Magna International Inc.

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

for the three months ended June 30, 2018

MAGNA INTERNATIONAL INC.

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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 June 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 June 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 17 of our unaudited interim consolidated financial statements for the three months ended June 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 August 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 quarter ended June 30, 2018, we posted new second quarter records in sales, income from operations before income taxes, net income attributable to Magna, diluted earnings per share, Adjusted EBIT and Adjusted diluted earnings per share.

Total sales increased 12% to $10.28 billion, compared to global light vehicle production which increased 8% from the second quarter of 2017. Our sales growth largely reflected the launch of new programs and the strengthening of a number of foreign currencies against the U.S. dollar. Each of our operating segments reported increased sales.

Diluted earnings per share were $1.77, an increase of 23% over the second quarter of 2017. The higher earnings reflected our higher sales, increased equity income, a gain on our private equity investments, a lower income tax rate due to tax reform in the U.S., and a reduced share count primarily as a result of share repurchases.

We returned $844 million to shareholders in the second quarter of 2018, including $729 million in share repurchases and $115 million in dividends.

In the second quarter we announced our intention to form two new joint ventures with Beijing Electric Vehicle Co. Ltd, a subsidiary of BAIC Group, for complete vehicle manufacturing as well as engineering of electric vehicles. The engineering and manufacturing joint ventures are expected to take over an existing BAIC manufacturing facility in Zhenjiang, China, where the first production vehicles are planned for 2020. The plant has the capacity to build up to 180,000 vehicles per year.

Lastly, we announced on June 26, 2018 that we had signed an agreement to acquire OLSA S.p.A., which will expand our lighting capabilities to enable us to design, engineer and manufacture headlamps, tail lamps and other lighting products in every key region of the world.

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 339 manufacturing operations and 89 product development, engineering and sales centres in 28 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; international conflicts; labour relations issues; regulatory requirements; trade agreements; infrastructure; legislative changes; and environmental emissions and safety standards. These factors 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; are discussed in our Annual Information Form ("AIF") and Annual Report on Form 40-F ("Form 40-F"), each in respect of the year ended December 31, 2017, and remain substantially unchanged in respect of the second quarter ended June 30, 2018, except that:

- the imposition of new or higher tariffs by the U.S. on steel, aluminum and other imports from certain countries, together with retaliatory measures taken by affected countries, could directly or indirectly increase our input costs and adversely affect our profitability. Additionally, the potential imposition of new or higher tariffs on vehicles imported into the U.S., China or elsewhere could increase the cost of, and may reduce demand for, such vehicles, which could have a material adverse effect on our profitability;
- further escalation of international trade disputes could, among other things, weaken consumer confidence, reduce demand for and production of vehicles, disrupt global supply chains, distort commodity pricing, impair the ability of automotive suppliers and vehicle manufacturers to make efficient long-term investment decisions, create volatility in relative foreign exchange rates, and cause stock market volatility; and
- in addition to the market shift risks identified in our AIF/Form 40-F, shifts in consumer preferences may impact "take rates" for certain types of products we sell. Examples of such products include: manual and dual-clutch transmissions; all-wheel drive systems; power liftgates; active aerodynamics systems; advanced driver assistance systems; seating systems; and complete vehicles with certain option packages or option choices. Where shifts in consumer preferences result in higher "take rates" for products that we do not sell, such as planetary or continuously variable transmissions, or for products we sell at a lower price and margin, such as cloth seats instead of leather seats, our profitability may be adversely affected. Changing “take rates” may also affect the assumptions on which we base our Outlook. For example, we have reduced our Outlook for Equity Income in 2018 and 2020 to reflect lower than previously forecast "take rates" for the manual transmissions supplied by some of our joint venture operations in China and Europe.

RESULTS OF OPERATIONS

AVERAGE FOREIGN EXCHANGE

	For the three months ended June 30,			For the six months ended June 30,		
	2018	2017	Change	**2018**	2017	Change
1 Canadian dollar equals U.S. dollars	**0.775**	0.744	+ 4%	**0.782**	0.750	+ 4%
1 euro equals U.S. dollars	**1.193**	1.101	+ 8%	**1.211**	1.083	+ 12%
1 Chinese renminbi equals U.S. dollars	**0.157**	0.146	+ 8%	**0.157**	0.145	+ 8%

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 June 30, 2018 and six months ended June 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

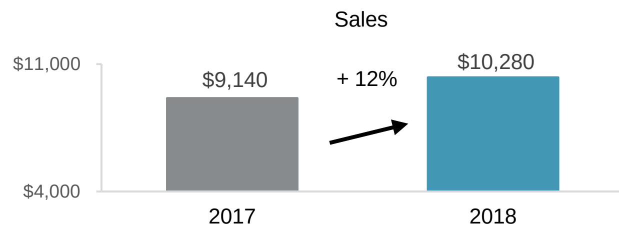
Our operating results are mostly dependent on light vehicle production in the regions reflected in the table below:

Light Vehicle Production Volumes *(thousands of units)*

	For the three months ended June 30,			For the six months ended June 30,		
	2018	2017	Change	**2018**	2017	Change
North America	**4,442**	4,456	—	**8,856**	8,990	- 1%
Europe	**6,203**	5,801	+ 7%	**12,215**	11,700	+ 4%
China	**6,890**	5,999	+ 15%	**13,655**	12,763	+ 7%

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

SALES



Sales increased 12% or $1.14 billion to $10.28 billion for the second quarter of 2018 compared to $9.14 billion for the second quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the second quarter of 2017, in particular in our Body Exteriors & Structures and Complete Vehicles business; and
- a $359 million increase in reported U.S. dollar sales as a result of the strengthening of foreign currencies against the U.S. dollar, including the euro, Canadian dollar 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 June 30,		
	2018	2017	Change
Cost of goods sold			
Material	**$ 6,331**	$ 5,554	$ 777
Direct labour	**766**	666	100
Overhead	**1,698**	1,525	173
Cost of goods sold	**$ 8,795**	$ 7,745	$ 1,050

Cost of goods sold increased $1.05 billion to $8.80 billion for the second quarter of 2018 compared to $7.75 billion for the second 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 a $318 million net increase in reported U.S. dollar cost of goods sold primarily due to the strengthening of the euro, Canadian dollar and Chinese renminbi, each against the U.S. dollar, higher launch costs and higher pre-operating costs incurred at new facilities.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization costs increased $38 million to $320 million for the second quarter of 2018 compared to $282 million for the second 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 second quarter of 2017 and a $13 million net increase in reported U.S. dollar depreciation and amortization mainly due to the strengthening of the euro against the U.S. dollar.

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

SG&A expense as a percentage of sales was 4.2% for the second quarter of 2018 compared to 4.5% for the second quarter of 2017. SG&A expense increased $25 million to $434 million for the second quarter of 2018 compared to $409 million for the second quarter of 2017. The 0.3% 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 $25 million increase in SG&A expense was primarily due to:

- a general increase in SG&A costs to support the growth in sales;
- a $22 million unfavourable impact of higher foreign exchange losses in the second quarter of 2018 compared to foreign exchange gains in the second quarter of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency;
- an $11 million net increase in the reported U.S. dollar SG&A expense primarily due to the strengthening of the euro against the U.S. dollar;
- a reduction in an indemnity receivable related to the acquisition of Getrag as a result of the favourable change in the reserve for uncertain tax provisions at a certain equity accounted Power & Vision facility (see "Equity Income" below);
- higher labour and benefit costs; and
- higher incentive and executive compensation.

These factors were partially offset by foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017 and lower costs to support our global compliance programs as a result of the substantial completion of our global review focused on antitrust risk.

