase and cancellation of 22.7 million Common Shares during the first nine months of 2018;
- a \$387 million net unrealized loss on translation of our net investment in foreign operations whose functional currency is not U.S. dollars;
- the \$342 million of dividends paid during the first nine months of 2018; and
- a \$31 million net unrealized loss on cash flow hedges.

These factors were partially offset \$1.87 billion of net income earned in the first nine months of 2018.

The decrease in non-controlling interest was primarily as a result of the decrease in income attributable to non-controlling interests in the first nine months of 2018.

CASH RESOURCES

During the third quarter of 2018, our cash resources including restricted cash equivalents increased by \$257 million to \$1.00 billion primarily as a result of the cash provided from operating activities partially offset by cash used for investing and financing activities, as discussed above. In addition to our cash resources at September 30, 2018, we had term and operating lines of credit totalling \$2.94 billion, of which \$1.35 billion was unused and available.

The Company maintains a revolving credit facility of \$2.75 billion with a maturity date of June 22, 2023. The facility includes a \$200 million Asian tranche, a \$100 million Mexican tranche and a tranche for Canada, U.S. and Europe, which is fully transferable between jurisdictions and can be drawn in U.S. dollars, Canadian dollars or euros.

MAXIMUM NUMBER OF SHARES ISSUABLE

The following table presents the maximum number of shares that would be outstanding if all of the outstanding options at November 7, 2018 were exercised:

Common Shares	334,008,124
Stock options ⁽ⁱ⁾	8,116,346
	<hr/>
	342,124,470

(i) *Options to purchase Common Shares are exercisable by the holder in accordance with the vesting provisions and upon payment of the exercise price as may be determined from time to time pursuant to our stock option plans.*

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING

There have been no material changes with respect to the contractual obligations requiring annual payments during the third quarter of 2018 that are outside the ordinary course of our business. Refer to our MD&A included in our 2017 Annual Report.

RESULTS OF OPERATIONS – FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	For the nine months ended September 30,					
	Sales			Adjusted EBIT		
	2018	2017	Change	2018	2017	Change
Body Exteriors & Structures	\$ 13,350	\$ 12,280	\$ 1,070	\$ 1,047	\$ 992	\$ 55
Power & Vision	9,334	8,685	649	915	861	54
Seating Systems	4,113	3,919	194	315	328	(13)
Complete Vehicles	4,331	2,334	1,997	44	38	6
Corporate and Other	(438)	(314)	(124)	56	62	(6)
Total reportable segments	\$ 30,690	\$ 26,904	\$ 3,786	\$ 2,377	\$ 2,281	\$ 96

BODY EXTERIORS & STRUCTURES

	For the nine months ended September 30,			Change
	2018	2017		
Sales	\$ 13,350	\$ 12,280	\$ 1,070	+ 9%
Adjusted EBIT	\$ 1,047	\$ 992	\$ 55	+ 6%
Adjusted EBIT as a percentage of sales	7.8%	8.1%		- 0.3%

Sales – Body Exteriors & Structures



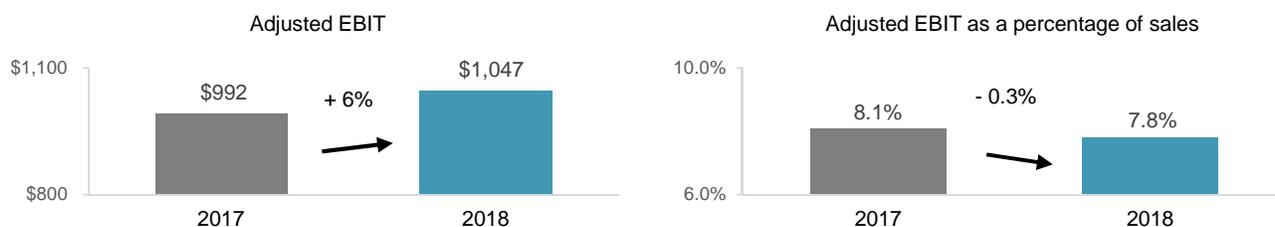
Sales for Body Exteriors & Structures increased 9% or \$1.07 billion to \$13.35 billion for the nine months ended September 30, 2018 compared to \$12.28 billion for the nine months ended September 30, 2017, primarily as a result of:

- the launch of new programs during or subsequent to the nine months ended September 30, 2017, including the:
 - Jeep Cherokee;
 - Chevrolet Equinox and GMC Terrain;
 - Jeep Compass;
 - Jeep Wrangler; and
 - Ford Expedition and Lincoln Navigator; and
- a \$265 million increase in reported U.S. dollar sales primarily as a result of the strengthening of the euro against the U.S. dollar.

