



Magna International Inc.

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

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

[Unaudited]

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Sales	14	\$ 9,034	\$ 4,293	\$ 19,213	\$ 12,950
Costs and expenses					
Cost of goods sold		7,728	4,206	16,390	11,773
Depreciation and amortization		374	334	738	670
Selling, general and administrative		419	378	849	759
Interest expense, net		11	21	34	38
Equity income		(44)	(25)	(91)	(55)
Other expense (income), net	2	6	168	(52)	168
Income (loss) from operations before income taxes		540	(789)	1,345	(403)
Income taxes	9	104	(137)	287	(3)
Net income (loss)		436	(652)	1,058	(400)
(Income) loss attributable to non-controlling interests		(12)	5	(19)	14
Net income (loss) attributable to Magna International Inc.		\$ 424	\$ (647)	\$ 1,039	\$ (386)
Earnings (loss) per Common Share:	3				
Basic		\$ 1.41	\$ (2.17)	\$ 3.45	\$ (1.29)
Diluted		\$ 1.40	\$ (2.17)	\$ 3.42	\$ (1.29)
Cash dividends paid per Common Share		\$ 0.43	\$ 0.40	\$ 0.86	\$ 0.80
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		301.1	298.4	301.0	300.3
Diluted		303.6	298.4	303.6	300.3

See accompanying notes

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

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

	Note	Three months ended		Six months ended	
		June 30,		June 30,	
		2021	2020	2021	2020
Net income (loss)		\$ 436	\$ (652)	\$ 1,058	\$ (400)
Other comprehensive income (loss), net of tax:	11				
Net unrealized gain (loss) on translation of net investment in foreign operations		105	87	(3)	(233)
Net unrealized gain (loss) on cash flow hedges		34	60	47	(124)
Reclassification of net (gain) loss on cash flow hedges to net income		(10)	25	(18)	17
Reclassification of net loss on pensions to net income		1	1	4	3
Pension and post retirement benefits		1	—	1	—
Other comprehensive income (loss)		131	173	31	(337)
Comprehensive income (loss)		567	(479)	1,089	(737)
Comprehensive (income) loss attributable to non-controlling interests		(17)	6	(21)	21
Comprehensive income (loss) attributable to Magna International Inc.		\$ 550	\$ (473)	\$ 1,068	\$ (716)

See accompanying notes

MAGNA INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

[Unaudited]

[U.S. dollars in millions]

	Note	As at June 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 3,426	\$ 3,268
Accounts receivable		6,531	6,394
Inventories	5	3,999	3,444
Prepaid expenses and other		294	260
		14,250	13,366
Investments	6	1,124	947
Fixed assets, net		8,297	8,475
Operating lease right-of-use assets		1,854	1,906
Intangible assets, net		521	481
Goodwill		2,155	2,095
Deferred tax assets		389	372
Other assets	7	956	963
		\$ 29,546	\$ 28,605
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 6,248	\$ 6,266
Other accrued liabilities	8	2,186	2,254
Accrued salaries and wages		912	815
Income taxes payable		123	38
Long-term debt due within one year		117	129
Current portion of operating lease liabilities		278	241
		9,864	9,743
Long-term debt		3,941	3,973
Operating lease liabilities		1,563	1,656
Long-term employee benefit liabilities		743	729
Other long-term liabilities		482	332
Deferred tax liabilities		513	452
		17,106	16,885
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 300,655,552; December 31, 2020 – 300,527,416]	10	3,416	3,271
Contributed surplus		104	128
Retained earnings		9,241	8,704
Accumulated other comprehensive loss	11	(703)	(733)
		12,058	11,370
Non-controlling interests		382	350
		12,440	11,720
		\$ 29,546	\$ 28,605

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,	
		2021	2020	2021	2020
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income (loss)		\$ 436	\$ (652)	\$ 1,058	\$ (400)
Items not involving current cash flows	4	341	335	690	679
		777	(317)	1,748	279
Changes in operating assets and liabilities	4	(249)	(915)	(559)	(872)
Cash provided from (used for) operating activities		528	(1,232)	1,189	(593)
INVESTMENT ACTIVITIES					
Fixed asset additions		(277)	(169)	(489)	(372)
Increase in public and private equity investments		(17)	(2)	(20)	(102)
Increase in investments, other assets and intangible assets		(93)	(72)	(197)	(165)
Settlement of long-term receivable from non-consolidated joint venture		—	—	50	—
Proceeds from disposition		20	11	39	34
Acquisitions		(21)	—	18	(7)
Cash used for investing activities		(388)	(232)	(599)	(612)
FINANCING ACTIVITIES					
Issues of debt		14	817	23	825
Increase (decrease) in short-term borrowings		—	177	(101)	176
Repayments of debt		(47)	(32)	(81)	(45)
Issue of Common Shares on exercise of stock options		50	1	133	2
Shares repurchased for tax withholdings on vesting of equity awards		—	—	(12)	(10)
Repurchase of Common Shares	10	(99)	—	(261)	(201)
Dividends paid to non-controlling interests		(8)	(3)	(8)	(6)
Dividends paid		(127)	(116)	(257)	(237)
Cash (used for) provided from financing activities		(217)	844	(564)	504
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		39	9	26	(43)
Net (decrease) increase in cash, cash equivalents and restricted cash equivalents during the period		(38)	(611)	52	(744)
Cash, cash equivalents and restricted cash equivalents, beginning of period		3,464	1,259	3,374	1,392
Cash, cash equivalents and restricted cash equivalents, end of period	4	\$ 3,426	\$ 648	\$ 3,426	\$ 648

