



**Magna International Inc.**

**Interim Financial Statements for the three months  
ended March 31, 2019**

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

[Unaudited]

[U.S. dollars in millions, except per share figures]

	Note	Three months ended March 31,	
		2019	2018
<b>Sales</b>		<b>\$ 10,591</b>	\$ 10,792
<b>Costs and expenses</b>			
Cost of goods sold		9,164	9,293
Depreciation and amortization		321	315
Selling, general and administrative		421	396
Interest expense, net		31	21
Equity income		(35)	(87)
Other (income) expense, net	4	(679)	3
Income from operations before income taxes		1,368	851
Income taxes		267	182
<b>Net income</b>		<b>1,101</b>	669
Loss (Income) attributable to non-controlling interests		5	(9)
<b>Net income attributable to Magna International Inc.</b>		<b>\$ 1,106</b>	\$ 660
Earnings per Common Share:	5		
Basic		\$ 3.40	\$ 1.84
Diluted		\$ 3.39	\$ 1.83
Cash dividends paid per Common Share		\$ 0.365	\$ 0.330
Weighted average number of Common Shares outstanding during the period [in millions]:	5		
Basic		325.1	357.7
Diluted		326.3	359.9

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended	
		March 31,	
		2019	2018
<b>Net income</b>		<b>\$ 1,101</b>	<b>\$ 669</b>
Other comprehensive income, net of tax:	15		
Net unrealized gain on translation of net investment in foreign operations		27	134
Net unrealized gain (loss) on cash flow hedges		37	(21)
Reclassification of net loss (gain) on cash flow hedges to net income		18	(1)
Reclassification of net loss on pensions to net income		1	2
<b>Other comprehensive income</b>		<b>83</b>	<b>114</b>
Comprehensive income		1,184	783
Comprehensive income attributable to non-controlling interests		(7)	(26)
<b>Comprehensive income attributable to Magna International Inc.</b>		<b>\$ 1,177</b>	<b>\$ 757</b>

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**

[Unaudited]

[U.S. dollars in millions]

	Note	As at March 31, 2019	As at December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	\$ 925	\$ 684
Accounts receivable	2	7,446	6,548
Inventories	7	3,501	3,403
Prepaid expenses and other		222	193
Income taxes receivable		53	57
Assets held for sale	3	—	949
		<b>12,147</b>	<b>11,834</b>
Investments	8	2,408	2,189
Fixed assets, net		7,958	8,095
Operating lease right-of-use assets	9	1,716	—
Intangible assets, net		553	560
Goodwill		1,957	1,979
Deferred tax assets		264	300
Other assets	10	977	988
		<b>\$ 27,980</b>	<b>\$ 25,945</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Short-term borrowings	11	\$ 335	\$ 1,098
Accounts payable		6,484	6,094
Accrued salaries and wages		860	769
Other accrued liabilities	12	2,003	1,734
Long-term debt due within one year		122	201
Current portion of operating lease liabilities	9	176	—
Liabilities held for sale	3	—	408
		<b>9,980</b>	<b>10,304</b>
Long-term debt		3,062	3,084
Operating lease liabilities	9	1,566	—
Long-term employee benefit liabilities		598	597
Other long-term liabilities		396	400
Deferred tax liabilities		431	401
		<b>16,033</b>	<b>14,786</b>
<b>Shareholders' equity</b>			
Capital stock			
Common Shares			
[issued: 322,053,641; December 31, 2018 – 327,339,095]	14	3,340	3,380
Contributed surplus		129	120
Retained earnings		9,101	8,376
Accumulated other comprehensive loss	15	(1,090)	(1,175)
		<b>11,480</b>	<b>10,701</b>
Non-controlling interests		467	458
		<b>11,947</b>	<b>11,159</b>
		<b>\$ 27,980</b>	<b>\$ 25,945</b>

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[Unaudited]  
[U.S. dollars in millions]

	Note	Three months ended	
		March 31,	
		2019	2018
<b>Cash provided from (used for):</b>			
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 1,101	\$ 669
Items not involving current cash flows	6	(213)	363
		<b>888</b>	1,032
Changes in operating assets and liabilities	1, 6	(294)	(455)
<b>Cash provided from operating activities</b>		<b>594</b>	<b>577</b>
<b>INVESTMENT ACTIVITIES</b>			
Fixed asset additions		(251)	(243)
Increase in investments, other assets and intangible assets		(82)	(114)
Proceeds from disposition		86	29
Proceeds on sale of business	3	1,129	—
<b>Cash provided from (used for) investing activities</b>		<b>882</b>	<b>(328)</b>
<b>FINANCING ACTIVITIES</b>			
Issues of debt		5	15
(Decrease) Increase in short-term borrowings		(774)	1
Repayments of debt		(86)	(13)
Contributions to subsidiaries by non-controlling interests		2	—
Issues of Common Shares on exercise of stock options		8	5
Shares repurchased for tax withholdings on vesting of equity awards		(3)	—
Repurchase of Common Shares	14	(284)	(103)
Dividends		(119)	(118)
<b>Cash used for financing activities</b>		<b>(1,251)</b>	<b>(213)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		14	10
Net increase in cash, cash equivalents and restricted cash equivalents during the period		239	46
Cash, cash equivalents and restricted cash equivalents, beginning of period		802	839
<b>Cash, cash equivalents and restricted cash equivalents, end of period</b>	6	<b>\$ 1,041</b>	<b>\$ 885</b>