These factors were partially offset by:

- the impact of a change in production volumes on various other programs; and
- net customer price concessions subsequent to the nine months ended September 30, 2017.

Adjusted EBIT – Body Exteriors & Structures



Adjusted EBIT for Body Exteriors & Structures increased \$55 million to \$1.05 billion for the nine months ended September 30, 2018 compared to \$992 million for the nine months ended September 30, 2017 primarily as a result of:

- earnings on higher sales;
- favourable customer pricing resolutions in the third quarter of 2018;
- productivity and efficiency improvements at certain facilities;
- foreign exchange gains in the nine months ended September 30, 2018 compared to foreign exchange losses in the nine months ended September 30, 2017;
- higher scrap steel recoveries in excess of higher net commodity costs; and
- a \$12 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the euro, Canadian dollar and Chinese renminbi each against the U.S. dollar.

These factors were partially offset by:

- higher launch costs;
- inefficiencies at a plant we are closing and restructuring costs incurred at a certain facility, both in Body Exteriors & Structures;
- a fire at a Tier 1 supplier in North America during the second quarter of 2018 which disrupted vehicle production, resulting in lower sales and earnings; and
- net customer price concessions subsequent to the nine months ended September 30, 2017.

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures decreased 0.3% to 7.8% for the nine months ended September 30, 2018 compared to 8.1% for the nine months ended September 30, 2017 primarily as a result of:

- higher launch costs;
- inefficiencies at a plant we are closing and restructuring costs incurred at a certain facility, both in Body Exteriors & Structures; and
- a fire at a Tier 1 supplier in North America during the second quarter of 2018 which disrupted vehicle production, resulting in lower sales and earnings.

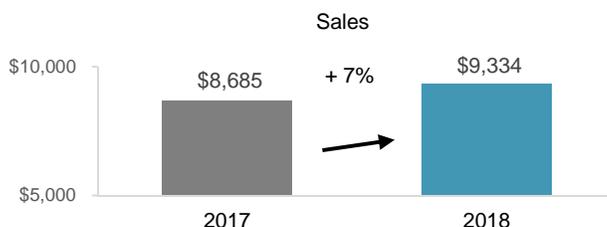
These factors were partially offset by:

- productivity and efficiency improvements at certain facilities;
- favourable customer pricing resolutions in the third quarter of 2018;
- foreign exchange gains in the nine months ended September 30, 2018 compared to foreign exchange losses in the nine months ended September 30, 2017; and
- higher scrap steel recoveries in excess of higher net commodity costs.

POWER & VISION

	For the nine months ended September 30,		Change	
	2018	2017		
Sales	\$ 9,334	\$ 8,685	\$ 649	+ 7%
Adjusted EBIT	\$ 915	\$ 861	\$ 54	+ 6%
Adjusted EBIT as a percentage of sales	9.8%	9.9%		- 0.1%

Sales – Power & Vision

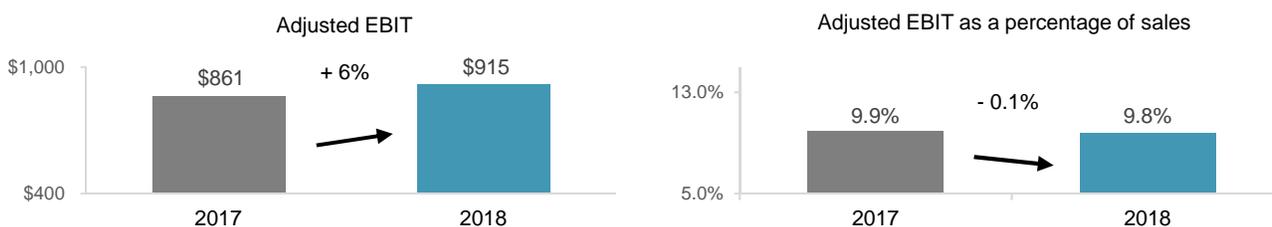


Sales for Power & Vision increased 7% or \$649 million to \$9.33 billion for the nine months ended September 30, 2018 compared to \$8.69 billion for the nine months ended September 30, 2017, primarily as a result of:

