



Magna International Inc.

**Interim Financial Statements for the three months
ended September 30, 2020**

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

[Unaudited]

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Sales	16	\$ 9,129	\$ 9,319	\$ 22,079	\$ 30,036
Costs and expenses					
Cost of goods sold		7,681	8,063	19,454	25,937
Depreciation and amortization		334	335	1,004	990
Selling, general and administrative		380	400	1,139	1,274
Interest expense, net		26	18	64	63
Equity income		(44)	(37)	(99)	(120)
Other expense, net	2	316	859	484	248
Income (loss) from operations before income taxes		436	(319)	33	1,644
Income taxes	10	109	45	106	457
Net income (loss)		327	(364)	(73)	1,187
Loss attributable to non-controlling interests		78	131	92	138
Net income (loss) attributable to Magna International Inc.		\$ 405	\$ (233)	\$ 19	\$ 1,325
Earnings (loss) per Common Share:	3				
Basic		\$ 1.36	\$ (0.75)	\$ 0.06	\$ 4.17
Diluted		\$ 1.35	\$ (0.75)	\$ 0.06	\$ 4.15
Cash dividends paid per Common Share		\$ 0.400	\$ 0.365	\$ 1.200	\$ 1.095
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		298.7	310.7	299.7	318.0
Diluted		299.4	310.7	300.2	319.1

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

	Note	Three months ended		Nine months ended	
		September 30, 2020	2019	September 30, 2020	2019
Net income (loss)		\$ 327	\$ (364)	\$ (73)	\$ 1,187
Other comprehensive income (loss), net of tax:	13				
Net unrealized gain (loss) on translation of net investment in foreign operations		189	(259)	(44)	(213)
Net unrealized gain (loss) on cash flow hedges		21	(27)	(103)	59
Reclassification of net loss (gain) on cash flow hedges to net income		11	(11)	28	9
Reclassification of net loss on pensions to net income		2	1	5	4
Other comprehensive income (loss)		223	(296)	(114)	(141)
Comprehensive income (loss)		550	(660)	(187)	1,046
Comprehensive loss attributable to non-controlling interests		69	145	90	151
Comprehensive income (loss) attributable to Magna International Inc.		\$ 619	\$ (515)	\$ (97)	\$ 1,197

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

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

	Note	As at September 30, 2020	As at December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 1,498	\$ 1,276
Accounts receivable		6,618	5,927
Inventories	5	3,509	3,304
Prepaid expenses and other		196	238
Income taxes receivable		69	—
		11,890	10,745
Investments	6	1,143	1,210
Fixed assets, net		7,898	8,260
Operating lease right-of-use assets		1,787	1,811
Intangible assets, net		462	484
Goodwill		2,014	1,976
Deferred tax assets		319	308
Other assets	7	947	996
		\$ 26,460	\$ 25,790
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 5,808	\$ 5,628
Accrued salaries and wages		851	753
Other accrued liabilities	9	2,246	1,800
Income taxes payable		—	17
Long-term debt due within one year		98	106
Current portion of operating lease liabilities		226	225
		9,229	8,529
Long-term debt	11	3,832	3,062
Operating lease liabilities		1,582	1,601
Long-term employee benefit liabilities		696	677
Other long-term liabilities		305	371
Deferred tax liabilities		406	419
		16,050	14,659
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 299,012,485; December 31, 2019 – 303,250,415]	12	3,186	3,198
Contributed surplus		130	127
Retained earnings		8,088	8,596
Accumulated other comprehensive loss	13	(1,198)	(1,090)
		10,206	10,831
Non-controlling interests		204	300
		10,410	11,131
		\$ 26,460	\$ 25,790