INTEREST EXPENSE, NET

During the second quarter of 2018, we recorded net interest expense of $23 million compared to $11 million for the second quarter of 2017. The $12 million increase is primarily as a result of interest income earned on favourable tax settlements during the second quarter of 2017, interest expense on the €600 million 1.500% fixed-rate Senior Notes issued on September 25, 2017 and higher interest expense due to the increase in borrowings on our U.S. commercial paper [the "U.S. Program"].

EQUITY INCOME

Equity income increased $18 million to $72 million for the second quarter of 2018 compared to $54 million for the second quarter of 2017, primarily due to:

- earnings on higher sales at certain Power & Vision equity-accounted operations, largely due to the launch of new business subsequent to the second quarter of 2017; and
- a favourable change in the reserve for uncertain tax positions at a certain Power & Vision facility.

These factors were partially offset by a write-down of inventory and receivables relating to one customer and higher warranty costs, both at a certain Power & Vision facility.

OTHER (INCOME) EXPENSE, NET

During the second quarter of 2018, we recorded an unrealized gain of $56 million ($53 million after tax) on the revaluation of our private equity investments.

During the second quarter of 2018, we recorded net restructuring charges of $12 million ($12 million after tax) at certain Power & Vision operations and $5 million ($5 million after tax) at a Body Exteriors & Structures operations. During the second quarter of 2017 we recorded net restructuring charges of $3 million ($3 million after tax) at a Power & Vision operation.

INCOME FROM OPERATIONS BEFORE INCOME TAXES

Income from operations before income taxes increased $75 million to $819 million for the second quarter of 2018 compared to $744 million for the second quarter of 2017. The increase in income from operations before income taxes is the result of a $1.14 billion increase in sales, a favourable $42 million increase in Other (income) expense, net and a $18 million increase in equity income partially offset by a $1.05 billion increase in cost of sales, a $38 million increase in depreciation and amortization, a $25 million increase in SG&A, and a $12 million increase in interest expense, net, each as discussed above.

INCOME TAXES

	For the three months ended June 30,					
	2018			2017		
Income Taxes as reported	**$**	**183**	**22.3%**	$	183	24.6%
Tax effect on Other (Income) Expense, net		**(3)**	**0.8**		—	(0.1)
	$	**180**	**23.1%**	$	183	24.5%

Excluding Other (Income) Expense, net, after tax, the effective income tax rate decreased to 23.1% for the second quarter of 2018 compared to 24.5% for the second quarter of 2017 primarily due to a reduction in the U.S. federal statutory tax rate beginning in 2018 as a result of the tax reform in the U.S. Other items lowering the effective tax rate include:

- a reduction in losses not benefited in Europe and South America; and
- an increase in equity income.

These factors were partially offset by an increase in non-deductible losses related to the re-measurement of financial statement balances of foreign subsidiaries that are maintained in a currency other than their functional currency, and higher accrued tax on undistributed foreign earnings.

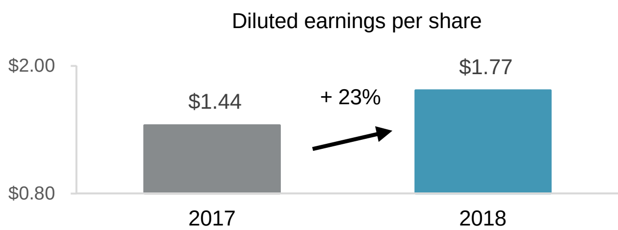
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

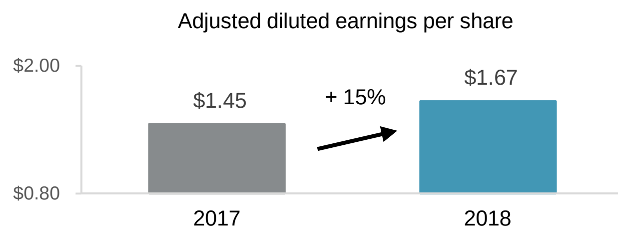
Income attributable to non-controlling interests decreased $3 million to $10 million for the second quarter of 2018 compared to $13 million for the second quarter of 2017.

NET INCOME ATTRIBUTABLE TO MAGNA INTERNATIONAL INC.

Net income attributable to Magna International Inc. increased $78 million to $626 million for the second quarter of 2018 compared to $548 million for the second quarter of 2017, as a result of an increase in income from operations before income taxes of $75 million and a decrease in income attributable to non-controlling interests of $3 million, each as discussed above.

EARNINGS PER SHARE





	For the three months ended June 30,					
		2018		2017		Change
Earnings per Common Share						
Basic	**$**	**1.78**	$	1.45	+	23%
Diluted	**$**	**1.77**	$	1.44	+	23%
Weighted average number of Common Shares outstanding (millions)						
Basic		**351.4**		377.9	-	7%
Diluted		**354.1**		379.5	-	7%
Adjusted diluted earnings per share	**$**	**1.67**	$	1.45	+	15%

Diluted earnings per share increased $0.33 to $1.77 for the second quarter of 2018 compared to $1.44 for the second 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 second 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 second quarter of 2017, pursuant to our normal course issuer bids.

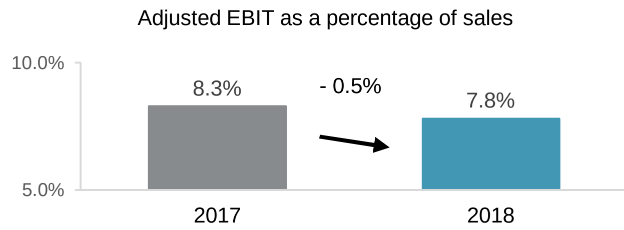
Other (income) expense, net, after tax, positively impacted diluted earnings per share by $0.10 for the second quarter of 2018 and negatively impacted diluted earnings per share by $0.01 for the second quarter of 2017, as discussed in the "Other (income) expense, net" section.

Adjusted diluted earnings per share, as reconciled in the "Non-GAAP Financial Measures Reconciliation" section, increased $0.22 to $1.67 for the second quarter of 2018 compared to $1.45 for the second quarter of 2017.

NON-GAAP PERFORMANCE MEASURES - FOR THE THREE MONTHS ENDED JUNE 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 second quarter of 2018 compared to the second quarter of 2017:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Second quarter of 2017	$ 9,140	$ 758	8.3%
Increase (Decrease) related to:			
Body Exteriors & Structures	442	48	+ 0.1%
Power & Vision	305	33	+ 0.1%
Seating Systems	57	(1)	- 0.1%
Complete Vehicles	411	(14)	- 0.5%
Corporate and Other	(75)	(21)	- 0.1%
Second quarter of 2018	**$ 10,280**	**$ 803**	**7.8%**

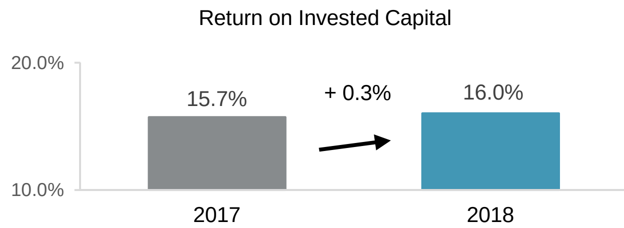
Adjusted EBIT as a percentage of sales decreased 0.5% to 7.8% for the second quarter of 2018 compared to 8.3% for the second quarter of 2017 primarily as a result of an increase in the proportion of sales generated in our Complete Vehicles segment relative to total sales, which have a lower margin than our consolidated average. Other items decreasing Adjusted EBIT as a percentage of sales include:

- higher launch costs, primarily in our Body Exteriors & Structures and Complete Vehicles segments;
- foreign exchange losses in the second quarter of 2018 compared to foreign exchange gains in the second quarter of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency;
- spending associated with electrification and autonomy; 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:

- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017;
- higher equity income; and
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities.