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Unaudited]

[U.S. dollars in millions]

Six months ended June 30, 2021								
		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, 2020		300.5	\$ 3,271	\$ 128	\$ 8,704	\$ (733)	\$ 350	\$ 11,720
Net income					1,039		19	1,058
Other comprehensive gain						29	2	31
Business combinations							19	19
Shares issued on exercise of stock options		2.8	160	(27)				133
Release of stock and stock units		0.3	14	(14)				—
Tax withholdings on vesting of equity rewards			(2)		(10)			(12)
Repurchase and cancellation under normal course issuer bid	10	(3.0)	(32)		(230)	1		(261)
Stock-based compensation expense				17				17
Dividends paid to non-controlling interests							(8)	(8)
Dividends paid		0.1	5		(262)			(257)
Balance, June 30, 2021		300.7	\$ 3,416	\$ 104	\$ 9,241	\$ (703)	\$ 382	\$ 12,440

Three months ended June 30, 2021								
		Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total
	Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity
<i>[in millions]</i>								
Balance, March 31, 2021		300.6	\$ 3,366	\$ 107	\$ 9,034	\$ (829)	\$ 374	\$ 12,052
Net income					424		12	436
Other comprehensive gain						126	5	131
Business combinations							(1)	(1)
Shares issued on exercise of stock options		1.1	59	(9)				50
Repurchase and cancellation under normal course issuer bid	10	(1.0)	(12)		(87)			(99)
Stock-based compensation expense				6				6
Dividends paid to non-controlling interests							(8)	(8)
Dividends paid			3		(130)			(127)
Balance, June 30, 2021		300.7	\$ 3,416	\$ 104	\$ 9,241	\$ (703)	\$ 382	\$ 12,440

(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, 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					(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)				—
Tax withholdings on vesting of equity rewards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	10	(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
		Number	Stated Value	buted 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

(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, 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 June 30, 2021 and the results of operations, changes in equity and cash flows for the three and six-month periods ended June 30, 2021 and 2020.

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

2. OTHER EXPENSE (INCOME), NET

		Three months ended		Six months ended	
		June 30,		June 30,	
		2021	2020	2021	2020
Restructuring and impairments	[a]	\$ 44	\$ 168	\$ 59	\$ 168
Gains on investments	[b]	(38)	—	(71)	—
Gain on business combinations	[c]	—	—	(40)	—
		\$ 6	\$ 168	\$ (52)	\$ 168

[a] Restructuring and impairments

For the three and six months ended June 30, 2021, the Company recorded restructuring charges of \$44 million [\$31 million after tax] and \$59 million [\$46 million after tax], respectively for its Power & Vision operations.

For the three and six months ended June 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] Gains on investments

During the second quarter of 2021, the Company recorded unrealized gains of \$29 million [\$22 million after tax] related to the revaluation of certain public company warrants and \$9 million [\$7 million after tax] on the revaluation of certain public and private equity investments [note 6].

For the six months ended June 30, 2021, the Company recorded unrealized gains of \$44 million [\$33 million after tax] related to the revaluation of certain public company warrants and \$27 million [\$20 million after tax] on the revaluation of certain public and private equity investments [note 6].

[c] Gain on business combinations

During the six months ended June 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.