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income (loss)		\$ 327	\$ (364)	\$ (73)	\$ 1,187
Items not involving current cash flows	4	767	1,210	1,484	1,467
		1,094	846	1,411	2,654
Changes in operating assets and liabilities	4	518	(96)	(392)	(390)
Cash provided from operating activities		1,612	750	1,019	2,264
INVESTMENT ACTIVITIES					
Fixed asset additions		(213)	(349)	(585)	(928)
Increase in private equity investments		(12)	—	(114)	(10)
Increase in investments, other assets and intangible assets		(68)	(83)	(233)	(262)
Proceeds from disposition		14	67	48	179
Acquisitions		—	—	(7)	(152)
Proceeds on sale of business		—	3	—	1,132
Cash used for investing activities		(279)	(362)	(891)	(41)
FINANCING ACTIVITIES					
Issues of debt	11	31	21	856	36
(Decrease) increase in short-term borrowings		(194)	240	(18)	(688)
Repayments of debt		(83)	(10)	(128)	(139)
Issue of Common Shares on exercise of stock options		15	19	17	33
Shares repurchased for tax withholdings on vesting of equity awards		—	—	(10)	(5)
Repurchase of Common Shares	12	(2)	(342)	(203)	(1,035)
Contributions to subsidiaries by non-controlling interests		—	2	—	4
Dividends paid to non-controlling interests		—	—	(6)	(13)
Dividends paid		(115)	(109)	(352)	(338)
Cash (used for) provided from financing activities		(348)	(179)	156	(2,145)
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		(15)	(9)	(58)	1
Net increase in cash, cash equivalents and restricted cash equivalents during the period		970	200	226	79
Cash, cash equivalents and restricted cash equivalents, beginning of period		648	681	1,392	802
Cash, cash equivalents and restricted cash equivalents, end of period	4	\$ 1,618	\$ 881	\$ 1,618	\$ 881

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Nine months ended September 30, 2020								
		Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
Balance, December 31, 2019		303.2	\$ 3,198	\$ 127	\$ 8,596	\$ (1,090)	\$ 300	\$ 11,131
Net loss					19		(92)	(73)
Other comprehensive loss						(116)	2	(114)
Shares issued on exercise of stock options		0.5	21	(4)				17
Release of stock and stock units		0.4	13	(13)				
Shares repurchased for tax withholdings on vesting of equity rewards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	12	(5.1)	(54)		(157)	8		(203)
Stock-based compensation expense				20				20
Dividends paid to non-controlling interests							(6)	(6)
Dividends paid		0.2	10		(362)			(352)
Balance, September 30, 2020		299.0	\$ 3,186	\$ 130	\$ 8,088	\$ (1,198)	\$ 204	\$ 10,410

Three months ended September 30, 2020								
		Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
Balance, June 30, 2020		298.6	\$ 3,164	\$ 125	\$ 7,804	\$ (1,413)	\$ 273	\$ 9,953
Net income					405		(78)	327
Other comprehensive income						214	9	223
Shares issued on exercise of stock options		0.4	19	(4)				15
Repurchase and cancellation under normal course issuer bid	12	(0.1)	(1)		(2)	1		(2)
Stock-based compensation expense				9				9
Dividends paid		0.1	4		(119)			(115)
Balance, September 30, 2020		299.0	\$ 3,186	\$ 130	\$ 8,088	\$ (1,198)	\$ 204	\$ 10,410

(i) AOCL is Accumulated Other Comprehensive Loss.

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Nine months ended September 30, 2019								
	Note	<u>Common Shares</u> Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL ⁽ⁱⁱ⁾	Non- controlling Interest	Total Equity
<i>[in millions]</i>								
Balance, December 31, 2018, as adjusted		327.3	\$ 3,380	\$ 120	\$ 8,351	\$ (1,175)	\$ 458	\$ 11,134
Net income					1,325		(138)	1,187
Other comprehensive loss						(128)	(13)	(141)
Contributions by non-controlling interests							4	4
Sale of business						8		8
Shares issued on exercise of stock options		1.0	40	(7)				33
Release of stock and stock units		0.2	9	(9)				—
Shares repurchased for tax withholdings on vesting of equity rewards		(0.1)	(1)		(4)			(5)
Repurchase and cancellation under normal course issuer bid	12	(21.0)	(219)		(839)	23		(1,035)
Stock-based compensation expense				39				39
Dividends paid to non-controlling interests							(13)	(13)
Dividends paid		0.2	12		(350)			(338)
Balance, September 30, 2019		307.6	\$ 3,221	\$ 143	\$ 8,483	\$ (1,272)	\$ 298	\$ 10,873