RETURN ON INVESTED CAPITAL



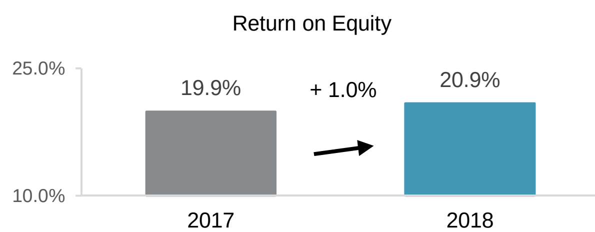
Return on Invested Capital increased 0.3% to 16.0% for the second quarter of 2018 compared to 15.7% for the second quarter of 2017, primarily as a result of an increase in After-tax operating profits partially offset by higher Average Invested Capital.

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

Average Invested Capital increased $1.83 billion to $16.32 billion for the second quarter of 2018 compared to $14.49 billion for the second quarter of 2017 primarily due to:

- the strengthening of the euro, Chinese renminbi and Canadian dollar, each against the U.S. dollar;
- 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 second quarter of 2018;
- an increase in working capital; and
- our investment in Lyft, Inc. ("Lyft") equity during the second quarter of 2018.

RETURN ON EQUITY



Return on Equity was 20.9% for the second quarter of 2018, compared to 19.9% for the second quarter of 2017. Excluding a 0.1% unfavourable impact of foreign exchange, Return on Equity was higher as net income attributable to Magna increased at a higher rate than the increase in Average Shareholders' 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.

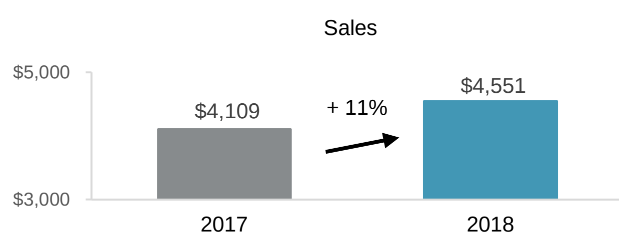
Our chief operating decision maker uses Adjusted EBIT as the measure of segment profit or loss, since we believe Adjusted EBIT is the most appropriate measure of operational profitability or loss for our reportable segments. Adjusted EBIT has been reconciled in the "Non-GAAP Financial Measures Reconciliation"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

	For the three months ended June 30,					
	Sales			**Adjusted EBIT**		
	2018	2017	Change	**2018**	2017	Change
Body Exteriors & Structures	**$ 4,551**	$ 4,109	$ 442	**$ 385**	$ 337	$ 48
Power & Vision	**3,197**	2,892	305	**299**	266	33
Seating Systems	**1,424**	1,367	57	**116**	117	(1)
Complete Vehicles	**1,280**	869	411	**1**	15	(14)
Corporate and Other	**(172)**	(97)	(75)	**2**	23	(21)
Total reportable segments	**$ 10,280**	$ 9,140	$ 1,140	**$ 803**	$ 758	$ 45

BODY EXTERIORS & STRUCTURES

	For the three months ended June 30,		Change	
	2018	2017		
Sales	**$ 4,551**	$ 4,109	$ 442	+ 11%
Adjusted EBIT	**$ 385**	$ 337	$ 48	+ 14%
Adjusted EBIT as a percentage of sales	**8.5%**	8.2%		+ 0.3%

Sales – Body Exteriors & Structures



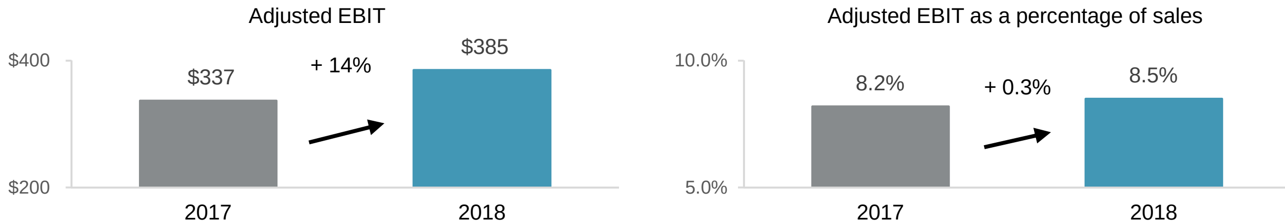
Sales for Body Exteriors & Structures increased 11% or $442 million to $4.55 billion for the second quarter of 2018 compared to $4.11 billion for the second quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the second quarter of 2018, including the:
  - Jeep Cherokee;
  - Chevrolet Traverse and Buick Enclave;
  - Chevrolet Equinox and GMC Terrain; and
  - Jeep Wrangler; and
- a $124 million increase in reported U.S. dollar sales primarily as a result of the strengthening of the euro, Canadian dollar, and Chinese renminbi, each against the U.S. dollar.

These factors were partially offset by:

- the impact of a change in production volumes on other programs; and
- net customer price concessions subsequent to the second quarter of 2017.

Adjusted EBIT – Body Exteriors & Structures



Adjusted EBIT for Body Exteriors & Structures increased $48 million to $385 million for the second quarter of 2018 compared to $337 million for the second quarter of 2017 primarily as a result of:

- earnings on higher sales;
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities;
- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017;
- an $11 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the Canadian dollar, euro and Chinese renminbi, each against the U.S. dollar; and
- higher scrap steel recoveries in excess of higher net commodity costs.

These factors were partially offset by:

- higher launch costs;
- 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 second quarter of 2017.

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures increased 0.3% to 8.5% for the second quarter of 2018 compared to 8.2% for the second quarter of 2017 primarily as a result of:

- productivity and efficiency improvements at certain Body Exteriors & Structures facilities;
- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017; and
- higher scrap steel recoveries.

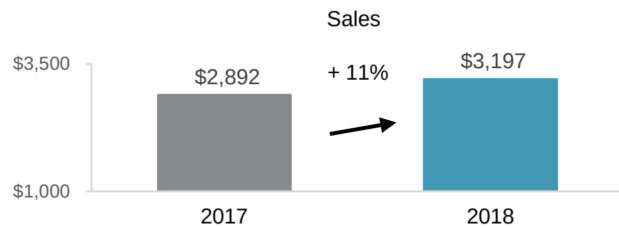
These factors were partially offset by:

- higher launch costs; 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.

POWER & VISION

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	Change	
Sales	**$ 3,197**	$ 2,892	$ 305	+ 11%
Adjusted EBIT	**$ 299**	$ 266	$ 33	+ 12%
Adjusted EBIT as a percentage of sales	**9.4%**	9.2%		+ 0.2%

Sales – Power & Vision

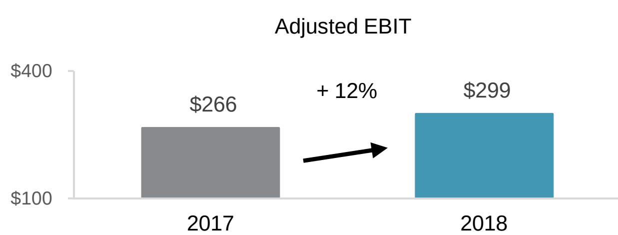


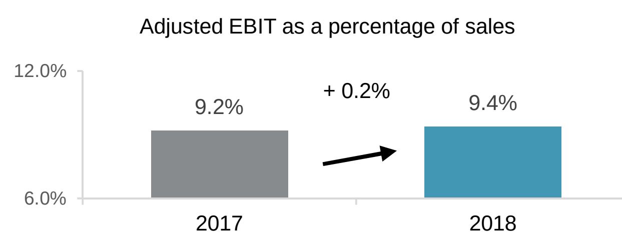
Sales for Power & Vision increased 11% or $305 million to $3.20 billion for the second quarter of 2018 compared to $2.89 billion for the second quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the second quarter of 2017, including the;
  - Audi A6;
  - Chevrolet Traverse and Buick Enclave; and
  - Jeep Wrangler; and
- a $144 million increase in reported U.S. dollar sales as a result of the strengthening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar each against the U.S. dollar.