- the launch of new programs during or subsequent to the nine months ended September 30, 2017, including the;
 - Chevrolet Traverse and Buick Enclave;
 - Jeep Wrangler;
 - Audi A6;
 - Volkswagen Tiguan;
 - Ford Expedition and Lincoln Navigator; and
 - dual-clutch transmissions on various BMW and Daimler vehicles; and
- a \$325 million increase in reported U.S. dollar sales primarily as a result of the strengthening of the euro against the U.S. dollar.

These factors were partially offset by the impact of a change in production volumes on various other programs, facility divestitures subsequent to the nine months ended September 30, 2017 which negatively impacted sales by \$20 million and net customer price concessions subsequent to the nine months ended September 30, 2017.

Adjusted EBIT – Power & Vision



Adjusted EBIT for Power & Vision increased \$54 million to \$915 million for the nine months ended September 30, 2018 compared to \$861 million for the nine months ended September 30, 2017 primarily as a result of:

- higher equity income, excluding the impact of foreign exchange, of \$38 million;
- earnings on higher sales;
- a \$27 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the euro, Chinese renminbi and Canadian dollar, each against the U.S. dollar;
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag;
- lower foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017;
- facility divestitures subsequent to the nine months ended September,30 2017; and
- lower launch costs.

These factors were partially offset by:

- spending associated with electrification and autonomy;
- higher warranty costs of \$32 million;
- net favourable commercial settlements during the nine months ended September 30, 2017;
- higher commodity costs; and
- net customer price concessions subsequent to the nine months ended September 30, 2017.

Equity income, excluding the impact of foreign exchange, was \$38 million higher due to earnings on higher sales at certain equity-accounted operations, largely due to the launch of new business subsequent to the third quarter of 2017 a favourable change in the reserve for uncertain tax position at a certain facility and lower warranty costs at certain facilities partially offset by higher pre-operating costs incurred at a new facility and a write-down of inventory and receivables relating to one customer at a certain facility.

Adjusted EBIT as a percentage of sales for Power & Vision decreased 0.1% to 9.8% for the nine months ended September 30, 2018 compared to 9.9% for the nine months ended September 30, 2017 primarily as a result of:

- spending associated with electrification and autonomy;
- higher warranty costs;
- net favourable commercial settlements during the nine months ended September 30, 2017; and
- higher commodity costs.

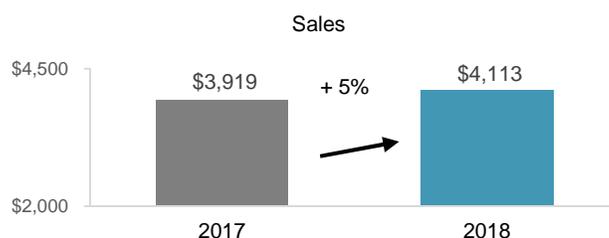
These factors were partially offset by:

- higher equity income;
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag;
- lower foreign exchange losses in the third quarter of 2018 compared to the third quarter of 2017;
- facility divestitures subsequent to the nine months ended September,30 2017; and
- lower launch costs.

SEATING SYSTEMS

	For the nine months ended September 30,		Change	
	2018	2017		
Sales	\$ 4,113	\$ 3,919	\$ 194	+ 5%
Adjusted EBIT	\$ 315	\$ 328	\$ (13)	- 4%
Adjusted EBIT as a percentage of sales	7.7%	8.4%		- 0.7%

Sales – Seating Systems



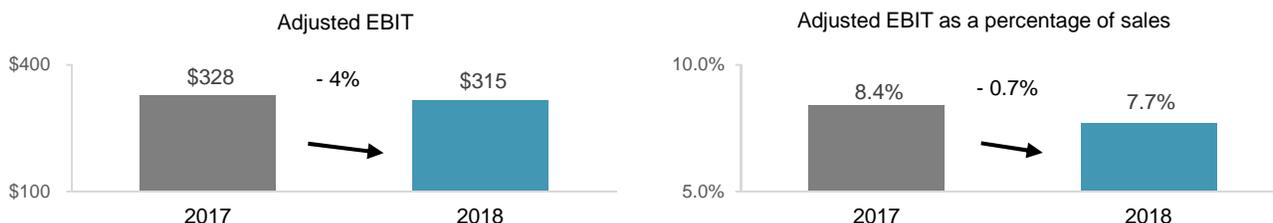
Sales in Seating Systems increased 5% or \$194 million to \$4.11 billion for the nine months ended September 30, 2018 compared to \$3.92 billion for the nine months ended September 30, 2017, primarily as a result of:

