



**Magna International Inc.**

**Interim Financial Statements for the three months  
ended September 30, 2021**

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

[Unaudited]

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

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
<b>Sales</b>	14	<b>\$ 7,919</b>	\$ 9,129	<b>\$ 27,132</b>	\$ 22,079
<b>Costs and expenses</b>					
Cost of goods sold		<b>6,885</b>	7,681	<b>23,275</b>	19,454
Depreciation and amortization		<b>385</b>	334	<b>1,123</b>	1,004
Selling, general and administrative		<b>454</b>	380	<b>1,303</b>	1,139
Interest expense, net		<b>22</b>	26	<b>56</b>	64
Equity income		<b>(34)</b>	(44)	<b>(125)</b>	(99)
Other expense, net	2	<b>180</b>	316	<b>128</b>	484
Income from operations before income taxes		<b>27</b>	436	<b>1,372</b>	33
Income taxes	9	<b>10</b>	109	<b>297</b>	106
<b>Net income (loss)</b>		<b>17</b>	327	<b>1,075</b>	(73)
(Income) loss attributable to non-controlling interests		<b>(6)</b>	78	<b>(25)</b>	92
<b>Net income attributable to Magna International Inc.</b>		<b>\$ 11</b>	\$ 405	<b>\$ 1,050</b>	\$ 19
Earnings per Common Share:	3				
Basic		<b>\$ 0.04</b>	\$ 1.36	<b>\$ 3.49</b>	\$ 0.06
Diluted		<b>\$ 0.04</b>	\$ 1.35	<b>\$ 3.46</b>	\$ 0.06
Cash dividends paid per Common Share		<b>\$ 0.43</b>	\$ 0.40	<b>\$ 1.29</b>	\$ 1.20
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		<b>300.7</b>	298.7	<b>300.9</b>	299.7
Diluted		<b>302.6</b>	299.4	<b>303.2</b>	300.2

See accompanying notes

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

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

	Note	Three months ended		Nine months ended	
		September 30, 2021	2020	September 30, 2021	2020
<b>Net income (loss)</b>		<b>\$ 17</b>	<b>\$ 327</b>	<b>\$ 1,075</b>	<b>\$ (73)</b>
Other comprehensive (loss) income, net of tax:	11				
Net unrealized (loss) gain on translation of net investment in foreign operations		(124)	189	(127)	(44)
Net unrealized (loss) gain on cash flow hedges		(22)	21	25	(103)
Reclassification of net (gain) loss on cash flow hedges to net income		(19)	11	(37)	28
Reclassification of net loss on pensions to net income		3	2	7	5
Pension and post retirement benefits		1	—	2	—
<b>Other comprehensive (loss) income</b>		<b>(161)</b>	<b>223</b>	<b>(130)</b>	<b>(114)</b>
Comprehensive (loss) income		(144)	550	945	(187)
Comprehensive (income) loss attributable to non-controlling interests		(7)	69	(28)	90
<b>Comprehensive (loss) income attributable to   Magna International Inc.</b>		<b>\$ (151)</b>	<b>\$ 619</b>	<b>\$ 917</b>	<b>\$ (97)</b>

See accompanying notes

# MAGNA INTERNATIONAL INC.

## CONSOLIDATED BALANCE SHEETS

[Unaudited]

[U.S. dollars in millions]

	Note	As at September 30, 2021	As at December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 2,748	\$ 3,268
Accounts receivable		6,082	6,394
Inventories	5	4,150	3,444
Prepaid expenses and other		247	260
		<b>13,227</b>	13,366
Investments	6	1,455	947
Fixed assets, net		8,166	8,475
Operating lease right-of-use assets		1,731	1,906
Intangible assets, net		497	481
Goodwill		2,131	2,095
Deferred tax assets		405	372
Other assets	7	902	963
		<b>\$ 28,514</b>	\$ 28,605
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 5,914	\$ 6,266
Other accrued liabilities		2,070	2,254
Accrued salaries and wages	8	893	815
Income taxes payable		125	38
Long-term debt due within one year		101	129
Current portion of operating lease liabilities		269	241
		<b>9,372</b>	9,743
Long-term debt		3,908	3,973
Operating lease liabilities		1,438	1,656
Long-term employee benefit liabilities		716	729
Other long-term liabilities		466	332
Deferred tax liabilities		445	452
		<b>16,345</b>	16,885
<b>Shareholders' equity</b>			
Capital stock			
Common Shares			
[issued: 300,752,776; December 31, 2020 – 300,527,416]	10	3,425	3,271
Contributed surplus		107	128
Retained earnings		9,115	8,704
Accumulated other comprehensive loss	11	(865)	(733)
		<b>11,782</b>	11,370
Non-controlling interests		387	350
		<b>12,169</b>	11,720
		<b>\$ 28,514</b>	\$ 28,605

