



Magna International Inc.

**Interim Financial Statements for the three months
ended June 30, 2022**

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,	
		2022	2021	2022	2021
Sales	15	\$ 9,362	\$ 9,034	\$ 19,004	\$ 19,213
Costs and expenses					
Cost of goods sold		8,259	7,728	16,659	16,390
Depreciation and amortization		360	374	729	738
Selling, general and administrative		410	419	796	849
Interest expense, net		20	11	46	34
Equity income		(25)	(44)	(45)	(91)
Other expense (income), net	2	426	6	487	(52)
(Loss) income from operations before income taxes		(88)	540	332	1,345
Income taxes	10	57	104	98	287
Net (loss) income		(145)	436	234	1,058
Income attributable to non-controlling interests		(11)	(12)	(26)	(19)
Net (loss) income attributable to Magna International Inc.		\$ (156)	\$ 424	\$ 208	\$ 1,039
(Loss) earnings per Common Share:	3				
Basic		\$ (0.54)	\$ 1.41	\$ 0.71	\$ 3.45
Diluted		\$ (0.54)	\$ 1.40	\$ 0.70	\$ 3.42
Cash dividends paid per Common Share		\$ 0.45	\$ 0.43	\$ 0.90	\$ 0.86
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		291.1	301.1	293.8	301.0
Diluted		291.1	303.6	295.0	303.6

See accompanying notes

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

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2022	2021	2022	2021
Net (loss) income		\$ (145)	\$ 436	\$ 234	\$ 1,058
Other comprehensive (loss) income, net of tax:	12				
Net unrealized (loss) gain on translation of net investment in foreign operations		(348)	105	(446)	(3)
Net unrealized (loss) gain on cash flow hedges		(50)	34	5	47
Reclassification of net gain on cash flow hedges to net income		(13)	(10)	(19)	(18)
Reclassification of net loss on pensions to net income		1	1	2	4
Reserve for cumulative translation losses		203	—	203	—
Pension and post retirement benefits		—	1	1	1
Other comprehensive (loss) income		(207)	131	(254)	31
Comprehensive (loss) income		(352)	567	(20)	1,089
Comprehensive loss (income) attributable to non-controlling interests		11	(17)	(2)	(21)
Comprehensive (loss) income attributable to Magna International Inc.		\$ (341)	\$ 550	\$ (22)	\$ 1,068

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

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

	Note	As at June 30, 2022	As at December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 1,664	\$ 2,948
Accounts receivable		6,764	6,307
Inventories	5	4,064	3,969
Prepaid expenses and other		262	278
		12,754	13,502
Investments	6	1,375	1,593
Fixed assets, net		7,723	8,293
Operating lease right-of-use assets		1,587	1,700
Intangible assets, net		444	493
Goodwill		1,998	2,122
Deferred tax assets		491	421
Other assets	7	911	962
		\$ 27,283	\$ 29,086
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 6,443	\$ 6,465
Other accrued liabilities	8	2,096	2,156
Accrued salaries and wages		766	851
Income taxes payable		136	200
Long-term debt due within one year		105	455
Current portion of operating lease liabilities		270	274
		9,816	10,401
Long-term debt		3,408	3,538
Operating lease liabilities		1,294	1,406
Long-term employee benefit liabilities		651	700
Other long-term liabilities		390	376
Deferred tax liabilities		380	440
		15,939	16,861
Shareholders' equity			
Capital stock			
Common Shares			
[Issued: 288,962,417; December 31, 2021 – 297,871,976]	11	3,326	3,403
Contributed surplus		96	102
Retained earnings		8,662	9,231
Accumulated other comprehensive loss	12	(1,124)	(900)
		10,960	11,836
Non-controlling interests		384	389
		11,344	12,225
		\$ 27,283	\$ 29,086