- the launch of new programs during or subsequent to the nine months ended September 30, 2017, including the;
 - Ford Expedition and Lincoln Navigator;
 - Lynk & Co. 01 and 02;
 - Ford Fiesta; and
 - Chevrolet Traverse and Buick Enclave; and
- a \$3 million increase in reported U.S. dollar sales as a result of the strengthening of certain foreign currencies against the U.S. dollar, including the euro and Canadian dollar partially offset by the weakening of certain foreign currencies against the U.S. dollar, including the Turkish lira, Argentine peso and Brazil real.

These factors were partially offset by:

- the end of production on certain programs;
- the impact of a change in production volumes on various other programs;
- a facility divestiture subsequent to the nine months ended September 30, 2017 which negatively impacted sales by \$44 million; and
- net customer price concessions subsequent to the nine months ended September 30, 2017.

Adjusted EBIT – Seating Systems



Adjusted EBIT for Seating Systems decreased \$13 million to \$315 million for the nine months ended September 30, 2018 compared to \$328 million for the nine months ended September 30, 2017 primarily as a result of:

- higher pre-operating costs incurred at new facilities;
- higher foreign exchange losses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, primarily due to the weakening of the Argentine peso against the U.S. dollar; and
- net customer price concessions subsequent to the third quarter of 2017.

These factors were partially offset by earnings on higher sales and higher equity income, excluding the impact of foreign exchange, of \$8 million.

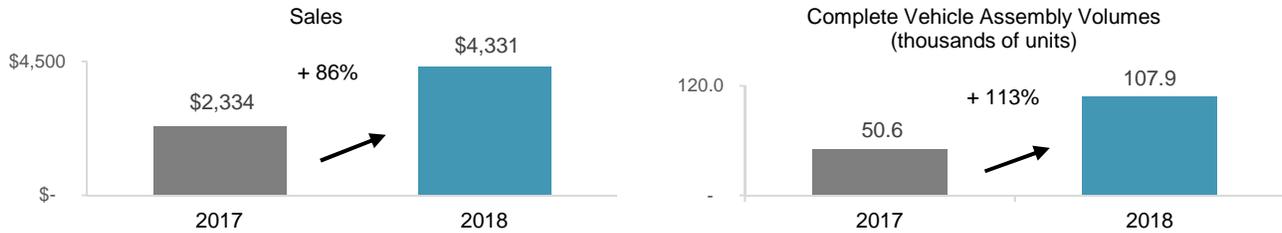
Adjusted EBIT as a percentage of sales for Seating Systems decreased 0.7% to 7.7% for the nine months ended September 30, 2018 compared to 8.4% for the nine months ended September 30, 2017 primarily as a result of higher pre-operating costs incurred at new facilities partially offset by higher equity income.

COMPLETE VEHICLES

	For the nine months ended September 30,		Change	
	2018	2017		
Complete Vehicle Assembly Volumes (thousands of units) ⁽ⁱ⁾	107.9	50.6	57.3	+ 113%
Sales	\$ 4,331	\$ 2,334	\$ 1,997	+ 86%
Adjusted EBIT	\$ 44	\$ 38	\$ 6	+ 16%
Adjusted EBIT as a percentage of sales	1.0%	1.6%		- 0.6%

(i) Vehicles produced at our Complete Vehicle operations are included in Europe Light Vehicle Production volumes.

