



Magna International Inc.

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

**for the three months
ended March 31, 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 March 31, 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 March 31, 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 March 31, 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 May 9, 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 first quarter of 2018, we posted new all-time quarterly records in sales, income from operations before income taxes, net income attributable to Magna and diluted earnings per share.

Total sales increased 21% to \$10.79 billion, compared to global light vehicle production which was relatively unchanged from the first 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. Our Body Exteriors & Structures, Power & Vision, Seating Systems and Complete Vehicles segments each reported increased sales. In particular, Complete Vehicles contributed approximately 60% of the increase in sales over the first quarter of 2017, driven by the significant recent new vehicle launch activity at Magna Steyr over the past year.

Diluted earnings per share were a record \$1.83, an increase of 21% over the first quarter of 2017. The higher earnings were largely driven by our higher sales, increased equity income, 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. The higher equity income mainly reflects the launch of new business at our transmission business joint ventures in China.

Cash from operations was \$577 million, an increase of 26% over the first quarter of 2017, in part reflecting the higher earnings.

We paid dividends of \$118 million and returned \$103 million to shareholders through share repurchases. Subsequent to March 31, 2018, we repurchased 4,158,370 Common Shares for \$247 million.

Lastly, we announced that we had entered into a multi-year collaboration with Lyft to fund, develop and manufacture self-driving systems. In addition, we have invested \$200 million in Lyft equity. We expect the intellectual property jointly created, together with the benefit from data generated by the 5+ billion miles traveled per year on the Lyft network, will advance our development of Magna advanced driver assistance systems and self-driving systems.

OVERVIEW

Our Business⁽¹⁾

We have more than 172,000 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 94 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 and European 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: operational inefficiencies; costs incurred to launch new or takeover business; price reduction pressures from our customers; warranty and recall costs; commodities and scrap prices; and restructuring, downsizing and other significant non-recurring costs, are discussed in our Annual Information Form and Annual Report on Form 40-F, each in respect of the year ended December 31, 2017, and remain substantially unchanged in respect of the first quarter ended March 31, 2018.

RESULTS OF OPERATIONS

Average Foreign Exchange

	For the three months ended March 31,		
	2018	2017	Change
1 Canadian dollar equals U.S. dollars	0.790	0.756	+ 4%
1 euro equals U.S. dollars	1.229	1.066	+ 15%
1 Chinese renminbi equals U.S. dollars	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 March 31, 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.

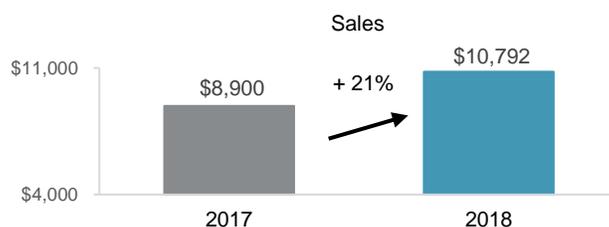
Light Vehicle Production Volumes

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

	For the three months ended March 31,			Change
	2018	2017		
Light Vehicle Production Volumes (<i>thousands of units</i>)				
North America	4,458	4,534	(76)	- 2%
Europe	5,874	5,881	(7)	—
Asia	12,668	12,646	22	—
China (included in Asia above)	6,811	6,769	42	+ 1%

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED MARCH 31, 2018

Sales



Sales increased 21% or \$1.89 billion to \$10.79 billion for the first quarter of 2018 compared to \$8.90 billion for the first quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the first quarter of 2017, in particular in our Complete Vehicles business; and
- a \$693 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.

These factors were partially offset by the impact of changes in production volumes on other programs, particularly in North America and Europe.

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 March 31,		Change
	2018	2017	
Cost of goods sold			
Material	\$ 6,785	\$ 5,333	\$ 1,452
Direct labour	778	644	134
Overhead	1,730	1,480	250
Cost of goods sold	\$ 9,293	\$ 7,457	\$ 1,836

Cost of goods sold increased \$1.84 billion to \$9.29 billion for the first quarter of 2018 compared to \$7.46 billion for the first 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 \$615 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, higher warranty costs of \$20 million, and higher pre-operating costs incurred at new facilities.