These factors were partially offset by a divestiture subsequent to the second quarter of 2017 which negatively impacted sales by $12 million and net customer price concessions subsequent to the second quarter of 2017.

Adjusted EBIT – Power & Vision





Adjusted EBIT for Power & Vision increased $33 million to $299 million for the second quarter of 2018 compared to $266 million for the second quarter of 2017 primarily as a result of:

- earnings on higher sales;
- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017;
- an $11 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; and
- higher equity income of $10 million.

These factors were partially offset by:

- spending associated with electrification and autonomy;
- a reduction in an indemnity receivable related to the acquisition of Getrag as a result of the favourable change in the reserve for uncertain tax provisions at a certain equity accounted Power & Vision facility;
- higher warranty costs of $9 million; 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.

Equity income was $10 million higher due to earnings on higher sales at certain equity-accounted operations, largely due to the launch of new business subsequent to the second quarter of 2017 and a favourable change in the reserve for uncertain tax positions at a certain facility partially offset by a write-down of inventory and receivables relating to one customer and higher warranty costs, both at a certain facility.

Adjusted EBIT as a percentage of sales for Power & Vision increased 0.2% to 9.4% for the second quarter of 2018 compared to 9.2% for the second quarter of 2017 primarily as a result of:

- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017; and
- higher equity income.

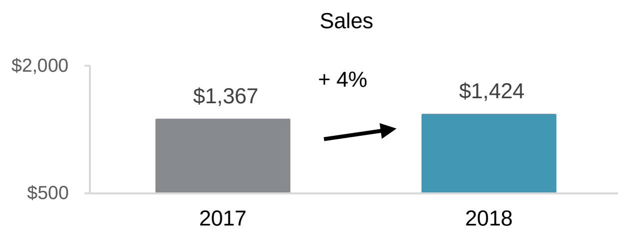
These factors were partially offset by:

- spending associated with electrification and autonomy;
- a reduction in an indemnity receivable related to the acquisition of Getrag as a result of the favourable change in the reserve for uncertain tax provisions at a certain equity accounted Power & Vision facility; and
- higher warranty costs.

SEATING SYSTEMS

	For the three months ended June 30, 2018	2017	Change	
Sales	**$ 1,424**	$ 1,367	$ 57	+ 4%
Adjusted EBIT	**$ 116**	$ 117	$ (1)	- 1%
Adjusted EBIT as a percentage of sales	**8.1%**	8.6%		- 0.5%

Sales – Seating Systems



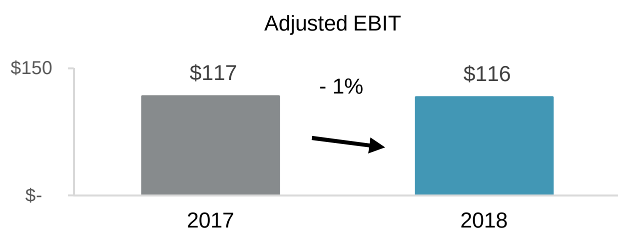
Sales in Seating Systems increased 4% or $57 million to $1.42 billion for the second quarter of 2018 compared to $1.37 billion for the second quarter of 2017, primarily as a result of:

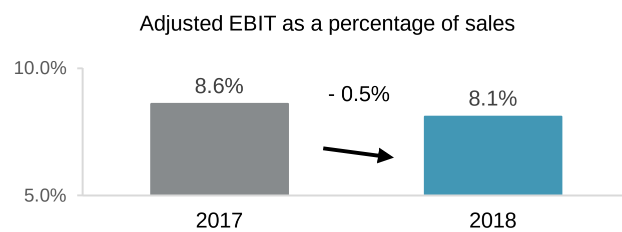
- the launch of new programs during or subsequent to the second quarter of 2017, including the;
  - Ford Expedition and Lincoln Navigator;
  - Lynk & Co 01 and 02; and
  - Ford Fiesta; and
- a $5 million increase in reported U.S. dollar sales as a result of the strengthening of certain foreign currencies 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 Argentine peso and Turkish lira.

These factors were partially offset by:

- the end of production on certain programs;
- the impact of a change in production volumes on other programs;
- a divestiture subsequent to the second quarter of 2017 which negatively impacted sales by $16 million; and
- net customer price concessions subsequent to the second quarter of 2017.

Adjusted EBIT – Seating Systems





Adjusted EBIT for Seating Systems decreased $1 million to $116 million for the second quarter of 2018 compared to $117 million for the second quarter of 2017 primarily as a result of:

- higher pre-operating costs incurred at new facilities; 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:

- earnings on higher sales;
- higher equity income of $6 million primarily due to an acquisition subsequent to the second quarter of 2017; and
- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017.

Adjusted EBIT as a percentage of sales for Seating Systems decreased 0.5% to 8.1% for the second quarter of 2018 compared to 8.6% for the second quarter of 2017 primarily as a result of higher pre-operating costs incurred at new facilities.

This factor was partially offset by:

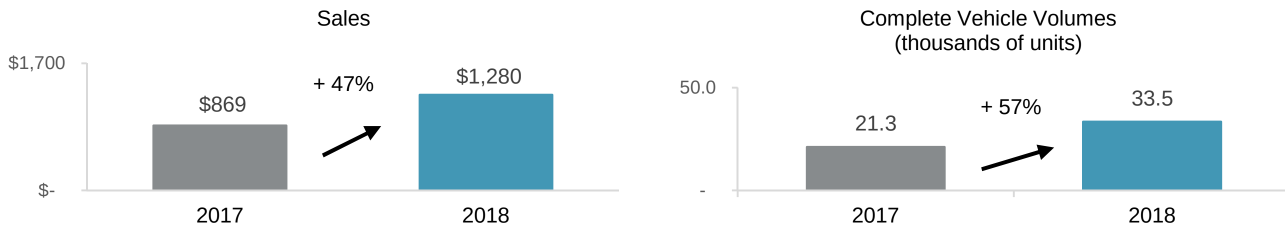
- higher equity income primarily due to an acquisition subsequent to the second quarter of 2017; and
- foreign exchange gains in the second quarter of 2018 compared to foreign exchange losses in the second quarter of 2017.

COMPLETE VEHICLES

	For the three months ended June 30,			
	2018	2017	Change	
Complete Vehicle Assembly Volumes *(thousands of units)*[(1)]	**33.5**	21.3	12.2	+ 57%
Sales	**$ 1,280**	$ 869	$ 411	+ 47%
Adjusted EBIT	**$ 1**	$ 15	$ (14)	- 93%
Adjusted EBIT as a percentage of sales	**0.1%**	1.7%		- 1.6%

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

Sales – Complete Vehicles



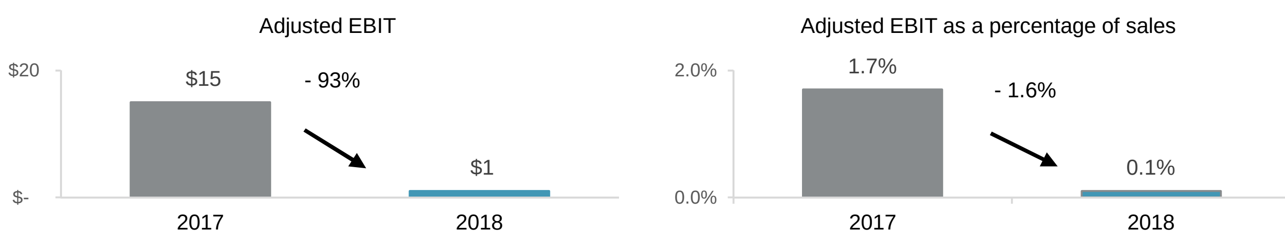
Sales increased 47% or $411 million to $1.28 billion for the second quarter of 2018 compared to $869 million for the second quarter of 2017 and assembly volumes increased 57% or 12.2 thousand units.