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 (LOSS) PER SHARE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Basic earnings (loss) per Common Share:				
Net income (loss) attributable to Magna International Inc.	\$ 424	\$ (647)	\$ 1,039	\$ (386)
Weighted average number of Common Shares outstanding	301.1	298.4	301.0	300.3
Basic earnings (loss) per Common Share	\$ 1.41	\$ (2.17)	\$ 3.45	\$ (1.29)
Diluted earnings (loss) per Common Share [a]:				
Net income (loss) attributable to Magna International Inc.	\$ 424	\$ (647)	\$ 1,039	\$ (386)
Weighted average number of Common Shares outstanding	303.6	298.4	303.6	300.3
Diluted earnings (loss) per Common Share	\$ 1.40	\$ (2.17)	\$ 3.42	\$ (1.29)

[a] For the six months ended June 30, 2021, diluted earnings per Common Share excluded 0.1 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 six months ended June 30, 2020, diluted earnings per Common Share excluded 9.7 million and 9.3 million Common Shares, respectively, 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:

	June 30, 2021	December 31, 2020
Bank term deposits and bankers' acceptances	\$ 2,295	\$ 1,987
Cash	1,131	1,281
Cash and cash equivalents	3,426	3,268
Restricted cash equivalents included in prepaid expenses	-	106
	\$ 3,426	\$ 3,374

[b] Items not involving current cash flows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Depreciation and amortization	\$ 374	\$ 334	\$ 738	\$ 670
Amortization of other assets included in cost of goods sold	67	37	135	90
Amortization of deferred revenue and deferred cost recoveries	(58)	(19)	(120)	(38)
Other non-cash (recoveries) charges	(15)	40	21	36
Deferred income taxes	12	(98)	26	(102)
Equity income in excess of dividends received	—	22	2	4
Non-cash portion of Other expense (income), net [note 2]	(39)	19	(112)	19
	\$ 341	\$ 335	\$ 690	\$ 679

[c] Changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Accounts receivable	\$ 705	\$ 442	\$ 57	\$ 535
Inventories	(348)	63	(561)	(214)
Prepaid expenses and other	16	15	(7)	(13)
Accounts payable	(547)	(1,405)	(200)	(1,296)
Accrued salaries and wages	10	(120)	87	(48)
Other accrued liabilities	(66)	195	24	235
Income taxes payable	(19)	(105)	41	(71)
	\$ (249)	\$ (915)	\$ (559)	\$ (872)

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]

5. INVENTORIES

Inventories consist of:

	June 30, 2021	December 31, 2020
Raw materials and supplies	\$ 1,478	\$ 1,226
Work-in-process	409	340
Finished goods	614	470
Tooling and engineering	1,498	1,408
	\$ 3,999	\$ 3,444

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

6. INVESTMENTS

	June 30, 2021	December 31, 2020
Equity method investments	\$ 550	\$ 677
Public and private equity investments	323	267
Warrants ^[a]	250	—
Other	1	3
	\$ 1,124	\$ 947

[a] 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 each of the first and second quarters of 2021, one third of the warrants vested with a value of \$98 million and \$108 million, respectively. 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 also recorded an unrealized gain of \$44 million for the six months ended June 30, 2021 related to the revaluation of the vested warrants [note 2].

Cumulative unrealized gains on equity securities still held at the reporting date were \$137 million and \$65 million as at June 30, 2021 and December 31, 2020, respectively.

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]

7. OTHER ASSETS

Other assets consist of:

	June 30, 2021	December 31, 2020
Preproduction costs related to long-term supply agreements	\$ 709	\$ 694
Long-term receivables	168	209
Pension overfunded status	4	4
Unrealized gain on cash flow hedges	22	16
Other, net	53	40
	\$ 956	\$ 963

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

9. INCOME TAXES

For the three and six months ended June 30, 2021, the Company's effective income tax rate decreased from the customary tax rate primarily due to a reduction in reserves for uncertain tax positions.

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.

10. CAPITAL STOCK

[a] During the second quarter of 2021, the Company repurchased 1.0 million shares under a normal course issuer bid for cash consideration of \$99 million.

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at August 5, 2021 were exercised or converted:

Common Shares	300,655,552
Stock options ⁽ⁱ⁾	5,727,013
	306,382,565

(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)
Accumulated net unrealized gain (loss) on cash flow hedges ⁽ⁱ⁾		
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)
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(224)	(221)
Reclassification of net loss to net income	3	2
Balance, March 31	(221)	(219)
Revaluation - Pension	1	—
Reclassification of net loss to net income	1	1
Balance, June 30	(219)	(218)
Total accumulated other comprehensive loss	\$ (703)	\$ (1,413)

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

	2021	2020
Balance, beginning of period	\$ (15)	\$ (14)
Net unrealized (gain) loss	(4)	66
Reclassification 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

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$71 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]

12. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	June 30, 2021	December 31, 2020
Financial assets		
Cash, cash equivalents and restricted cash equivalents	\$ 3,426	\$ 3,374
Accounts receivable	6,531	6,394
Warrants and public and private equity investments	573	267
Long-term receivables included in other assets	168	209
	\$ 10,698	\$ 10,244
Financial liabilities		
Long-term debt (including portion due within one year)	\$ 4,058	\$ 4,102
Accounts payable	6,248	6,266
	\$ 10,306	\$ 10,368
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 76	\$ 52
Other assets	22	16
Other accrued liabilities	(11)	(11)
Other long-term liabilities	(3)	(5)
	\$ 84	\$ 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, 2021			
Assets	\$ 98	\$ 11	\$ 87
Liabilities	\$ (14)	\$ (11)	\$ (3)
December 31, 2020			
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]

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 \$117 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 June 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.

