



Magna International Inc.

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

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME

[Unaudited]

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Sales	16	\$ 4,293	\$ 10,126	\$ 12,950	\$ 20,717
Costs and expenses					
Cost of goods sold		4,206	8,710	11,773	17,874
Depreciation and amortization		334	334	670	655
Selling, general and administrative		378	453	759	874
Interest expense, net		21	14	38	45
Equity income		(25)	(48)	(55)	(83)
Other expense (income), net	2	168	68	168	(611)
(Loss) income from operations before income taxes		(789)	595	(403)	1,963
Income taxes	10	(137)	145	(3)	412
Net (loss) income		(652)	450	(400)	1,551
Loss attributable to non-controlling interests		5	2	14	7
Net (loss) income attributable to Magna International Inc.		\$ (647)	\$ 452	\$ (386)	\$ 1,558
(Loss) earnings per Common Share:	3				
Basic		\$ (2.17)	\$ 1.42	\$ (1.29)	\$ 4.84
Diluted		\$ (2.17)	\$ 1.42	\$ (1.29)	\$ 4.83
Cash dividends paid per Common Share		\$ 0.400	\$ 0.365	\$ 0.800	\$ 0.730
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		298.4	318.4	300.3	321.7
Diluted		298.4	319.5	300.3	322.9

See accompanying notes

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

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

	Note	Three months ended		Six months ended	
		June 30,		June 30,	
		2020	2019	2020	2019
Net (loss) income		\$ (652)	\$ 450	\$ (400)	\$ 1,551
Other comprehensive income (loss), net of tax:	13				
Net unrealized gain (loss) on translation of net investment in foreign operations		87	19	(233)	46
Net unrealized gain (loss) on cash flow hedges		60	49	(124)	86
Reclassification of net loss on cash flow hedges to net income		25	2	17	20
Reclassification of net loss on pensions to net income		1	2	3	3
Other comprehensive income (loss)		173	72	(337)	155
Comprehensive (loss) income		(479)	522	(737)	1,706
Comprehensive loss attributable to non-controlling interests		6	13	21	6
Comprehensive (loss) income attributable to Magna International Inc.		\$ (473)	\$ 535	\$ (716)	\$ 1,712

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

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

	Note	As at June 30, 2020	As at December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 533	\$ 1,276
Accounts receivable		5,253	5,927
Inventories	5	3,503	3,304
Prepaid expenses and other		216	238
Income taxes receivable	10	87	—
		9,592	10,745
Investments	6	1,336	1,210
Fixed assets, net		7,860	8,260
Operating lease right-of-use assets		1,777	1,811
Intangible assets, net		456	484
Goodwill		1,965	1,976
Deferred tax assets		353	308
Other assets	7	941	996
		\$ 24,280	\$ 25,790
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	8	\$ 188	\$ —
Accounts payable		4,243	5,628
Accrued salaries and wages		691	753
Other accrued liabilities	9	2,058	1,800
Income taxes payable	10	—	17
Long-term debt due within one year		150	106
Current portion of operating lease liabilities		221	225
		7,551	8,529
Long-term debt	11	3,771	3,062
Operating lease liabilities		1,577	1,601
Long-term employee benefit liabilities		675	677
Other long-term liabilities		390	371
Deferred tax liabilities		363	419
		14,327	14,659
Shareholders' equity			
Capital stock			
Common Shares			
[issued:298,624,236; December 31, 2019 – 303,250,415]	12	3,164	3,198
Contributed surplus		125	127
Retained earnings		7,804	8,596
Accumulated other comprehensive loss	13	(1,413)	(1,090)
		9,680	10,831
Non-controlling interests		273	300
		9,953	11,131
		\$ 24,280	\$ 25,790