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,	
		2021	2020	2021	2020
<b>Cash provided from (used for):</b>					
<b>OPERATING ACTIVITIES</b>					
Net income (loss)		\$ 17	\$ 327	\$ 1,075	\$ (73)
Items not involving current cash flows	4	515	749	1,205	1,428
		532	1,076	2,280	1,355
Changes in operating assets and liabilities	4	(132)	536	(691)	(336)
<b>Cash provided from operating activities</b>		<b>400</b>	<b>1,612</b>	<b>1,589</b>	<b>1,019</b>
<b>INVESTMENT ACTIVITIES</b>					
Fixed asset additions		(334)	(213)	(823)	(585)
Increase in equity method investments	6	(454)	—	(454)	—
Increase in investments, other assets and intangible assets		(101)	(68)	(298)	(233)
Funding provided on sale of business	2	(41)	—	(41)	—
Increase in public and private equity investments		(3)	(12)	(23)	(114)
Proceeds from disposition		10	14	49	48
Settlement of long-term receivable from non-consolidated JV		—	—	50	—
Business combinations		—	—	18	(7)
<b>Cash used for investing activities</b>		<b>(923)</b>	<b>(279)</b>	<b>(1,522)</b>	<b>(891)</b>
<b>FINANCING ACTIVITIES</b>					
Issues of debt		11	31	34	856
Decrease in short-term borrowings		—	(194)	(101)	(18)
Repayments of debt		(24)	(83)	(105)	(128)
Issue of Common Shares on exercise of stock options		3	15	136	17
Shares repurchased for tax withholdings on vesting of equity awards		—	—	(12)	(10)
Repurchase of Common Shares	10	(5)	(2)	(266)	(203)
Dividends paid to non-controlling interests		(2)	—	(10)	(6)
Dividends paid		(130)	(115)	(387)	(352)
<b>Cash (used for) provided from financing activities</b>		<b>(147)</b>	<b>(348)</b>	<b>(711)</b>	<b>156</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		(8)	(15)	18	(58)
Net increase in cash, cash equivalents and restricted cash equivalents during the period		(678)	970	(626)	226
Cash, cash equivalents and restricted cash equivalents, beginning of period		3,426	648	3,374	1,392
<b>Cash, cash equivalents and restricted cash equivalents, end of period</b>	4	<b>\$ 2,748</b>	<b>\$ 1,618</b>	<b>\$ 2,748</b>	<b>\$ 1,618</b>

See accompanying notes

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

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

Nine months ended September 30, 2021								
		Common Shares		Contri-	Retained	AOCL <sup>(i)</sup>	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
<b>Balance, December 31, 2020</b>		300.5	\$ 3,271	\$ 128	\$ 8,704	\$ (733)	\$ 350	\$ 11,720
Net income					1,050		25	1,075
Other comprehensive loss						(133)	3	(130)
Shares issued on exercise of stock options		2.9	164	(28)				136
Release of stock and stock units		0.4	17	(17)				
Tax withholdings on vesting of equity rewards			(2)		(10)			(12)
Repurchase and cancellation under normal course issuer bid	10	(3.1)	(32)		(235)	1		(266)
Stock-based compensation expense				24				24
Dividends paid to non-controlling interests							(10)	(10)
Business combinations							19	19
Dividends paid		0.1	7		(394)			(387)
<b>Balance, September 30, 2021</b>		<b>300.8</b>	<b>\$ 3,425</b>	<b>\$ 107</b>	<b>\$ 9,115</b>	<b>\$ (865)</b>	<b>\$ 387</b>	<b>\$ 12,169</b>