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

[Unaudited]

[U.S. dollars in millions]

	Note	Common Shares Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL <sup>(i)</sup>	Non- controlling Interest	Total Equity
		<i>[in millions]</i>						
<b>Balance, December 31, 2018</b>		<b>327.3</b>	<b>\$ 3,380</b>	<b>\$ 120</b>	<b>\$ 8,376</b>	<b>\$ (1,175)</b>	<b>\$ 458</b>	<b>\$ 11,159</b>
Adoption of ASU No. 2016-02	1				(25)			(25)
<b>Balance, December 31, 2018, as adjusted</b>		<b>327.3</b>	<b>\$ 3,380</b>	<b>\$ 120</b>	<b>\$ 8,351</b>	<b>\$ (1,175)</b>	<b>\$ 458</b>	<b>\$ 11,134</b>
Net income					1,106		(5)	1,101
Other comprehensive income						71	12	83
Contributions by non-controlling interests							2	2
Sale of business	3					8		8
Shares issued on exercise of stock options		0.2	10	(2)				8
Release of stock and stock units		0.1	6	(6)				—
Shares repurchased for tax withholdings on vesting of equity rewards		(0.1)			(3)			(3)
Repurchase and cancellation under normal course issuer bid	14	(5.6)	(59)		(231)	6		(284)
Stock-based compensation expense				17				17
Dividends paid		0.2	3		(122)			(119)
<b>Balance, March 31, 2019</b>		<b>322.1</b>	<b>\$ 3,340</b>	<b>\$ 129</b>	<b>\$ 9,101</b>	<b>\$ (1,090)</b>	<b>\$ 467</b>	<b>\$ 11,947</b>

	Note	Common Shares Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL <sup>(i)</sup>	Non- controlling Interest	Total Equity
		<i>[in millions]</i>						
<b>Balance, December 31, 2017</b>		<b>358.1</b>	<b>\$ 3,617</b>	<b>\$ 119</b>	<b>\$ 8,074</b>	<b>\$ (600)</b>	<b>\$ 502</b>	<b>\$ 11,712</b>
Adoption of ASU No. 2016-16					3			3
<b>Balance, December 31, 2017, as adjusted</b>		<b>358.1</b>	<b>\$ 3,617</b>	<b>\$ 119</b>	<b>\$ 8,077</b>	<b>\$ (600)</b>	<b>\$ 502</b>	<b>\$ 11,715</b>
Net income					660		9	669
Other comprehensive income						97	17	114
Shares issued on exercise of stock options		0.1	6	(1)				5
Release of stock and stock units			3	(3)				—
Repurchase and cancellation under normal course issuer bid	14	(1.9)	(19)		(86)	2		(103)
Stock-based compensation expense				11				11
Dividends paid		0.1	2		(120)			(118)
<b>Balance, March 31, 2018</b>		<b>356.4</b>	<b>\$ 3,609</b>	<b>\$ 126</b>	<b>\$ 8,531</b>	<b>\$ (501)</b>	<b>\$ 528</b>	<b>\$ 12,293</b>

(i) AOCL is Accumulated Other Comprehensive Loss.

See accompanying notes

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

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### 1. SIGNIFICANT ACCOUNTING POLICIES

#### [a] Basis of presentation

The unaudited interim consolidated financial statements of Magna International Inc. and its subsidiaries [collectively "Magna" or the "Company"] have been prepared in U.S. dollars following accounting principles generally accepted in the United States of America ["GAAP"]. The unaudited interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2018 audited consolidated financial statements and notes thereto included in the Company's 2018 Annual Report.

The unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at March 31, 2019 and the results of operations, changes in equity and cash flows for the three-months ended March 31, 2019 and 2018.

#### [b] Recently adopted Accounting Standards

##### Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases: Topic 842 (ASU 2016-02)", to supersede nearly all existing lease guidance under GAAP. The Company adopted the standard on January 1, 2019 using a modified retrospective transition approach, without restatement of the comparative period's financial information, as permitted by the transition guidance. The adoption of the new standard resulted in a cumulative-effect adjustment to retained earnings of \$25 million. The Company has elected certain practical expedients including not to reassess whether any expired or existing contract is or contains a lease, the lease classification of any expired or existing lease, and not to reassess any initial direct costs for any existing leases. In addition, the Company has elected to use the hindsight, practical expedient.

The most significant impact on the Consolidated Financial Statements was the recognition of Right-of-use ["ROU"] assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged. On January 1, 2019, the Company recognized operating lease liabilities of \$1.8 billion and right-of-use assets of \$1.8 billion based on the present value of the remaining lease payments over the lease term. The adoption of the new standard did not have a material impact on the Company's results of operations or cash flows.