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three months ended		Six months ended	
		June 30,		June 30,	
		2020	2019	2020	2019
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net (loss) income		\$ (652)	\$ 450	\$ (400)	\$ 1,551
Items not involving current cash flows	4	354	470	717	257
		(298)	920	317	1,808
Changes in operating assets and liabilities	1, 4	(934)	—	(910)	(294)
Cash (used for) provided from operating activities		(1,232)	920	(593)	1,514
INVESTMENT ACTIVITIES					
Fixed asset additions		(169)	(328)	(372)	(579)
Increase in private equity investments		(2)	(5)	(102)	(10)
Increase in investments, other assets and intangible assets		(72)	(102)	(165)	(179)
Proceeds from disposition		11	26	34	112
Acquisitions		—	(152)	(7)	(152)
Proceeds on sale of business		—	—	—	1,129
Cash (used for) provided from investing activities		(232)	(561)	(612)	321
FINANCING ACTIVITIES					
Issues of debt	11	817	10	825	15
Increase (decrease) in short-term borrowings		177	(154)	176	(928)
Repayments of debt		(32)	(43)	(45)	(129)
Issue of Common Shares on exercise of stock options		1	6	2	14
Shares repurchased for tax withholdings on vesting of equity awards		—	(2)	(10)	(5)
Repurchase of Common Shares	12	—	(409)	(201)	(693)
Contributions to subsidiaries by non-controlling interests		—	—	—	2
Dividends paid to non-controlling interests		(3)	(13)	(6)	(13)
Dividends paid		(116)	(110)	(237)	(229)
Cash provided from (used for) financing activities		844	(715)	504	(1,966)
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		9	(4)	(43)	10
Net decrease in cash, cash equivalents and restricted cash equivalents during the period		(611)	(360)	(744)	(121)
Cash, cash equivalents and restricted cash equivalents, beginning of period		1,259	1,041	1,392	802
Cash, cash equivalents and restricted cash equivalents, end of period	4	\$ 648	\$ 681	\$ 648	\$ 681

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Six months ended June 30, 2020								
		Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total
	Note	Number	Stated Value	butted 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					(386)		(14)	(400)
Other comprehensive loss						(330)	(7)	(337)
Shares issued on exercise of stock options		0.1	2					2
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	(5.0)	(53)		(155)	7		(201)
Stock-based compensation expense				11				11
Dividends paid to non-controlling interests							(6)	(6)
Dividends paid		0.1	6		(243)			(237)
Balance, June 30, 2020		298.6	\$ 3,164	\$ 125	\$ 7,804	\$ (1,413)	\$ 273	\$ 9,953

Three months ended June 30, 2020								
		Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total
	Note	Number	Stated Value	butted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
Balance, March 31, 2020		298.5	\$ 3,159	\$ 117	\$ 8,571	\$ (1,587)	\$ 282	\$ 10,542
Net loss					(647)		(5)	(652)
Other comprehensive income						174	(1)	173
Shares issued on exercise of stock options		0.1	1					1
Stock-based compensation expense				8				8
Dividends paid to non-controlling interests							(3)	(3)
Dividends paid			4		(120)			(116)
Balance, June 30, 2020		298.6	\$ 3,164	\$ 125	\$ 7,804	\$ (1,413)	\$ 273	\$ 9,953

(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]

Six months ended June 30, 2019								
	Note	<u>Common Shares</u> Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL ⁽ⁱ⁾	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					1,558		(7)	1,551
Other comprehensive income						154	1	155
Contributions by non-controlling interests							2	2
Sale of business						8		8
Shares issued on exercise of stock options		0.4	17	(3)				14
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	(14.2)	(147)		(562)	16		(693)
Stock-based compensation expense				28				28
Dividends paid to non-controlling Interests							(13)	(13)
Dividends paid		0.2	8		(237)			(229)
Balance, June 30, 2019		313.8	\$ 3,266	\$ 136	\$ 9,106	\$ (997)	\$ 441	\$ 11,952