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,	
		2022	2021	2022	2021
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net (loss) income		\$ (145)	\$ 436	\$ 234	\$ 1,058
Items not involving current cash flows	4	705	341	1,075	690
		560	777	1,309	1,748
Changes in operating assets and liabilities	4	(139)	(249)	(708)	(559)
Cash provided from operating activities		421	528	601	1,189
INVESTMENT ACTIVITIES					
Fixed asset additions		(329)	(277)	(567)	(489)
Increase in public and private equity investments		(2)	(17)	(4)	(20)
Increase in investments, other assets and intangible assets		(80)	(93)	(144)	(197)
Proceeds from disposition		40	20	63	39
Proceeds on disposal of facilities		—	—	6	—
Acquisitions		—	(21)	—	18
Settlement of long-term receivable from non-consolidated joint venture		—	—	—	50
Cash used for investing activities		(371)	(388)	(646)	(599)
FINANCING ACTIVITIES					
Issues of debt		3	14	31	23
Increase (decrease) in short-term borrowings		—	—	1	(101)
Repayments of debt		(34)	(47)	(391)	(81)
Issue of Common Shares on exercise of stock options		—	50	4	133
Tax withholdings on vesting of equity awards		(1)	—	(15)	(12)
Contributions to subsidiaries by non-controlling interests		5	—	5	—
Repurchase of Common Shares	11	(212)	(99)	(595)	(261)
Dividends paid to non-controlling interests		(12)	(8)	(12)	(8)
Dividends paid		(130)	(127)	(263)	(257)
Cash used for financing activities		(381)	(217)	(1,235)	(564)
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		(1)	39	(4)	26
Net (decrease) increase in cash, cash equivalents during the period		(332)	(38)	(1,284)	52
Cash, cash equivalents and restricted cash equivalents, beginning of period		1,996	3,464	2,948	3,374
Cash, cash equivalents, end of period	4	\$ 1,664	\$ 3,426	\$ 1,664	\$ 3,426

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Unaudited]

[U.S. dollars in millions]

Six months ended June 30, 2022								
	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, 2021		297.9	\$ 3,403	\$ 102	\$ 9,231	\$ (900)	\$ 389	\$ 12,225
Net income					208		26	234
Other comprehensive loss						(230)	(24)	(254)
Contribution by non-controlling interest							5	5
Shares issued on exercise of								
stock options		0.1	5	(1)				4
Release of stock and stock units		0.5	20	(20)				
Tax withholdings on vesting of								
equity rewards		(0.2)	(2)		(13)			(15)
Repurchase and cancellation under								
normal course issuer bid	11	(9.3)	(104)		(497)	6		(595)
Stock-based compensation expense				15				15
Dividends paid to non-controlling interests							(12)	(12)
Dividends paid			4		(267)			(263)
Balance, June 30, 2022		289.0	\$ 3,326	\$ 96	\$ 8,662	\$ (1,124)	\$ 384	\$ 11,344

Three months ended June 30, 2022								
	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, 2022		292.3	\$ 3,358	\$ 95	\$ 9,126	\$ (942)	\$ 402	\$ 12,039
Net (loss) income					(156)		11	(145)
Other comprehensive loss						(185)	(22)	(207)
Contribution by non-controlling interest							5	5
Release of stock and stock units		0.2	6	(6)				
Tax withholdings on vesting of								
equity rewards					(1)			(1)
Repurchase and cancellation under								
normal course issuer bid	11	(3.5)	(40)		(175)	3		(212)
Stock-based compensation expense				7				7
Dividends paid to non-controlling interests							(12)	(12)
Dividends paid			2		(132)			(130)
Balance, June 30, 2022		289.0	\$ 3,326	\$ 96	\$ 8,662	\$ (1,124)	\$ 384	\$ 11,344

(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, 2021								
	Common Shares		Contri-	Retained	AOCL ⁽ⁱ⁾	Non-	Total	
Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	Equity	
<i>[in millions]</i>								
	300.5	\$ 3,271	\$ 128	\$ 8,704	\$ (733)	\$ 350	\$ 11,720	
Balance, December 31, 2020								
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	11 (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>								
	300.6	\$ 3,366	\$ 107	\$ 9,034	\$ (829)	\$ 374	\$ 12,052	
Balance, March 31, 2021								
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	11 (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.

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, 2021 audited consolidated financial statements and notes thereto included in the Company's 2021 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 as at June 30, 2022 and the results of operations, changes in equity, and cash flows for the three and six-month periods ended June 30, 2022 and 2021.

[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 interim consolidated financial statements and accompanying notes. Due to the inherent uncertainty involved in making estimates, actual results could ultimately differ from those estimates.