Three months ended September 30, 2019								
	Note	<u>Common Shares</u> Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL ⁽ⁱⁱ⁾	Non- controlling Interest	Total Equity
<i>[in millions]</i>								
Balance, June 30, 2019		313.8	\$ 3,266	\$ 136	\$ 9,106	\$ (997)	\$ 441	\$ 11,952
Net loss					(233)		(131)	(364)
Other comprehensive loss						(282)	(14)	(296)
Contributions by non-controlling interests							2	2
Shares issued on exercise of stock options		0.6	23	(4)				19
Repurchase and cancellation under normal course issuer bid	12	(6.8)	(72)		(277)	7		(342)
Stock-based compensation expense				11				11
Dividends paid			4		(113)			(109)
Balance, September 30, 2019		307.6	\$ 3,221	\$ 143	\$ 8,483	\$ (1,272)	\$ 298	\$ 10,873

(ii) 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]

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, 2019 audited consolidated financial statements and notes thereto included in the Company's 2019 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 September 30, 2020 and the results of operations, changes in equity and cash flows for the three and nine-month periods ended September 30, 2020 and 2019.

[b] Use of estimates

The preparation of the unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and accompanying notes. As of September 30, 2020, the duration and impact of the outbreak of COVID-19 is still unknown. As a result, some of the Company's estimates and assumptions required increased judgment. As events continue to evolve and additional information becomes available, actual results may differ from these estimates.

[c] Government grants

Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all required conditions. Government grants relating to costs are deferred and recognized in income over the period necessary to match them with the costs that they are intended to compensate, and are presented as a reduction of the related expense.

[d] Restructuring

Restructuring costs may include employee termination benefits, as well as other incremental costs resulting from restructuring actions. These actions may result in employees receiving voluntary or involuntary employee termination benefits, which are mainly pursuant to union or other contractual agreements or statutory requirements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and when the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the existence of a substantive plan for termination. Additional elements of severance and termination benefits associated with non-recurring benefits may be recognized rateably over each employee's required future service period. All other restructuring costs are expensed as incurred.

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]

2. OTHER EXPENSE, NET

		Three months ended		Nine months ended	
		September 30,		September 30,	
		2020	2019	2020	2019
Impairments of investments	[a]	\$ 337	\$ 700	\$ 337	\$ 700
Restructuring and impairments	[b]	—	34	168	55
Net (gains) losses on investments	[c]	(21)	127	(21)	17
Gain on the sale of Business	[d]	—	(2)	—	(524)
Other expense, net		\$ 316	\$ 859	\$ 484	\$ 248

[a] Impairments of investments

During the third quarter of 2020, the Company concluded that indicators of potential impairment were present related to its equity-accounted investment in Getrag (Jiangxi) Transmission Co., Ltd. ["GJT"], which makes both manual transmissions and dual-clutch transmissions ["DCTs"]. The conclusion was based on lower than expected sales, increased pricing pressure in the China market, and declines in volume projections for the foreseeable future for manual transmissions and DCTs in China. Accordingly, the Company deemed there to be an other-than-temporary decline, and undertook an impairment analysis to determine the fair value of the investments utilizing discounted cash flows to derive fair values. Based on the analysis, the carrying value of the Company's investment exceeded fair value by \$337 million. Including the \$62 million impact of income taxes and the \$75 million attributable to non-controlling interest, the non-cash impairment charge included in net income (loss) attributable to the Company was \$200 million.

