



Magna International Inc.

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

**for the three months
ended September 30, 2019**

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 and nine months ended September 30, 2019 included in this Quarterly Report, and the audited consolidated financial statements and MD&A for the year ended December 31, 2018 included in our 2018 Annual Report to Shareholders. The most recent updates to our accounting policies, including the impact of the adoption of Accounting Standards Codification 842 – *Leases*, can be found in Note 1 of our unaudited interim consolidated financial statements for the three months and nine months ended September 30, 2019.

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

This MD&A has been prepared as at November 7, 2019.

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, Adjusted 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 through the same financial measures employed by our management for this purpose. 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, Adjusted diluted earnings per share and Adjusted Return on Invested Capital 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 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 U.S. GAAP financial measure, and a reconciliation to the most directly comparable U.S. GAAP financial measure, can be found in the "Non-GAAP Financial Measures Reconciliation" section of this MD&A.

HIGHLIGHTS

- Our sales and earnings in the third quarter of 2019 were negatively impacted by the labour strike at General Motors ["GM"] which began on September 16th. The GM strike continued into October and therefore will also negatively impact sales and earnings in the fourth quarter of 2019.
- Total sales decreased 3% to \$9.3 billion in the third quarter of 2019, compared to \$9.6 billion in the third quarter of 2018. Excluding the impact of foreign currency translation and divestitures, net of acquisitions, sales increased 2%. This compares favourably to global vehicle production, which declined 3%. The sales increase, primarily a result of the launch of programs, was achieved despite lost vehicle production in the quarter due to the labour strike at GM.
- Diluted (loss) earnings per share and adjusted diluted earnings per share were (\$0.75) and \$1.41, respectively. Adjusted diluted earnings per share declined 10% from the third quarter of 2018, largely reflecting increased engineering costs in our advanced driver assistance systems ["ADAS"] business, favourable customer pricing resolutions in the prior year, the labour strike at GM, higher net commodity costs and lower equity income. These were partially offset by higher foreign exchange gains, a lower effective income tax rate and the impact of a lower share count.
- Other expense (income), net in the third quarter was substantially made up of a \$700 million non-cash impairment of assets in our three Getrag joint venture investments and a net loss on our investments of \$127 million, substantially relating to Lyft, Inc. ["Lyft"].
- Cash from operating activities was \$750 million in the third quarter of 2019, compared to \$1,076 million in the third quarter of 2018.
- We returned \$451 million to shareholders in the third quarter of 2019 through \$342 million in share repurchases and \$109 million in dividends.
- Lastly, we recently announced that BMW had awarded us the largest production order for transmission technologies in Magna's history for dual-clutch transmissions, including hybrid variants.

OVERVIEW

OUR BUSINESS⁽¹⁾

We are a mobility technology company. We have more than 166,000 entrepreneurial-minded employees and 346 manufacturing operations and 92 product development, engineering and sales centres in 28 countries. We have complete vehicle engineering and contract manufacturing expertise, as well as product capabilities which include body, chassis, exterior, seating, powertrain, active driver assistance, electronics, mechatronics, mirrors, lighting and roof systems. Magna also has electronic and software capabilities across many of these areas. Our common shares trade on the Toronto Stock Exchange (MG) and the New York Stock Exchange (MGA).

¹ Manufacturing operations, product development, engineering and sales centres and employee figures include certain operations accounted for under the equity method

INDUSTRY TRENDS AND RISKS

Our operating results are primarily dependent on the levels of North American, European and Chinese car and light truck production by our customers. While we supply systems and components to every major original equipment manufacturer ["OEM"], we do not supply systems and components for every vehicle, nor is the value of our content consistent from one vehicle to the next. As a result, customer and program mix relative to market trends, as well as the value of our content on specific vehicle production programs, are important drivers of our results.

OEM production volumes are generally aligned with vehicle sales levels. Overall vehicle sales levels are significantly affected by changes in consumer confidence levels, which may in turn be impacted by consumer perceptions and general trends related to the job, housing and stock markets. Other factors impacting vehicle sales levels, and thus production volumes in North America, Europe and China, include: interest rates and/or availability of credit; fuel and energy prices; relative currency values; and other factors. Production volumes in different regions may also be impacted by a range of factors which vary from one region to the next, including: general economic and political conditions; labour disruptions; free trade arrangements; tariffs; relative currency values; commodities prices; supply chains and infrastructure; availability and relative cost of skilled labour; and regulatory considerations, including those related to environmental emissions and safety standards; and other factors.

While the foregoing economic, political and other factors are part of the general context in which the global automotive industry operates, there have been a number of significant industry trends that are shaping the future of the industry and creating opportunities and risks for automotive suppliers. We have developed a business strategy intended to help us succeed in the short, medium and long-term; however, there are a number of factors which could affect our ability to do so. Significant industry trends, our business strategy and the major risks we face are discussed in our Annual Information Form ["AIF"] and Annual Report on Form 40-F ["Form 40-F"] in respect of the year ended December 31, 2018, together with subsequent filings. Those industry trends and risk factors remain substantially unchanged in respect of the third quarter ended September 30, 2019, except as follows:

- One of our largest customers, GM, experienced a labour strike at its operations in the U.S., beginning on September 16, 2019. While a new labour agreement was ratified and production resumed starting on October 26, 2019, our sales to GM, and profits derived from such sales, declined as a result of lost vehicle production. The United Automobile, Aerospace, and Agricultural Implement Workers of America ("UAW"), which represents GM's employees in the United States, also represents employees of Ford and Fiat Chrysler. While the UAW has reached a tentative new collective bargaining agreement with Ford, it is currently negotiating a new collective bargaining agreement for Fiat Chrysler's unionized U.S. employees and there remains the possibility of a strike at Fiat Chrysler's facilities in the U.S. The GM strike has had an adverse effect on our sales and profitability and the collective impact of the GM strike and a potential strike at Fiat Chrysler's operations in the United States could have a material adverse effect on our sales and profitability.
- During the third quarter, we recorded significant impairment charges related to equity-accounted ventures in China and Europe, that were acquired as part of our acquisition of the Getrag Group of Companies in 2016 and are included in our Power & Vision segment. The Chinese ventures, which make both manual transmissions and dual-clutch transmissions ("DCTs"), and the European venture which makes manual transmissions, have been affected by a number of factors, including: reduced vehicle production volumes; increased pricing pressure in the China market; faster than expected migration away from manual transmissions; a lower than expected conversion rate from manual transmissions to DCTs in China; and in-sourcing of transmissions by certain Chinese OEMs.
- We have experienced an increase in product warranty and/or recall claims related to several products. Although we have accrued costs related to these items based on our assessment of fault and scope of the claims, net of any expected insurance recoveries, our residual exposure could have an adverse effect on our profitability.
- Fiat Chrysler Automobiles, one of our largest OEM customers, has agreed to merge with Peugeot S.A. While still subject to various conditions and approvals, the transaction would, if completed, create the fourth-largest global OEM based on number of vehicles produced. OEM consolidation can present opportunities or pose risks for suppliers, depending on the combined OEM's purchasing strategy, payment terms, creditworthiness and other factors. At this time, it is premature to determine the impact of the proposed merger on our business.

RESULTS OF OPERATIONS

AVERAGE FOREIGN EXCHANGE

	For the three months ended September 30,			For the nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
1 Canadian dollar equals U.S. dollars	0.757	0.765	- 1%	0.752	0.776	- 3%
1 euro equals U.S. dollars	1.112	1.163	- 4%	1.124	1.195	- 6%
1 Chinese renminbi equals U.S. dollars	0.142	0.147	- 3%	0.146	0.154	- 5%

The preceding table reflects the average foreign exchange rates between the most common currencies in which we conduct business and our U.S. dollar reporting currency. The changes in these foreign exchange rates for the three months ended September 30, 2019 and nine months ended September 30, 2019 impacted the reported U.S. dollar amounts of our sales, expenses and income.

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

LIGHT VEHICLE PRODUCTION VOLUMES

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

Light Vehicle Production Volumes (thousands of units)

	For the three months ended September 30,			For the nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
North America	3,934	4,049	- 3%	12,451	12,832	- 3%
Europe	4,753	4,694	+ 1%	16,205	16,683	- 3%
China	5,455	6,150	- 11%	17,191	19,437	- 12%

RESULTS OF OPERATIONS – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

SALES



Sales decreased 3% or \$299 million to \$9.32 billion for the third quarter of 2019 compared to \$9.62 billion for the third quarter of 2018. Divestitures, net of acquisitions, subsequent to the third quarter of 2018 decreased sales by \$263 million. In addition, the weakening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar decreased sales by \$216 million.

Excluding the impact of divestitures, net of acquisitions, and foreign currency translation, sales increased \$180 million due to the launch of programs during or subsequent to the third quarter of 2018. This was partially offset by:

- the impact of lower assembly volumes on the BMW 5-Series;
- lower global light vehicle production;
- the labour strike at GM during the third quarter of 2019;
- the end of production of certain programs; and
- net customer price concessions subsequent to the third quarter of 2018.

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

COST OF GOODS SOLD

	For the three months ended September 30,		Change
	2019	2018	
Material	\$ 5,802	\$ 5,899	\$ (97)
Direct labour	680	717	(37)
Overhead	1,581	1,637	(56)
Cost of goods sold	\$ 8,063	\$ 8,253	\$ (190)

Cost of goods sold decreased \$190 million to \$8.06 billion for the third quarter of 2019 compared to \$8.25 billion for the third quarter of 2018. Divestitures, net of acquisitions, subsequent to the third quarter of 2018 decreased cost of goods sold by \$233 million. In addition, the weakening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar decreased cost of goods sold by \$192 million.

Excluding the impact of divestitures, net of acquisitions and foreign currency translation, cost of goods sold increased by \$235 million primarily as a result of:

- higher material, direct labour and overhead costs, primarily due to higher sales in our Complete Vehicles segment, which has a higher average material content compared to sales than our consolidated average;
- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies; and
- higher net commodity costs.