Sales – Complete Vehicles



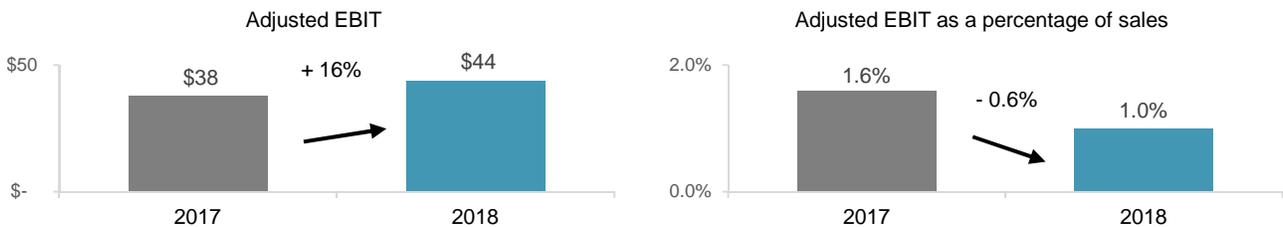
Sales increased 86% or \$2.00 billion to \$4.33 billion for the nine months ended September 30, 2018 compared to \$2.33 billion for the nine months ended September 30, 2017 and assembly volumes increased 113% or 57.3 thousand units.

The increase in Complete Vehicle sales is primarily due to:

- the launch of the Jaguar E-Pace program which started production during the third quarter of 2017;
- the launch of the BMW 5-Series which started production during the first quarter of 2017;
- a \$303 million increase in reported U.S. dollar sales as a result of the strengthening of the euro against the U.S. dollar; and
- the launch of the Jaguar I-Pace program which started production during the first quarter of 2018.

These factors were partially offset by the impact of lower volumes on the launch of the new Mercedes-Benz G-Class.

Adjusted EBIT – Complete Vehicles



Adjusted EBIT for Complete Vehicles increased \$6 million to \$44 million for the nine months ended September 30, 2018 compared to \$38 million for the nine months ended September 30, 2017 primarily as a result of:

- earnings on higher sales of the BMW 5-Series;
- earnings on higher sales of the Jaguar E-Pace and I-Pace; and
- a lower amount of employee profit sharing.

These factors were partially offset by:

- higher launch and other costs relating to the Mercedes-Benz G-Class and Jaguar I-Pace partially offset by lower launch costs relating to the Jaguar E-Pace; and
- reduced earnings from higher depreciation and amortization and lower sales as a result of the launch of the new Mercedes-Benz G-Class.

Adjusted EBIT as a percentage of sales for Complete Vehicles decreased 0.6 % to 1.0% for the nine months ended September 30, 2018 compared to 1.6% for the for the nine months ended September 30, 2017 primarily as a result of:

- higher launch and other costs relating to the Mercedes-Benz G-Class and Jaguar I-Pace partially offset by lower launch cost relating to the Jaguar E-Pace; and
- reduced earnings from higher depreciation and amortization and lower sales as a result of the launch of the new Mercedes-Benz G-Class.

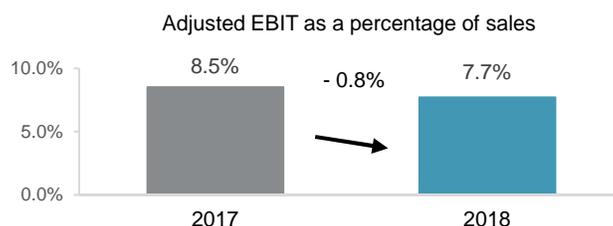
These factors were partially offset by margins earned on higher sales of the BMW 5-Series.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other decreased \$6 million to \$56 million for the nine months ended September 30, 2018 compared to \$62 million for the nine months ended September 30, 2017, primarily due to a \$10 million unfavourable impact of lower foreign exchange gains in the first nine months of 2018 compared to the first nine months of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency partially offset by lower costs to support our global compliance programs as a result of the substantial completion of our global review focused on antitrust risk.

NON-GAAP PERFORMANCE MEASURES - FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

ADJUSTED EBIT AS A PERCENTAGE OF SALES



The table below shows the change in Magna's Sales and Adjusted EBIT by segment and the impact each segment's changes have on Magna's Adjusted EBIT as a percentage of sales for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Nine months ended September 30, 2017	\$ 26,904	\$ 2,281	8.5%
Increase (Decrease) related to:			
Body Exteriors & Structures	1,070	55	- 0.1%
Power & Vision	649	54	—
Seating Systems	194	(13)	- 0.1%
Complete Vehicles	1,997	6	- 0.6%
Corporate and Other	(124)	(6)	—
Nine months ended September 30, 2018	\$ 30,690	\$ 2,377	7.7%