Three months ended September 30, 2021								
		Common Shares		Contri-	Retained	AOCL <sup>(i)</sup>	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
<b>Balance, June 30, 2021</b>		300.7	\$ 3,416	\$ 104	\$ 9,241	\$ (703)	\$ 382	\$ 12,440
Net income					11		6	17
Other comprehensive income						(162)	1	(161)
Shares issued on exercise of stock options		0.1	4	(1)				3
Release of stock and stock units		0.1	3	(3)				
Repurchase and cancellation under normal course issuer bid	10	(0.1)			(5)			(5)
Stock-based compensation expense				7				7
Dividends paid to non-controlling interests							(2)	(2)
Dividends paid			2		(132)			(130)
<b>Balance, September 30, 2021</b>		<b>300.8</b>	<b>\$ 3,425</b>	<b>\$ 107</b>	<b>\$ 9,115</b>	<b>\$ (865)</b>	<b>\$ 387</b>	<b>\$ 12,169</b>

(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, 2020								
		Common Shares		Contri-	Retained	AOCL <sup>(i)</sup>	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
<b>Balance, December 31, 2019</b>		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)				
Tax withholdings on vesting of equity rewards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	10	(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)
<b>Balance, September 30, 2020</b>		<b>299.0</b>	<b>\$ 3,186</b>	<b>\$ 130</b>	<b>\$ 8,088</b>	<b>\$ (1,198)</b>	<b>\$ 204</b>	<b>\$ 10,410</b>

Three months ended September 30, 2020								
		Common Shares		Contri-	Retained	AOCL <sup>(i)</sup>	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
<b>Balance, June 30, 2020</b>		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	10	(0.1)	(1)		(2)	1		(2)
Stock-based compensation expense				9				9
Dividends paid		0.1	4		(119)			(115)
<b>Balance, September 30, 2020</b>		<b>299.0</b>	<b>\$ 3,186</b>	<b>\$ 130</b>	<b>\$ 8,088</b>	<b>\$ (1,198)</b>	<b>\$ 204</b>	<b>\$ 10,410</b>

(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]*

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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, 2020 audited consolidated financial statements and notes thereto included in the Company's 2020 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, 2021 and the results of operations, changes in equity and cash flows for the three and nine-month periods ended September 30, 2021 and 2020.

Certain amounts in prior periods have been reclassified to conform with current period presentation.

**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,	
		2021	2020	2021	2020
Restructuring and impairments	[a]	\$ 24	\$ —	\$ 83	\$ 168
Impairment of equity-accounted investment	[b]	—	337	—	337
Net losses (gains) on investments	[c]	81	(21)	10	(21)
Gain on business combinations	[d]	—	—	(40)	—
Loss on sale of business	[e]	75	—	75	—
		\$ 180	\$ 316	\$ 128	\$ 484

**[a] Restructuring and impairments**

For the three and nine months ended September 30, 2021, the Company recorded restructuring and impairment charges of \$16 million [\$14 million after tax] in its Body Exteriors & Structures segment, and \$4 million [\$3 million after tax] in its Seating Systems segment. The charges were primarily related to Ford Motor Company's recently announced plan to exit India. Restructuring charges for the three and nine months ended September 30, 2021 of \$4 million [\$3 million after tax] and \$63 million [\$49 million after tax], respectively were also recorded in its Power & Vision segment.

For the nine months ended September 30, 2020, the Company recorded restructuring and impairment charges of \$115 million [\$90 million after tax] for its Power & Vision segment and \$37 million [\$32 million after tax] for its Body Exteriors & Structures segment. Restructuring charges of \$16 million [\$14 million after tax] were also recorded in the Seating Systems segment.

**[b] Impairment of equity-accounted investment**

For the three and nine months ended September 30, 2020, the Company recorded impairment charges of \$337 million [\$200 million after tax attributable to the Company] on an equity accounted investment in its Power & Vision segment.

**[c] Net losses (gains) on investments**

During the third quarter of 2021, the Company recorded unrealized losses of \$27 million [\$24 million after tax] on the revaluation of certain public and private equity investments. For the three and nine months ended September 30, 2021, the Company also recorded unrealized losses of \$54 million and \$10 million [\$40 million and \$7 million after tax] respectively, related to the revaluation of certain public company warrants [note 6].

For the three and nine months ended September 30, 2020, the Company recorded unrealized gains of \$21 million [\$20 million after tax] on the revaluation of certain private equity investments [note 6].

**[d] Gain on business combinations**

During the nine months ended September 30, 2021, the Company acquired a 65% equity interest and a controlling financial interest in Chongqing Hongli Zhixin Scientific Technology Development Group LLC. The acquisition included an additional 15% equity interest in two entities that were previously equity accounted for by the Company. On the change in basis of accounting, the Company recognized a \$22 million gain [\$22 million after tax].