Depreciation and Amortization

Depreciation and amortization costs increased \$39 million to \$315 million for the first quarter of 2018 compared to \$276 million for the first quarter of 2017. The higher depreciation and amortization was primarily a result of increased capital deployed at existing facilities and a \$21 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 3.7% for the first quarter of 2018 compared to 4.7% for the first quarter of 2017. SG&A expense decreased \$20 million to \$396 million for the first quarter of 2018 compared to \$416 million for the first quarter of 2017. The 1.0% 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 \$20 million decrease in SG&A expense was primarily due to:

- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag; and
- net foreign exchange gains in the first quarter of 2018 compared to net foreign exchange losses in the first quarter of 2017.

These factors were partially offset by a \$24 million net increase in the reported U.S. dollar SG&A expense due to the strengthening of the euro, Chinese renminbi and Canadian dollar, each against the U.S. dollar.

Interest Expense, net

During the first quarter of 2018, we recorded net interest expense of \$21 million compared to \$19 million for the first quarter of 2017.

Equity Income

Equity income increased \$20 million to \$87 million for the first quarter of 2018 compared to \$67 million for the first 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 first quarter of 2017 and a \$6 million increase in the reported U.S. dollar equity income due to the strengthening of the Chinese renminbi, euro and Canadian dollar, each against the U.S. dollar.

Other expense

We continue to accrue restructuring charges at a Power & Vision operation and accordingly we recorded net restructuring charges of \$3 million (\$3 million after tax) during the first quarter of 2018 and \$6 million (\$6 million after tax) during the first quarter of 2017.

Income from Operations before Income Taxes

Income from operations before income taxes increased \$58 million to \$851 million for the first quarter of 2018 compared to \$793 million for the first quarter of 2017. The increase in income from operations before income taxes is the result of a \$1.89 billion increase in sales, a \$20 million decrease in SG&A, a \$20 million increase in equity income and a \$3 million decrease in Other expense partially offset by a \$1.84 billion increase in cost of sales, a \$39 million increase in depreciation and amortization, a \$2 million increase in interest expense, net, each as discussed above.

Income Taxes

The effective income tax rate on income from operations before income taxes decreased to 21.4% for the first quarter of 2018 compared to 26.0% for the first quarter of 2017 primarily as a result of 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 decreasing the effective tax rate include:

- a change in our reserves for uncertain tax positions;
- an increase in utilization of losses previously not benefited in Europe and South America; and
- an increase in non-taxable foreign exchange gains related to the re-measurement of financial statement balances of foreign subsidiaries that are maintained in a currency other than their functional currency.

These factors were partially offset by higher accrued tax on undistributed foreign earnings.

Income Attributable to Non-Controlling Interests

Income attributable to non-controlling interests decreased \$1 million to \$9 million for the first quarter of 2018 compared to \$10 million for the first quarter of 2017.

Net Income Attributable to Magna International Inc.

Net income attributable to Magna International Inc. increased \$83 million to \$660 million for the first quarter of 2018 compared to \$577 million for the first quarter of 2017, as a result of an increase in income from operations before income taxes of \$58 million, lower income taxes of \$24 million and a decrease in income attributable to non-controlling interests of \$1 million, each as discussed above.

Earnings per Share



	For the three months ended March 31,		Change
	2018	2017	
Earnings per Common Share			
Basic	\$ 1.84	\$ 1.51	+ 22%
Diluted	\$ 1.83	\$ 1.51	+ 21%
Weighted average number of Common Shares outstanding (millions)			
Basic	357.7	381.4	- 6%
Diluted	359.9	383.4	- 6%
Adjusted diluted earnings per share	\$ 1.84	\$ 1.53	+ 20%

Diluted earnings per share increased \$0.32 to \$1.83 for the first quarter of 2018 compared to \$1.51 for the first 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 first 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 first quarter of 2017, pursuant to our normal course issuer bids.

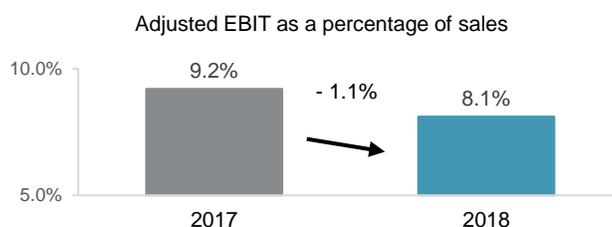
Other Expense, after tax, negatively impacted diluted earnings per share by \$0.01 for the first quarter of 2018 and negatively impacted diluted earnings per share by \$0.02 for the first quarter of 2017, as discussed in the "Other Expense" section.