Three months ended June 30, 2019								
	Note	<u>Common Shares</u> Number	Stated Value	Contri- buted Surplus	Retained Earnings	AOCL ⁽ⁱ⁾	Non- controlling Interest	Total Equity
<i>[in millions]</i>								
Balance, March 31, 2019		322.1	\$ 3,340	\$ 129	\$ 9,101	\$ (1,090)	\$ 467	\$ 11,947
Net income					452		(2)	450
Other comprehensive income						83	(11)	72
Shares issued on exercise of stock options		0.2	7	(1)				6
Release of stock and stock units		0.1	3	(3)				—
Shares repurchased for tax withholdings on vesting of equity rewards			(1)		(1)			(2)
Repurchase and cancellation under normal course issuer bid	12	(8.6)	(88)		(331)	10		(409)
Stock-based compensation expense				11				11
Dividends paid to non-controlling Interests							(13)	(13)
Dividends paid			5		(115)			(110)
Balance, June 30, 2019		313.8	\$ 3,266	\$ 136	\$ 9,106	\$ (997)	\$ 441	\$ 11,952

(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 June 30, 2020 and the results of operations, changes in equity and cash flows for the three and six-month periods ended June 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 June 30, 2020, the impact of the outbreak of COVID-19 continues to develop and as a result, many 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 (INCOME), NET

		Three months ended		Six months ended	
		June 30,		June 30,	
		2020	2019	2020	2019
Restructuring and impairments	[a]	\$ 168	\$ 7	\$ 168	\$ 21
Net losses (gains) on investments	[b]	—	67	—	(110)
Gain on the sale of Business	[c]	—	(6)	—	(522)
Other expense (income), net		\$ 168	\$ 68	\$ 168	\$ (611)

[a] Restructuring and impairments

In response to the impact that COVID-19 is 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:

	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

For the three and six months ended June 30, 2019, the Company recorded restructuring charges of \$7 million and \$21 million [\$7 million and \$21 million after tax], respectively, for its Body Exteriors & Structures operations.

[b] Net losses (gains) on investments

For the three and six months ended June 30, 2019, the Company recorded net losses of \$67 million and net gains of \$110 million [\$57 million after tax and \$94 million after tax], respectively, substantially related to its investment in Lyft, Inc.

[c] Gain on the sale of Business

For the three and six months ended June 30, 2019, the Company recorded a gain on the sale of its Fluid Pressure & Controls business of \$6 million and \$522 million [\$7 million after tax affect and \$445 million after tax], respectively, in the Power & Vision segment.

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. (LOSS) EARNINGS PER SHARE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Basic (loss) earnings per Common Share:				
Net (loss) income attributable to Magna International Inc.	\$ (647)	\$ 452	\$ (386)	\$ 1,558
Weighted average number of Common Shares outstanding	298.4	318.4	300.3	321.7
Basic (loss) earnings per Common Share	\$ (2.17)	\$ 1.42	\$ (1.29)	\$ 4.84
Diluted (loss) earnings per Common Share [a]:				
Net (loss) income attributable to Magna International Inc.	\$ (647)	\$ 452	\$ (386)	\$ 1,558
Weighted average number of Common Shares outstanding	298.4	318.4	300.3	321.7
Adjustments				
Stock options and restricted stock	—	1.1	—	1.2
	298.4	319.5	300.3	322.9
Diluted (loss) earnings per Common Share	\$ (2.17)	\$ 1.42	\$ (1.29)	\$ 4.83

[a] For the three and six months ended months ended June 30, 2020, diluted earnings per Common Share excluded 9.7 million and 9.3 million, respectively, Common Shares issuable under the Company's Incentive Stock Option Plan because the effect of including them would have been anti-dilutive.

For the three and six months ended June 30, 2019, diluted earnings per Common Share excluded 4.5 million and 4.0 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]

4. DETAILS OF CASH FROM OPERATING ACTIVITIES

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

	June 30, 2020	December 31, 2019
Bank term deposits and bankers' acceptances	\$ 274	\$ 724
Cash	259	552
Cash and cash equivalents	533	1,276
Restricted cash equivalents included in prepaid expenses [note 8]	115	116
	\$ 648	\$ 1,392

[b] Items not involving current cash flows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Depreciation and amortization	\$ 334	\$ 334	\$ 670	\$ 655
Amortization of other assets included in cost of goods sold	37	54	90	113
Other non-cash charges	40	5	36	34
Deferred income taxes	(98)	6	(102)	66
Equity income in excess of dividends received	22	10	4	21
Gain on sale of business	—	(6)	—	(522)
Non-cash portion of Other expense (income), net [note 2]	19	67	19	(110)
	\$ 354	\$ 470	\$ 717	\$ 257