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;
- a $99 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 due to the launch of the new Mercedes-Benz G-Class.

Adjusted EBIT – Complete Vehicles



Adjusted EBIT for Complete Vehicles decreased $14 million to $1 million for the second quarter of 2018 compared to $15 million for the second quarter of 2017 primarily as a result of:

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

These factors were partially offset by earnings on higher sales of the Jaguar E-Pace and BMW 5-Series.

Adjusted EBIT as a percentage of sales for Complete Vehicles decreased 1.6% to 0.1% for the second quarter of 2018 compared to 1.7% for the second quarter of 2017 primarily as a result of:

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

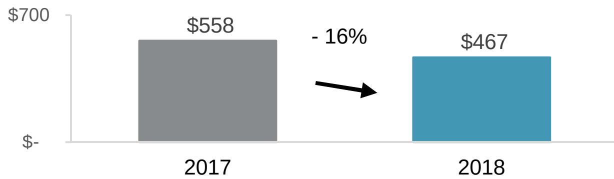
These factors were partially offset by higher margins earned on higher sales of the Jaguar E-Pace and BMW 5-Series.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other decreased $21 million to $2 million for the second quarter of 2018 compared to $23 million for the second quarter of 2017, primarily due to a $22 million unfavourable impact of foreign exchange losses in the second quarter of 2018 compared to foreign exchange gains in the second 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 lower costs to support our global compliance programs as a result of the substantial completion of our global review focused on antitrust risk.

CASH FLOW FROM OPERATIONS

Cash provided from operating activities



	For the three months ended June 30, 2018	2017	Change
Net income	**$ 636**	$ 561	
Items not involving current cash flows	**303**	373	
	939	934	$ 5
Changes in operating assets and liabilities	**(472)**	(376)	(96)
Cash provided from operating activities	**$ 467**	$ 558	$ (91)

Cash provided from operating activities decreased $91 million for the second quarter of 2018 compared to the second quarter of 2017 primarily as a result of:

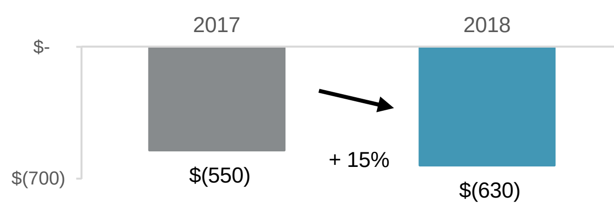
- a $1.07 billion increase in cash paid for material and overhead;
- a $185 million increase in cash paid for labour; and
- lower dividends received from equity investments of $89 million.

These factors were partially offset by:

- a $1.21 billion increase in cash received from customers; and
- a $52 million decrease in cash paid for taxes.

CAPITAL AND INVESTING SPENDING

Cash used for investing activities



	For the three months ended June 30, 2018	2017	Change
Fixed asset additions	**$ (379)**	$ (421)	
Investments, other assets and intangible assets	**(103)**	(143)	
Fixed assets, investments, other assets and intangible assets additions	**(482)**	(564)	
Investment in Lyft, Inc.	**(200)**	—	
Acquisition	**4**	—	
Proceeds from disposition	**48**	14	
Cash used for investing activities	**$ (630)**	$ (550)	$ (80)

Fixed assets, investments, other assets and intangible assets additions

In the second quarter of 2018, we invested $379 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 second quarter of 2018 was for manufacturing equipment and buildings for programs that will be launching subsequent to the second quarter of 2018. In addition, we invested $95 million in other assets related primarily to fully reimbursable tooling, planning, and engineering costs for programs that launched during the second quarter of 2018 or will be launching subsequent to the second quarter of 2018, and we invested a further $8 million in equity-accounted investments.

Investment in Lyft, Inc.

In the second quarter of 2018, we invested $200 million in Lyft as part of a multi-year collaboration to jointly fund, develop and manufacture self-driving systems with Lyft.

Proceeds from disposition

In the second quarter of 2018, the $48 million of proceeds related to normal course fixed and other asset disposals.

FINANCING

	For the three months ended June 30,		
	2018	2017	Change
Issues of debt	**$ 15**	$ 18	
Increase in short-term borrowings	**893**	349	
Repayments of debt	**(22)**	(54)	
Issue of Common Shares on exercise of stock options	**41**	5	
Repurchase of Common Shares	**(729)**	(383)	
Shares repurchased for tax withholdings on vesting of equity awards	**(2)**	-	
Contributions to subsidiaries by non-controlling interests	**4**	10	
Dividends paid to non-controlling interest	**(30)**	(7)	
Dividends paid	**(115)**	(101)	
Cash used for financing activities	**$ 55**	$ (163)	$ (108)

The increase in short-term borrowings relates primarily to a $763 million increase in the U.S. Program and a $58 million increase in euro-commercial paper [the "euro-Program"] during the second quarter of 2018.

Repurchases of Common Shares during the second quarter of 2018 are related to 11.67 million Common Shares repurchased for aggregate cash consideration of $729 million.

Cash dividends paid per Common Share were $0.330 for the second quarter of 2018, for a total of $115 million compared to cash dividends paid per Common Share of $0.275 for the second quarter of 2017, for a total of $101 million.

FINANCING RESOURCES

	As at June 30, 2018	As at December 31, 2017	Change
Liabilities			
Short-term borrowings	**$ 1,123**	$ 259	
Long-term debt due within one year	**120**	108	
Long-term debt	**3,115**	3,195	
	4,358	3,562	$ 796
Non-controlling interests	**498**	502	(4)
Shareholders' equity	**11,150**	11,210	(60)
Total capitalization	**$ 16,006**	$ 15,274	$ 732

Total capitalization increased by $732 million to $16.01 billion as at June 30, 2018 compared to $15.27 billion at December 31, 2017, primarily as a result of a $796 million increase in liabilities partially offset by a $60 million decrease in shareholders' equity and a $4 million decrease in non-controlling interests.

The increase in liabilities relates primarily to a $768 million increase in the U.S. Program and a $34 million increase in the euro-Program during the first six months of 2018.

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

- the $832 million repurchase and cancellation of 13.53 million Common Shares during the first six months of 2018;
- a $276 million net unrealized loss on translation of our net investment in foreign operations whose functional currency is not U.S. dollars;
- the $233 million of dividends paid during the first six months of 2018; and
- a $74 million net unrealized loss on cash flow hedges.

These factors were partially offset $1.31 billion of net income earned in the first six 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 six months of 2018.

CASH RESOURCES

During the second quarter of 2018, our cash resources including restricted cash equivalents decreased by $139 million to $746 million primarily as a result of the cash used for investing and financing activities, partially offset by the cash provided from operating activities, as discussed above. In addition to our cash resources at June 30, 2018, we had term and operating lines of credit totalling $2.99 billion, of which $1.69 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 August 7, 2018 were exercised:

Common Shares	341,966,176
Stock options (i)	8,160,722
	350,126,898

(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 second quarter of 2018 that are outside the ordinary course of our business. Refer to our MD&A included in our 2017 Annual Report.