Adjusted diluted earnings per share, as reconciled in the "Non-GAAP Performance Measures" section, increased \$0.31 to \$1.84 for the first quarter of 2018 compared to \$1.53 for the first quarter of 2017.

NON-GAAP PERFORMANCE MEASURES - FOR THE THREE MONTHS ENDED MARCH 31, 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 first quarter of 2018 compared to the first quarter of 2017:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
First quarter of 2017	\$ 8,900	\$ 818	9.2%
Increase (Decrease) related to:			
Body Exteriors & Structures	452	(9)	- 0.5%
Power & Vision	227	30	+ 0.1%
Seating Systems	135	14	—
Complete Vehicles	1,133	13	- 0.8%
Corporate and Other	(55)	9	+ 0.1%
First quarter of 2018	\$ 10,792	\$ 875	8.1%

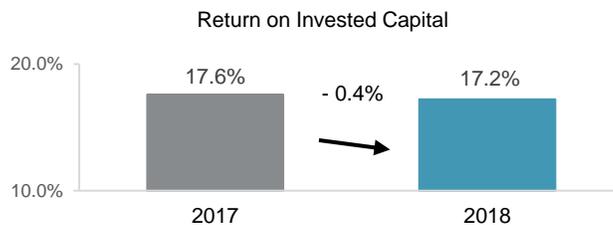
Adjusted EBIT as a percentage of sales decreased 1.1% to 8.1% for the first quarter of 2018 compared to 9.2% for the first quarter of 2017 primarily as a result of an increase in the proportion of sales generated in our Complete Vehicles segment relative to total sales, which have a lower margin than our consolidated average, 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;
- net favourable commercial settlements during the first quarter of 2017; and
- higher pre-operating costs incurred at new facilities.

These factors were partially offset by:

- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag;
- higher equity income; and
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities.

Return on Invested Capital

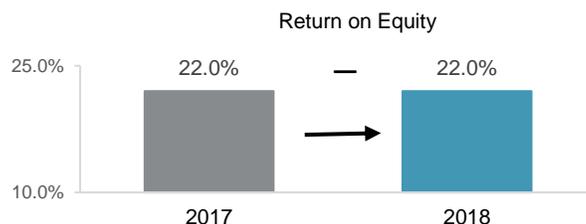


Return on Invested Capital decreased 0.4% to 17.2% for the first quarter of 2018 compared to 17.6% for the first quarter of 2017, primarily as a result of higher Average Invested Capital partially offset by an increase in After-tax operating profits.

Average Invested Capital increased \$2.23 billion to \$15.92 billion for the first quarter of 2018 compared to \$13.68 billion for the first quarter of 2017. Approximately half of the net increase in invested capital related to the strengthening of the euro, Chinese renminbi and Canadian dollar, each against the U.S. dollar. Other items contributing to the increase include 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 first quarter of 2018.

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

Return on Equity



Return on Equity was 22.0% for the first quarter of 2018, unchanged from the first quarter of 2017. Excluding a 0.4% 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, closure 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.

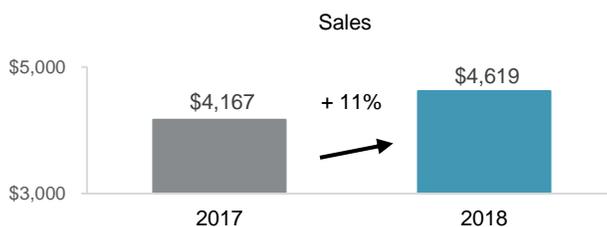
Our chief operating decision maker uses Adjusted EBIT as the measure of segment profit or loss, since we believe Adjusted EBIT is the most appropriate measure of operational profitability or loss for our reportable segments. Adjusted EBIT has been reconciled in the "Non-GAAP Performance Measures" section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