The Company also recorded a gain of \$18 million [\$18 million after tax] in connection with the distribution of substantially all of the assets of the Company's European joint venture, Getrag Ford Transmission GmbH.

**[e] Loss on sale of business**

During the third quarter of 2021, the Company sold three Body Exteriors & Structures operations in Germany. Under the terms of the arrangement, the Company provided the buyer with \$41 million of funding, subject to working capital adjustments, resulting in a loss on disposal of \$75 million [\$75 million after tax].

**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. EARNINGS PER SHARE**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Basic earnings per Common Share:</b>				
Net income attributable to Magna International Inc.	\$ 11	\$ 405	\$ 1,050	\$ 19
Weighted average number of Common Shares outstanding	300.7	298.7	300.9	299.7
Basic earnings per Common Share	\$ 0.04	\$ 1.36	\$ 3.49	\$ 0.06
<b>Diluted earnings per Common Share [a]:</b>				
Net income attributable to Magna International Inc.	\$ 11	\$ 405	\$ 1,050	\$ 19
Weighted average number of Common Shares outstanding	300.7	298.7	300.9	299.7
Adjustments				
Stock options and restricted stock	1.9	0.7	2.3	0.5
	302.6	299.4	303.2	300.2
Diluted earnings per Common Share	\$ 0.04	\$ 1.35	\$ 3.46	\$ 0.06

[a] For the three and nine months ended September 30, 2021, diluted earnings per Common Share excluded 0.6 million and 0.3 million Common Shares issuable under the Company's Incentive Stock Option Plan because the effect of including them would have been anti-dilutive. 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 and nine months ended September 30, 2020, diluted earnings per Common Share excluded 5.8 million and 6.2 million Common Shares issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money".

**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, 2021	December 31, 2020
Bank term deposits and bankers' acceptances	\$ 1,965	\$ 1,987
Cash	783	1,281
Cash and cash equivalents	2,748	3,268
Restricted cash equivalents included in prepaid expenses	—	106
	<b>\$ 2,748</b>	<b>\$ 3,374</b>

[b] Items not involving current cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Depreciation and amortization	\$ 385	\$ 334	\$ 1,123	\$ 1,004
Amortization of other assets included in cost of goods sold	67	50	202	140
Deferred revenue amortization	(29)	(18)	(149)	(56)
Other non-cash charges	(3)	16	18	52
Future tax expenses	(68)	70	(42)	(32)
Equity loss (income) in excess of dividends received	7	(19)	9	(15)
Non-cash portion of Other expense, net [note 2]	156	316	44	335
	<b>\$ 515</b>	<b>\$ 749</b>	<b>\$ 1,205</b>	<b>\$ 1,428</b>

[c] Changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ 327	\$ (1,259)	\$ 384	\$ (724)
Inventories	(247)	56	(808)	(158)
Prepaid expenses and other	7	20	—	7
Accounts payable	(224)	1,497	(424)	201
Accrued salaries and wages	11	147	98	99
Other accrued liabilities	(17)	123	7	358
Income taxes payable	11	(48)	52	(119)
	<b>\$ (132)</b>	<b>\$ 536</b>	<b>\$ (691)</b>	<b>\$ (336)</b>

**5. INVENTORIES**

Inventories consist of:

	September 30, 2021	December 31, 2020
Raw materials and supplies	\$ 1,644	\$ 1,226
Work-in-process	421	340
Finished goods	601	470
Tooling and engineering	1,484	1,408
	<b>\$ 4,150</b>	<b>\$ 3,444</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]

**6. INVESTMENTS**

		<b>September 30, 2021</b>	December 31, 2020
Equity method investments	[a]	\$ 972	\$ 677
Public and private equity investments		292	267
Warrants	[b]	190	—
Other		1	3
		<b>\$ 1,455</b>	<b>\$ 947</b>

[a] On July 28, 2021, the Company formed a new joint venture with LG Electronics (“LG”) within its Power & Vision segment. Under the terms of the agreement, the Company acquired a 49% non-controlling ownership interest in LG Magna e-Powertrain Co., Ltd. (“LME”) for cash consideration of \$454 million. LME is a variable interest entity [“VIE”] and depends on the Company and LG for funding. The Company cannot make key operating decisions considered to be most significant to the VIE and is therefore not considered to be the primary beneficiary. The Company's known maximum exposure to loss approximated the carrying value of its investment balance which was \$433 million as at September 30, 2021.