These factors were partially offset by the labour strike at GM during the third quarter of 2019.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization costs increased \$10 million to \$335 million for the third quarter of 2019 compared to \$325 million for the third quarter of 2018. The higher depreciation and amortization was primarily a result of increased capital deployed at existing facilities and to support the launch of programs during or subsequent to the third quarter of 2018.

These factors were partially offset by divestitures, net of acquisitions, subsequent to the third quarter of 2018 which decreased depreciation and amortization by \$9 million and an \$8 million net decrease in reported U.S. dollar depreciation and amortization mainly due to the weakening of the euro against the U.S. dollar.

SELLING, GENERAL AND ADMINISTRATIVE ["SG&A"]

SG&A expense as a percentage of sales was 4.3% for the third quarter of 2019 compared to 4.2% for the third quarter of 2018. SG&A expense decreased \$3 million to \$400 million for the third quarter of 2019 compared to \$403 million for the third quarter of 2018, primarily as a result of:

- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018;
- a \$10 million net decrease in the reported U.S. dollar SG&A expense primarily due to the weakening of the euro against the U.S. dollar; and
- divestitures, net of acquisitions, subsequent to the third quarter of 2018 which decreased SG&A by \$8 million.

These factors were partially offset by a \$12 million unfavourable impact of foreign exchange losses in the third quarter of 2019 compared to foreign exchange gains in the third quarter of 2018 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency and a general increase in SG&A costs to support the growth in sales, excluding divestitures, net of acquisitions.

INTEREST EXPENSE, NET

During the third quarter of 2019, we recorded net interest expense of \$18 million compared to \$23 million for the third quarter of 2018. The \$5 million decrease is primarily as a result of lower interest expense due to the decrease in borrowings.

EQUITY INCOME

Equity income decreased \$25 million to \$37 million for the third quarter of 2019 compared to \$62 million for the third quarter of 2018, primarily as a result of reduced earnings in our Power & Vision segment due to lower sales, and a write-down of assets at a certain facility during the third quarter of 2019, partially offset by improved operational performance at a certain facility.

OTHER EXPENSE (INCOME), NET

	For the three months ended September 30,	
	2019	2018
Impairment of assets ⁽¹⁾	\$ 727	\$ —
Net losses on investments ⁽²⁾	127	—
Restructuring ⁽³⁾	7	2
Gain on sale of FP&C ⁽⁴⁾	(2)	—
	<u>\$ 859</u>	<u>\$ 2</u>

(1) Impairment of assets

During the third quarter of fiscal 2019, we concluded that indicators of potential impairment were present related to certain equity accounted investments and as a result we recorded a non-cash impairment charge as follows:

Other Expense	\$ 700
Tax effect on Other Expense	(36)
Net loss	664
Loss attributable to non-controlling interests related to Other Expense	(127)
Net loss attributable to Magna International Inc.	<u>\$ 537</u>

During the third quarter of 2019, we also recorded asset impairment charges of \$27 million [\$20 million after tax] in our Electronics operations which are included in our Power & Vision segment.

(2) Net losses on investments

In the third quarter of 2019, we recorded net losses of \$127 million [\$109 million after tax] substantially related to the revaluation of our investment in Lyft.

(3) Restructuring

The restructuring charges recorded during the third quarter of 2019 related to a certain European Body Exteriors & Structures operation while the restructuring charges recorded during the third quarter of 2018 related to a certain European Power & Vision operation. There were no income taxes recorded on the restructuring charges.

(4) Gain on sale of FP&C

During the third quarter of 2019, we adjusted the gain on the sale of FP&C by \$2 million [\$2 million after tax] as a result of finalizing the proceeds relating to working capital.

(LOSS) INCOME FROM OPERATIONS BEFORE INCOME TAXES

(Loss) Income from operations before income taxes was a loss of \$319 million for the third quarter of 2019 compared to income of \$674 million for the third quarter of 2018. This \$993 million decrease is a result of the following changes, each as discussed above:

	For the three months ended September 30,		Change
	2019	2018	
Sales	\$ 9,319	\$ 9,618	\$ (299)
Costs and expenses			
Cost of goods sold	8,063	8,253	(190)
Depreciation and amortization	335	325	10
Selling, general & administrative	400	403	(3)
Interest expense, net	18	23	(5)
Equity income	(37)	(62)	25
Other expense (income), net	859	2	857
(Loss) Income from operations before income taxes	\$ (319)	\$ 674	\$ (993)

INCOME TAXES

	For the three months ended September 30,			
	2019		2018	
Income Taxes as reported	\$ 45	(14.1)%	\$ 114	16.9%
Reassessment of deferred tax balances	—	—	21	3.1
Tax effect on Other expense (income), net	61	33.7	—	—
	\$ 106	19.6%	\$ 135	20.0%

Excluding Other expense (income), net, after tax, and the Reassessment of deferred tax balances, the effective income tax rate decreased to 19.6% for the third quarter of 2019 compared to 20.0% for the third quarter of 2018, primarily as a result of:

- a change in mix of earnings resulting in proportionally lower income earned in jurisdictions with higher income tax rates;
- an increase in research and development credits in North America; and
- a reduction in other non-deductible items.

These factors were partially offset by:

- an increase in non-deductible foreign exchange losses related to the re-measurement of financial statement balances of foreign subsidiaries that are maintained in a currency other than their functional currency;
- a higher accrued tax on undistributed foreign earnings; and
- lower favourable changes in our reserves for uncertain tax positions.

LOSS (INCOME) ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Loss attributable to non-controlling interests was \$131 million for the third quarter of 2019 compared to income attributable to non-controlling interests of \$6 million for the third quarter of 2018. Excluding the \$127 million loss attributable to non-controlling interests relating to the impairment of assets recorded in the third quarter of 2019, the remaining \$10 million change was primarily due to decreased profits at certain Power & Vision operations in China.

NET (LOSS) INCOME ATTRIBUTABLE TO MAGNA INTERNATIONAL INC.

Net (loss) income attributable to Magna International Inc. was a loss of \$233 million for the third quarter of 2019 compared to income of \$554 million for the third quarter of 2018. The \$787 million decrease was a result of: a loss from operations before income taxes of \$319 million in the third quarter of 2019 compared to income from operations before income taxes of \$674 million in the third quarter of 2018; partially offset by a loss attributable to non-controlling interests of \$131 million in the third quarter of 2019 compared to income attributable to non-controlling interests of \$6 million in the third quarter of 2018; and a decrease in income taxes of \$69 million.

(LOSS) EARNINGS PER SHARE



	For the three months ended September 30,		
	2019	2018	Change
(Loss) earnings per Common Share			
Basic	\$ (0.75)	\$ 1.63	—
Diluted	\$ (0.75)	\$ 1.62	—
Weighted average number of Common Shares outstanding (millions)			
Basic	310.7	341.0	- 9%
Diluted	310.7	343.0	- 9%
Adjusted diluted earnings per share	\$ 1.41	\$ 1.56	- 10%

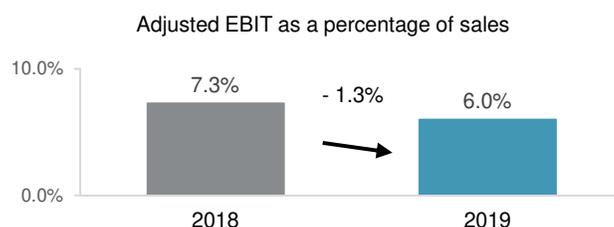
Diluted (loss) earnings per share was a loss of \$0.75 for the third quarter of 2019 compared to earnings of \$1.62 for the third quarter of 2018. The \$2.37 decrease was a result of the decrease in net (loss) income attributable to Magna International Inc., as discussed above, partially offset by a decrease in the weighted average number of diluted shares outstanding during the third quarter of 2019. The decrease in the weighted average number of diluted shares outstanding was primarily due to the purchase and cancellation of Common Shares, during or subsequent to the third quarter of 2018, pursuant to our normal course issuer bids.

Other expense (income), net, after tax and loss attributable to non-controlling interests related to the impairment of assets negatively impacted diluted earnings per share by \$2.16 in the third quarter of 2019, while other expense (income), net, after tax and the reassessment of deferred tax balances positively impacted diluted earnings per share by \$0.06 in the third quarter of 2018. These amounts are discussed in the "Other expense (income), net", "Loss (income) attributable to non-controlling interests" and "Income Taxes" sections.

Adjusted diluted earnings per share, as reconciled in the "Non-GAAP Financial Measures Reconciliation" section, decreased \$0.15 to \$1.41 for the third quarter of 2019 compared to \$1.56 for the third quarter of 2018.

NON-GAAP PERFORMANCE MEASURES - FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019

ADJUSTED EBIT AS A PERCENTAGE OF SALES



The table below shows the change in Magna's Sales and Adjusted EBIT by segment and the impact each segment's changes have on Magna's Adjusted EBIT as a percentage of sales for the third quarter of 2019 compared to the third quarter of 2018:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Third quarter of 2018	\$ 9,618	\$ 699	7.3%
Increase (Decrease) related to:			
Body Exteriors & Structures	(196)	(20)	- 0.1%
Power & Vision	(251)	(92)	- 0.8%
Seating Systems	47	(13)	- 0.2%
Complete Vehicles	125	5	—
Corporate and Other	(24)	(21)	- 0.2%
Third quarter of 2019	\$ 9,319	\$ 558	6.0%

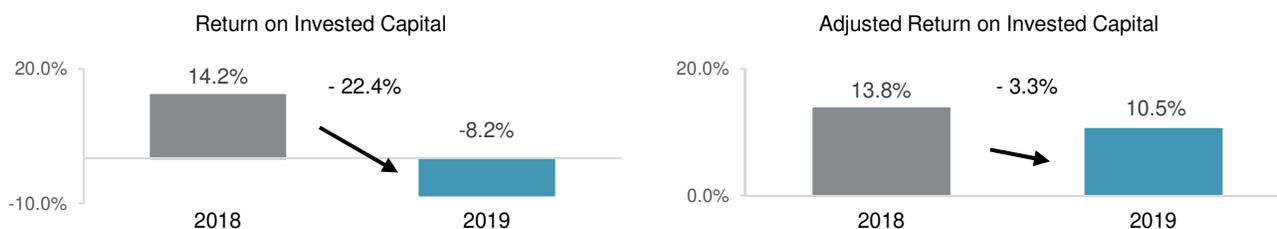
Adjusted EBIT as a percentage of sales decreased 1.3% to 6.0% for the third quarter of 2019 compared to 7.3% for the third quarter of 2018 primarily due to:

- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- favourable customer pricing resolutions in the third quarter of 2018 in our Body Exteriors & Structures facilities;
- the labour strike at GM during the third quarter of 2019;
- lower scrap steel recoveries and higher commodity costs;
- lower equity income;
- higher spending associated with electrification, autonomy and research & development;
- higher warranty costs;
- higher launch costs; and
- an unfavourable impact of foreign exchange losses in the third quarter of 2019 compared to foreign exchange gains in the third quarter of 2018 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:

- earnings on higher sales at a number of facilities;
- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018;
- inefficiencies during the third quarter of 2018 at plants that have been closed subsequent to the third quarter of 2018; and
- the divestiture of FP&C during the first quarter of 2019, which had a lower margin than our consolidated average.