	For the three months ended March 31,					
	Sales			Adjusted EBIT		
	2018	2017	Change	2018	2017	Change
Body Exteriors & Structures	\$ 4,619	\$ 4,167	\$ 452	\$ 340	\$ 349	\$ (9)
Power & Vision	3,190	2,963	227	358	328	30
Seating Systems	1,470	1,335	135	130	116	14
Complete Vehicles	1,660	527	1,133	19	6	13
Corporate and Other	(147)	(92)	(55)	28	19	9
Total reportable segments	\$ 10,792	\$ 8,900	\$ 1,892	\$ 875	\$ 818	\$ 57

Body Exteriors & Structures

	For the three months ended March 31,			
	2018	2017	Change	
Sales	\$ 4,619	\$ 4,167	\$ 452	+ 11%
Adjusted EBIT	\$ 340	\$ 349	\$ (9)	- 3%
Adjusted EBIT as a percentage of sales	7.4%	8.4%	- 1.0%	

Sales – Body Exteriors & Structures



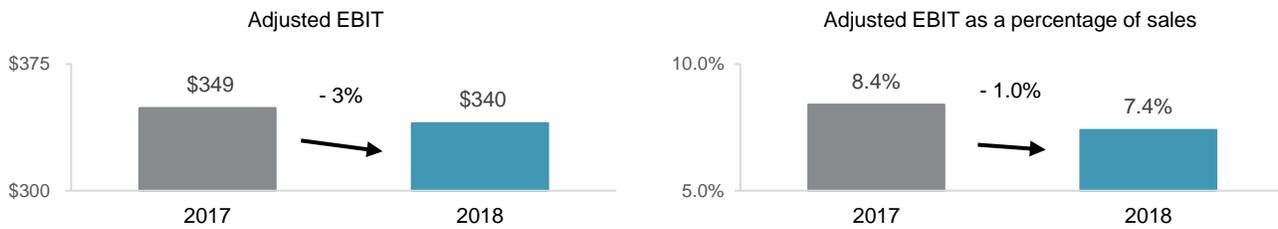
Sales for Body Exteriors & Structures increased 11% or \$452 million to \$4.62 billion for the first quarter of 2018 compared to \$4.17 billion for the first quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the first quarter of 2018, including the:
 - Chevrolet Equinox and GMC Terrain;
 - Jeep Compass;
 - Jeep Wrangler; and
 - Jeep Cherokee; and
- a \$221 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
- customer price concessions subsequent to the first quarter of 2017.

Adjusted EBIT – Body Exteriors & Structures



Adjusted EBIT for Body Exteriors & Structures decreased \$9 million to \$340 million for the first quarter of 2018 compared to \$349 million for the first quarter of 2017 primarily as a result of higher launch costs which were partially offset by:

- earnings on higher sales;
- higher scrap steel recoveries in excess of higher commodity costs;
- an \$8 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the Canadian dollar and euro, each against the U.S. dollar; and
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities.

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures decreased 1.0% to 7.4% for the first quarter of 2018 compared to 8.4% for the first quarter of 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.

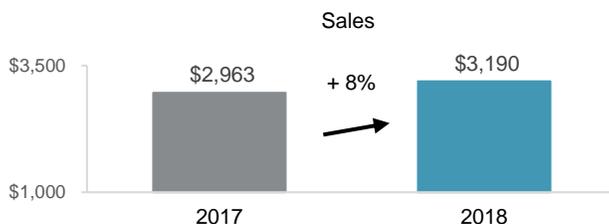
These factors were partially offset by:

- productivity and efficiency improvements at certain Body Exteriors & Structures facilities; and
- higher scrap steel recoveries in excess of higher commodity costs.

Power & Vision

	For the three months ended March 31,		Change	
	2018	2017		
Sales	\$ 3,190	\$ 2,963	\$ 227	+ 8%
Adjusted EBIT	\$ 358	\$ 328	\$ 30	+ 9%
Adjusted EBIT as a percentage of sales	11.2%	11.1%		+ 0.1%