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 June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Restructuring and impairments	\$ 376	\$ 44	\$ 376	\$ 59
Losses (gains) on investments	50	(38)	111	(71)
Gain on business combinations	—	—	—	(40)
	\$ 426	\$ 6	\$ 487	\$ (52)

[a] Restructuring and impairments

The Company's operations in Russia remain substantially idled and production is not expected to resume before 2024. In accordance with U.S. GAAP, as a result of the expected lack of future cashflows and the continuing uncertainties connected with the Russian economy, the Company recorded a \$376 million [\$361 million after tax] impairment charge related to its investment in Russia. This included net asset impairments of \$173 million and a \$203 million reserve against the related foreign currency translation losses that are included in accumulated other comprehensive loss. The net asset impairments consisted of \$163 million and \$10 million in our Body Exteriors & Structures segment and our Seating segment, respectively.

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.

[b] Losses (gains) on investments

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Gain on sale of public equity investments	\$ (3)	\$ —	\$ (1)	\$ —
Revaluation of public company warrants	51	(29)	89	(44)
Revaluation of public and private equity investments	2	(9)	23	(27)
Other expense (income), net	50	(38)	111	(71)
Tax effect	(12)	9	(25)	18
Net loss (gain) attributable to Magna	\$ 38	\$ (29)	\$ 86	\$ (53)

[c] Gain on business combinations

During the first quarter of 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 for which the Company previously used equity accounting. 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. (LOSS) EARNINGS PER SHARE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Basic (loss) earnings per Common Share:				
Net (loss) income attributable to Magna International Inc.	\$ (156)	\$ 424	\$ 208	\$ 1,039
Weighted average number of Common Shares outstanding	291.1	301.1	293.8	301.0
Basic (loss) earnings per Common Share	\$ (0.54)	\$ 1.41	\$ 0.71	\$ 3.45
Diluted (loss) earnings per Common Share [a]:				
Net (loss) income attributable to Magna International Inc.	\$ (156)	\$ 424	\$ 208	\$ 1,039
Weighted average number of Common Shares outstanding	291.1	303.6	295.0	303.6
Diluted (loss) earnings per Common Share	\$ (0.54)	\$ 1.40	\$ 0.70	\$ 3.42

[a] For the three months ended June 30, 2022, diluted earnings per Common Share excluded 6.0 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 six months ended June 30, 2022, diluted earnings per Common Share excluded 1.2 million Common Shares issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money". The dilutive effect of participating securities using the two-class method was excluded from the calculation of earnings per share because the effect would be immaterial.

For the 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 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 and cash equivalents:

	June 30, 2022	December 31, 2021
Bank term deposits and bankers' acceptances	\$ 725	\$ 1,984
Cash	939	964
	\$ 1,664	\$ 2,948

[b] Items not involving current cash flows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Depreciation and amortization	\$ 360	\$ 374	\$ 729	\$ 738
Amortization of other assets included in cost of goods sold	31	67	78	135
Deferred revenue amortization	(50)	(58)	(109)	(120)
Other non-cash (recoveries) charges	7	(15)	14	21
Impairment Charges	361	—	361	—
Future tax (recovery) expenses	(29)	12	(119)	26
Dividends received in excess of equity income	(25)	—	10	2
Non-cash portion of Other expense (income), net <i>[note 2]</i>	50	(39)	111	(112)
	\$ 705	\$ 341	\$ 1,075	\$ 690

[c] Changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Accounts receivable	\$ 24	\$ 705	\$ (738)	\$ 57
Inventories	31	(348)	(319)	(561)
Prepaid expenses and other	18	16	13	(7)
Accounts payable	(188)	(547)	253	(200)
Accrued salaries and wages	(83)	10	(45)	87
Other accrued liabilities	100	(66)	185	24
Income taxes payable	(41)	(19)	(57)	41
	\$ (139)	\$ (249)	\$ (708)	\$ (559)

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, 2022	December 31, 2021
Raw materials and supplies	\$ 1,613	\$ 1,598
Work-in-process	431	400
Finished goods	547	506
Tooling and engineering	1,473	1,465
	\$ 4,064	\$ 3,969

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, 2022	December 31, 2021
Equity method investments	\$ 957	\$ 1,031
Public and private equity investments	307	358
Warrants	111	204
	\$ 1,375	\$ 1,593

Cumulative unrealized gains and losses on equity securities held as at June 30, 2022 were \$78 million and \$126 million [\$84 million and \$21 million as at December 31, 2021], respectively.