RETURN ON INVESTED CAPITAL



Return on Invested Capital was -8.2% for the third quarter of 2019 compared to +14.2% for the third quarter of 2018. The 22.4% decrease was primarily due to the change in other expense (income), net, after tax and reassessment of deferred tax balances which negatively impacted Return on Invested Capital by 19.1%. Adjusted Return on Invested Capital decreased 3.3% to 10.5% for the third quarter of 2019 compared to 13.8% for the third quarter of 2018 as a result of a decrease in Adjusted After-tax operating profits and higher Average Invested Capital.

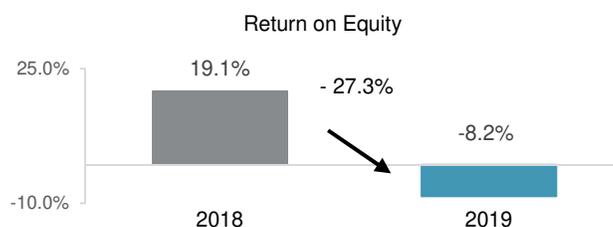
Average Invested Capital increased \$783 million to \$17.13 billion for the third quarter of 2019 compared to \$16.34 billion for the third quarter of 2018, primarily due to:

- the recognition of operating lease right-of-use assets during the first quarter of 2019 in accordance with the adoption of the accounting standard Accounting Standards Codification 842 – *Leases*; and
- an increase in our investment in fixed assets to refurbish or replace assets consumed in the normal course of business and for manufacturing equipment for programs that will be launching subsequent to the third quarter of 2019.

These factors were partially offset by:

- the sale of our FP&C business during the first quarter of 2019, including the associated assets and liabilities formerly classified as held for sale;
- the net weakening of foreign currencies against the U.S. dollar; and
- the impairment of assets recorded in the third quarter of 2019, as described in the Other expense (income), net section.

RETURN ON EQUITY



Return on Equity was -8.2% for the third quarter of 2019 compared to +19.1% for the third quarter of 2018. This 27.3% decrease was due to a loss attributable to Magna in the third quarter of 2019 compared to income attributable to Magna in the third quarter of 2018, partially offset by lower average shareholders' equity. Other expense (income), net, after tax; the impairment of assets; and reassessment of deferred tax balances negatively impacted Return on Equity by 24.2%.

SEGMENT ANALYSIS

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

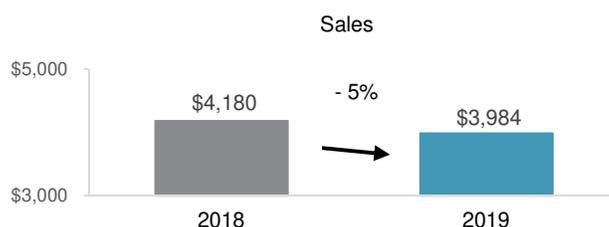
Our business is managed under operating segments which have been determined on the basis of technological opportunities, product similarities, as well as market and operating factors. Our internal financial reporting is aligned with the way our business is managed. Accordingly, we report key internal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

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

	For the three months ended September 30,					
	Sales			Adjusted EBIT		
	2019	2018	Change	2019	2018	Change
Body Exteriors & Structures	\$ 3,984	\$ 4,180	\$ (196)	\$ 306	\$ 326	\$ (20)
Power & Vision	2,696	2,947	(251)	167	259	(92)
Seating Systems	1,266	1,219	47	56	69	(13)
Complete Vehicles	1,516	1,391	125	29	24	5
Corporate and Other	(143)	(119)	(24)	—	21	(21)
Total reportable segments	\$ 9,319	\$ 9,618	\$ (299)	\$ 558	\$ 699	\$ (141)

BODY EXTERIORS & STRUCTURES

	For the three months ended September 30,			Change
	2019	2018		
Sales	\$ 3,984	\$ 4,180	\$ (196)	- 5%
Adjusted EBIT	\$ 306	\$ 326	\$ (20)	- 6%
Adjusted EBIT as a percentage of sales	7.7%	7.8%		- 0.1%



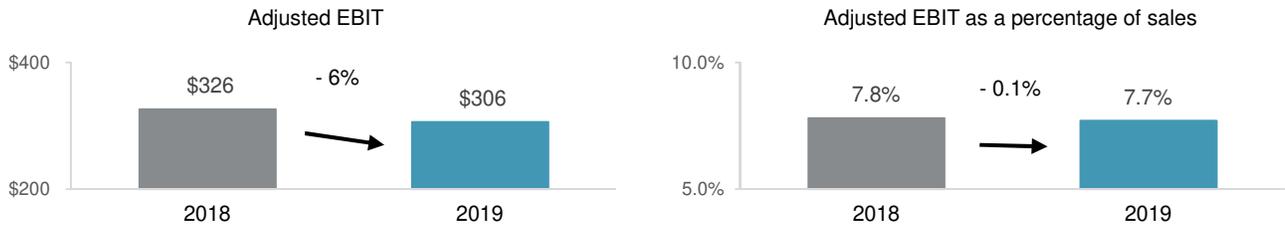
Sales – Body Exteriors & Structures

Sales for Body Exteriors & Structures decreased 5% or \$196 million to \$3.98 billion for the third quarter of 2019 compared to \$4.18 billion for the third quarter of 2018, primarily as a result of:

- lower global light vehicle production;
- the labour strike at GM during the third quarter of 2019;
- the end of production of certain programs, including the Chevrolet Cruze;
- a \$62 million decrease in reported U.S. dollar sales primarily as a result of the weakening of the euro, Canadian dollar and Chinese renminbi, each against the U.S. dollar; and
- net customer price concessions subsequent to the third quarter of 2018.

These factors were partially offset by the launch of programs during or subsequent to the third quarter of 2018, including the:

- GMC Sierra and Chevrolet Silverado;
- Jeep Gladiator;
- Chevrolet Blazer and Cadillac XT6; and
- Ford Ranger.



Adjusted EBIT – Body Exteriors & Structures

Adjusted EBIT for Body Exteriors & Structures decreased \$20 million to \$306 million for the third quarter of 2019 compared to \$326 million for the third quarter of 2018, primarily as a result of:

- favourable customer pricing resolutions in the third quarter of 2018;
- the labour strike at GM during the third quarter of 2019;
- lower scrap steel recoveries and higher commodity costs;
- higher warranty costs of \$8 million;
- higher launch costs; and
- net customer price concessions subsequent to the third quarter of 2018.

These factors were partially offset by:

- earnings on higher sales at a number of facilities;
- inefficiencies during the third quarter of 2018 at plants that have been closed subsequent to the third quarter of 2018;
- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018; and
- productivity and efficiency improvements, including at certain previously underperforming facilities.

Adjusted EBIT as a percentage of sales – Body Exteriors & Structures

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures decreased 0.1% to 7.7% for the third quarter of 2019 compared to 7.8% for the third quarter of 2018, primarily as a result of:

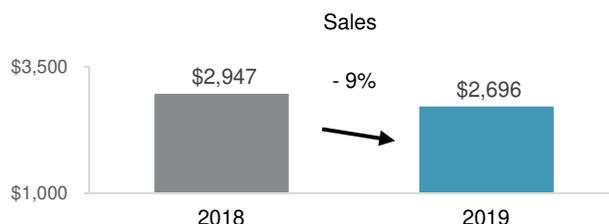
- favourable customer pricing resolutions in the third quarter of 2018;
- the labour strike at GM during the third quarter of 2019;
- lower scrap steel recoveries and higher commodity costs;
- higher warranty costs; and
- higher launch costs.

These factors were partially offset by:

- earnings on higher sales at a number of facilities;
- inefficiencies during the third quarter of 2018 at plants that have been closed subsequent to the third quarter of 2018;
- productivity and efficiency improvements, including at certain previously underperforming facilities; and
- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018.

POWER & VISION

	For the three months ended September 30,		Change	
	2019	2018		
Sales	\$ 2,696	\$ 2,947	\$ (251)	- 9%
Adjusted EBIT	\$ 167	\$ 259	\$ (92)	- 36%
Adjusted EBIT as a percentage of sales	6.2%	8.8%		- 2.6%



Sales – Power & Vision

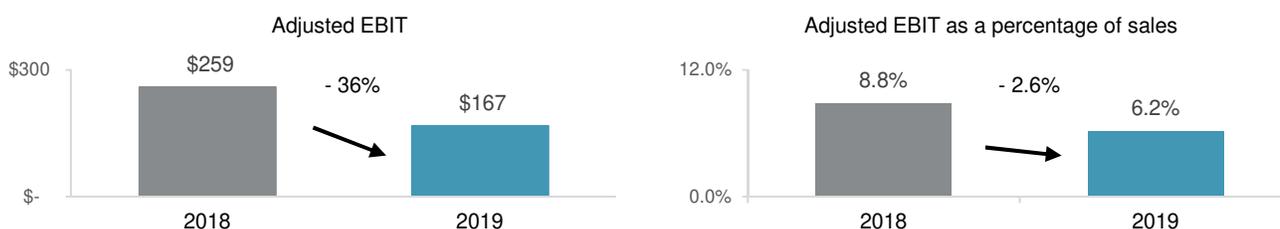
Sales for Power & Vision decreased 9% or \$251 million to \$2.70 billion for the third quarter of 2019 compared to \$2.95 billion for the third quarter of 2018. Divestitures, net of acquisitions, subsequent to the third quarter of 2018 decreased sales by \$297 million. In addition, the weakening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar decreased sales by \$69 million.