Sales – Power & Vision



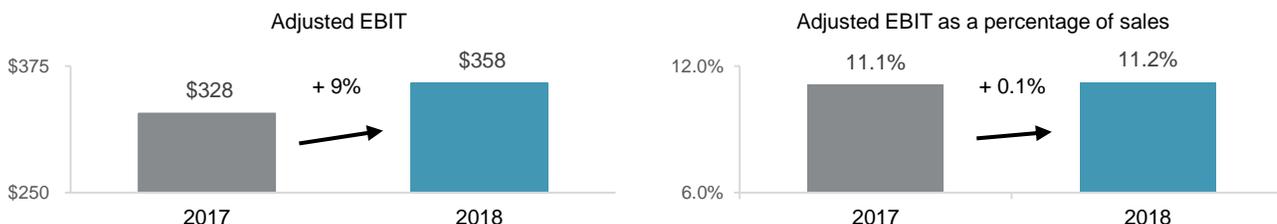
Sales for Power & Vision increased 8% or \$227 million to \$3.19 billion for the first quarter of 2018 compared to \$2.96 billion for the first quarter of 2017, primarily as a result of:

- a \$221 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 first quarter of 2017, including the;
 - Jeep Wrangler;
 - Buick Enclave and Chevrolet Traverse;
 - Volkswagen Tiguan; and
 - Jeep Compass.

These factors were partially offset by:

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

Adjusted EBIT – Power & Vision



Adjusted EBIT for Power & Vision increased \$30 million to \$358 million for the first quarter of 2018 compared to \$328 million for the first quarter of 2017 primarily as a result of:

- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag;
- a \$23 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 \$18 million.

These factors were partially offset by:

- higher warranty costs of \$19 million; and
- net favourable commercial settlements during the first quarter of 2017.

Adjusted EBIT as a percentage of sales for Power & Vision increased 0.1% to 11.2% for the first quarter of 2018 compared to 11.1% for the first quarter of 2017 primarily as a result of:

- a favourable settlement reached during the first quarter of 2018 relating to the acquisition of Getrag; and
- higher equity income.

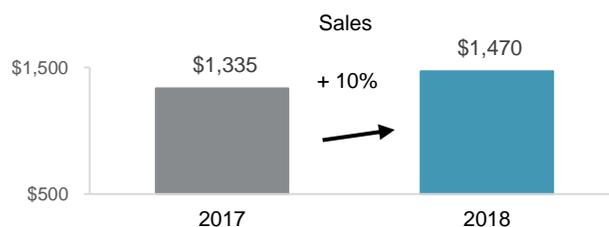
These factors were partially offset by:

- higher warranty costs; and
- net favourable commercial settlements during the first quarter of 2017.

Seating Systems

	For the three months ended March 31,		Change	
	2018	2017		
Sales	\$ 1,470	\$ 1,335	\$ 135	+ 10%
Adjusted EBIT	\$ 130	\$ 116	\$ 14	+ 12%
Adjusted EBIT as a percentage of sales	8.8%	8.7%		+ 0.1%

Sales – Seating Systems



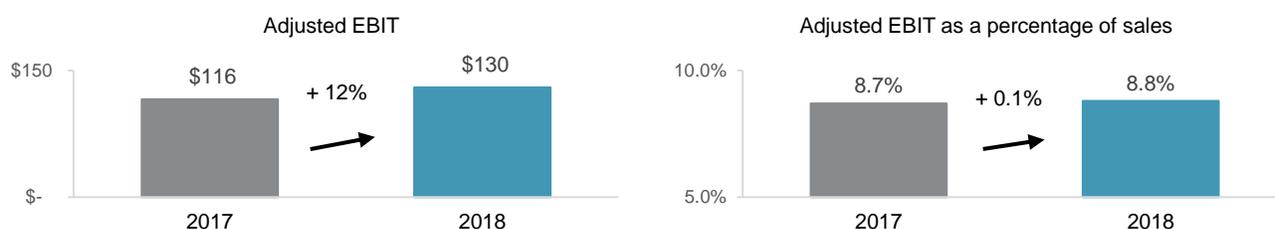
Sales in Seating Systems increased 10% or \$135 million to \$1.47 billion for the first quarter of 2018 compared to \$1.34 billion for the first quarter of 2017, primarily as a result of:

- the launch of new programs during or subsequent to the first quarter of 2017, including the;
 - Ford Expedition and Lincoln Navigator;
 - Ford Fiesta;
 - Volkswagen Atlas; and
 - Lynk & Co 01; and
- a \$46 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 and Canadian dollar each against the U.S. dollar.

These factors were partially offset by:

- a divestiture subsequent to the first quarter of 2017 which negatively impacted sales by \$15 million; and
- customer price concessions subsequent to the first quarter of 2017.