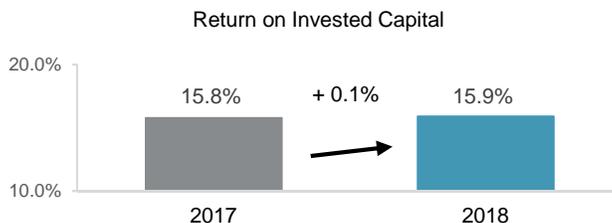
Adjusted EBIT as a percentage of sales decreased 0.8% to 7.7% for the nine months ended September 30, 2018 compared to 8.5% for the nine months ended September 30, 2017 primarily as a result of an increase in the proportion of sales generated in our Complete Vehicles segment relative to total sales, which have a lower margin than our consolidated average. Other items decreasing Adjusted EBIT as a percentage of sales include:

- higher launch costs, primarily in our Body Exteriors & Structures segment;
- spending associated with electrification and autonomy in our Power & Vision segment;
- higher pre-operating costs incurred at new facilities, primarily in our Seating Systems segment; and
- higher warranty costs, primarily in our Power & Vision segment.

These factors were partially offset by:

- foreign exchange gains in the nine months ended September 30, 2018 compared to foreign exchange losses in the nine months ended September 30, 2017;
- higher equity income, primarily in our Power & Vision and Seating Systems segments;
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities;
- favourable customer pricing resolutions in the third quarter of 2018 in our Body Exteriors & Structures segment; and
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag in our Power & Vision segment.

RETURN ON INVESTED CAPITAL



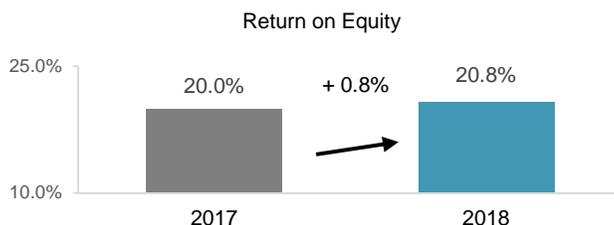
Return on Invested Capital increased 0.1% to 15.9% for the nine months ended September 30, 2018 compared to 15.8% for the nine months ended September 30, 2017, primarily as a result of an increase in After-tax operating profits partially offset by higher Average Invested Capital.

After-tax operating profits increased primarily as a result of higher sales, lower income taxes, higher equity income, a favourable increase in Other expense (income), net, and SG&A partially offset by higher cost of goods sold and depreciation and amortization.

Average Invested Capital increased \$1.68 billion to \$16.13 billion for the nine months ended September 30, 2018 compared to \$14.45 billion for the nine months ended September 30, 2017 primarily due to:

- an increase in our investment in fixed assets to refurbish or replace assets consumed in the normal course of business and for manufacturing equipment for programs that will be launching subsequent to the nine months ended September 30, 2018;
- the net strengthening of foreign currencies against the U.S. dollar;
- an increase in working capital; and
- an increase in investments, including our investment in Lyft equity during the second quarter of 2018.

RETURN ON EQUITY



Return on Equity increased 0.8% to 20.8% for the nine months ended September 30, 2018 compared to 20.0% for the nine months ended September 30, 2017. Return on Equity was higher as net income attributable to Magna increased at a higher rate than the increase in Average Shareholders' Equity.

NON-GAAP FINANCIAL MEASURES RECONCILIATION

ADJUSTED EBIT

Adjusted EBIT is discussed in the "Segment Analysis" section. The following table reconciles net income to Adjusted EBIT:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net Income	\$ 560	\$ 521	\$ 1,865	\$ 1,669
Add:				
Interest Expense, net	23	20	67	50
Other expense (income), net	2	2	(34)	11
Income Taxes	114	162	479	551
Adjusted EBIT	\$ 699	\$ 705	\$ 2,377	\$ 2,281

ADJUSTED EBIT AS A PERCENTAGE OF SALES

Adjusted EBIT as a percentage of sales is discussed in the "Non-GAAP Performance Measures" section and is calculated in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Sales	\$ 9,618	\$ 8,864	\$ 30,690	\$ 26,904
Adjusted EBIT	\$ 699	\$ 705	\$ 2,377	\$ 2,281
Adjusted EBIT as a percentage of sales	7.3%	8.0%	7.7%	8.5%