Excluding the impact of divestitures, net of acquisitions, and foreign currency translation, sales increased \$115 million due to the launch of programs during or subsequent to third quarter of 2018, including the:

- BMW X5;
- GMC Sierra and Chevrolet Silverado; and
- Chevrolet Blazer and Cadillac XT6.

These factors were partially offset by:

- lower global light vehicle production;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions subsequent to the third quarter of 2018.



Adjusted EBIT – Power & Vision

Adjusted EBIT for Power & Vision decreased \$92 million to \$167 million for the third quarter of 2019 compared to \$259 million for the third quarter of 2018, primarily as a result of:

- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- lower equity income, excluding the impact of foreign exchange, of \$19 million;
- higher spending associated with electrification, autonomy and research & development;
- the divestiture of FP&C during the first quarter of 2019;
- the labour strike at GM during the third quarter of 2019;
- higher launch costs; and
- net customer price concessions.

These factors were partially offset by:

- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018; and
- earnings on higher sales, excluding the impact of divestitures, net of acquisitions, and foreign exchange.

Equity income, excluding the impact of foreign exchange, was \$19 million lower, primarily as a result of reduced earnings due to lower sales, and a write-down of assets at a certain facility during the third quarter of 2019 partially offset by improved operational performance at a certain facility.

Adjusted EBIT as a percentage of sales – Power & Vision

Adjusted EBIT as a percentage of sales for Power & Vision decreased 2.6% to 6.2% for the third quarter of 2019 compared to 8.8% for the third quarter of 2018, primarily as a result of:

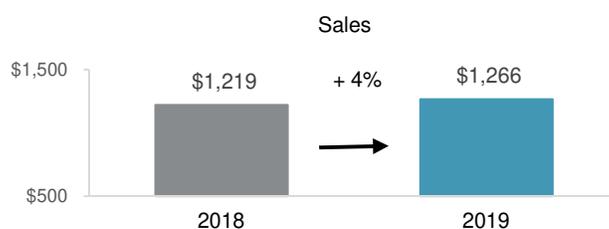
- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- lower equity income;
- higher spending associated with electrification, autonomy and research & development;
- the labour strike at GM during the third quarter of 2019;
- higher launch costs; and
- acquisitions subsequent to the third quarter of 2018.

These factors were partially offset by:

- the divestiture of FP&C during the first quarter of 2019, which had a lower margin than our Power & Vision average; and
- foreign exchange gains in the third quarter of 2019 compared to foreign exchange losses in the third quarter of 2018.

SEATING SYSTEMS

	For the three months ended September 30,		Change	
	2019	2018		
Sales	\$ 1,266	\$ 1,219	\$ 47	+ 4%
Adjusted EBIT	\$ 56	\$ 69	\$ (13)	- 19%
Adjusted EBIT as a percentage of sales	4.4%	5.7%		- 1.3%



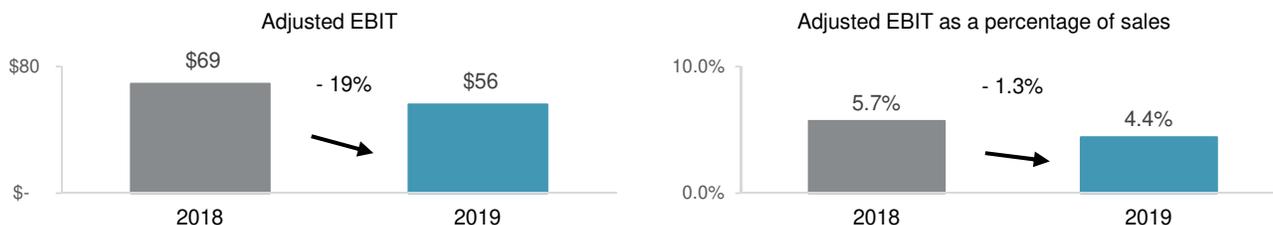
Sales – Seating Systems

Sales for Seating increased 4% or \$47 million to \$1.27 billion for the third quarter of 2019 compared to \$1.22 billion for the third quarter of 2018, primarily as a result of:

- the launch of programs during or subsequent to the third quarter of 2018, including the:
 - BMW X5;
 - BMW X7; and
 - Lynk & Co. 03; and
- acquisitions subsequent to the third quarter of 2018 which increased sales by \$34 million.

These factors were partially offset by:

- lower global light vehicle production;
- the end of production of certain programs, including the Chevrolet Cruze;
- the labour strike at GM during the third quarter of 2019;
- an \$18 million decrease in reported U.S. dollar sales, primarily as a result of the weakening of the euro, Canadian dollar and Turkish lira, each against the U.S. dollar; and
- net customer price concessions subsequent to the third quarter of 2018.



Adjusted EBIT – Seating Systems

Adjusted EBIT for Seating Systems decreased \$13 million to \$56 million for the third quarter of 2019 compared to \$69 million for the third quarter of 2018, primarily as a result of:

- reduced earnings due to lower sales at a number of facilities;
- higher commodity costs;
- launch costs and operational inefficiencies at a new facility;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions subsequent to the third quarter of 2018.

These factors were partially offset by higher favourable commercial settlements.

Adjusted EBIT as a percentage of sales – Seating Systems

Adjusted EBIT as a percentage of sales for Seating Systems decreased 1.3% to 4.4% for the third quarter of 2019 compared to 5.7% for the third quarter of 2018, primarily as a result of:

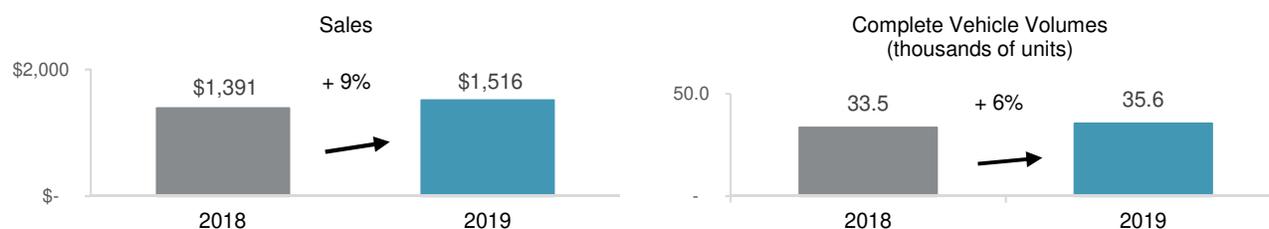
- reduced earnings due to lower sales at a number of facilities;
- launch costs and operational inefficiencies at a new facility;
- higher commodity costs;
- the labour strike at GM during the third quarter of 2019; and
- acquisitions subsequent to the third quarter of 2018.

These factors were partially offset by higher favourable commercial settlements.

COMPLETE VEHICLES

	For the three months ended September 30,		Change		
	2019	2018			
Complete Vehicle Assembly Volumes (thousands of units) ⁽ⁱ⁾	35.6	33.5	2.1	+	6%
Sales	\$ 1,516	\$ 1,391	\$ 125	+	9%
Adjusted EBIT	\$ 29	\$ 24	\$ 5	+	21%
Adjusted EBIT as a percentage of sales	1.9%	1.7%			+ 0.2%

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



Sales – Complete Vehicles

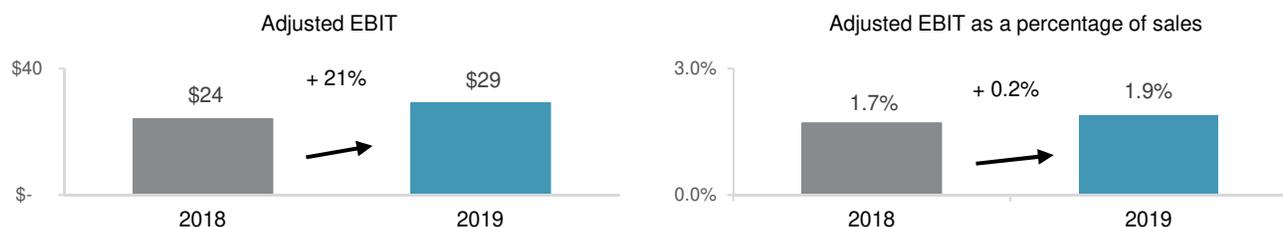
Sales for Complete Vehicles increased 9% or \$125 million to \$1.52 billion for the third quarter of 2019 compared to \$1.39 billion for the third quarter of 2018 and assembly volumes increased 6% or 2 thousand units.

The increase in Complete Vehicle sales is primarily due to:

- the launch of:
 - the BMW Z4 program during the fourth quarter of 2018; and
 - the Toyota Supra program during the first quarter of 2019; and
- the impact of higher assembly volumes due to the extended launch of:
 - the new Mercedes-Benz G-Class program which started production during the second quarter of 2018; and
 - the Jaguar I-Pace program which started production during the first quarter of 2018.

These factors were partially offset by:

- the impact of lower assembly volumes on the BMW 5-Series; and
- a \$73 million decrease in reported U.S. dollar sales as a result of the weakening of the euro against the U.S. dollar.



Adjusted EBIT – Complete Vehicles

Adjusted EBIT for Complete Vehicles increased \$5 million to \$29 million for the third quarter of 2019 compared to \$24 million for the third quarter of 2018, primarily as a result of earnings on higher sales and lower launch and other costs.

These factors were partially offset by lower favourable commercial settlements and a \$2 million decrease in reported U.S. dollar Adjusted EBIT due to the weakening of the euro against the U.S. dollar.