#### [c] Seasonality

The Company's businesses are generally not seasonal. However, the Company's sales and profits are closely related to its automotive customers' vehicle production schedules. The Company's largest North American customers typically halt production for approximately two weeks in July and one week in December. Additionally, many of the Company's customers in Europe typically shutdown vehicle production during portions of August and one week in December.

### 2. REVENUE RECOGNITION

#### [a] Disaggregation of Revenue

Total tooling and other sales were \$149.0 million and \$177.6 million for the three months ended March 31, 2019 and 2018, respectively.

For revenues disaggregated by product group and geography, refer to Segmented Information [note 18].

#### [b] Contract Assets and Liabilities

The Company's unbilled accounts receivable balance was \$274 million as at March 31, 2019, and \$293 million as at December 31, 2018. Accounts receivable related to production, tooling and engineering sales were \$4.5 billion as of March 31, 2019 and \$4.3 billion as at December 31, 2018.

Customer advances are recorded as deferred revenue [a contract liability]. The Company's contract liability balance was \$176 million as at March 31, 2019 and \$176 million as at December 31, 2018. The amount of revenue recognized for the three-month period ended March 31, 2019 that was included in the deferred revenue balance at the beginning of the period was \$25 million.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

*[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]*

**3. SALE OF BUSINESS**

On March 29, 2019, the Company completed the sale of its global Fluid Pressure & Controls ["FP&C"] business to Hanon Systems for total consideration of \$1.23 billion. The business was included in the Company's Power & Vision segment and did not meet the criteria to be classified as a discontinued operation.

The following table summarizes the carrying value of the major classes of assets and liabilities of the FP&C business which were reflected as held for sale in the consolidated balance sheets at December 31, 2018:

	December 31, 2018
Accounts receivable	\$ 258
Inventories	140
Prepaid expenses and other	4
Investments	4
Fixed assets, net	320
Goodwill	157
Deferred tax assets	17
Other assets	11
Intangibles	38
<b>Assets held for sale</b>	<b>\$ 949</b>
Accounts payable	\$ 226
Accrued salaries and wages	30
Other accrued liabilities	76
Income taxes payable	6
Long-term employee benefit liabilities	62
Other long-term liabilities	3
Deferred tax liabilities	5
<b>Liabilities held for sale</b>	<b>\$ 408</b>

The Company recognized a gain on the sale within other (income) expense, net as follows:

	March 29, 2019
Proceeds on disposal, net of transaction costs	\$ 1,168
Net assets disposed	652
	516
Income taxes	78
<b>Gain on divestiture, net of tax</b>	<b>\$ 438</b>

Consideration associated with the sale remains subject to further adjustments, primarily related to working capital. The Company does not anticipate significant continuing involvement with the disposed FP&C business subsequent to the close of the transaction.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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**4. OTHER (INCOME) EXPENSE, NET**

		Three months ended March 31,	
		2019	2018
<b>First Quarter</b>			
Gain on the sale of Business	[a]	\$ (516)	\$ —
Unrealized gains on investment revaluations	[b]	(177)	—
Restructuring	[c]	14	3
		<b>\$ (679)</b>	<b>\$ 3</b>

**[a] Gain on the sale of Business [note 3]**

During the first quarter of 2019, the Company recorded a gain on the sale of the FP&C business of \$516 million [\$438 million after tax].

**[b] Unrealized gains on investment revaluation**

During the first quarter of 2019, the Company recorded unrealized gains of \$177 million [\$151 million after tax], substantially related to the initial public offering for Lyft, Inc. As a result of the initial public offering, the Company's private equity investment was converted to publicly traded equity securities.

**[c] Restructuring**

During the first quarter of 2019, the Company recorded net restructuring charges of \$14 million [\$14 million after tax] for its Body Exteriors & Structures operations.

During the first quarter of 2018, the Company recorded net restructuring charges of \$3 million [\$3 million after tax], for its Power & Vision operations.

**5. EARNINGS PER SHARE**

		Three months ended March 31,	
		2019	2018
<b>Basic earnings per Common Share:</b>			
Net income attributable to Magna International Inc.		\$ 1,106	\$ 660
Weighted average number of Common Shares outstanding		325.1	357.7
Basic earnings per Common Share		\$ 3.40	\$ 1.84
<b>Diluted earnings per Common Share [a]:</b>			
Net income attributable to Magna International Inc.		\$ 1,106	\$ 660
Weighted average number of Common Shares outstanding		325.1	357.7
Adjustments			
Stock options and restricted stock		1.2	2.2
		<b>326.3</b>	<b>359.9</b>
Diluted earnings per Common Share		<b>\$ 3.39</b>	<b>\$ 1.83</b>

[a] For the three months ended March 31, 2019, diluted earnings per Common Share excluded 3.5 million Common Shares issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money". The dilutive effect of participating securities using the two-class method was excluded from the calculation of earnings per share because the effect would be immaterial.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

**6. DETAILS OF CASH FROM OPERATING ACTIVITIES**

[a] Cash, cash equivalents and restricted cash equivalents:

	March 31, 2019	December 31, 2018
Bank term deposits and bankers' acceptances	\$ 375	\$ 314
Cash	550	370
Cash and cash equivalents	925	684
Restricted cash equivalents included in prepaid expenses [note 11]	116	118
	<b>\$ 1,041</b>	<b>\$ 802</b>