ADJUSTED DILUTED EARNINGS PER SHARE

Adjusted diluted earnings per share has been discussed in the "Earnings per Share" section. The following table reconciles net income attributable to Magna International Inc. to Adjusted diluted earnings per share:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net income attributable to Magna International Inc.	\$ 554	\$ 512	\$ 1,840	\$ 1,637
Add:				
Other expense (income), net	2	2	(34)	11
Tax effect on Other expense (income), net	—	—	3	—
Reassessment of deferred tax balances	(21)	—	(21)	—
Adjusted net income attributable to Magna International Inc.	535	514	1,788	1,648
Diluted weighted average number of Common Shares outstanding during the period (millions)	343.0	370.4	352.3	377.7
Adjusted diluted earnings per share	\$ 1.56	\$ 1.39	\$ 5.08	\$ 4.36

RETURN ON INVESTED CAPITAL

Return on Invested Capital is discussed in the "Non-GAAP Performance Measures" section. Return on Invested Capital is calculated as After-tax operating profits divided by average Invested Capital for the period.

After-tax operating profits is calculated in the table below:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2018	2017	2018	2017
Net Income	\$ 560	\$ 521	\$ 1,865	\$ 1,669
Add:				
Interest Expense, net	23	20	67	50
Income taxes on Interest Expense, net at Magna's effective income tax rate:	(1)	(3)	(11)	(10)
After-tax operating profits	\$ 582	\$ 538	\$ 1,921	\$ 1,709

Invested Capital is calculated in the table below:

	<u>As at September 30,</u>	
	2018	2017
Total Assets	\$ 26,665	\$ 25,182
Excluding:		
Cash and cash equivalents	(884)	(783)
Deferred tax assets	(274)	(257)
Less Current Liabilities	(10,784)	(9,257)
Excluding:		
Short-term borrowings	1,291	457
Long-term debt due within one year	231	102
Invested Capital	\$ 16,245	\$ 15,444

Return on Invested Capital is calculated in the table below:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2018	2017	2018	2017
After-tax operating profits	\$ 582	\$ 538	\$ 1,921	\$ 1,709
Average Invested Capital	\$ 16,342	\$ 15,219	\$ 16,130	\$ 14,451
Return on Invested Capital	14.2%	14.1%	15.9%	15.8%

RETURN ON EQUITY

Return on Equity is discussed in the "Non-GAAP Performance Measures" section and is calculated in the table below:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	2018	2017	2018	2017
Net income attributable to Magna International Inc.	\$ 554	\$ 512	\$ 1,840	\$ 1,637
Average Shareholders' Equity	\$ 11,577	\$ 11,331	\$ 11,789	\$ 10,919
Return on Equity	19.1%	18.1%	20.8%	20.0%

SUBSEQUENT EVENTS

Normal Course Issuer Bid

Subsequent to September 30, 2018, we purchased for cancellation 3,030,500 Common Shares under an existing normal course issuer bid for cash consideration of \$150 million through a pre-defined automatic securities purchase plan with a designated broker.

Subject to approval by the Toronto Stock Exchange ["TSX"] and the New York Stock Exchange ["NYSE"], our Board of Directors approved a new normal course issuer bid to purchase up to 33.2 million of our Common Shares, representing approximately 10% of our public float of Common Shares. The primary purposes of the normal course issuer bid are purchases for cancellation as well as purchases to fund our stock-based compensation awards or programs and/or its obligations to its deferred profit sharing plans. The normal course issuer bid is expected to commence on or about November 15, 2018 and will terminate one year later. All purchases of Common Shares will be made at the market price at the time of purchase in accordance with the rules and policies of the TSX or on the NYSE in compliance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934.

Purchases may also be made through other published markets, or by such other means permitted by the TSX, including by private agreement or specific share repurchase program at a discount to the prevailing market price, pursuant to an issuer bid exemption order issued by a securities regulatory authority.

Credit Facility

On October 12, 2018, we entered into a 364-day syndicated credit agreement that provides for a USD \$300 million revolving credit facility in Canada to be used for general corporate purposes. As of November 7, 2018, we had not borrowed any funds under this credit facility.