Adjusted EBIT as a percentage of sales – Complete Vehicles

Adjusted EBIT as a percentage of sales for Complete Vehicles increased 0.2% to 1.9% for the third quarter of 2019 compared to 1.7% for the third quarter of 2018, primarily as a result of earnings on higher sales and lower launch and other costs.

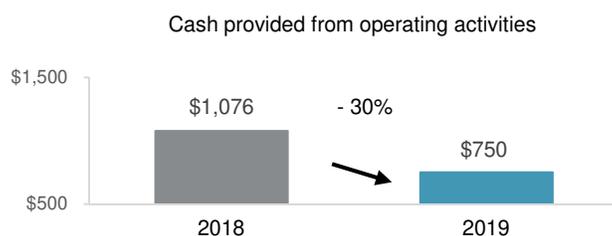
These factors were partially offset by lower favourable commercial settlements.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other was \$nil for the third quarter of 2019 compared to income of \$21 million in the third quarter of 2018. The \$21 million decrease was primarily related to a \$12 million unfavourable impact of foreign exchange gains in the third quarter of 2018 and foreign exchange losses in the third quarter of 2019 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES



	For the three months ended September 30,		Change
	2019	2018	
Net (loss) income	\$ (364)	\$ 560	
Items not involving current cash flows	1,210	339	
Changes in operating assets and liabilities	846	899	\$ (53)
	(96)	177	(273)
Cash provided by operating activities	\$ 750	\$ 1,076	\$ (326)

Cash provided from operating activities

We generated cash from operating activities of \$750 million during the third quarter of 2019. The \$326 million decrease compared to the third quarter of 2018, primarily as a result of:

- a \$361 million decrease in cash received from customers; and
- an \$114 million increase in cash paid for material and overhead.

These factors were partially offset by:

- a \$78 million decrease in cash paid for taxes;
- a \$58 million decrease in cash paid for labour;
- higher dividends received from equity method investments of \$6 million; and
- lower net interest expense of \$5 million as discussed in the Interest Expense, net section above.

Changes in operating assets and liabilities

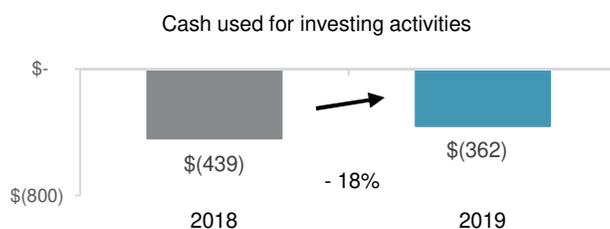
Cash used in operating assets and liabilities amounted to \$96 million in the third quarter of 2019. The net uses of cash were primarily as a result of:

- a \$183 million decrease in accounts payable, primarily due to decreased sales compared to the second quarter of 2019 and timing of payments;
- a \$75 million decrease in other accrued liabilities mainly due to a decrease in accrued taxes; and
- a \$5 million decrease in income taxes payable.

These factors were partially offset by:

- a \$109 million decrease in accounts receivable primarily due to decreased sales compared to the second quarter of 2019 and timing of receipts; and
- a \$58 million increase in accrued salaries and wages.

INVESTING ACTIVITIES



	For the three months ended September 30,		Change
	2019	2018	
Fixed asset additions	\$ (349)	\$ (381)	
Investments, other assets and intangible assets	(83)	(114)	
Fixed assets, investments, other assets and intangible assets additions	(432)	(495)	
Proceeds from sale of (investments in) Lyft	10	(20)	
Proceeds from disposition	57	76	
Proceeds on sale of business	3	—	
Cash used for investing activities	\$ (362)	\$ (439)	\$ 77

Fixed assets, investments, other assets and intangible assets additions

In the third quarter of 2019, we invested \$349 million in fixed assets. While investments were made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in the third quarter of 2019 was for manufacturing equipment for programs that launched during the third quarter of 2019, or that will be launching subsequent to the third quarter of 2019. In addition, we invested \$83 million in other assets related primarily to reimbursable tooling, planning, and engineering costs for programs that launched during the third quarter of 2019 or will be launching subsequent to the third quarter of 2019.

Proceeds from sale of (investments in) Lyft

In the third quarter of 2019, we sold 215,616 shares of Lyft shares for proceeds of \$10 million.

Proceeds from disposition

In the third quarter of 2019, \$57 million of proceeds related to normal course fixed and other asset disposals.

Proceeds on sale of business

The \$3 million of proceeds relate to the sale of FP&C as a result of finalizing the proceeds relating to working capital.

FINANCING ACTIVITIES

	For the three months ended September 30,		Change
	2019	2018	
Issues of debt	\$ 21	\$ 119	
Increase in short-term borrowings	240	149	
Repayments of debt	(10)	(6)	
Contributions to subsidiaries by non-controlling interests	2	—	
Issue of Common Shares on exercise of stock options	19	1	
Shares repurchased for tax withholdings on vesting of equity awards	—	(4)	
Repurchase of Common Shares	(342)	(520)	
Dividends paid	(109)	(109)	
Cash used for financing activities	\$ (179)	\$ (370)	\$ 191

The increase in short-term borrowings relates primarily to a \$170 million increase in U.S. commercial paper [the "U.S. Program"] and an \$88 million increase in euro-commercial paper [the "Euro Program"] during the third quarter of 2019.

Repurchases of Common Shares during the third quarter of 2019 are related to 6.8 million Common Shares repurchased for aggregate cash consideration of \$342 million.

Cash dividends paid per Common Share were \$0.365 for the third quarter of 2019, for a total of \$109 million compared to cash dividends paid per Common Share of \$0.330 for the third quarter of 2018, for a total of \$109 million.

FINANCING RESOURCES

	As at September 30, 2019	As at December 31, 2018	Change
Liabilities			
Short-term borrowings	\$ 436	\$ 1,098	
Long-term debt due within one year	104	201	
Current portion of operating lease liabilities	218	—	
Long-term debt	3,021	3,084	
Operating lease liabilities	1,527	—	
	5,306	4,383	\$ 923
Non-controlling interests	298	458	(160)
Shareholders' equity	10,575	10,701	(126)
Total capitalization	\$ 16,179	\$ 15,542	\$ 637

Total capitalization increased by \$637 million to \$16.18 billion as at September 30, 2019 compared to \$15.54 billion at December 31, 2018, primarily as a result of a \$923 million increase in liabilities, partially offset by a \$126 million decrease in shareholders' equity and a \$160 million decrease in non-controlling interest.

The increase in liabilities relates primarily to the recognition of \$218 million of current operating lease liabilities and \$1.53 billion of operating lease liabilities during the first nine months of 2019 in accordance with the adoption of the accounting standard Accounting Standards Codification 842 – *Leases*, partially offset by a \$633 million decrease in the U.S. Program and a \$29 million decrease in the Euro Program during the first nine months of 2019.

The decrease in non-controlling interest was primarily as a result of the impairment of assets recorded in the third quarter of 2019 and dividends paid during the first nine months of 2019 partially offset by a loss attributable to non-controlling interests in the first nine months of 2019.

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

- \$1.04 billion repurchase and cancellation of 21 million Common Shares during the first nine months of 2019;
- \$338 million of dividends paid during the first nine months of 2019; and
- \$213 million net unrealized loss on translation of our net investment in foreign operations whose functional currency is not U.S. dollars.

These factors were partially offset by:

- \$1.19 billion of net income earned in the first nine months of 2019; and
- a \$59 million net unrealized gain on cash flow hedges.

CASH RESOURCES

During the third quarter of 2019, our cash resources including restricted cash equivalents increased by \$200 million to \$881 million, primarily as a result of the cash provided from operating activities partially offset by cash used for investing and financing activities, as discussed above. In addition to our cash resources at September 30, 2019, we had term and operating lines of credit totalling \$3.3 billion, of which \$2.6 billion was unused and available.

MAXIMUM NUMBER OF SHARES ISSUABLE

The following table presents the maximum number of shares that would be outstanding if all of the outstanding options at November 7, 2019 were exercised:

Common Shares	305,679,234
Stock options ⁽ⁱ⁾	8,601,630
	<hr/>
	314,280,864

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

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING

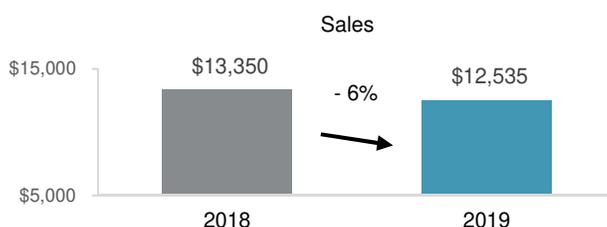
There have been no material changes with respect to the contractual obligations requiring annual payments during the third quarter of 2019 that are outside the ordinary course of our business. Refer to our MD&A included in our 2018 Annual Report.

RESULTS OF OPERATIONS – FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	For the nine months ended September 30,					
	Sales			Adjusted EBIT		
	2019	2018	Change	2019	2018	Change
Body Exteriors & Structures	\$ 12,535	\$ 13,350	\$ (815)	\$ 1,010	\$ 1,057	\$ (47)
Power & Vision	8,587	9,334	(747)	584	917	(333)
Seating Systems	4,151	4,113	38	233	316	(83)
Complete Vehicles	5,246	4,331	915	100	44	56
Corporate and Other	(483)	(438)	(45)	28	43	(15)
Total reportable segments	\$ 30,036	\$ 30,690	\$ (654)	\$ 1,955	\$ 2,377	\$ (422)

BODY EXTERIORS & STRUCTURES

	For the nine months ended September 30,		
	2019	2018	Change
Sales	\$ 12,535	\$ 13,350	\$ (815) - 6%
Adjusted EBIT	\$ 1,010	\$ 1,057	\$ (47) - 4%
Adjusted EBIT as a percentage of sales	8.1%	7.9%	+ 0.2%



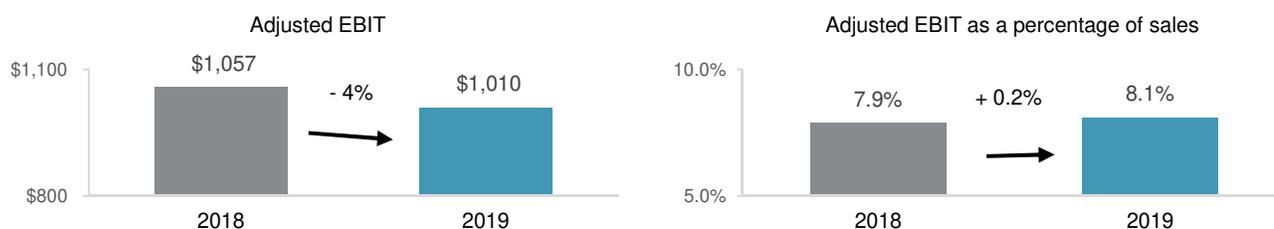
Sales – Body Exteriors & Structures

Sales for Body Exteriors & Structures decreased 6% or \$815 million to \$12.54 billion for the nine months ended September 30, 2019 compared to \$13.35 billion for the nine months ended September 30, 2018, primarily as a result of:

- lower global light vehicle production;
- a \$359 million decrease in reported U.S. dollar sales primarily as a result of the weakening of the euro, Canadian dollar, Chinese renminbi and British pound, each against the U.S. dollar;
- the end of production of certain programs, including the Chevrolet Cruze;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions subsequent to the nine months ended September 30, 2018.