Adjusted EBIT – Seating Systems



Adjusted EBIT for Seating Systems increased \$14 million to \$130 million for the first quarter of 2018 compared to \$116 million for the first quarter of 2017 primarily as a result of:

- earnings on higher sales;
- a \$4 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the Canadian dollar and euro, each against the U.S. dollar; and
- higher equity income of \$3 million primarily due to an acquisition subsequent to the first quarter of 2017.

These factors were partially offset by:

- higher pre-operating costs incurred at new facilities; and
- higher commodity costs.

Adjusted EBIT as a percentage of sales for Seating Systems increased 0.1% to 8.8% for the first quarter of 2018 compared to 8.7% for the first quarter of 2017 primarily as a result of:

- higher sales at margins higher than our Seating Systems average; and
- higher equity income primarily due to an acquisition subsequent to the first quarter of 2017.

These factors were partially offset by:

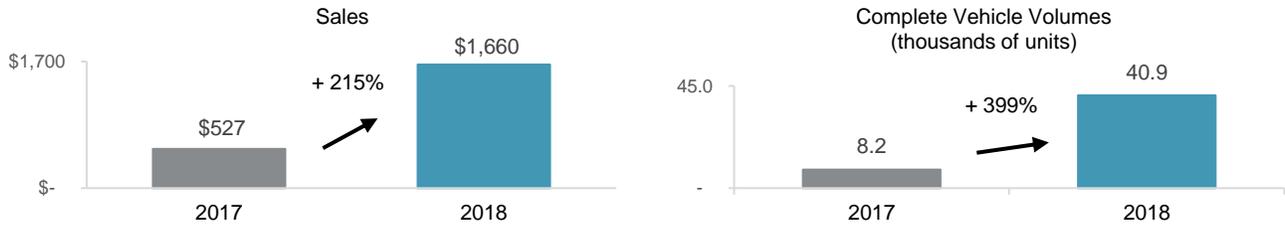
- higher pre-operating costs incurred at new facilities; and
- higher commodity costs.

Complete Vehicles

	For the three months ended March 31,		Change	
	2018	2017		
Complete Vehicle Assembly Volumes (thousands of units) ⁽¹⁾	40.9	8.2	32.7	+399%
Sales	\$ 1,660	\$ 527	\$ 1,133	+215%
Adjusted EBIT	\$ 19	\$ 6	\$ 13	+217%
Adjusted EBIT as a percentage of sales	1.1%	1.1%	—	—

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

Sales – Complete Vehicles

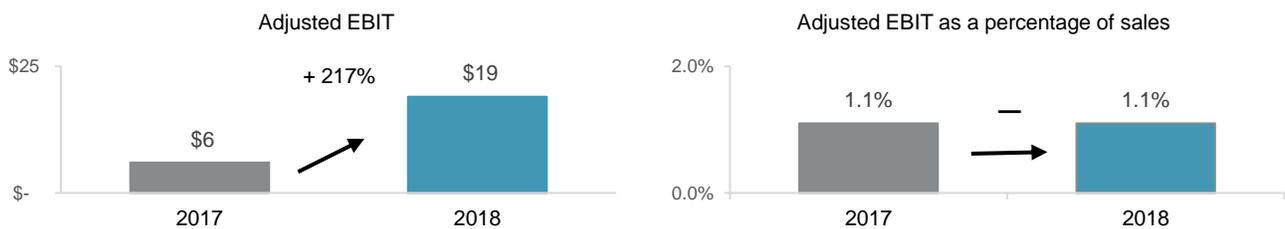


Sales increased 215% or \$1.13 billion to \$1.66 billion for the first quarter of 2018 compared to \$527 million for the first quarter of 2017 and assembly volumes increased 399% or 32.7 thousand units.

The increase in Complete Vehicle sales is primarily due to:

- the launch of the BMW 5-Series which started production during the first quarter of 2017;
- the launch of the Jaguar E-Pace program which started production during the third quarter of 2017; and
- a \$219 million increase in reported U.S. dollar sales as a result of the strengthening of the euro against the U.S. dollar.

Adjusted EBIT – Complete Vehicles



Adjusted EBIT for Complete Vehicles increased \$13 million to \$19 million for the first quarter of 2018 compared to \$6 million for the first quarter of 2017 primarily as a result of earnings on higher sales and a \$3 million increase in reported U.S. dollar Adjusted EBIT due to the strengthening of the euro against the U.S. dollar.