[c] Changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Accounts receivable	\$ 442	\$ 329	\$ 535	\$ (617)
Inventories	63	11	(214)	(96)
Prepaid expenses and other	15	28	(13)	(4)
Accounts payable	(1,405)	(296)	(1,296)	104
Accrued salaries and wages	(120)	(114)	(48)	(27)
Other accrued liabilities	176	14	197	285
Income taxes payable	(105)	28	(71)	61
	\$ (934)	\$ —	\$ (910)	\$ (294)

5. INVENTORIES

Inventories consist of:

	June 30, 2020	December 31, 2019
Raw materials and supplies	\$ 1,264	\$ 1,201
Work-in-process	344	339
Finished goods	418	425
Tooling and engineering	1,477	1,339
	\$ 3,503	\$ 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

	June 30, 2020	December 31, 2019
Equity method investments	\$ 1,138	\$ 1,107
Private equity investments	194	95
Other	4	8
	\$ 1,336	\$ 1,210

7. OTHER ASSETS

Other assets consist of:

	June 30, 2020	December 31, 2019
Preproduction costs related to long-term supply agreements	\$ 670	\$ 683
Long-term receivables	197	217
Pension overfunded status	22	22
Unrealized gain on cash flow hedges	12	24
Other, net	40	50
	\$ 941	\$ 996

8. SHORT-TERM BORROWINGS

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

	June 30, 2020	December 31, 2019
Bank indebtedness	\$ 20	\$ —
Commercial paper [i]	168	—
	\$ 188	\$ —

[i] As at June 30, 2020, \$168 million or €150 million of euro notes were outstanding under the euro-commercial paper program, with a weighted-average interest rate of 0.19%, and maturities less than three months.

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 June 30, 2020, the amount drawn was \$110 million and the related restricted cash equivalent deposit was \$115 million. Given that the credit agreement includes a netting arrangement that provides for the legal right of setoff, the remaining net deposit of \$5 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 June 30, 2020, the Company has not borrowed any funds under this credit facility.

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. 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

10. INCOME TAXES

For the three months ended June 30, 2020, the Company's income tax benefit does not reflect the customary tax rate mainly as a result of losses in Europe that could not be recognized.

For the six months ended June 30, 2020, the Company's income tax benefit does not reflect the customary tax rate mainly as a result of 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.

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
	5,032,621	\$ 201	14,196,645	\$ 693

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at August 6, 2020 were exercised or converted:

Common Shares	298,624,436
Stock options ⁽ⁱ⁾	9,683,301
	308,307,737

(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)
Accumulated net unrealized gain (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
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)
Total accumulated other comprehensive loss	\$ (1,413)	\$ (997)

(i) The amount of income tax benefit (expense) 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)
Reclassification 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)

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$54 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]

14. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	June 30, 2020	December 31, 2019
Financial assets		
Cash and cash equivalents	\$ 533	\$ 1,276
Restricted cash equivalents	115	116
Accounts receivable	5,253	5,927
Private equity investments	194	95
Severance investments	1	1
Long-term receivables included in other assets	197	217
	\$ 6,293	\$ 7,632
Financial liabilities		
Bank indebtedness	\$ 20	\$ —
Commercial Paper	168	—
Long-term debt (including portion due within one year)	3,921	3,168
Accounts payable	4,243	5,628
	\$ 8,352	\$ 8,796
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 14	\$ 46
Other assets	12	24
Other accrued liabilities	(63)	(10)
Other long-term liabilities	(45)	(8)
	\$ (82)	\$ 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
June 30, 2020			
Assets	\$ 26	\$ 21	\$ 5
Liabilities	\$ (108)	\$ (21)	\$ (87)
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, 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.