7. OTHER ASSETS

Other assets consist of:

	June 30, 2022	December 31, 2021
Preproduction costs related to long-term supply agreements	\$ 602	\$ 668
Long-term receivables	203	184
Pension overfunded status	41	41
Unrealized gain on cash flow hedges	17	11
Other, net	48	58
	\$ 911	\$ 962

8. WARRANTY

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

	2022	2021
Balance, beginning of period	\$ 247	\$ 284
Expense, net	17	27
Settlements	(4)	(28)
Foreign exchange and other	(5)	(4)
Balance, March 31	255	279
Expense, net	7	26
Settlements	(14)	(12)
Foreign exchange and other	(9)	2
Balance, June 30	\$ 239	\$ 295

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. DEBT

On May 18, 2022, the Company amended its 364-day syndicated revolving credit facility, including an increase to the size of the facility from \$750 million to \$800 million and an extension of the maturity date to June 24, 2023. The facility can be drawn in U.S. dollars or Canadian dollars. As at June 30, 2022, the Company had not borrowed any funds under this credit facility.

The Company also amended its global revolving credit facility on May 18, 2022, including a decrease to the size of the facility from \$2.75 billion to \$2.7 billion and an extension of the maturity date to June 24, 2027. As at June 30, 2022, \$1 million was outstanding under this facility

10. INCOME TAX

For the three and six months ended June 30, 2022, the Company's effective income tax rate does not reflect the customary rate primarily due to the impairment charges described in note 2 (that affects the rate by -89% and 14% respectively). The three-month rate is also adversely affected by losses not benefited in Europe and the six-month rate is also favourably affected by a partial release of valuation allowances against deferred tax assets resulting from a tax reorganization.

11. CAPITAL STOCK

[a] During the three and six month period ended June 30, 2022, the Company repurchased 3.5 million and 9.4 million shares under a normal course issuer bid for cash consideration of \$212 million and \$595 million, respectively.

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at July 28, 2022 were exercised or converted:

Common Shares	288,962,417
Stock options ⁽ⁱ⁾	6,038,388
	<hr/>
	295,000,805

(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]

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	2022	2021
Accumulated net unrealized loss on translation of net investment in foreign operations		
Balance, beginning of period	\$ (735)	\$ (551)
Net unrealized loss	(96)	(105)
Repurchase of shares under normal course issuer bid	3	1
Balance, March 31	(828)	(655)
Repurchase of shares under normal course issuer bid	3	—
Reserve for cumulative translation losses	203	—
Net unrealized (loss) gain	(326)	100
Balance, June 30	(948)	(555)
Accumulated net unrealized gain on cash flow hedges ⁽ⁱ⁾		
Balance, beginning of period	24	42
Net unrealized gain	55	13
Reclassification of net gain to net income	(6)	(8)
Balance, March 31	73	47
Net unrealized (loss) gain	(50)	34
Reclassification of net gain to net income	(13)	(10)
Balance, June 30	10	71
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(189)	(224)
Revaluation	1	—
Reclassification of net loss to net income	1	3
Balance, March 31	(187)	(221)
Revaluation	—	1
Reclassification of net loss to net income	1	1
Balance, June 30	(186)	(219)
Total accumulated other comprehensive loss	\$ (1,124)	\$ (703)

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

	2022	2021
Balance, beginning of period	\$ (8)	\$ (15)
Net unrealized gain	(18)	(4)
Reclassification of net gain to net income	2	3
Balance, March 31	(24)	(16)
Net unrealized loss (gain)	17	(12)
Reclassifications of net gain to net income	4	4
Balance, June 30	\$ (3)	\$ (24)

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$22 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]

13. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	June 30, 2022	December 31, 2021
Financial assets		
Cash and cash equivalents	\$ 1,664	\$ 2,948
Accounts receivable	6,764	6,307
Warrants and public and private equity investments	418	562
Long-term receivables included in other assets	203	184
	\$ 9,049	\$ 10,001
Financial liabilities		
Long-term debt (including portion due within one year)	\$ 3,513	\$ 3,993
Accounts payable	6,443	6,465
	\$ 9,956	\$ 10,458
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 47	\$ 34
Other assets	17	11
Other accrued liabilities	(29)	(12)
Other long-term liabilities	(25)	(8)
	\$ 10	\$ 25