[b] Items not involving current cash flows:

	Three months ended March 31,	
	2019	2018
Depreciation and amortization	\$ 321	\$ 315
Amortization of other assets included in cost of goods sold	59	36
Other non-cash charges	29	10
Deferred income taxes	60	(12)
Equity income in excess of dividends received	11	14
Gain on sale of business [note 3]	(516)	—
Non-cash portion of Other (income) expense, net [note 4]	(177)	—
	<b>\$ (213)</b>	<b>\$ 363</b>

[c] Changes in operating assets and liabilities:

	Three months ended March 31,	
	2019	2018
Accounts receivable	\$ (946)	\$ (1,328)
Inventories	(107)	1
Prepaid expenses and other	(32)	(15)
Accounts payable	400	404
Accrued salaries and wages	87	113
Other accrued liabilities	271	307
Income taxes payable	33	63
	<b>\$ (294)</b>	<b>\$ (455)</b>

**7. INVENTORIES**

Inventories consist of:

	March 31, 2019	December 31, 2018
Raw materials and supplies	\$ 1,278	\$ 1,282
Work-in-process	345	331
Finished goods	419	408
Tooling and engineering	1,459	1,382
	<b>\$ 3,501</b>	<b>\$ 3,403</b>

Tooling and engineering inventory represents costs incurred on tooling and engineering services contracts in excess of billed and unbilled amounts included in accounts receivable.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

**8. INVESTMENTS**

	<b>March 31, 2019</b>	December 31, 2018
Equity method investments [a]	<b>\$ 1,895</b>	\$ 1,862
Publicly traded investments [b]	<b>427</b>	—
Private equity investments	<b>82</b>	323
Other	<b>4</b>	4
	<b>\$ 2,408</b>	\$ 2,189

[a] The Company has two investees that are variable interest entities ["VIEs"]. The Company has determined that it is the primary beneficiary and has the power to direct the activities that are considered most significant to these entities. As a result, the assets, liabilities, and results of operations of these variable interest entities are included in the Company's Interim Consolidated Financial Statements. The Company's maximum exposure to any potential losses associated with these affiliated companies is limited to its investment, which was \$126 million at March 31, 2019, and \$101 million at December 31, 2018.

The carrying amounts and classification of assets and liabilities included in the Company's consolidated balance sheet related to the consolidated VIEs are as follows:

	<b>March 31, 2019</b>	December 31, 2018
Current assets	<b>\$ 210</b>	\$ 207
Noncurrent assets	<b>113</b>	118
<b>Total assets</b>	<b>\$ 323</b>	\$ 325
Current liabilities	<b>\$ 191</b>	\$ 218
Noncurrent liabilities	<b>6</b>	6
<b>Total liabilities</b>	<b>\$ 197</b>	\$ 224

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

[b] The Company values its investments in publicly traded equity securities using the closing price on the measurement date, as reported on the stock exchange on which the securities are traded.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

**9. LEASES**

The Company determines if an arrangement is a lease or contains a lease at inception. The Company has entered into leases primarily for real estate, manufacturing equipment and vehicles. The Company's leases have terms which range from 1 year to 33 years, excluding land use rights which generally extend over 90 years. These leases often include options to extend the term of the lease for up to 12 years or to terminate the lease within 1 year. When it is reasonably certain that the option will be exercised, the impact of the option is included in the lease term for purposes of determining total future lease payments. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes operating lease expense for these leases on a straight-line basis over the lease term.

Operating lease right-of-use ["ROU"] assets and operating lease liabilities are recognized based on the present value of the future lease payments over the lease term at the commencement date. As the rate implicit in the lease is not readily determinable for the Company's operating leases, an incremental borrowing rate is generally used based on information available at the lease commencement date to determine the present value of future lease payments. A majority of the Company's leases for manufacturing facilities are subject to variable lease-related payments, such as escalation clauses based on consumer price index ["CPI"] rates or other similar indices. Variable payments that are based on an index or a rate are included in the recognition of the Company's right-of-use assets and lease liabilities using the index or rate at lease commencement. Subsequent changes to these lease payments due to rate or index updates are recorded as lease expense in the period incurred.

The Company's lease agreements generally exclude non-lease components. As a result, non-lease components are accounted for separately for all classes of assets and expensed as incurred. In addition, the Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating leases are included in operating lease right-of-use assets, long-term debt due within one year and operating lease liabilities, and finance leases are included in fixed assets, net, long-term debt due within one year, and long-term debt on the Company's consolidated balance sheet. The Company's finance leases were not material for any of the periods presented.