The inputs utilized in the analysis are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement" and primarily consist of expected revenues and costs, estimated production volumes, future growth rates and the appropriate discount rates (based on weighted average cost of capital).

During the third quarter of fiscal 2019, the Company recorded impairments for its investments in GJT, and Dongfeng Getrag Transmission Co. Ltd. ["DGT"] in China, and its equity-accounted investment Getrag Ford Transmission GmbH ["GFT"] in Europe. Utilizing discounted cash flows to derive the fair value of the investments, the Company concluded that the carrying value exceeded the fair value by \$511 million for GJT, \$150 million for GFT, and \$39 million for DGT. Including the \$36 million impact of income taxes and the \$127 million attributable to non-controlling interest, the non-cash impairment charge included in net (loss) income attributable to the Company was \$537 million. These investments are included in the Power and Vision segment.

[b] Restructuring and impairments

In response to the impact that COVID-19 was expected to have on vehicle production volumes over the short to medium term, in the second quarter of 2020 the Company initiated and/or accelerated the timing of restructuring plans to right-size its business. These restructuring actions include plant closures and workforce reductions.

The following table summarizes the restructuring and fixed asset impairment charges recorded by segment for the nine months ended September 30, 2020:

	Restructuring	Impairment	Total	Net of Tax
Power & Vision	\$ 104	\$ 11	\$ 115	\$ 90
Body Exteriors & Structures	29	8	37	32
Seating Systems	16	—	16	14
	\$ 149	\$ 19	\$ 168	\$ 136

During the third quarter of 2019, the Company recorded asset impairment charges of \$27 million [\$20 million after tax] in an Electronics operations which is included in the Company's Power & Vision segment.

During the third quarter of 2019, the Company recorded net restructuring charges of \$7 million and \$28 million [\$7 million and \$28 million after tax], respectively, for its Body Exteriors & Structures operations.

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]

2. OTHER EXPENSE, NET (CONTINUED)

[c] Net (gains) losses on investments

During the third quarter of 2020, the Company recorded unrealized gains of \$21 million [\$20 million after tax] on the revaluation of certain private equity investments.

The Company recorded net losses of \$127 million and \$17 million [\$109 million and \$15 million after tax] during the three and nine months ended September 30, 2019, respectively, substantially related to the revaluation of its investment in Lyft, Inc ["Lyft"].

[d] Gain on the sale of Business

For the three and nine months ended September 30, 2019, the Company recorded a gain on the sale of its Fluid Pressure & Controls business of \$2 million and \$524 million [\$2 million after tax affect and \$447 million after tax], respectively, in the Power & Vision segment.

3. EARNINGS (LOSS) PER SHARE

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	2020	2019	2020	2019
Basic earnings (loss) per Common Share:				
Net income (loss) attributable to Magna International Inc.	\$ 405	\$ (233)	\$ 19	\$ 1,325
Weighted average number of Common Shares outstanding	298.7	310.7	299.7	318.0
Basic earnings (loss) per Common Share	\$ 1.36	\$ (0.75)	\$ 0.06	\$ 4.17
Diluted earnings (loss) per Common Share [a]:				
Net income (loss) attributable to Magna International Inc.	\$ 405	\$ (233)	\$ 19	\$ 1,325
Weighted average number of Common Shares outstanding	298.7	310.7	299.7	318.0
Adjustments				
Stock options and restricted stock	0.7	—	0.5	1.1
	299.4	310.7	300.2	319.1
Diluted earnings (loss) per Common Share	\$ 1.35	\$ (0.75)	\$ 0.06	\$ 4.15

[a] For the three and nine months ended September 30, 2020, diluted earnings per Common Share excluded 5.8 million and 6.2 million [2019 – 4.2 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.

For the three months ended September 30, 2019, diluted earnings per Common Share excluded 9.1 million Common Shares issuable under the Company's Incentive Stock Option Plan because the effect of including them would have been anti-dilutive.