[b] In October 2020, the Company signed agreements that provide a framework with Fisker Inc. [“Fisker”] for the platform sharing, engineering and manufacturing of the Fisker Ocean SUV. In connection with the arrangement, Fisker issued approximately 19.5 million penny warrants to the Company to purchase common stock, which vest based on specified milestones. During the nine months ended September 30, 2021, two third of the warrants vested with a value of \$206 million. The initial value attributable to the warrants is deferred within other accrued liabilities and other long-term liabilities on the consolidated balance sheet and will be recognized in the consolidated statement of income as performance obligations are satisfied. The Company recorded an unrealized loss of \$10 million for the nine months ended September 30, 2021 related to the revaluation of the vested warrants [note 2].

Cumulative unrealized gains on equity securities still held at September 30, 2021 were \$55 million.

**7. OTHER ASSETS**

Other assets consist of:

		<b>September 30, 2021</b>	December 31, 2020
Preproduction costs related to long-term supply agreements		\$ 672	\$ 694
Long-term receivables		167	209
Pension overfunded status		4	4
Unrealized gain on cash flow hedges		10	16
Other, net		49	40
		<b>\$ 902</b>	<b>\$ 963</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]

**8. WARRANTY**

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

	2021	2020
Balance, beginning of period	\$ 284	\$ 252
Expense, net	27	22
Settlements	(28)	(73)
Business Combinations	2	—
Foreign exchange and other	(6)	(2)
Balance, March 31	279	199
Expense, net	26	37
Settlements	(12)	(32)
Foreign exchange and other	2	1
Balance, June 30	295	205
Expense, net	16	50
Settlements	(26)	(35)
Foreign exchange and other	(4)	5
Balance, September 30	\$ 281	\$ 225

**9. INCOME TAXES**

For the three months ended September 30, 2021, the Company's effective income tax rate increased from the customary tax rate primarily due to an increase in losses in Europe that could not be recognized, partially offset by a change in the mix of earnings.

For the nine months ended September 30, 2020, the Company's effective income tax rate did not reflect the statutory tax rate mainly as a result of the non-deductible impairment charge related to losses in Europe from Getrag (Jiangxi) Transmission Co., Ltd 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.

**10. CAPITAL STOCK**

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

	2021		2020	
	Number of shares	Cash consideration	Number of shares	Cash consideration
First Quarter	1,831,827	\$ 162	5,032,621	\$ 201
Second Quarter	1,009,037	99	—	—
Third Quarter	62,659	5	45,261	2
	<b>2,903,523</b>	<b>\$ 266</b>	5,077,882	\$ 203

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at November 4, 2021 were exercised or converted:

Common Shares	300,752,976
Stock options <sup>(i)</sup>	5,654,284
	<b>306,407,260</b>

(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]

**11. ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

	2021	2020
Accumulated net unrealized loss on translation of net investment in foreign operations		
Balance, beginning of period	\$ (551)	\$ (907)
Net unrealized loss	(105)	(314)
Repurchase of shares under normal course issuer bid	1	7
Balance, March 31	(655)	(1,214)
Net unrealized gain	100	88
Balance, June 30	(555)	(1,126)
Net unrealized (loss) gain	(125)	180
Repurchase of shares under normal course issuer bid	—	1
Balance, September 30	(680)	(945)
Accumulated net unrealized gain (loss) on cash flow hedges <sup>(i)</sup>		
Balance, beginning of period	42	38
Net unrealized gain (loss)	13	(184)
Reclassification of net gain to net income	(8)	(8)
Balance, March 31	47	(154)
Net unrealized gain	34	60
Reclassification of net (gain) loss to net income	(10)	25
Balance, June 30	71	(69)
Net unrealized (loss) gain	(22)	21
Reclassification of net (gain) loss to net income	(19)	11
Balance, September 30	30	(37)
Accumulated net unrealized loss on pension liability		
Balance, beginning of period	(224)	(221)
Reclassification of net loss to net income	3	2
Balance, March 31	(221)	(219)
Revaluation	1	—
Reclassification of net loss to net income	1	1
Balance, June 30	(219)	(218)
Revaluation	1	—
Reclassification of net loss to net income	3	2
Balance, September 30	(215)	(216)
Total accumulated other comprehensive loss	\$ (865)	\$ (1,198)

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

	2021	2020
Balance, beginning of period	\$ (15)	\$ (14)
Net unrealized (gain) loss	(4)	66
Reclassifications of net gain to net income	3	3
Balance, March 31	(16)	55
Net unrealized gain	(12)	(21)
Reclassifications of net gain (loss) to net income	4	(9)
Balance, June 30	(24)	25
Net unrealized loss (gain)	8	(8)
Reclassifications of net gain (loss) to net income	6	(4)
Balance, September 30	\$ (10)	\$ 13

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$35 million.