Acquisition of OLSA S.p.A.

On October 31, 2018, we completed the acquisition of 100% of the equity interest in OLSA S.p.A ["OLSA"]. OLSA is a global company which designs, engineers and manufactures tail lamps and other lighting products. The purchase price was \$275 million (net of cash acquired and including debt assumed) and is subject to working capital and other customary purchase price adjustments. The transaction will be accounted for as a business combination, however given the timing of the closing of the acquisition, the purchase accounting is incomplete at this time. As a result, it is not practicable for us to disclose the allocation of the purchase price to assets acquired and liabilities assumed. This information will be included in our 2018 Annual Report to Shareholders.

FUTURE CHANGES IN ACCOUNTING POLICIES

Refer to Note 1 - Significant Accounting Policies included in our unaudited interim consolidated financial statements for the three months ended September 30, 2018 included in this Quarterly Report for the impact of recently issued accounting pronouncements.

COMMITMENTS AND CONTINGENCIES

From time to time, we may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims. Refer to note 22 of our audited consolidated financial statements for the year ended December 31, 2017, which describes these claims.

For a discussion of risk factors relating to legal and other claims/actions against us, refer to "Item 5. Risk Factors" in our Annual Information Form and Annual Report on Form 40-F, each in respect of the year ended December 31, 2017.

On July 27, 2018, we exercised our rights of first refusal to acquire two properties in the United States that we currently lease from Granite Real Estate Investment Trust. Subsequently, we rescinded our rights to acquire both properties.

CONTROLS AND PROCEDURES

There have been no changes in our internal controls over financial reporting that occurred during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

We disclose "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") to provide information about management's current expectations and plans. Such forward-looking statements may not be appropriate for other purposes.

Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or economic performance, or the assumptions underlying any of the foregoing, and other statements that are not recitations of historical fact. We use words such as "may", "would", "could", "should", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "aim", "forecast", "outlook", "project", "estimate", "target" and similar expressions suggesting future outcomes or events to identify forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements related to the expected closing of the sale of our Fluid Pressure & Controls business.

Our forward-looking statements are based on information currently available to us, and are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

While we believe we have a reasonable basis for making such forward-looking statements, they are not a guarantee of future performance or outcomes. Whether actual results and developments conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict, including, without limitation:

Risks Related to the Automotive Industry

- economic cyclicality;
- intense competition;
- potential restrictions on free trade, including new, continued or higher tariffs on commodities and/or automobiles;
- escalation of international trade disputes;
- declines in vehicle sales and production volumes in China;

Customer and Supplier Related Risks

- concentration of sales with six customers;
- shifts in market shares among vehicles or vehicle segments;
- shifts in "take rates" for products we sell;
- potential loss of any material purchase orders;

Manufacturing Operational Risks

- product and new facility launch risks;
- operational underperformance;
- restructuring costs;
- impairment charges;
- labour disruptions;
- supply disruptions;

IT Security Risk

- IT/Security breaches;

Pricing Risks

- pricing risks between time of quote and start of production;
- price concessions above contractual long-term agreement percentages;
- commodity cost increases;
- declines in scrap steel prices;

Warranty / Recall Risks

- costs to repair or replace defective products;
- warranty costs that exceed warranty provisions;
- costs related to significant recalls;

Acquisition Risks

- an increase in our risk profile as a result of completed acquisitions;
- acquisition integration risks;

Other Business Risks

- risks related to conducting business through joint ventures;
- our ability to consistently develop innovative products or processes;
- changing risk profile as a result of investment in strategic product areas such as powertrain and electronics;
- risks of conducting business in foreign markets;
- fluctuations in relative currency values;
- tax risks;
- changes in credit ratings assigned to us;
- the unpredictability of, and fluctuation in, the trading price of our Common Shares;

Legal, Regulatory and Other Risks

- antitrust and compliance risks;
- legal claims and/or regulatory actions against us; and
- changes in laws.

In evaluating forward-looking statements or forward-looking information, we caution readers not to place undue reliance on any forward-looking statement, and 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, including the risks, assumptions and uncertainties above which are discussed in greater detail in this document under the section titled "Industry Trends and Risks" and set out in our Annual Information Form filed with securities commissions in Canada and our annual report on Form 40-F filed with the United States Securities and Exchange Commission, and subsequent filings.