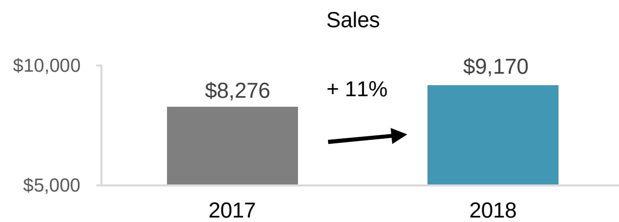
RESULTS OF OPERATIONS – FOR THE SIX MONTHS ENDED JUNE 30, 2018

	For the six months ended June 30,					
	Sales			Adjusted EBIT		
	2018	2017	Change	**2018**	2017	Change
Body Exteriors & Structures	**$ 9,170**	$ 8,276	$ 894	**$ 725**	$ 686	$ 39
Power & Vision	**6,387**	5,855	532	**657**	594	63
Seating Systems	**2,894**	2,702	192	**246**	233	13
Complete Vehicles	**2,940**	1,396	1,544	**20**	21	(1)
Corporate and Other	**(319)**	(189)	(130)	**30**	42	(12)
Total reportable segments	**$ 21,072**	$ 18,040	$ 3,032	**$ 1,678**	$ 1,576	$ 102

BODY EXTERIORS & STRUCTURES

	For the six months ended June 30,			
	2018	2017	Change	
Sales	**$ 9,170**	$ 8,276	$ 894	+ 11%
Adjusted EBIT	**$ 725**	$ 686	$ 39	+ 6%
Adjusted EBIT as a percentage of sales	**7.9%**	8.3%		- 0.4%

Sales – Body Exteriors & Structures



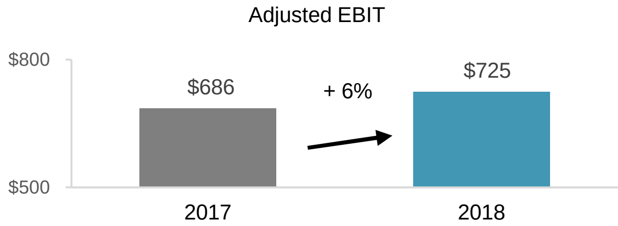
Sales for Body Exteriors & Structures increased 11% or $894 million to $9.17 billion for the six months ended June 30, 2018 compared to $8.28 billion for the six months ended June 30, 2017, primarily as a result of:

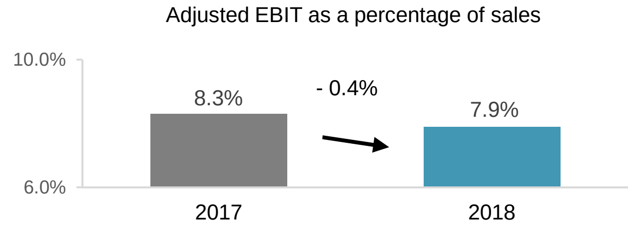
- the launch of new programs during or subsequent to the six months ended June 30, 2017, including the:
  - Jeep Cherokee;
  - Chevrolet Equinox and GMC Terrain;
  - Jeep Compass; and
  - Jeep Wrangler; and
- a $345 million increase in reported U.S. dollar sales primarily as a result of the strengthening of the euro, Canadian dollar, Chinese renminbi and British pound, each against the U.S. dollar.

These factors were partially offset by:

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

Adjusted EBIT – Body Exteriors & Structures





Adjusted EBIT for Body Exteriors & Structures increased $39 million to $725 million for the six months ended June 30, 2018 compared to $686 million for the six months ended June 30, 2017 primarily as a result of:

- earnings on higher sales;
- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017;
- a $20 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the Canadian dollar, euro and Chinese renminbi, each against the U.S. dollar; and
- higher scrap steel recoveries in excess of higher net commodity costs.

These factors were partially offset by:

- higher launch costs;
- 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 second quarter of 2017.

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures decreased 0.4% to 7.9% for the six months ended June 30, 2018 compared to 8.3% for the six months ended June 30, 2017 primarily as a result of:

- higher launch costs; and
- an unfavourable impact of foreign exchange movements against the U.S. dollar primarily due to higher euro denominated sales at margins lower than our consolidated Body Exteriors & Structures average.

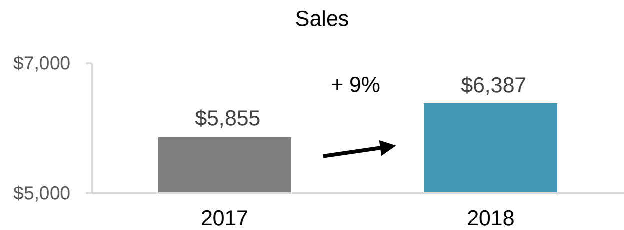
These factors were partially offset by:

- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017;
- higher scrap steel recoveries in excess of higher commodity costs.

POWER & VISION

	For the six months ended June 30,		Change	
	2018	2017		
Sales	**$ 6,387**	$ 5,855	$ 532	+ 9%
Adjusted EBIT	**$ 657**	$ 594	$ 63	+ 11%
Adjusted EBIT as a percentage of sales	**10.3%**	10.1%		+ 0.2%

Sales – Power & Vision

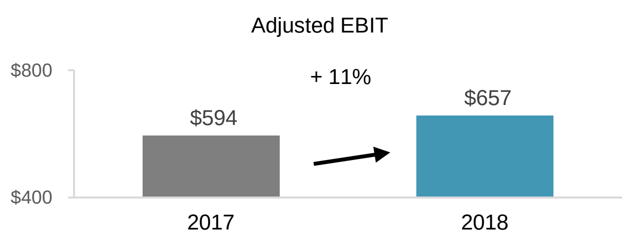


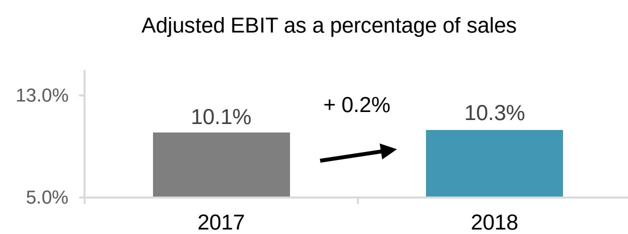
Sales for Power & Vision increased 9% or $532 million to $6.39 billion for the six months ended June 30, 2018 compared to $5.86 billion for the six months ended June 30, 2017, primarily as a result of:

- a $366 million increase in reported U.S. dollar sales as a result of the strengthening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar each against the U.S. dollar; and
- the launch of new programs during or subsequent to the six months ended June 30, 2017, including the;
  - Jeep Wrangler;
  - Buick Enclave and Chevrolet Traverse;
  - Audi A6; and
  - Volkswagen Tiguan.

These factors were partially offset by net customer price concessions subsequent to the six months ended June 30, 2017.

Adjusted EBIT – Power & Vision





Adjusted EBIT for Power & Vision increased $63 million to $657 million for the six months ended June 30, 2018 compared to $594 million for the six months ended June 30, 2017 primarily as a result of:

- a $33 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;
- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017;
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag;
- higher equity income of $21; and
- earnings on higher sales.

These factors were partially offset by:

- spending associated with electrification and autonomy;
- higher warranty costs of $28 million;
- net favourable commercial settlements during the six months ended June 30, 2017;
- a reduction in an indemnity receivable related to the acquisition of Getrag; and
- net customer price concessions subsequent to the six months ended June 30, 2017.

Equity income is $21 million higher due to earnings on higher sales at certain equity-accounted operations, largely due to the launch of new business subsequent to the six months ended June 30, 2017 and a favourable change in the reserve for uncertain tax position at a certain facility partially offset by a write-down of inventory and receivables relating to one customer and higher warranty costs, both at a certain facility and losses at a joint-venture formed in the first quarter of 2018.

Adjusted EBIT as a percentage of sales for Power & Vision increased 0.2% to 10.3% for the six months ended June 30, 2018 compared to 10.1% for the six months ended June 30, 2017 primarily as a result of:

- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017;
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag; and
- higher equity income.