[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, 2022			
Assets	\$ 64	\$ 38	\$ 26
Liabilities	\$ (54)	\$ (38)	\$ (16)
December 31, 2021			
Assets	\$ 45	\$ 14	\$ 31
Liabilities	\$ (20)	\$ (14)	\$ (6)

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[Unaudited]

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

13. 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 \$105 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, 2022, the net book value of the Company's Senior Notes was \$3.3 billion and the estimated fair value was \$3.2 billion.

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13. FINANCIAL INSTRUMENTS (CONTINUED)

[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 any major financial institution.

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the automotive industry and are subject to credit risks associated with the automotive industry. For the three and six month periods ended June 30, 2022, sales to the Company's six largest customers represented 80% and 79% of the Company's sales, respectively, and substantially all of the Company's sales are to customers with which it has ongoing contractual relationships. 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, 2022, 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	167	0.78418	13,128	0.04421	164	0.86470	6,937	0.03744
(Sell)	(1,887)	1.28058	(18)	0.00136	(230)	1.15584	—	—

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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14. 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] On June 23, 2022, the Conselho Administrativo de Defesa Economica [CADE], Brazil's Federal competition authority, formalized a settlement with the Company relating to an administrative proceeding commenced in 2019 into alleged anticompetitive behaviour regarding the supply of automotive door latches and related products.

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.

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15. 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 and adding back Income taxes, Interest expense, net, and Other expense (income), net.

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15. 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, 2022					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 3,947	\$ 3,886	\$ 191	\$ 181	\$ 4	\$ 185
Power & Vision	2,888	2,834	91	126	(25)	111
Seating Systems	1,253	1,246	2	22	(2)	17
Complete Vehicles	1,403	1,393	63	27	(1)	14
Corporate & Other [i]	(129)	3	11	4	(1)	2
Total Reportable Segments	\$ 9,362	\$ 9,362	\$ 358	\$ 360	\$ (25)	\$ 329

	Three months ended June 30, 2021					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	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

	Six months ended June 30, 2022					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 8,024	\$ 7,900	\$ 420	\$ 364	\$ 5	\$ 303
Power & Vision	5,934	5,823	245	258	(41)	201
Seating Systems	2,629	2,616	51	44	(4)	35
Complete Vehicles	2,678	2,659	113	54	(2)	25
Corporate & Other [i]	(261)	6	36	9	(3)	3
Total Reportable Segments	\$ 19,004	\$ 19,004	\$ 865	\$ 729	\$ (45)	\$ 567

	Six months ended June 30, 2021					
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	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

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

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15. SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (145)	\$ 436	\$ 234	\$ 1,058
Add:				
Interest expense, net	20	11	46	34
Other expense (income), net	426	6	487	(52)
Income taxes	57	104	98	287
Adjusted EBIT	\$ 358	\$ 557	\$ 865	\$ 1,327

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

	June 30, 2022	December 31, 2021
Body Exteriors & Structures	\$ 450	\$ 471
Power & Vision	1,184	1,269
Seating Systems	262	270
Complete Vehicles	102	112
Total Reportable Segments	\$ 1,998	\$ 2,122

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

	June 30, 2022	December 31, 2021
Body Exteriors & Structures	\$ 7,136	\$ 7,349
Power & Vision	6,021	6,066
Seating Systems	1,291	1,379
Complete Vehicles	641	623
Corporate & Other	719	813
Total Reportable Segments	\$ 15,808	\$ 16,230

The following table reconciles Total Assets to Net Assets:

	June 30, 2022	December 31, 2021
Total Assets	\$ 27,283	\$ 29,086
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(1,664)	(2,948)
Deferred tax assets	(491)	(421)
Long-term receivables from joint venture partners	(15)	(15)
Deduct liabilities included in segment net assets:		
Accounts payable	(6,443)	(6,465)
Accrued salaries and wages	(766)	(851)
Other accrued liabilities	(2,096)	(2,156)
Segment Net Assets	\$ 15,808	\$ 16,230