Costs associated with the Company's operating lease expense were as follows:

	<b>Three months ended</b>	
	<b>March 31,</b>	
		<b>2019</b>
Operating lease expense	\$	75
Short-term lease expense		14
Variable lease expense		9
<b>Total lease expense</b>	<b>\$</b>	<b>98</b>

Supplemental information related to the Company's operating leases was as follows:

	<b>Three months ended</b>	
	<b>March 31,</b>	
		<b>2019</b>
(in millions except for percent and period data)		
Operating cash flows – cash paid relating to operating leases	\$	84
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	17
Weighted-average remaining lease term – operating leases, in years		11 years
Weighted-average discount rate – operating leases		4.9%

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

**9. LEASES (CONTINUED)**

At March 31, 2019, the Company had commitments under operating leases requiring annual payments as follows:

	Total
2019	\$ 226
2020	272
2021	238
2022	213
2023	191
2024 and thereafter	1,107
	<u>2,247</u>
Less: amount representing interest	505
	<u>\$ 1,742</u>
Current operating lease liabilities	\$ 176
Non-current operating lease liabilities	1,566
	<u>\$ 1,742</u>

As of March 31, 2019, the Company has additional operating leases, primarily for manufacturing facilities, that have not yet commenced of \$18 million. These operating leases will commence during 2019 and have lease terms of 4 to 7 years.

The Company's future minimum lease commitments, as of December 31, 2018, under Accounting Standard Codification Topic 840, the predecessor to Topic 842, were as follows:

	Total
2019	\$ 310
2020	283
2021	254
2022	230
2023	199
Thereafter	714
	<u>\$ 1,990</u>

For the year ended December 31, 2018, operating lease expense was \$361 million, reflected in Selling, general and administrative expenses in the consolidated statement of income.

**10. OTHER ASSETS**

Other assets consist of:

	March 31, 2019	December 31, 2018
Preproduction costs related to long-term supply agreements with contractual guarantee for reimbursement	\$ 719	\$ 741
Long-term receivables	198	198
Pension overfunded status	18	18
Unrealized gain on cash flow hedges	14	9
Other, net	28	22
	<u>\$ 977</u>	<u>\$ 988</u>

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

### 11. SHORT-TERM BORROWINGS

The Company's short-term borrowings consist of the following:

	March 31, 2019	December 31, 2018
Bank indebtedness [i]	\$ 25	\$ 35
Commercial paper [ii]	310	1,063
	<b>\$ 335</b>	<b>\$ 1,098</b>

[i] The Company has an agreement for a credit facility that is drawn in euros. The Company is required to secure any amounts drawn on the facility with a USD cash deposit of 105% of the outstanding euro balance. As at March 31, 2019, the gross amount outstanding under the credit facility was \$110 million [€98 million]. The credit agreement includes a netting arrangement with the bank that provides for the legal right of setoff. Accordingly, as at March 31, 2019, this liability balance was offset against the related restricted cash equivalent deposit of \$116 million. The remaining net deposit of \$6 million was included in the prepaid expenses and other balance, and is restricted under the terms of the loan. As at December 31, 2018 the gross amount outstanding under the credit facility was \$112 million [€98 million], and the net deposit included in the prepaid expenses and other balance was \$6 million.

[ii] The Company has a U.S. commercial paper program [the "U.S. Program"] and a euro-commercial paper program [the "euro-Program"]. Under the U.S. Program, the Company may issue U.S. commercial paper notes [the "U.S. notes"] up to a maximum aggregate amount of U.S. \$1 billion. The U.S. Program is supported by the Company's existing global credit facility. As of March 31, 2019, \$310 million [2018 – \$903 million] of U.S. notes were outstanding, with a weighted-average interest rate of 2.75% [2018 – 3.00%], and maturities less than three months.

Under the euro-Program, the Company may issue euro-commercial paper notes [the "euro notes"] up to a maximum aggregate amount of €500 million or its equivalent in alternative currencies. The euro notes issued are guaranteed by the Company's existing global credit facility. As of December 31, 2018, \$160 million [€140 million] of euro notes were outstanding, with a negative weighted-average interest rate of 0.24%, and maturities less than three months. There were no amounts outstanding as of March 31, 2019.

### 12. WARRANTY

The following is a continuity of the Company's warranty accruals:

	2019	2018
Balance, beginning of period	\$ 208	\$ 255
Expense, net	21	32
Settlements	(24)	(17)
Foreign exchange and other	4	2
Balance, March 31	<b>\$ 209</b>	<b>\$ 272</b>

### 13. LONG-TERM EMPLOYEE BENEFIT LIABILITIES

The Company recorded long-term employee benefit expenses as follows:

	Three months ended March 31,	
	2019	2018
Defined benefit pension plans and other	\$ 3	\$ 2
Termination and long-term service arrangements	6	7
	<b>\$ 9</b>	<b>\$ 9</b>

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[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

**14. CAPITAL STOCK**

- [a] During the first quarter of 2019, the Company repurchased 5,661,112 shares under a normal course issuer bid for cash consideration of \$284 million.
- [b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at May 8, 2019 were exercised or converted:

Common Shares	319,969,867
Stock options <sup>(i)</sup>	9,271,596
	329,241,463

(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 the Company's stock option plans.