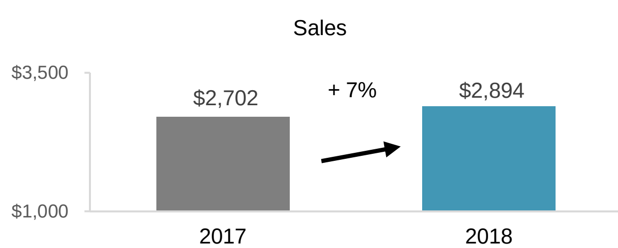
These factors were partially offset by:

- spending associated with electrification and autonomy;
- higher warranty costs;
- net favourable commercial settlements during the six months ended June 30, 2017; and
- a reduction in an indemnity receivable related to the acquisition of Getrag.

SEATING SYSTEMS

	For the six months ended June 30,			
	2018	2017	Change	
Sales	**$ 2,894**	$ 2,702	$ 192	+ 7%
Adjusted EBIT	**$ 246**	$ 233	$ 13	+ 6%
Adjusted EBIT as a percentage of sales	**8.5%**	8.6%		- 0.1%

Sales – Seating Systems



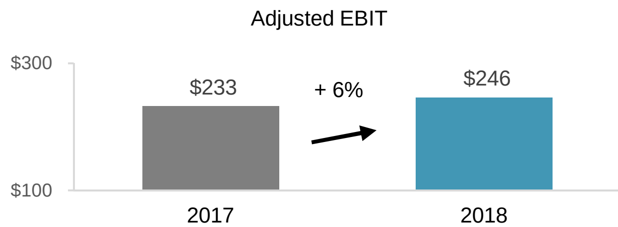
Sales in Seating Systems increased 7% or $192 million to $2.89 billion for the six months ended June 30, 2018 compared to $2.70 billion for the six months ended June 30, 2017, primarily as a result of:

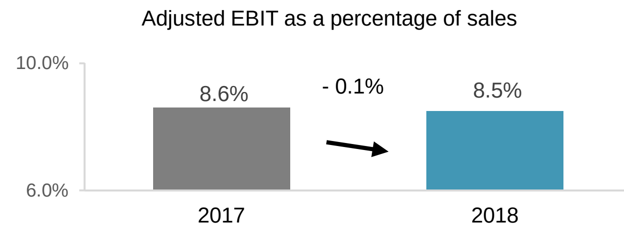
- the launch of new programs during or subsequent to the six months ended June 30, 2017, including the;
  - Ford Expedition and Lincoln Navigator;
  - Lynk & Co 01 and 02; and
  - Ford Fiesta; and
- a $51 million increase in reported U.S. dollar sales as a result of the strengthening of certain foreign 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 Argentine peso and Turkish lira.

These factors were partially offset by:

- the end of production on certain programs;
- a divestiture subsequent to the six months ended June 30, 2017 which negatively impacted sales by $31 million; and
- net customer price concessions subsequent to the six months ended June 30, 2017.

Adjusted EBIT – Seating Systems





Adjusted EBIT for Seating Systems increased $13 million to $246 million for the six months ended June 30, 2018 compared to $233 million for the six months ended June 30, 2017 primarily as a result of:

- earnings on higher sales;
- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017; and
- higher equity income of $8 million primarily due to an acquisition subsequent to the six months ended June 30, 2017.

These factors were partially offset by higher pre-operating costs incurred at new facilities.

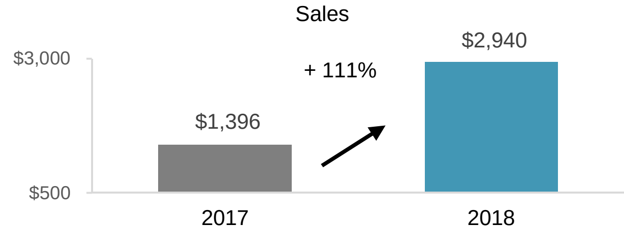
Adjusted EBIT as a percentage of sales for Seating Systems decreased 0.1% to 8.5% for the six months ended June 30, 2018 compared to 8.6% for the six months ended June 30, 2017 primarily as a result of higher pre-operating costs incurred at new facilities partially offset by foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017 and higher equity income of $8 million primarily due to an acquisition subsequent to the six months ended June 30, 2017.

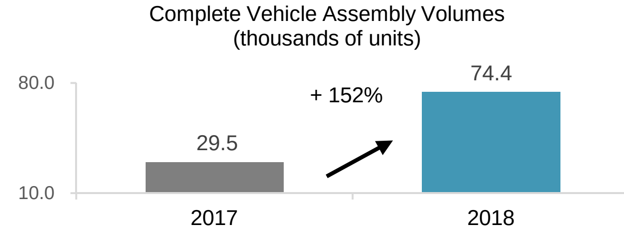
COMPLETE VEHICLES

	For the six months ended June 30, **2018**	2017	Change	
Complete Vehicle Assembly Volumes *(thousands of units)*[1]	**74.4**	29.5	44.9	+ 152%
Sales	**$ 2,940**	$ 1,396	$ 1,544	+ 111%
Adjusted EBIT	**$ 20**	$ 21	$ (1)	- 5%
Adjusted EBIT as a percentage of sales	**0.7%**	1.5%		- 0.8%

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

Sales – Complete Vehicles





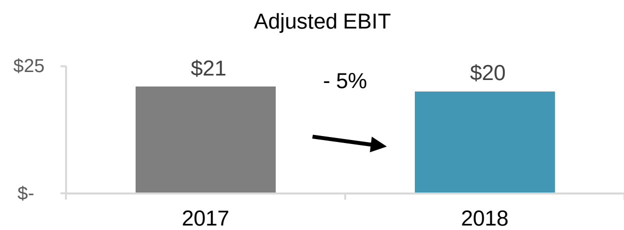
Sales increased 111% or $1.54 billion to $2.94 billion for the six months ended June 30, 2018 compared to $1.40 billion for the six months ended June 30, 2017 and assembly volumes increased 152% or 44.9 thousand units.

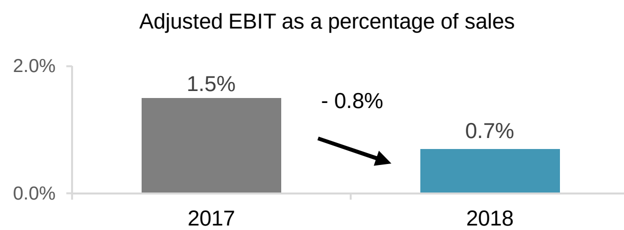
The increase in Complete Vehicle sales is primarily due to:

- 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; and
- a $318 million increase in reported U.S. dollar sales as a result of the strengthening of the euro against the U.S. dollar.

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

Adjusted EBIT – Complete Vehicles





Adjusted EBIT for Complete Vehicles decreased $1 million to $20 million for the six months ended June 30, 2018 compared to $21 million for the six months ended June 30, 2017 primarily as a result of:

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

These factors were partially offset by earnings on higher sales of the BMW 5-Series and a lower amount of employee profit sharing.