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]

4. DETAILS OF CASH FROM OPERATING ACTIVITIES

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

	September 30, 2020	December 31, 2019
Bank term deposits and bankers' acceptances	\$ 1,010	\$ 724
Cash	488	552
Cash and cash equivalents	1,498	1,276
Restricted cash equivalents included in prepaid expenses [note 8]	120	116
	\$ 1,618	\$ 1,392

[b] Items not involving current cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Depreciation and amortization	\$ 334	\$ 335	\$ 1,004	\$ 990
Amortization of other assets included in cost of goods sold	50	62	140	175
Other non-cash charges	16	13	52	47
Deferred income taxes	70	(49)	(32)	17
Equity (income) loss in excess of dividends received	(19)	(3)	(15)	18
Non-cash portion of Other expense, net [note 2]	316	852	335	220
	\$ 767	\$ 1,210	\$ 1,484	\$ 1,467

[c] Changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Accounts receivable	\$ (1,259)	\$ 109	\$ (724)	\$ (508)
Inventories	56	(9)	(158)	(105)
Prepaid expenses and other	20	9	7	5
Accounts payable	1,497	(183)	201	(79)
Accrued salaries and wages	147	58	99	31
Other accrued liabilities	105	(75)	302	210
Income taxes payable	(48)	(5)	(119)	56
	\$ 518	\$ (96)	\$ (392)	\$ (390)

5. INVENTORIES

Inventories consist of:

	September 30, 2020	December 31, 2019
Raw materials and supplies	\$ 1,204	\$ 1,201
Work-in-process	334	339
Finished goods	438	425
Tooling and engineering	1,533	1,339
	\$ 3,509	\$ 3,304

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]

6. INVESTMENTS

	September 30, 2020	December 31, 2019
Equity method investments	\$ 912	\$ 1,107
Private equity investments	228	95
Other	3	8
	\$ 1,143	\$ 1,210

7. OTHER ASSETS

Other assets consist of:

	September 30, 2020	December 31, 2019
Preproduction costs related to long-term supply agreements	\$ 682	\$ 683
Long-term receivables	198	217
Pension overfunded status	22	22
Unrealized gain on cash flow hedges	9	24
Other, net	36	50
	\$ 947	\$ 996

8. SHORT-TERM BORROWINGS

Credit Facilities

The Company has an agreement for a credit facility that is drawn in euros that is secured with a USD cash deposit of 105% of the outstanding balance. As at September 30, 2020, the amount drawn was \$114 million and the related restricted cash equivalent deposit was \$120 million. Given that the credit agreement includes a netting arrangement that provides for the legal right of setoff, the remaining net deposit of \$6 million is included in the prepaid expenses and other balance [note 4]. As at December 31, 2019, the outstanding balance under the credit facility was \$110 million, and the net deposit included in the prepaid expenses and other balance was \$6 million.

On April 13, 2020, the Company amended its 364-day syndicated revolving credit facility, which included an increase to the size of the facility from U.S. \$300 million to U.S. \$1.0 billion and an extension of the maturity date from June 22, 2020 to April 12, 2021. The facility can be drawn in U.S. dollars or Canadian dollars. As of September 30, 2020, the Company has not borrowed any funds under this credit facility.

9. WARRANTY

The following is a continuity of the Company's warranty accruals, included in Other accrued liabilities:

	2020	2019
Balance, beginning of period	\$ 252	\$ 208
Expense, net	22	21
Settlements	(73)	(24)
Foreign exchange and other	(2)	4
Balance, March 31	199	209
Expense, net	37	25
Settlements	(32)	(14)
Foreign exchange and other	1	3
Balance, June 30	205	223
Expense, net	50	35
Settlements	(35)	(22)
Foreign exchange and other	5	(4)
Balance, September 30	\$ 225	\$ 232

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]

10. INCOME TAXES

For the nine months ended September 30, 2020, the Company's effective income tax rate does not reflect the statutory tax rate mainly as a result of the non-deductible impairment charge related to GJT, losses in Europe that could not be recognized, and the tax on foreign exchange gains reported on U.S. dollar denominated assets for Mexican tax purposes that are not recognized for U.S. GAAP purposes. These factors were partially offset by a reduction in reserves for uncertain tax positions, favourable foreign income tax rates and research and development credits.