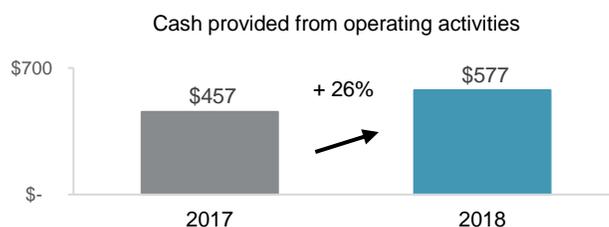
Adjusted EBIT as a percentage of sales for Complete Vehicles of 1.1% was unchanged for the first quarter of 2018 compared to 1.1% for the first quarter of 2017.

Corporate and Other

Adjusted EBIT in Corporate and Other increased \$9 million to \$28 million for the first quarter of 2018 compared to \$19 million for the first quarter of 2017, primarily due to lower costs to support our global compliance programs as a result of the substantial completion of our global review focused on antitrust risk.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations



	For the three months ended March 31,		Change
	2018	2017	
Net income	\$ 669	\$ 587	
Items not involving current cash flows	363	274	
	1,032	861	\$ 171
Changes in operating assets and liabilities	(455)	(404)	(51)
Cash provided from operating activities	\$ 577	\$ 457	\$ 120

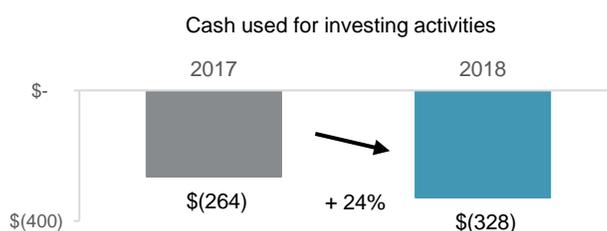
Cash provided from operating activities increased \$120 million for the first quarter of 2018 compared to the first quarter of 2017 primarily as a result of:

- a \$1.29 billion increase in cash received from customers;
- higher dividends received from equity investments of \$61 million; and
- a \$49 million decrease in cash paid for taxes.

These factors were partially offset by:

- a \$1.04 billion increase in cash paid for material and overhead; and
- a \$246 million increase in cash paid for labour.

Capital and Investing Spending



	For the three months ended March 31,		Change
	2018	2017	
Fixed asset additions	\$ (243)	\$ (323)	
Investments, other assets and intangible assets	(114)	(83)	
Fixed assets, investments, other assets and intangible assets additions	(357)	(406)	
Proceeds from disposition	29	142	
Cash used for investing activities	\$ (328)	\$ (264)	\$ (64)

Fixed assets, investments, other assets and intangible assets additions

In 2018, we invested \$243 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 first quarter of 2018 was for manufacturing equipment and buildings for programs that will be launching subsequent to the first quarter of 2018.

We invested \$103 million in other assets related primarily to fully reimbursable tooling, planning, and engineering costs for programs that launched during the first quarter of 2018 or will be launching subsequent to the first quarter of 2018, and we invested a further \$11 million in equity-accounted investments.

Proceeds from disposition

In the first quarter of 2018, the \$29 million of proceeds related to normal course fixed and other asset disposals.

Financing

	For the three months ended March 31,		Change
	2018	2017	
Issues of debt	\$ 15	\$ 11	
Increase (Decrease) in short-term borrowings	1	(142)	
Repayments of debt	(13)	(14)	
Issue of Common Shares on exercise of stock options	5	6	
Repurchase of Common Shares	(103)	(100)	
Dividends paid	(118)	(105)	
Cash used for financing activities	\$ (213)	\$ (344)	\$ 131

Repurchases of Common Shares during the first quarter of 2018 are related to 1.87 million Common Shares repurchased for aggregate cash consideration of \$103 million.

Cash dividends paid per Common Share were \$0.330 for the first quarter of 2018, for a total of \$118 million compared to cash dividends paid per Common Share of \$0.275 for the first quarter of 2017, for a total of \$105 million.