These factors were partially offset by the launch of programs during or subsequent to the nine months ended September 30, 2018 including the:

- GMC Sierra and Chevrolet Silverado;
- Ford Ranger;
- Chevrolet Blazer and Cadillac XT6; and
- Jeep Gladiator.



Adjusted EBIT – Body Exteriors & Structures

Adjusted EBIT for Body Exteriors & Structures decreased \$47 million to \$1.01 billion for the nine months ended September 30, 2019 compared to \$1.06 billion for the nine months ended September 30, 2018 primarily as a result of:

- favourable customer pricing resolutions in the first nine months of 2018;
- lower scrap steel recoveries partially offset by lower commodity costs;
- the labour strike at GM during the third quarter of 2019;
- reduced earnings due to lower sales;
- a \$21 million decrease in reported U.S. dollar Adjusted EBIT as a result of the weakening of certain foreign currencies against the U.S. dollar including the euro, Canadian dollar, Chinese renminbi and Russian ruble.
- higher warranty costs of \$14 million; and
- net customer price concessions subsequent to the first nine months of 2018.

These factors were partially offset by:

- lower launch costs;
- productivity and efficiency improvements, including at certain previously underperforming facilities;
- lower employee profit sharing; and
- a fire at a Tier 1 supplier in North America during the second quarter of 2018 which disrupted vehicle production.

Adjusted EBIT as a percentage of sales – Body Exteriors & Structures

Adjusted EBIT as a percentage of sales for Body Exteriors & Structures increased 0.2% to 8.1% for the nine months ended September 30, 2019 compared to 7.9% for the nine months ended September 30, 2018 primarily as a result of:

- lower launch costs;
- productivity and efficiency improvements, including at certain previously underperforming facilities; and
- lower employee profit sharing.

These factors were partially offset by:

- favourable customer pricing resolutions in the first nine months of 2018;
- lower scrap steel recoveries partially offset by lower commodity costs; and
- the labour strike at GM during the third quarter of 2019.

POWER & VISION

	For the nine months ended September 30,		Change
	2019	2018	
Sales	\$ 8,587	\$ 9,334	\$ (747) - 8%
Adjusted EBIT	\$ 584	\$ 917	\$ (333) - 36%
Adjusted EBIT as a percentage of sales	6.8%	9.8%	- 3.0%



Sales – Power & Vision

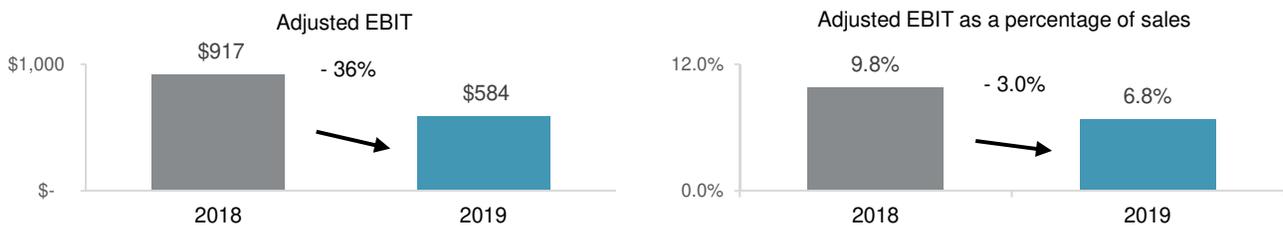
Sales for Power & Vision decreased 8% or \$747 million to \$8.59 billion for the nine months ended September 30, 2019 compared to \$9.33 billion for the nine months ended September 30, 2018. Divestitures, net of acquisitions, subsequent to the nine months ended September 30, 2018 decreased sales by \$542 million. In addition, the weakening of foreign currencies against the U.S. dollar, including the euro, Chinese renminbi and Canadian dollar decreased sales by \$335 million.

Excluding the impact of divestitures, net of acquisitions, and foreign currency translation, sales increased \$130 million due to the launch of programs during or subsequent to the nine months ended September 30, 2018, including the:

- BMW X5;
- Chevrolet Blazer and Cadillac XT6;
- BMW X7;
- RAM 1500 pickup; and
- dual-clutch transmissions on various Daimler vehicles.

These factors were partially offset by:

- lower global light vehicle production;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions subsequent to nine months ended September 30, 2018.



Adjusted EBIT – Power & Vision

Adjusted EBIT for Power & Vision decreased \$333 million to \$584 million for the nine months ended September 30, 2019 compared to \$917 million for the nine months ended September 30, 2018 primarily as a result of:

- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- lower equity income, excluding the impact of foreign exchange, of \$78 million;
- the divestiture of FP&C during the first quarter of 2019;
- higher spending associated with electrification, autonomy and research & development;
- a favourable settlement reported during the first quarter of 2018 relating to the acquisition of Getrag;
- a \$19 million decrease in reported U.S. dollar Adjusted EBIT, primarily due to the weakening of the euro, Canadian dollar and Chinese renminbi, each against the U.S. dollar;
- acquisitions subsequent to the first nine months of 2018;
- \$17 million related to tariffs, primarily on steel and aluminum;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions.

These factors were partially offset by:

- earnings on higher sales, excluding the impact of acquisitions and divestitures, and foreign exchange;
- a favourable commercial settlement in the second quarter of 2019; and
- lower warranty costs of \$7 million.

Equity income, excluding the impact of foreign exchange, was \$78 million lower, primarily due to lower sales, a favourable change in the reserves for uncertain tax positions at a certain facility during the second quarter of 2018, and a write-down of assets during the third quarter of 2019 at a certain facility. These factors were partially offset by improved operational performance at a certain facility, lower warranty costs, and a write-down of inventory and receivables relating to one customer during the second quarter of 2018 at a certain facility.

Adjusted EBIT as a percentage of sales – Power & Vision

Adjusted EBIT as a percentage of sales for Power & Vision decreased 3.0% to 6.8% for the nine months ended September 30, 2019 compared to 9.8% for the nine months ended September 30, 2018 primarily as a result of:

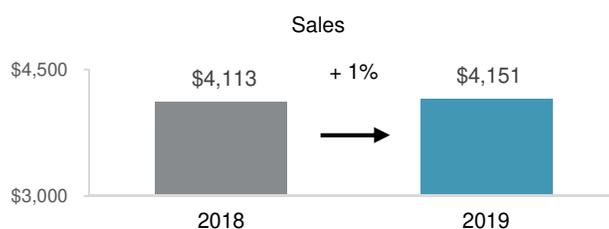
- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- lower equity income;
- acquisitions subsequent to the first nine months of 2018;
- higher spending associated with electrification, autonomy and research & development;
- a favourable settlement reported during the first quarter of 2018 relating to the acquisition of Getrag; and
- higher tariffs, primarily on steel and aluminum.

These factors were partially offset by:

- the divestiture of FP&C during the first quarter of 2019, which had a lower margin than our Power & Vision average;
- a favourable commercial settlement in the second quarter of 2019;
- earnings on higher sales, excluding the impact of acquisitions and divestitures; and
- lower warranty costs.

SEATING SYSTEMS

	For the nine months ended September 30,		Change	
	2019	2018		
Sales	\$ 4,151	\$ 4,113	\$ 38	+ 1%
Adjusted EBIT	\$ 233	\$ 316	\$ (83)	- 26%
Adjusted EBIT as a percentage of sales	5.6%	7.7%		- 2.1%



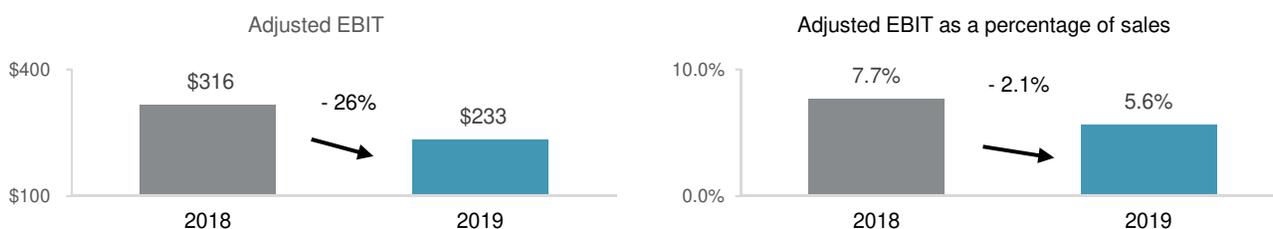
Sales – Seating Systems

Sales for Seating Systems increased 1% or \$38 million to \$4.15 billion for the nine months ended September 30, 2019 compared to \$4.11 billion for the nine months ended September 30, 2018, primarily as a result of:

- the launch of programs during or subsequent to the nine months ended September 30, 2018, including the:
 - BMW X5;
 - BMW X7;
 - Skoda Kodiaq;
 - Geely Bin Yue; and
- an acquisition subsequent to the nine months ended September 30, 2018 which increased sales by \$64 million.