For the three and nine months ended September 30, 2019, the Company's effective tax rate was impacted by the non-deductible impairment charge recorded in the Company's Power & Vision segment.

11. LONG-TERM DEBT

On June 8, 2020, the Company issued \$750 million of 2.45% fixed-rate Senior Notes which mature on June 15, 2030. The Senior Notes are senior unsecured obligations, interest is payable on June 15 and December 15 of each year, and do not include any financial covenants. The Company may redeem the Senior Notes in whole or in part at any time, and from time to time, at specified redemption prices determined in accordance with the terms of the indenture governing the Senior Notes. All of the Senior Notes were issued for general corporate purposes.

12. CAPITAL STOCK

[a] The Company repurchased shares under normal course issuer bids as follows:

	2020		2019	
	Number of shares	Cash consideration	Number of shares	Cash consideration
First Quarter	5,032,621	\$ 201	5,661,112	\$ 284
Second Quarter	—	—	8,535,533	409
Third Quarter	45,261	2	6,861,100	342
	5,077,882	\$ 203	21,057,745	\$ 1,035

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at November 5, 2020 were exercised or converted:

Common Shares	299,263,809
Stock options ⁽ⁱ⁾	9,100,804
	308,364,613

(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.

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]

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	2020	2019
Accumulated net unrealized loss on translation of net investment in foreign Operations		
Balance, beginning of period	\$ (907)	\$ (917)
Net unrealized (loss) gain	(314)	15
Repurchase of shares under normal course issuer bid	7	6
Balance, March 31	(1,214)	(896)
Net unrealized gain	88	30
Repurchase of shares under normal course issuer bid	—	10
Balance, June 30	(1,126)	(856)
Net unrealized gain (loss)	180	(245)
Repurchase of shares under normal course issuer bid	1	7
Balance, September 30	(945)	(1,094)
Accumulated net unrealized loss on cash flow hedges ⁽ⁱ⁾		
Balance, beginning of period	38	(68)
Net unrealized (loss) gain	(184)	37
Reclassification of net (gain) loss to net income	(8)	18
Balance, March 31	(154)	(13)
Net unrealized gain	60	49
Reclassification of net loss to net income	25	2
Balance, June 30	(69)	38
Net unrealized gain (loss)	21	(27)
Reclassification of net loss (gain) to net income	11	(11)
Balance, September 30	(37)	—
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(221)	(190)
Reclassification of net loss to net income	2	1
Sale of business	—	8
Balance, March 31	(219)	(181)
Reclassification of net loss to net income	1	2
Balance, June 30	(218)	(179)
Reclassification of net loss to net income	2	1
Balance, September 30	(216)	(178)
Total accumulated other comprehensive loss	\$ (1,198)	\$ (1,272)

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

	2020	2019
Balance, beginning of period	\$ (14)	\$ 23
Net unrealized loss (gain)	66	(13)
Reclassifications of net gain (loss) to net income	3	(6)
Balance, March 31	55	4
Net unrealized gain	(21)	(18)
Reclassifications of net loss to net income	(9)	(1)
Balance, June 30	25	(15)
Net unrealized (gain) loss	(8)	11
Reclassifications of net (loss) gain to net income	(4)	4
Balance, September 30	\$ 13	\$ —

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$31 million.