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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 six month periods ended June 30, 2021, sales to the Company's six largest customers represented 78% 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 June 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
Buy	199	0.79041	9,994	0.04597	410	0.83287	7,967	0.03785
(Sell)	(1,274)	1.29433	—	—	(181)	1.20549	(317)	25.66536

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.

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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].

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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) and adding back income taxes, interest expense, net, and other expense (income), net.

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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 June 30, 2021						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 3,647	\$ 3,576	\$ 227	\$ 184	\$ 3	\$ 138
Power & Vision	2,881	2,825	203	135	(41)	107
Seating Systems	1,166	1,152	26	24	(2)	12
Complete Vehicles	1,490	1,477	79	27	(1)	18
Corporate & Other [i]	(150)	4	22	4	(3)	2
Total Reportable Segments	\$ 9,034	\$ 9,034	\$ 557	\$ 374	\$ (44)	\$ 277

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

Six months ended June 30, 2021						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 7,672	\$ 7,527	\$ 554	\$ 365	\$ 5	\$ 232
Power & Vision	6,037	5,922	500	268	(85)	205
Seating Systems	2,469	2,444	81	46	(4)	22
Complete Vehicles	3,340	3,314	159	50	(2)	26
Corporate & Other [i]	(305)	6	33	9	(5)	4
Total Reportable Segments	\$ 19,213	\$ 19,213	\$ 1,327	\$ 738	\$ (91)	\$ 489

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

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

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14. SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 436	\$ (652)	\$ 1,058	\$ (400)
Add:				
Interest expense, net	11	21	34	38
Other expense (income), net	6	168	(52)	168
Income taxes	104	(137)	287	(3)
Adjusted EBIT	\$ 557	\$ (600)	\$ 1,327	\$ (197)

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

	June 30, 2021	December 31, 2020
Body Exteriors & Structures	\$ 476	\$ 483
Power & Vision	1,297	1,315
Seating Systems	265	176
Complete Vehicles	117	121
Total Reportable Segments	\$ 2,155	\$ 2,095

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

	June 30, 2021	December 31, 2020
Body Exteriors & Structures	\$ 7,653	\$ 7,536
Power & Vision	5,589	5,529
Seating Systems	1,293	1,118
Complete Vehicles	809	671
Corporate & Other	1,023	710
Total Reportable Segments	\$ 16,367	\$ 15,564

The following table reconciles Total Assets to Net Assets:

	June 30, 2021	December 31, 2020
Total Assets	\$ 29,546	\$ 28,605
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(3,426)	(3,268)
Deferred tax assets	(389)	(372)
Long-term receivables from joint venture partners	(16)	(66)
Deduct liabilities included in segment net assets:		
Accounts payable	(6,250)	(6,266)
Accrued salaries and wages	(912)	(815)
Other accrued liabilities	(2,186)	(2,254)
Segment Net Assets	\$ 16,367	\$ 15,564

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15. SUBSEQUENT EVENTS

Divestiture

On May 17, 2021 the Company signed an agreement to sell three Body Exteriors & Structures operations in Germany. As at June 30, 2021, these operations had net assets of \$27 million (primarily comprised of non-cash working capital and operating lease assets and liabilities). Under the terms of the arrangement, which closed on July 3, 2021, the Company will provide the buyer with \$39 million of funding, subject to working capital adjustments, and as a result record a loss on disposal of approximately \$75 million.

Veoneer, Inc.

On July 22, 2021, the Company entered into an agreement for the acquisition of Veoneer, Inc. ["Veoneer"], a leader in automotive safety technology. The agreement includes an offer price, which if accepted, would enable the Company to acquire all of the issued and outstanding shares of Veoneer for \$31.25 per share in cash, representing an equity value of \$3.8 billion. On August 5, 2021, an alternative bidder proposed to acquire all of Veoneer's shares for a price that represents a premium over our offer price. In the event that the Company's agreement to acquire Veoneer is not ultimately terminated by Veoneer in the face of the higher offer, our acquisition of Veoneer is expected to close near the end of 2021, subject to the approval of Veoneer's stockholders, certain regulatory approvals and other customary closing conditions.

LG Electronics Inc. Joint Venture

On July 28, 2021, the Company formed a new joint venture with LG Electronics ("LG") within its Power & Vision segment to manufacture e-motors, inverters, on board chargers and, for certain automakers, related e-drive systems. Under the terms of the agreement, the Company acquired a 49% non-controlling ownership interest in the new entity for cash consideration of \$453 million.