These factors were partially offset by:

- lower global light vehicle production;
- the end of production of certain programs, including the Chevrolet Cruze;
- a \$134 million decrease in reported U.S. dollar sales, primarily as a result of the weakening of the euro, Canadian dollar, and Turkish lira, each against the U.S. dollar;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions subsequent to the nine months ended September 30, 2018.



Adjusted EBIT – Seating Systems

Adjusted EBIT for Seating Systems decreased \$83 million to \$233 million for the nine months ended September 30, 2019 compared to \$316 million for the nine months ended September 30, 2018 primarily as a result of:

- reduced earnings due to lower sales at a number of facilities;
- higher commodity costs;
- launch costs and operational inefficiencies at a new facility;
- lower equity income, excluding the impact of foreign exchange, of \$9 million;
- higher labour and benefits;
- a \$7 million decrease in reported U.S. dollar Adjusted EBIT, primarily due to the weakening of the Canadian dollar and Turkish lira, each against the U.S. dollar;
- foreign exchange losses in the first nine months of 2019 compared to foreign exchange gains in the first nine months of 2018; and
- higher launch costs;
- the labour strike at GM during the third quarter of 2019; and
- net customer price concessions.

These factors were partially offset by higher favourable commercial settlements and a gain on the sale of assets in the first quarter of 2019.

Adjusted EBIT as a percentage of sales – Seating Systems

Adjusted EBIT as a percentage of sales for Seating Systems decreased 2.1% to 5.6% for the nine months ended September 30, 2019 compared to 7.7% for the nine months ended September 30, 2018 primarily as a result of:

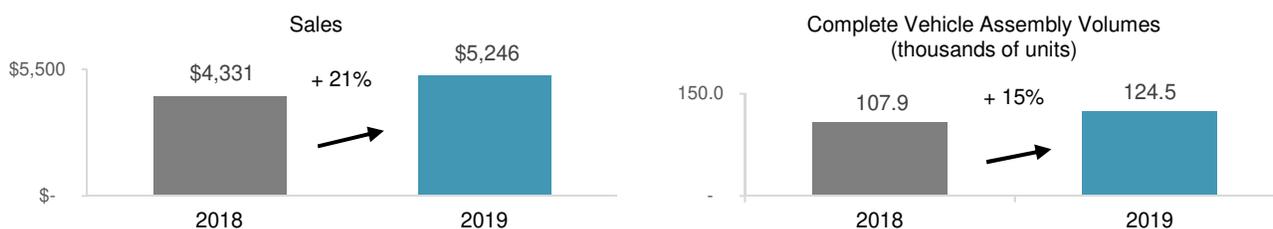
- launch costs and operational inefficiencies at a new facility;
- reduced earnings due to lower sales at a number of facilities;
- higher commodity costs;
- lower equity income;
- higher labour and benefits;
- foreign exchange losses in the first nine months of 2019 compared to foreign exchange gains in the first nine months of 2018; and
- higher launch costs.

These factors were partially offset by higher favourable commercial settlements and a gain on the sale of assets in the first quarter of 2019.

COMPLETE VEHICLES

	For the nine months ended September 30,		Change	
	2019	2018		
Complete Vehicle Assembly Volumes (thousands of units) ⁽ⁱ⁾	124.5	107.9	16.6	+ 15%
Sales	\$ 5,246	\$ 4,331	\$ 915	+ 21%
Adjusted EBIT	\$ 100	\$ 44	\$ 56	+ 127%
Adjusted EBIT as a percentage of sales	1.9%	1.0%		+ 0.9%

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



Sales – Complete Vehicles

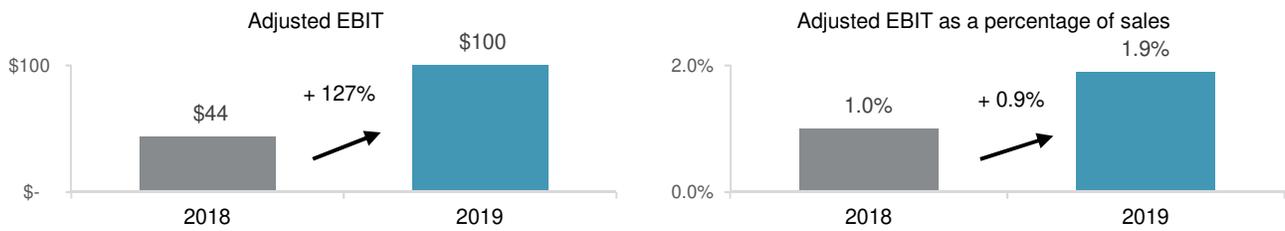
Sales increased 21% or \$915 million to \$5.25 billion for the nine months ended September 30, 2019 compared to \$4.33 billion for the nine months ended September 30, 2018, and assembly volumes increased 15% or 17 thousand units.

The increase in Complete Vehicle sales is primarily due to the launch of:

- the Jaguar I-Pace program which started production during the first quarter of 2018;
- the BMW Z4 program during the fourth quarter of 2018;
- the new Mercedes-Benz G-Class program during the second quarter of 2018; and
- the Toyota Supra program during the first quarter of 2019.

These factors were partially offset by:

- the impact of lower assembly volumes on the BMW 5-Series and Jaguar E-Pace; and
- a \$343 million decrease in reported U.S. dollar sales as a result of the weakening of the euro against the U.S. dollar.



Adjusted EBIT – Complete Vehicles

Adjusted EBIT for Complete Vehicles increased \$56 million to \$100 million for the nine months ended September 30, 2019 compared to \$44 million for the nine months ended September 30, 2018 primarily as a result of lower launch and other costs and earnings on higher sales.

These factors were partially offset by a \$6 million decrease in reported U.S. dollar Adjusted EBIT due to the weakening of the euro against the U.S. dollar.

Adjusted EBIT as a percentage of sales – Complete Vehicles

Adjusted EBIT as a percentage of sales for Complete Vehicles increased 0.9% to 1.9% for the nine months ended September 30, 2019 compared to 1.0% for the nine months ended September 30, 2018 primarily as a result of lower launch and other costs and earnings on higher sales.

CORPORATE AND OTHER

Adjusted EBIT in Corporate and Other decreased \$15 million to \$28 million for the nine months ended September 30, 2019 compared to \$43 million for the nine months ended September 30, 2018 primarily as a result of:

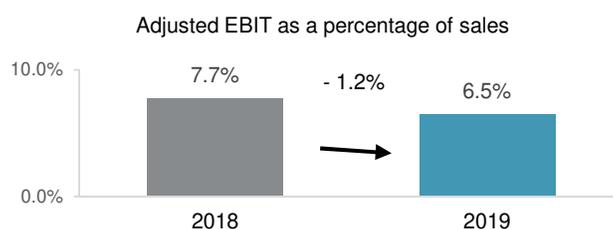
- higher spending associated with corporate research & development;
- higher labour and benefit costs;
- higher sponsorship costs; and
- a \$5 million unfavourable impact of lower foreign exchange gains in the first nine months of 2019 compared to the first nine months of 2018 related to the re-measurement of net deferred tax assets that are maintained in a currency other than their functional currency.

These factors were partially offset by:

- an increase in affiliation fees earned from our divisions;
- a gain on the sale of assets in the first quarter of 2019; and
- net foreign exchange gains in the first nine months of 2019 and net foreign exchange losses in the first nine months of 2018.

NON-GAAP PERFORMANCE MEASURES - FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

ADJUSTED EBIT AS A PERCENTAGE OF SALES



The table below shows the change in Magna's Sales and Adjusted EBIT by segment and the impact each segment's changes have on Magna's Adjusted EBIT as a percentage of sales for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018:

	Sales	Adjusted EBIT	Adjusted EBIT as a percentage of sales
Nine months ended September 30, 2018	\$ 30,690	\$ 2,377	7.7%
Increase (Decrease) related to:			
Body Exteriors & Structures	(815)	(47)	+ 0.1%
Power & Vision	(747)	(333)	- 0.9%
Seating Systems	38	(83)	- 0.3%
Complete Vehicles	915	56	- 0.1%
Corporate and Other	(45)	(15)	—
Nine months ended September 30, 2019	\$ 30,036	\$ 1,955	6.5%

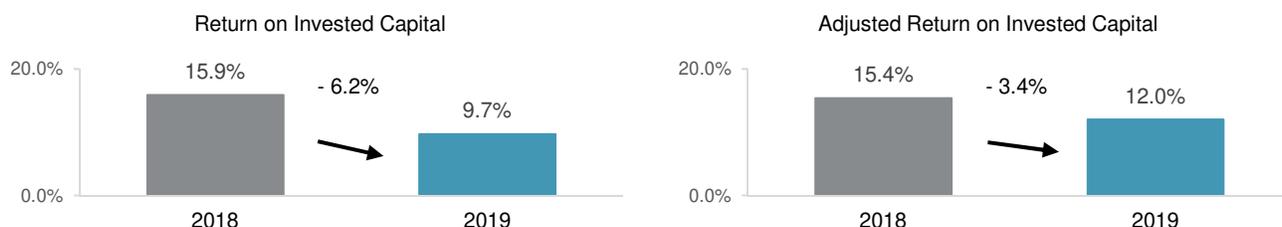
Adjusted EBIT as a percentage of sales decreased 1.2% to 6.5% for the nine months ended September 30, 2019 compared to 7.7% for the nine months ended September 30, 2018 primarily due to:

- higher engineering costs in our ADAS business, substantially associated with three programs that will be utilizing new technologies;
- lower equity income;
- an increase in depreciation and amortization primarily related to the launch of programs;
- launch costs and operational inefficiencies at a new Seating facility;
- 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;
- favourable customer pricing resolutions in the third quarter of 2018 in our Body Exteriors & Structures facilities; and
- acquisitions subsequent to the nine months ended September 30, 2018.

These factors were partially offset by:

- lower launch costs;
- higher favourable commercial settlements; and
- productivity and efficiency improvements at certain Body Exteriors & Structures facilities.