Adjusted EBIT as a percentage of sales for Complete Vehicles decreased 0.8 % to 0.7% for the six months ended June 30, 2018 compared to 1.5% for the for the six months ended June 30, 2017 primarily as a result of:

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

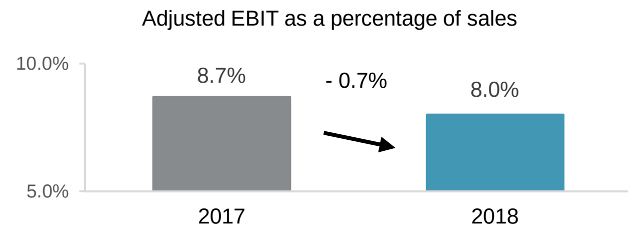
These factors were partially offset by higher margins earned on higher sales of the BMW 5-Series and a lower amount of employee profit sharing.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other decreased $12 million to $30 million for the six months ended June 30, 2018 compared to $42 million for the six months ended June 30, 2017, primarily due to a $22 million unfavourable impact of foreign exchange losses in the first six months of 2018 compared to foreign exchange gains in the first six 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 SIX MONTHS ENDED JUNE 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 six months ended June 30, 2018 compared to the six months ended June 30, 2017:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Six months ended June 30, 2017	$ 18,040	$ 1,576	8.7%
Increase (Decrease) related to:			
Body Exteriors & Structures	894	39	- 0.2%
Power & Vision	532	63	+ 0.1%
Seating Systems	192	13	—
Complete Vehicles	1,544	(1)	- 0.6%
Corporate and Other	(130)	(12)	—
Six months ended June 30, 2018	**$ 21,072**	**$ 1,678**	**8.0%**

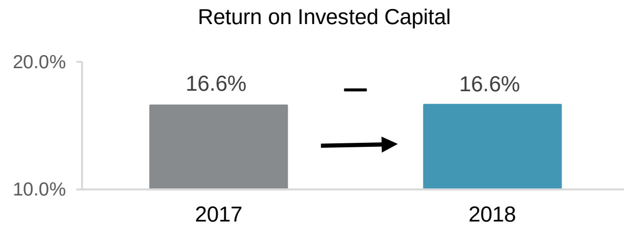
Adjusted EBIT as a percentage of sales decreased 0.7% to 8.0% for the six months ended June 30, 2018 compared to 8.7% for the six months ended June 30, 2017 primarily as a result of an increase in the proportion of sales generated in our Complete Vehicles segment relative to total sales, which have a lower margin than our consolidated average, and higher launch costs, primarily in our Body Exteriors & Structures segment. Other items decreasing Adjusted EBIT as a percentage of sales include:

- higher warranty costs; and
- foreign exchange losses in the first six months of 2018 compared to foreign exchange gains in the first six months of 2017 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency.

These factors were partially offset by:

- foreign exchange gains in the six months ended June 30, 2018 compared to foreign exchange losses in the six months ended June 30, 2017;
- higher equity income; and
- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag.

RETURN ON INVESTED CAPITAL

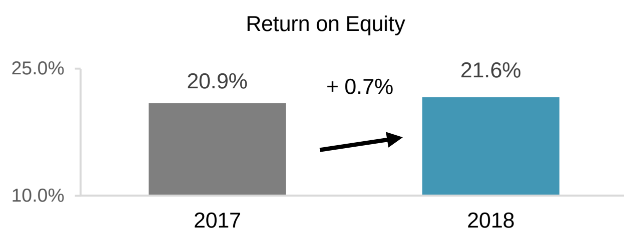


Return on Invested Capital was 16.6% for the six months ended June 30, 2018 unchanged from 16.6% for the six months ended June 30, 2017.

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

Average Invested Capital increased $1.97 billion to $16.09 billion for the six months ended June 30, 2018 compared to $14.12 billion for the six months ended June 30, 2017 primarily due to 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 six months ended June 30, 2018 and an increase in working capital.

RETURN ON EQUITY



Return on Equity increased 0.7% to 21.6% for the six months ended June 30, 2018 compared to 20.9% for the six months ended June 30, 2017. Excluding a 0.1% unfavourable impact of foreign exchange, 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 June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Net Income	**$ 636**	$ 561	$ 1,305	$ 1,148
Add :				
Interest Expense, net	**23**	11	44	30
Other (Income) Expense, net	**(39)**	3	(36)	9
Income Taxes	**183**	183	365	389
Adjusted EBIT	**$ 803**	$ 758	$ 1,678	$ 1,576

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 June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Sales	**$ 10,280**	$ 9,140	$ 21,072	$ 18,040
Adjusted EBIT	**$ 803**	$ 758	$ 1,678	$ 1,576
Adjusted EBIT as a percentage of sales	**7.8%**	8.3%	8.0%	8.7%

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 June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Net income attributable to Magna International Inc.	**$ 626**	$ 548	$ 1,286	$ 1,125
Add :				
Other (Income) Expense, net	**(39)**	3	(36)	9
Tax effect on Other (Income) Expense, net	**3**	—	3	—
Adjusted net income attributable to Magna International Inc.	**590**	551	1,253	1,134
Diluted weighted average number of Common Shares outstanding during the period (millions)	**354.1**	379.5	357.0	381.4
Adjusted diluted earnings per share	**$ 1.67**	$ 1.45	$ 3.51	$ 2.97

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:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Net Income	**$ 636**	$ 561	**$ 1,305**	$ 1,148
Add :				
Interest Expense, net	**23**	11	**44**	30
Income taxes on Interest Expense, net at Magna's effective income tax rate:	**(5)**	(2)	**(10)**	(7)
After-tax operating profits	**$ 654**	$ 570	**$ 1,339**	$ 1,171

Invested Capital is calculated in the table below:

	As at June 30,	
	2018	2017
Total Assets	**$ 26,368**	$ 24,382
Excluding:		
Cash and cash equivalents	**(626)**	(666)
Deferred tax assets	**(255)**	(283)
Less Current Liabilities	**(10,291)**	(9,446)
Excluding:		
Short-term borrowings	**1,123**	868
Long-term debt due within one year	**120**	138
Invested Capital	**$ 16,439**	$ 14,993

Return on Invested Capital is calculated in the table below:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
After-tax operating profits	**$ 654**	$ 570	**$ 1,339**	$ 1,171
Average Invested Capital	**$ 16,322**	$ 14,489	**$ 16,091**	$ 14,120
Return on Invested Capital	**16.0%**	15.7%	**16.6%**	16.6%

RETURN ON EQUITY

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

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Net income attributable to Magna International Inc.	**$ 626**	$ 548	**$ 1,286**	$ 1,125
Average Shareholders' Equity	**$ 11,970**	$ 10,998	**$ 11,884**	$ 10,738
Return on Equity	**20.9%**	19.9%	**21.6%**	20.9%

ACQUISITION

On June 26, 2018, we signed a definitive agreement to acquire 100% of the equity interest in OLSA S.p.A., a global company which designs, engineers and manufactures tail lamps and other lighting products. The transaction has a value of approximately €230 million on a cash and debt free basis. The closing of the transaction is expected to occur before the end of 2018, and is subject to customary closing conditions including regulatory approval.

SUBSEQUENT EVENT

On July 30, 2018, we exercised our rights of first refusal to acquire two properties in the United States we currently lease from Granite Real Estate Investment Trust. The properties represent approximately 1.6 million square feet with a total purchase price of approximately $200 million plus adjustments. The closing of the transaction is expected to occur during the third quarter of 2018 and is subject to customary closing conditions.

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 June 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.

CONTROLS AND PROCEDURES

There have been no changes in our internal controls over financial reporting that occurred during the three months ended June 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: potential electric vehicle engineering and manufacturing opportunities through our new joint ventures with Beijing Electric Vehicle Co. Ltd.; the expected benefits related to our acquisition of OLSA S.p.A.; and the expected benefits of our multi-year collaboration with Lyft.

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 or higher tariffs on commodities and/or automobiles;
- escalation of international trade disputes;

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 a material purchase order;

Manufacturing / Operational Risks

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

IT Security Risk

- IT/Security breach;

Pricing Risks

- pricing risks between time of quote and start of production;
- price concessions;
- commodity costs;
- declines in scrap steel prices;

Warranty / Recall Risks

- costs to repair or replace defective products;
- warranty costs that exceed our warranty provision;
- costs related to a significant recall;

Acquisition Risks

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

Other Business Risks

- risks related to conducting business through joint ventures;
- our ability to consistently develop innovative products or processes;
- changing risk profile;
- 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 risk;
- 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.