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14. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	September 30, 2020	December 31, 2019
Financial assets		
Cash and cash equivalents	\$ 1,498	\$ 1,276
Restricted cash equivalents	120	116
Accounts receivable	6,618	5,927
Private equity investments	228	95
Severance investments	1	1
Long-term receivables included in other assets	198	217
	\$ 8,663	\$ 7,632
Financial liabilities		
Long-term debt (including portion due within one year)	\$ 3,930	\$ 3,168
Accounts payable	5,808	5,628
	\$ 9,738	\$ 8,796
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 15	\$ 46
Other assets	9	24
Other accrued liabilities	(43)	(10)
Other long-term liabilities	(24)	(8)
	\$ (43)	\$ 52

[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
September 30, 2020			
Assets	\$ 24	\$ 23	\$ 1
Liabilities	\$ (67)	\$ (23)	\$ (44)
December 31, 2019			
Assets	\$ 70	\$ 15	\$ 55
Liabilities	\$ (18)	\$ (15)	\$ (3)

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14. 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, 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.

Private equity securities

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.]

Term debt

The Company's term debt includes \$98 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 September 30, 2020, the net book value of the Company's Senior Notes was \$3.80 billion and the estimated fair value was \$4.12 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 [net of the euro drawn amount], 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 primarily 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.

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14. FINANCIAL INSTRUMENTS (CONTINUED)

[d] Credit risk (Continued)

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 and nine month periods ended September 30, 2020, sales to the Company's six largest customers represented 80% and 79% of the Company's sales, respectively, and substantially all of the Company's sales are to customers with which it has ongoing contractual relationships. The Company continues to closely monitor its customers during the current economic crises. In determining the allowance for expected credit losses, the Company considers changes in customer's credit ratings, liquidity, customer's historical payments and loss experience, current economic conditions and the Company's expectations of future economic conditions.

[e] Interest rate risk

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 September 30, 2020, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell various foreign currencies. Significant commitments are as follows:

	For Canadian dollars		For U.S. dollars		For Euros			
	U.S. dollar amount	Weighted average rate	Peso amount	Weighted average rate	U.S. dollar amount	Weighted average rate	Czech Koruna Amount	Weighted average rate
Buy	141	0.74492	7,381	0.04576	248	0.83512	6,918	0.03781
(Sell)	(1,353)	1.31838	—	—	(144)	1.15468	—	—

Forward contracts mature at various dates through 2024. Foreign currency exposures are reviewed quarterly.

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15. 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 2020, the European Commission (the "Commission") announced that it had reached a settlement with Magna and its competitors in connection with two separate bilateral cartels concerning supplies of closure systems, where the parties coordinated pricing and exchanged commercially sensitive information in certain instances between 2009 and 2012. As the leniency applicant that revealed the existence of the cartels to the Commission, Magna received full immunity and was not fined.

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.

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. While Magna does not currently anticipate any material liabilities in connection with the review, we could be subject to restitution settlements, civil proceedings, reputational damage and other consequences, including as a result of the matters specifically referred to above.

[b] The Company is at risk for product warranty costs, which include product liability and recall costs, and is currently experiencing increased customer pressure to assume greater warranty responsibility. For most types of products, the Company only accounts for existing or probable product warranty claims. However, for certain complete vehicle assembly, powertrain systems and electronics contracts, the Company records an estimate of future warranty-related costs based on the terms of the specific customer agreements and/or the Company's warranty experience. Product liability and recall provisions are established based on the Company's best estimate of the amounts necessary to settle existing claims, which typically take into account: the number of units that may be returned; the cost of the product being replaced; labour to remove and replace the defective part; and the customer's administrative costs relating to the recall. Where applicable, such provisions are booked net of recoveries from sub-suppliers and along with related insurance recoveries. Due to the uncertain nature of the net costs, actual product liability costs could be materially different from the Company's best estimates of future costs [note 9].