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

[Unaudited]

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**12. FINANCIAL INSTRUMENTS**

**[a] Financial assets and liabilities**

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

	September 30, 2021	December 31, 2020
<b>Financial assets</b>		
Cash, cash equivalents and restricted cash equivalents	\$ 2,748	\$ 3,374
Accounts receivable	6,082	6,394
Warrants and public and private equity investments	482	267
Long-term receivables included in other assets	167	209
	<b>\$ 9,479</b>	<b>\$ 10,244</b>
<b>Financial liabilities</b>		
Long-term debt (including portion due within one year)	\$ 4,009	\$ 4,102
Accounts payable	5,914	6,266
	<b>\$ 9,923</b>	<b>\$ 10,368</b>
<b>Derivatives designated as effective hedges, measured at fair value</b>		
Foreign currency contracts		
Prepaid expenses	\$ 41	\$ 52
Other assets	11	16
Other accrued liabilities	(9)	(11)
Other long-term liabilities	(7)	(5)
	<b>\$ 36</b>	<b>\$ 52</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>September 30, 2021</b>			
Assets	\$ 52	\$ 11	\$ 41
Liabilities	\$ (16)	\$ (11)	\$ (5)
<b>December 31, 2020</b>			
Assets	\$ 68	\$ 13	\$ 55
Liabilities	\$ (16)	\$ (13)	\$ (3)

# 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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### 12. 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, 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.

*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.]

*Warrants*

The Company estimates the value of its warrants based on the quoted prices in the active market for Fisker's common shares. [Level 2 inputs based on the GAAP fair value hierarchy.]

*Term debt*

The Company's term debt includes \$101 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 the Company's Senior Notes are classified as Level 1 when quoted prices in active markets are used 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, 2021, the net book value of the Company's Senior Notes was \$3.9 billion and the estimated fair value was \$4.1 billion.

#### [d] Credit risk

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

Cash and 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.

**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]

**12. 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, 2021, sales to the Company's six largest customers represented 64% and 78%, respectively of the Company's sales, and substantially all of the Company's sales are to customers with which it has ongoing contractual relationships. 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 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 cash and cash equivalents is impacted more by investment decisions made and the demands to have available cash on hand, than by movements in 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, and/or the purchase of materials and equipment 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, 2021, 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
<b>Buy</b>	<b>125</b>	<b>0.79145</b>	<b>10,969</b>	<b>0.04600</b>	<b>195</b>	<b>0.82718</b>	<b>7,211</b>	<b>0.03789</b>
<b>(Sell)</b>	<b>(1,387)</b>	<b>1.28866</b>	<b>—</b>	<b>—</b>	<b>(184)</b>	<b>1.20973</b>	<b>(183)</b>	<b>25.70693</b>

Forward contracts mature at various dates through 2025. Foreign currency exposures are reviewed quarterly.

**[g] Equity price risk**

*Public equity securities and warrants*

The Company's public equity securities and warrants are subject to market price risk due to the risk of loss in value that would result from a decline in the market price of the common shares or underlying common shares.

# 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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### 13. 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, had 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. Based on a previously completed global review of legacy antitrust risks which led to a September 2020 settlement with the European Commission where Magna received full immunity regarding two separate bilateral cartels involving the supply of closure systems, Magna does not currently anticipate any material liabilities. However, 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 8].

# **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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### **14. 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.