RETURN ON INVESTED CAPITAL



Return on Invested Capital decreased 6.2% to 9.7% for the nine months ended September 30, 2019 compared to 15.9% for the nine months ended September 30, 2018. The change in other expense (income), net, after tax and reassessment of deferred tax balances negatively impacted Return on Invested Capital by 2.8%. Adjusted Return on Invested Capital decreased 3.4% to 12.0% for the nine months ended September 30, 2019 compared to 15.4% for the nine months ended September 30, 2018, as a result of a decrease in Adjusted After-tax operating profits and higher Average Invested Capital.

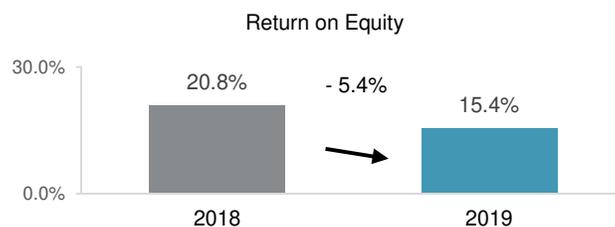
Average Invested Capital increased \$783 million to \$16.91 billion for the nine months ended September 30, 2019 compared to \$16.13 billion for the nine months ended September 30, 2018, primarily due to:

- the recognition of operating lease right-of-use assets during the first quarter of 2019 in accordance with the adoption of the accounting standard Accounting Standards Codification 842 – *Leases*;
- an increase in our investment in fixed assets to refurbish or replace assets consumed in the normal course of business and for manufacturing equipment for programs that will be launching subsequent to the nine months ended September 30, 2019;
- an increase in working capital; and
- an increase in investments, including our investment in Lyft during the second quarter of 2018.

These factors were partially offset by:

- the net weakening of foreign currencies against the U.S. dollar;
- the sale of our FP&C business during the first quarter of 2019, including the associated assets and liabilities formerly classified as held for sale; and
- the impairment of assets recorded in the third quarter of 2019, as described in the Other expense (income), net section.

RETURN ON EQUITY



Return on Equity decreased 5.4% to 15.4% for the nine months ended September 30, 2019 compared to 20.8% for the nine months ended September 30, 2018 due to lower net income attributable to Magna partially offset by lower Average Shareholders' Equity. Other expense (income), net, after tax; the impairment of assets; and reassessment of deferred tax balances negatively impacted Return on Equity by 2.4%.

NON-GAAP FINANCIAL MEASURES RECONCILIATION

ADJUSTED EBIT

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Net (Loss) Income	\$ (364)	\$ 560	\$ 1,187	\$ 1,865
Add:				
Interest Expense, net	18	23	63	67
Other Expense (Income), net	859	2	248	(34)
Income Taxes	45	114	457	479
Adjusted EBIT	\$ 558	\$ 699	\$ 1,955	\$ 2,377

ADJUSTED EBIT AS A PERCENTAGE OF SALES

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Sales	\$ 9,319	\$ 9,618	\$ 30,036	\$ 30,690
Adjusted EBIT	\$ 558	\$ 699	\$ 1,955	\$ 2,377
Adjusted EBIT as a percentage of sales	6.0%	7.3%	6.5%	7.7%

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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income attributable to Magna International Inc.	\$ (233)	\$ 554	\$ 1,325	\$ 1,840
Add (deduct):				
Other Expense (Income), net	859	2	248	(34)
Tax effect on Other Expense (Income), net	(61)	—	32	3
Loss attributable to non-controlling interests related to Other Expense (Income), net	(127)	—	(127)	—
Reassessment of deferred tax balances	—	(21)	—	(21)
Adjusted net income attributable to Magna International Inc.	438	535	1,478	1,788
Diluted weighted average number of Common Shares outstanding during the period (millions)	310.7	343.0	319.1	352.3
Adjusted diluted earnings per share	\$ 1.41	\$ 1.56	\$ 4.63	\$ 5.08

RETURN ON INVESTED CAPITAL AND ADJUSTED RETURN ON INVESTED CAPITAL

Return on Invested Capital and Adjusted Return on Invested Capital are discussed in the "Non-GAAP Performance Measures" section. Return on Invested Capital is calculated as After-tax operating profits divided by Average Invested Capital (Invested Capital is averaged on a five-fiscal quarter basis) for the period. Adjusted Return on Invested Capital is calculated as Adjusted After-tax operating profits divided by Average Invested Capital (Invested Capital is averaged on a five-fiscal quarter basis) for the period.

After-tax operating profits and Adjusted After-tax operating profits are calculated in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Net (Loss) Income	\$ (364)	\$ 560	\$ 1,187	\$ 1,865
Add (deduct):				
Interest Expense, net	18	23	63	67
Income taxes on Interest Expense, net at Magna's effective income tax rate:	(4)	(1)	(14)	(11)
After-tax operating profits	(350)	582	1,236	1,921
Other Expense (Income), net	859	2	248	(34)
Tax effect on Other Expense (Income), net	(61)	—	32	3
Reassessment of deferred tax balances	—	(21)	—	(21)
Adjusted After-tax operating profits	\$ 448	\$ 563	\$ 1,516	\$ 1,869

Invested Capital is calculated in the table below:

	As at September 30,	
	2019	2018
Total Assets	\$ 26,310	\$ 26,665
Excluding:		
Cash and cash equivalents	(769)	(884)
Deferred tax assets	(269)	(274)
Less Current Liabilities	(9,515)	(10,784)
Excluding:		
Short-term borrowings	436	1,291
Long-term debt due within one year	104	231
Current portion of operating lease liabilities	218	—
Invested Capital	\$ 16,515	\$ 16,245

Return on Invested Capital is calculated in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
After-tax operating profits	\$ (350)	\$ 582	\$ 1,236	\$ 1,921
Average Invested Capital	\$ 17,125	\$ 16,342	\$ 16,913	\$ 16,130
Return on Invested Capital	(8.2)%	14.2%	9.7%	15.9%

Adjusted Return on Invested Capital is calculated in the table below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Adjusted After-tax operating profits	\$ 448	\$ 563	\$ 1,516	\$ 1,869
Average Invested Capital	\$ 17,125	\$ 16,342	\$ 16,913	\$ 16,130
Adjusted Return on Invested Capital	10.5%	13.8%	12.0%	15.4%

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 September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
Net (loss) income attributable to Magna International Inc.	\$ (233)	\$ 554	\$ 1,325	\$ 1,840
Average Shareholders' Equity	\$ 11,413	\$ 11,577	\$ 11,483	\$ 11,789
Return on Equity	(8.2)%	19.1%	15.4%	20.8%

SUBSEQUENT EVENT

Normal Course Issuer Bid

Subsequent to September 30, 2019, we purchased for cancellation 1,909,460 Common Shares under an existing normal course issuer bid for cash consideration of \$100 million through a pre-defined automatic securities purchase plan with a designated broker.

Subject to approval by the Toronto Stock Exchange ["TSX"] and the New York Stock Exchange ["NYSE"], our Board of Directors approved a new normal course issuer bid to purchase up to 30.3 million of our Common Shares, representing approximately 10% of our public float of Common Shares. The primary purposes of the normal course issuer bid are purchases for cancellation as well as purchases to fund our stock-based compensation awards or programs and/or its obligations to its deferred profit sharing plans. The normal course issuer bid is expected to commence on or about November 15, 2019 and will terminate one year later. All purchases of Common Shares will be made at the market price at the time of purchase in accordance with the rules and policies of the TSX or on the NYSE in compliance with Rule 10b-18 under the U.S. Securities Exchange Act of 1934.

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

CHANGES IN ACCOUNTING POLICIES

Refer to Note 1 - Significant Accounting Policies included in our unaudited interim consolidated financial statements for the three and nine months ended September 30, 2019 included in this Quarterly Report for the impact of recently adopted 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 23 of our audited consolidated financial statements for the year ended December 31, 2018 and note 17 of our unaudited interim consolidated financial statements for the three and nine months ended September 30, 2019, 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, 2018.

CONTROLS AND PROCEDURES

During the first quarter of 2019, we implemented a new lease accounting system and process in response to the adoption of Accounting Standards Codification 842 – *Leases*, effective January 1, 2019. The operating effectiveness of these changes to our internal control over financial reporting will be evaluated as part of our 2019 annual assessment.

Other than as described above, there have been no changes in our internal controls over financial reporting that occurred during the three months ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements"). Any such forward-looking statements are intended to provide information about management's current expectations and plans and may not be appropriate for other purposes. Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, strategic 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 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 any 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 cyclicalities;
- regional production volume declines;
- intense competition;
- potential restrictions on free trade;
- trade disputes/tariffs;

Customer and Supplier Related Risks

- concentration of sales with six customers;
- shifts in market shares among vehicles or vehicle segments;
- shifts in consumer "take rates" for products we sell;
- quarterly sales fluctuations;
- potential loss of any material purchase orders;
- a deterioration in the financial condition of our supply base;
- OEM consolidation;

Manufacturing Operational Risks

- product and new facility launch risks;
- operational underperformance;
- restructuring costs;
- impairment charges;
- labour disruptions;
- supply disruptions;
- climate change risks;
- attraction/retention of skilled labour;

IT Security Risk

- IT/Cybersecurity 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 related to repair or replacement of defective products, including due to a recall;
- warranty or recall costs that exceed warranty provision or insurance coverage limits;

Acquisition Risks

- inherent merger and acquisition risks;
- acquisition integration risk;

Other Business Risks

- risks related to conducting business through joint ventures;
- our ability to consistently develop and commercialize innovative products or processes;
- our changing business risk profile as a result of increased investment in electrification and autonomous driving, including: higher R&D and engineering costs, and challenges in quoting for profitable returns on products for which we may not have significant quoting experience;
- risks of conducting business in foreign markets;
- fluctuations in relative currency values;
- tax risks;
- reduced financial flexibility as a result of an economic shock;
- changes in credit ratings assigned to us;

Legal, Regulatory and Other Risks

- antitrust risk;
- legal claims and/or regulatory actions against us; and
- changes in laws and regulations, including those related to vehicle emissions.

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.