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16. 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 Systems 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 (loss) from operations and adding back income taxes, interest expense, net, and other expense, net.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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16. 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 net income (loss):

Three months ended September 30, 2020						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity income	Fixed asset additions
Body Exteriors & Structures	\$ 3,858	\$ 3,790	\$ 390	\$ 181	\$ (1)	\$ 99
Power & Vision	2,722	2,676	227	110	(37)	90
Seating Systems	1,280	1,273	66	17	(3)	11
Complete Vehicles	1,402	1,388	70	21	—	9
Corporate & Other [i]	(133)	2	25	5	(3)	4
Total Reportable Segments	\$ 9,129	\$ 9,129	\$ 778	\$ 334	\$ (44)	\$ 213

Three months ended September 30, 2019						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 3,984	\$ 3,906	\$ 306	\$ 178	\$ —	\$ 174
Power & Vision	2,696	2,645	167	113	(37)	138
Seating Systems	1,266	1,259	56	18	(1)	22
Complete Vehicles	1,516	1,506	29	20	—	12
Corporate & Other [i]	(143)	3	—	6	1	3
Total Reportable Segments	\$ 9,319	\$ 9,319	\$ 558	\$ 335	\$ (37)	\$ 349

Nine months ended September 30, 2020						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 9,157	\$ 8,978	\$ 274	\$ 537	\$ 1	\$ 287
Power & Vision	6,543	6,427	136	340	(99)	241
Seating Systems	3,065	3,050	22	53	(1)	32
Complete Vehicles	3,656	3,620	164	61	—	19
Corporate & Other [i]	(342)	4	(15)	13	—	6
Total Reportable Segments	\$ 22,079	\$ 22,079	\$ 581	\$ 1,004	\$ (99)	\$ 585

Nine months ended September 30, 2019						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 12,535	\$ 12,261	\$ 1,010	\$ 530	\$ (2)	\$ 450
Power & Vision	8,587	8,425	584	336	(119)	375
Seating Systems	4,151	4,128	233	48	1	45
Complete Vehicles	5,246	5,217	100	60	—	53
Corporate & Other [i]	(483)	5	28	16	—	5
Total Reportable Segments	\$ 30,036	\$ 30,036	\$ 1,955	\$ 990	\$ (120)	\$ 928

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

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16. SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ 327	\$ (364)	\$ (73)	\$ 1,187
Add:				
Interest expense, net	26	18	64	63
Other expense, net	316	859	484	248
Income taxes	109	45	106	457
Adjusted EBIT	\$ 778	\$ 558	\$ 581	\$ 1,955

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

	September 30,	December 31,
	2020	2019
Body Exteriors & Structures	\$ 467	\$ 458
Power & Vision	1,262	1,238
Seating Systems	171	169
Complete Vehicles	114	111
Total Reportable Segments	\$ 2,014	\$ 1,976

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

	September 30,	December 31,
	2020	2019
Body Exteriors & Structures	\$ 7,797	\$ 7,906
Power & Vision	5,387	5,626
Seating Systems	1,124	1,219
Complete Vehicles	845	735
Corporate & Other	446	468
Total Reportable Segments	\$ 15,599	\$ 15,954

The following table reconciles Total Assets to Net Assets:

	September 30,	December 31,
	2020	2019
Total Assets	\$ 26,460	\$ 25,790
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(1,498)	(1,276)
Deferred tax assets	(319)	(308)
Long-term receivables from joint venture partners	(70)	(71)
Income taxes receivable	(69)	—
Deduct liabilities included in segment net assets:		
Accounts payable	(5,808)	(5,628)
Accrued salaries and wages	(851)	(753)
Other accrued liabilities	(2,246)	(1,800)
Segment Net Assets	\$ 15,599	\$ 15,954

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17. SUBSEQUENT EVENT

Normal Course Issuer Bid

Subject to approval by the Toronto Stock Exchange ["TSX"] and the New York Stock Exchange ["NYSE"], the Company's Board of Directors approved a new normal course issuer bid to purchase up to 29.6 million of the Company's Common Shares, representing approximately 10% of the Company's 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, 2020 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 alternative trading systems in Canada and the U.S., 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.