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 \$150 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 June 30, 2020, the net book value of the Company's Senior Notes was \$3.75 billion and the estimated fair value was \$3.97 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 six month periods ended June 30, 2020, sales to the Company's six largest customers represented 78% 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, commercial paper 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 June 30, 2020, 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	137	(1,522)
euro amount	11	(2)
For U.S. dollars		
Peso amount	8,738	—
Euro amount	136	(232)
For euros		
U.S. amount	275	(156)
GBP amount	10	(21)
Czech Koruna amount	7,815	(9)
Polish Zlotys amount	486	(1)

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 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] 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 (loss) income from operations and adding back income tax expense (benefit), interest expense, net, and other (expense) income, net.

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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 (loss) income:

	Three months ended June 30, 2020					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 1,623	\$ 1,578	\$ (315)	\$ 177	\$ 2	\$ 85
Power & Vision	1,298	1,271	(226)	115	(28)	70
Seating Systems	524	521	(84)	19	(1)	6
Complete Vehicles	933	921	44	20	—	6
Corporate & Other [i]	(85)	2	(19)	3	2	2
Total Reportable Segments	\$ 4,293	\$ 4,293	\$ (600)	\$ 334	\$ (25)	\$ 169

	Three months ended June 30, 2019					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 4,243	\$ 4,145	\$ 341	\$ 177	\$ (1)	\$ 165
Power & Vision	2,808	2,745	201	116	(48)	123
Seating Systems	1,452	1,442	83	15	3	14
Complete Vehicles	1,802	1,793	43	21	—	23
Corporate & Other [i]	(179)	1	9	5	(2)	3
Total Reportable Segments	\$ 10,126	\$ 10,126	\$ 677	\$ 334	\$ (48)	\$ 328

	Six months ended June 30, 2020					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 5,299	\$ 5,188	\$ (116)	\$ 356	\$ 2	\$ 187
Power & Vision	3,821	3,751	(91)	230	(62)	150
Seating Systems	1,785	1,777	(44)	36	2	21
Complete Vehicles	2,254	2,232	94	40	—	10
Corporate & Other [i]	(209)	2	(40)	8	3	4
Total Reportable Segments	\$ 12,950	\$ 12,950	\$ (197)	\$ 670	\$ (55)	\$ 372

	Six months ended June 30, 2019					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 8,551	\$ 8,355	\$ 704	\$ 352	\$ (2)	\$ 276
Power & Vision	5,891	5,780	417	223	(82)	238
Seating Systems	2,885	2,869	177	30	2	23
Complete Vehicles	3,730	3,711	71	40	—	41
Corporate & Other [i]	(340)	2	28	10	(1)	1
Total Reportable Segments	\$ 20,717	\$ 20,717	\$ 1,397	\$ 655	\$ (83)	\$ 579

[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 to Adjusted EBIT:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Net (loss) income	\$ (652)	\$ 450	\$ (400)	\$ 1,551
Add:				
Interest expense, net	21	14	38	45
Other expense (income), net	168	68	168	(611)
Income taxes	(137)	145	(3)	412
Adjusted EBIT	\$ (600)	\$ 677	\$ (197)	\$ 1,397

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

	June 30, 2020	December 31, 2019
Body Exteriors & Structures	\$ 457	\$ 458
Power & Vision	1,230	1,238
Seating Systems	167	169
Complete Vehicles	111	111
Total Reportable Segments	\$ 1,965	\$ 1,976

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

	June 30, 2020	December 31, 2019
Body Exteriors & Structures	\$ 7,899	\$ 7,906
Power & Vision	5,871	5,626
Seating Systems	1,235	1,219
Complete Vehicles	845	735
Corporate & Other	395	468
Total Reportable Segments	\$ 16,245	\$ 15,954

The following table reconciles Total Assets to Net Assets:

	June 30, 2020	December 31, 2019
Total Assets	\$ 24,280	\$ 25,790
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(533)	(1,276)
Deferred tax assets	(353)	(308)
Long-term receivables from joint venture partners	(70)	(71)
Income taxes receivable	(87)	—
Deduct liabilities included in segment net assets:		
Accounts payable	(4,243)	(5,628)
Accrued salaries and wages	(691)	(753)
Other accrued liabilities	(2,058)	(1,800)
Segment Net Assets	\$ 16,245	\$ 15,954