**15. ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following is a continuity schedule of accumulated other comprehensive loss:

	2019	2018
Accumulated net unrealized loss on translation of net investment in foreign operations <sup>(i)</sup>		
Balance, beginning of period	\$ (917)	\$ (456)
Net unrealized gain	15	117
Repurchase of shares under normal course issuer bid	6	2
Balance, March 31	<b>(896)</b>	<b>(337)</b>
Accumulated net unrealized gain (loss) on cash flow hedges <sup>(ii)</sup>		
Balance, beginning of period	<b>(68)</b>	39
Net unrealized gain (loss)	<b>37</b>	(21)
Reclassification of net loss (gain) to net income	<b>18</b>	(1)
Balance, March 31	<b>(13)</b>	17
Accumulated net unrealized loss on pensions <sup>(iii)</sup>		
Balance, beginning of period	<b>(190)</b>	(183)
Reclassification of net loss to net income	<b>1</b>	2
Sale of business	<b>8</b>	—
Balance, March 31	<b>(181)</b>	(181)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (1,090)</b>	<b>\$ (501)</b>

The impact on net income of amounts reclassified from AOCL were immaterial for the three months ended March 31, 2019 and 2018, respectively.

**MAGNA INTERNATIONAL INC.**  
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**15. ACCUMULATED OTHER COMPREHENSIVE LOSS (CONTINUED)**

- (i) *The amount of income tax benefit that has been netted in the accumulated net unrealized loss on translation of net investment in foreign operations is as follows:*

	2019	2018
<i>Balance, beginning of period</i>	\$ —	\$ 7
<i>Net unrealized loss</i>	—	—
<i>Balance, March 31</i>	\$ —	\$ 7

- (ii) *The amount of income tax benefit that has been netted in the accumulated net unrealized gain (loss) on cash flow hedges is as follows:*

	2019	2018
<i>Balance, beginning of period</i>	\$ 23	\$ (12)
<i>Net unrealized (gain) loss</i>	(13)	5
<i>Reclassification of net loss to net income</i>	(6)	—
<i>Balance, March 31</i>	\$ 4	\$ (7)

- (iii) *The amount of income tax benefit that has been netted in the accumulated net unrealized loss on pensions is as follows:*

	2019	2018
<i>Balance, beginning of period</i>	\$ 21	\$ 17
<i>Net unrealized loss</i>	—	—
<i>Balance, March 31</i>	\$ 21	\$ 17

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$6 million.

**MAGNA INTERNATIONAL INC.**  
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[Unaudited]

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**16. FINANCIAL INSTRUMENTS**

[a] The Company's financial assets and financial liabilities consist of the following:

	March 31, 2019	December 31, 2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 925	\$ 684
Restricted cash equivalents	116	118
Accounts receivable	7,446	6,548
Publicly traded and private equity investments	509	323
Severance investments	1	3
Long-term receivables included in other assets	198	198
Financial assets held for sale [note 3]		
Accounts receivable held for sale	—	258
Severance investments held for sale	—	1
	<b>\$ 9,195</b>	<b>\$ 8,133</b>
<b>Financial liabilities</b>		
Bank indebtedness	\$ 25	\$ 35
Commercial paper	310	1,063
Long-term debt (including portion due within one year)	3,184	3,285
Accounts payable	6,484	6,094
Financial liabilities held for sale [note 3]		
Accounts payable held for sale	—	226
	<b>\$ 10,003</b>	<b>\$ 10,703</b>
<b>Derivatives designated as effective hedges, measured at fair value</b>		
Foreign currency contracts		
Prepaid expenses	\$ 25	\$ 25
Other assets	14	9
Other accrued liabilities	(28)	(61)
Other long-term liabilities	(21)	(40)
	<b>\$ (10)</b>	<b>\$ (67)</b>

[b] Derivatives designated as effective hedges, measured at fair value

The Company presents derivatives that are designated as effective hedges at gross fair values in the consolidated balance sheets. However, master netting and other similar arrangements allow net settlements under certain conditions. The following table shows the Company's derivative foreign currency contracts at gross fair value as reflected in the consolidated balance sheets and the unrecognized impacts of master netting arrangements:

	Gross amounts presented in consolidated balance sheets	Gross amounts not offset in consolidated balance sheets	Net amounts
<b>March 31, 2019</b>			
Assets	\$ 39	\$ 32	\$ 7
Liabilities	\$ (49)	\$ (32)	\$ (17)
<b>December 31, 2018</b>			
Assets	\$ 34	\$ 33	\$ 1
Liabilities	\$ (101)	\$ (33)	\$ (68)

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]

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### 16. FINANCIAL INSTRUMENTS (CONTINUED)

#### [c] Fair value

The Company determined the estimated fair values of its financial instruments based on valuation methodologies it believes are appropriate; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

*Cash and cash equivalents, restricted cash equivalents, accounts receivable, short-term borrowings and accounts payable.*

Due to the short period to maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair values.

*Publicly traded and private equity securities*

The fair value of the Company's investments in publicly traded equity securities is determined using the closing price on the measurement date, as reported on the stock exchange on which the securities are traded. [Level 1 input based on the GAAP fair value hierarchy.]

The Company estimates the value of its private equity securities based on valuation methods using the observable transaction price at the transaction date and other observable inputs including rights and obligations of the securities held by the Company. [Level 3 input based on the GAAP fair value hierarchy.]

*Commercial Paper*

Due to the short period to maturity of the commercial paper, the carrying value as presented in the consolidated balance sheet is a reasonable estimate of its fair value.