Financing Resources

	As at March 31, 2018	As at December 31, 2017	Change
Liabilities			
Short-term borrowings	\$ 262	\$ 259	
Long-term debt due within one year	114	108	
Long-term debt	3,220	3,195	
	3,596	3,562	\$ 34
Non-controlling interests	528	502	26
Shareholders' equity	11,765	11,210	555
Total capitalization	\$ 15,889	\$ 15,274	\$ 615

Total capitalization increased by \$615 million to \$15.89 billion as at March 31, 2018 compared to \$15.27 billion at December 31, 2017, primarily as a result of a \$555 million increase in shareholders' equity, a \$34 million increase in liabilities and a \$26 million increase in non-controlling interests.

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

- the \$669 million of net income earned in the first quarter of 2018;
- a \$117 million net unrealized gain on translation of our net investment in foreign operations whose functional currency is not U.S. dollars; and
- a \$21 million net unrealized loss on cash flow hedges.

These factors were partially offset by the \$103 million repurchase and cancellation of 1.9 million Common Shares during the first quarter of 2018 and \$118 million of dividends paid during the first quarter of 2018.

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

Cash Resources

During the first quarter of 2018, our cash resources including restricted cash equivalents increased by \$46 million to \$885 million primarily as a result of the cash provided from operating activities partially offset by the cash used for investing and financing activities, as discussed above. In addition to our cash resources at March 31, 2018, we had term and operating lines of credit totalling \$2.94 billion, of which \$2.50 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 May 9, 2018 were exercised:

Common Shares	352,674,730
Stock options ⁽ⁱ⁾	8,894,791
	<hr/>
	361,569,521

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

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 March 31,	
	2018	2017
Net income	\$ 669	\$ 587
Add:		
Interest expense, net	21	19
Other Expense	3	6
Income taxes	182	206
Adjusted EBIT	\$ 875	\$ 818

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 March 31,	
	2018	2017
Sales	\$ 10,792	\$ 8,900
Adjusted EBIT	\$ 875	\$ 818
Adjusted EBIT as a percentage of sales	8.1%	9.2%

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 March 31,	
	2018	2017
Net income attributable to Magna International Inc.	\$ 660	\$ 577
Add:		
Other Expense	3	6
Adjusted net income attributable to Magna International Inc.	\$ 663	\$ 583
Diluted weighted average number of Common Shares outstanding during the year (millions):	359.9	383.4
Adjusted diluted earnings per share	\$ 1.84	\$ 1.53

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 March 31,	
	2018	2017
Net income	\$ 669	\$ 587
Add:		
Interest Expense, net	21	19
Income taxes on Interest Expense, net at Magna's effective income tax rate	(5)	(5)
After-tax operating profits	\$ 685	\$ 601

Invested Capital is calculated in the table below:

	For the three months ended March 31,	
	2018	2017
Total Assets	\$ 27,089	\$ 23,691
Excluding:		
Cash and cash equivalents	(769)	(831)
Deferred tax assets	(260)	(273)
Less Current Liabilities	(10,231)	(9,243)
Excluding:		
Short-term borrowings	262	488
Long-term debt due within one year	114	152
Invested Capital	\$ 16,205	\$ 13,984

Return on Invested Capital is calculated in the table below:

	For the three months ended March 31,	
	2018	2017
After-tax operating profits	\$ 685	\$ 601
Average Invested Capital	\$ 15,917	\$ 13,684
Return on Invested Capital	17.2%	17.6%

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 March 31,	
	2018	2017
Net income attributable to Magna International Inc.	\$ 660	\$ 577
Average Shareholders' Equity	\$ 12,003	\$ 10,507
Return on Equity	22.0%	22.0%

SUBSEQUENT EVENTS

Lyft, Inc. Multi-Year Self-Driving Partnership

In the first quarter of 2018, we entered into a multi-year collaboration to jointly fund, develop and manufacture self-driving systems with Lyft, Inc. ("Lyft"), a rideshare company headquartered in the United States. As part of the collaboration, following receipt of regulatory approval in the second quarter of 2018, we invested \$200 million in Lyft equity.

Credit Facility Amendment

On May 3, 2018, we amended our \$2.75 billion revolving credit facility, including an extension of the maturity date from June 22, 2022 to June 22, 2023.

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 March 31, 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 March 31, 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 benefits of our partnership 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;

Customer and Supplier Related Risks

- concentration of sales with six customers;
- shifts in market shares among vehicles or vehicle segments;
- 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.