**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. 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, 2021						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 3,185	\$ 3,111	\$ 98	\$ 189	\$ 3	\$ 168
Power & Vision	2,501	2,449	67	141	(31)	136
Seating Systems	1,123	1,113	22	23	(3)	17
Complete Vehicles	1,255	1,243	30	26	(1)	8
Corporate & Other [i]	(145)	3	12	6	(2)	5
<b>Total Reportable Segments</b>	<b>\$ 7,919</b>	<b>\$ 7,919</b>	<b>\$ 229</b>	<b>\$ 385</b>	<b>\$ (34)</b>	<b>\$ 334</b>

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
<b>Total Reportable Segments</b>	<b>\$ 9,129</b>	<b>\$ 9,129</b>	<b>\$ 778</b>	<b>\$ 334</b>	<b>\$ (44)</b>	<b>\$ 213</b>

Nine months ended September 30, 2021						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 10,857	\$ 10,638	\$ 652	\$ 554	\$ 8	\$ 400
Power & Vision	8,538	8,372	567	409	(116)	341
Seating Systems	3,592	3,557	103	69	(7)	39
Complete Vehicles	4,595	4,557	189	76	(3)	34
Corporate & Other [i]	(450)	8	45	15	(7)	9
<b>Total Reportable Segments</b>	<b>\$ 27,132</b>	<b>\$ 27,132</b>	<b>\$ 1,556</b>	<b>\$ 1,123</b>	<b>\$ (125)</b>	<b>\$ 823</b>

Nine months ended September 30, 2020						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	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
<b>Total Reportable Segments</b>	<b>\$ 22,079</b>	<b>\$ 22,079</b>	<b>\$ 581</b>	<b>\$ 1,004</b>	<b>\$ (99)</b>	<b>\$ 585</b>

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

**MAGNA INTERNATIONAL INC.**  
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[Unaudited]

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**14. SEGMENTED INFORMATION (CONTINUED)**

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Net income (loss)</b>	<b>\$ 17</b>	<b>\$ 327</b>	<b>\$ 1,075</b>	<b>\$ (73)</b>
Add:				
Interest expense, net	<b>22</b>	<b>26</b>	<b>56</b>	<b>64</b>
Other expense, net	<b>180</b>	<b>316</b>	<b>128</b>	<b>484</b>
Income taxes	<b>10</b>	<b>109</b>	<b>297</b>	<b>106</b>
<b>Adjusted EBIT</b>	<b>\$ 229</b>	<b>\$ 778</b>	<b>\$ 1,556</b>	<b>\$ 581</b>

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Body Exteriors & Structures	<b>\$ 472</b>	<b>\$ 483</b>
Power & Vision	<b>1,276</b>	<b>1,315</b>
Seating Systems	<b>269</b>	<b>176</b>
Complete Vehicles	<b>114</b>	<b>121</b>
<b>Total Reportable Segments</b>	<b>\$ 2,131</b>	<b>\$ 2,095</b>

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Body Exteriors & Structures	<b>\$ 7,432</b>	<b>\$ 7,536</b>
Power & Vision	<b>6,004</b>	<b>5,529</b>
Seating Systems	<b>1,326</b>	<b>1,118</b>
Complete Vehicles	<b>822</b>	<b>671</b>
Corporate & Other	<b>885</b>	<b>710</b>
<b>Total Reportable Segments</b>	<b>\$ 16,469</b>	<b>\$ 15,564</b>

The following table reconciles Total Assets to Net Assets:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Total Assets</b>	<b>\$ 28,514</b>	<b>\$ 28,605</b>
Deduct assets not included in segment net assets:		
Cash and cash equivalents	<b>(2,748)</b>	<b>(3,268)</b>
Deferred tax assets	<b>(405)</b>	<b>(372)</b>
Long-term receivables from joint venture partners	<b>(15)</b>	<b>(66)</b>
Deduct liabilities included in segment net assets:		
Accounts payable	<b>(5,914)</b>	<b>(6,266)</b>
Accrued salaries and wages	<b>(893)</b>	<b>(815)</b>
Other accrued liabilities	<b>(2,070)</b>	<b>(2,254)</b>
<b>Segment Net Assets</b>	<b>\$ 16,469</b>	<b>\$ 15,564</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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### **15. SUBSEQUENT EVENT**

#### **Veoneer, Inc.**

On October 4, 2021, the Company announced that the board of directors of Veoneer, Inc. ("Veoneer") determined that the previously announced proposal by Qualcomm Incorporated to acquire Veoneer was a superior proposal considering the terms of the previously announced merger agreement between Magna and Veoneer. Consequently, Magna waived the four-day matching period to make a counterproposal and Veoneer terminated its merger agreement with Magna. In connection with the termination of the merger agreement, Veoneer paid the Company a termination fee of \$110 million which will be reflected in the Company's results in the fourth quarter of 2021.

#### **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 29.9 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, 2021 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.