*Term debt*

The Company's term debt includes \$122 million due within one year. Due to the short period to maturity of this debt, the carrying value as presented in the consolidated balance sheets is a reasonable estimate of its fair value.

*Senior Notes*

The fair value of our Senior Notes are classified as Level 1 when we use quoted prices in active markets and Level 2 when the quoted prices are from less active markets or when other observable inputs are used to determine fair value. At March 31, 2019, the net book value of the Company's Senior Notes was \$3.01 billion and the estimated fair value was \$3.13 billion.

#### [d] Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, restricted cash equivalents, accounts receivable, and foreign exchange forward contracts with positive fair values.

Cash and cash equivalents and restricted cash equivalents which consists of short-term investments, are only invested in bank term deposits and bank commercial paper with an investment grade credit rating. Credit risk is further reduced by limiting the amount which is invested in certain major financial institutions.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions that the Company anticipates will satisfy their obligations under the contracts.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the automotive industry and are subject to credit risks associated with the automotive industry. For the three month period ended March 31, 2019, sales to the Company's six largest customers represented 76% of the Company's total sales, and substantially all of the Company's sales are to customers in which it has ongoing contractual relationships.

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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### 16. FINANCIAL INSTRUMENTS (CONTINUED)

#### [e] Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. In particular, the amount of interest income earned on the Company's cash and cash equivalents is impacted more by the investment decisions made and the demands to have available cash on hand, than by movements in the interest rates over a given period.

In addition, the Company is not exposed to interest rate risk on its term debt and Senior Notes as the interest rates on these instruments are fixed.

#### [f] Currency risk and foreign exchange contracts

The Company is exposed to fluctuations in foreign exchange rates when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in currencies other than the facilities' functional currency, and when materials and equipment are purchased in currencies other than the facilities' functional currency. In an effort to manage this net foreign exchange exposure, the Company employs hedging programs, primarily through the use of foreign exchange forward contracts.

At March 31, 2019, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell various foreign currencies. Significant commitments are as follows:

	Buys	Sells
For Canadian dollars		
U.S. amount	264	(1,628)
euro amount	10	(7)
For U.S. dollars		
Peso amount	8,638	—
Euro amount	143	(260)
For euros		
U.S. amount	312	(169)
GBP amount	19	(33)
Czech Koruna amount	7,884	—
Polish Zlotys amount	589	—

Forward contracts mature at various dates through 2023. Foreign currency exposures are reviewed quarterly.

#### [g] Equity price risk

The Company holds certain public equity securities as part of its strategic investment in technology. These public equity securities are subject to price risk.

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

*[Unaudited]*

*[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]*

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### 17. CONTINGENCIES

From time to time, the Company may become involved in regulatory proceedings, or become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees, class action plaintiffs and others. On an ongoing basis, the Company attempts to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, together with potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

- [a] In September 2014, the Conselho Administrativo de Defesa Economica ["CADE"], Brazil's Federal competition authority, attended at one of the Company's operating divisions in Brazil to obtain information in connection with an ongoing antitrust investigation relating to suppliers of automotive door latches and related products ["access mechanisms"].

In May 2019, CADE informed the Company that it completed its preliminary investigation and, based on a review of the evidence, has commenced a formal administrative proceeding into alleged anticompetitive behaviour relating to access mechanisms involving the Company.

Administrative proceedings of this nature can often continue for several years. At this time, management is unable to predict the duration or outcome of the Brazilian administrative proceeding, including whether any operating divisions of the Company will be found liable for any violation of law or the extent or magnitude of any liability, if any.

In the event that wrongful conduct is found, CADE may impose administrative penalties or fines taking into account several mitigating and aggravating factors. Administrative fines are tied to the sales in Brazil of the applicable Magna companies in the fiscal year prior to the commencement of the formal administrative proceeding. Magna could also be subject to restitution settlements, civil proceedings and other consequences, including reputational damage.

The Company's policy is to comply with all applicable laws, including antitrust and competition laws. The Company has completed its previously announced global review focused on antitrust risk and does not currently anticipate any material liabilities in connection with the review.

- [b] In certain circumstances, the Company is at risk for warranty costs including product liability and recall costs. Due to the nature of the costs, the Company makes its best estimate of the expected future costs *[note 12]*; however, the ultimate amount of such costs could be materially different. The Company continues to experience increased customer pressure to assume greater warranty responsibility. Currently, under most customer agreements, the Company only accounts for existing or probable claims. Under certain complete vehicle engineering and assembly contracts, and with respect to our powertrain systems programs, the Company records an estimate of future warranty-related costs based on the terms of the specific customer agreements, and the specific customer's [or the Company's] warranty experience.

# **MAGNA INTERNATIONAL INC.**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

*[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]*

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### **18. SEGMENTED INFORMATION**

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

The Company is organized under four operating segments: Body Exteriors & Structures, Power & Vision, Seating System and Complete Vehicles. These segments have been determined on the basis of technological opportunities, product similarities, and market and operating factors, and are also the Company's reportable segments.

The Company's chief operating decision maker uses Adjusted Earnings before Interest and Income Taxes ["Adjusted EBIT"] as the measure of segment profit or loss, since management believes Adjusted EBIT is the most appropriate measure of operational profitability or loss for its reporting segments. Adjusted EBIT is calculated by taking net income from operations and adding back income taxes, interest expense, net, and other (income) expense, net.

Certain amounts in the prior period comparatives have been restated to reflect the transfer of assets between the Company's segments to better reflect utilization of these assets and more accurately measure their operational profitability.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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**18. SEGMENTED INFORMATION (CONTINUED)**

[a] The following tables show segment information for the Company's reporting segments and a reconciliation of Adjusted EBIT to the Company's consolidated income before income taxes:

Three months ended March 31, 2019						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity income	Fixed asset additions
Body Exteriors and Structures	\$ 4,308	\$ 4,210	\$ 363	\$ 175	\$ (1)	\$ 111
Power & Vision	3,083	3,035	216	107	(34)	114
Seating Systems	1,433	1,427	94	15	(1)	9
Complete Vehicles	1,928	1,918	28	19	—	17
Corporate & Other [i]	(161)	1	19	5	1	—
<b>Total Reportable Segments</b>	<b>\$ 10,591</b>	<b>\$ 10,591</b>	<b>\$ 720</b>	<b>\$ 321</b>	<b>\$ (35)</b>	<b>\$ 251</b>

Three months ended March 31, 2018						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity income	Fixed asset additions
Body Exteriors and Structures	\$ 4,619	\$ 4,555	\$ 343	\$ 171	\$ (3)	\$ 127
Power & Vision	3,190	3,120	359	111	(81)	82
Seating Systems	1,470	1,470	130	15	(3)	9
Complete Vehicles	1,660	1,646	19	13	—	23
Corporate & Other [i]	(147)	1	24	5	—	2
<b>Total Reportable Segments</b>	<b>\$ 10,792</b>	<b>\$ 10,792</b>	<b>\$ 875</b>	<b>\$ 315</b>	<b>\$ (87)</b>	<b>\$ 243</b>

[i] Included in Corporate and Other Adjusted EBIT are intercompany fees charged to the automotive segments.

[ii] The following table reconciles Net income to Adjusted EBIT:

	Three months ended	
	March 31, 2019	2018
<b>Net income</b>	<b>\$ 1,101</b>	<b>\$ 669</b>
Add:		
Interest expense, net	31	21
Other (income) expense, net	(679)	3
Income taxes	267	182
<b>Adjusted EBIT</b>	<b>\$ 720</b>	<b>\$ 875</b>

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[Unaudited]

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**18. SEGMENTED INFORMATION (CONTINUED)**

[b] The following table shows Goodwill for the Company's reporting segments:

	March 31, 2019	December 31, 2018
Body Exteriors and Structures	\$ 460	\$ 459
Power & Vision	1,240	1,260
Seating Systems	146	147
Complete Vehicles	111	113
<b>Total Reportable Segments</b>	<b>\$ 1,957</b>	<b>\$ 1,979</b>

[c] The following table shows Net Assets for the Company's reporting segments:

	March 31, 2019	December 31, 2018
Body Exteriors and Structures	\$ 8,264	\$ 7,142
Power & Vision	6,563	6,703
Seating Systems	988	815
Complete Vehicles	770	605
Corporate & Other	736	563
<b>Total Reportable Segments</b>	<b>\$ 17,321</b>	<b>\$ 15,828</b>

The following table reconciles Total Assets to Net Assets:

	March 31, 2019	December 31, 2018
<b>Total Assets</b>	<b>\$ 27,980</b>	<b>\$ 25,945</b>
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(925)	(684)
Deferred tax assets	(264)	(300)
Long-term receivables from joint venture partners	(70)	(71)
Income taxes receivable	(53)	(57)
Deduct liabilities included in segment net assets:		
Accounts payable	(6,484)	(6,094)
Accrued salaries and wages	(860)	(769)
Other accrued liabilities	(2,003)	(1,734)
Liabilities held for sale	—	(408)
<b>Segment Net Assets</b>	<b>\$ 17,321</b>	<b>\$ 15,828</b>

# **MAGNA INTERNATIONAL INC.**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

*[All amounts in U.S. dollars and all tabular amounts in millions unless otherwise noted]*

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### **19. SUBSEQUENT EVENTS**

#### **Credit Facility Amendment**

On April 26, 2019, the Company amended its \$2.75 billion revolving credit facility, including an extension of the maturity date from June 22, 2023 to June 24, 2024.

#### **Acquisition of VIZA Geca SL**

In the fourth quarter of 2018, the Company signed an agreement to acquire 100% of the common shares and voting interest of VIZA Geca SL ["VIZA"], a Spain-based supplier of seat structures and related systems. The transaction was completed on April 29, 2019.

The total consideration transferred by the Company was approximately \$100 million [€89 million] in cash, net of cash acquired, and is subject to working capital and other customary purchase price adjustments. The acquisition of VIZA will be accounted for as a business combination under the acquisition method of accounting. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited amount of time since the acquisition date, the preliminary acquisition valuation for the business combination is incomplete at this time. As a result, the Company is unable to provide the amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed, including the information required for valuation of intangible assets and goodwill.