



Magna International Inc.

**Interim Financial Statements for the three months
ended September 30, 2023**

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME

[Unaudited]

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

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Sales	16	\$ 10,688	\$ 9,268	\$ 32,343	\$ 28,272
Costs and expenses					
Cost of goods sold		9,264	8,126	28,224	24,785
Depreciation		358	330	1,064	1,035
Amortization of acquired intangible assets		32	11	57	35
Selling, general and administrative		491	387	1,484	1,183
Interest expense, net		49	18	103	64
Equity income		(40)	(27)	(109)	(72)
Other (income) expense, net	2	(4)	23	224	510
Income from operations before income taxes		538	400	1,296	732
Income taxes	11	121	104	308	202
Net income		417	296	988	530
Income attributable to non-controlling interests		(23)	(7)	(46)	(33)
Net income attributable to Magna International Inc.		\$ 394	\$ 289	\$ 942	\$ 497
Earnings per Common Share:	3				
Basic		\$ 1.37	\$ 1.01	\$ 3.29	\$ 1.70
Diluted		\$ 1.37	\$ 1.00	\$ 3.29	\$ 1.70
Cash dividends paid per Common Share		\$ 0.46	\$ 0.45	\$ 1.38	\$ 1.35
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		286.3	287.9	286.1	291.9
Diluted		286.8	288.5	286.6	292.8

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Net income		\$ 417	\$ 296	\$ 988	\$ 530
Other comprehensive loss, net of tax:	13				
Net unrealized loss on translation of net investment in foreign operations		(153)	(474)	(187)	(920)
Net unrealized (loss) gain on cash flow hedges		(23)	(56)	66	(51)
Reclassification of net gain on cash flow hedges to net income		(21)	(6)	(38)	(25)
Reclassification of net loss on pensions to net income		1	2	2	4
Pension and post retirement benefits		—	—	(4)	1
Reserve for cumulative translation losses		—	—	—	203
Other comprehensive loss		(196)	(534)	(161)	(788)
Comprehensive income (loss)		221	(238)	827	(258)
Comprehensive (income) loss attributable to non-controlling interests		(21)	16	(20)	14
Comprehensive income (loss) attributable to Magna International Inc.		\$ 200	\$ (222)	\$ 807	\$ (244)

See accompanying notes

MAGNA INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

[Unaudited]

[U.S. dollars in millions]

	Note	As at September 30, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 1,022	\$ 1,234
Accounts receivable		8,477	6,791
Inventories	6	4,751	4,180
Prepaid expenses and other		387	320
		14,637	12,525
Investments	7	1,311	1,429
Fixed assets, net		8,778	8,173
Operating lease right-of-use assets		1,696	1,595
Intangible assets, net		779	452
Goodwill		2,733	2,031
Deferred tax assets		527	491
Other assets	8	1,214	1,093
		\$ 31,675	\$ 27,789
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowing		\$ 2	\$ 8
Accounts payable		7,911	6,999
Other accrued liabilities	9	2,537	2,118
Accrued salaries and wages		900	850
Income taxes payable		33	93
Long-term debt due within one year		1,398	654
Current portion of operating lease liabilities		384	276
		13,165	10,998
Long-term debt	10	4,135	2,847
Operating lease liabilities		1,289	1,288
Long-term employee benefit liabilities		564	548
Other long-term liabilities		453	461
Deferred tax liabilities		317	312
		19,923	16,454
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 286,361,423; December 31, 2022 – 285,931,816]	12	3,333	3,299
Contributed surplus		123	111
Retained earnings		9,173	8,639
Accumulated other comprehensive loss	13	(1,249)	(1,114)
		11,380	10,935
Non-controlling interests		372	400
		11,752	11,335
		\$ 31,675	\$ 27,789

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,	
		2023	2022	2023	2022
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income		\$ 417	\$ 296	\$ 988	\$ 530
Items not involving current cash flows	4	404	295	1,280	1,370
		821	591	2,268	1,900
Changes in operating assets and liabilities	4	(24)	(353)	(697)	(1,061)
Cash provided from operating activities		797	238	1,571	839
INVESTMENT ACTIVITIES					
Acquisitions		—	—	(1,475)	—
Fixed asset additions		(630)	(364)	(1,556)	(931)
Increase in investments, other assets and intangible assets		(176)	(125)	(373)	(269)
Net cash (outflow) inflow from disposal of facilities	2, 4	(23)	—	(48)	6
Increase in public and private equity investments		(7)	(25)	(10)	(29)
Proceeds from dispositions		32	41	95	104
Cash used for investing activities		(804)	(473)	(3,367)	(1,119)
FINANCING ACTIVITIES					
Issues of debt		24	14	2,067	45
(Decrease) increase in short-term borrowings		(145)	2	(5)	3
Repayments of debt		(14)	(26)	(17)	(417)
Issue of Common Shares on exercise of stock options		8	1	14	5
Tax withholdings on vesting of equity awards		—	—	(10)	(15)
Contributions to subsidiaries by non-controlling interests		—	—	—	5
Repurchase of Common Shares	12	—	(180)	(11)	(775)
Dividends paid to non-controlling interests		(18)	(10)	(49)	(22)
Dividends		(128)	(125)	(389)	(388)
Cash (used for) provided from financing activities		(273)	(324)	1,600	(1,559)
Effect of exchange rate changes on cash and cash equivalents		21	(3)	(16)	(7)
Net decrease in cash, cash equivalents during the period		(259)	(562)	(212)	(1,846)
Cash and cash equivalents, beginning of period		1,281	1,664	1,234	2,948
Cash and cash equivalents, end of period	4	\$ 1,022	\$ 1,102	\$ 1,022	\$ 1,102

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Nine months ended September 30, 2023								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[i]	Non- controlling Interest	Total Equity
		Number	Stated Value					
		<i>[in millions]</i>						
Balance, December 31, 2022		285.9	\$ 3,299	\$ 111	\$ 8,639	\$ (1,114)	\$ 400	\$ 11,335
Net income					942		46	988
Other comprehensive loss						(135)	(26)	(161)
Shares issued on exercise of stock options		0.4	17	(3)				14
Release of stock and stock units		0.4	19	(19)				—
Tax withholdings on vesting of equity rewards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	12	(0.2)	(2)		(9)			(11)
Stock-based compensation expense				34				34
Dividends paid to non-controlling interests							(48)	(48)
Dividends paid		0.1	2		(391)			(389)
Balance, September 30, 2023		286.4	\$ 3,333	\$ 123	\$ 9,173	\$ (1,249)	\$ 372	\$ 11,752

Three months ended September 30, 2023								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[i]	Non- controlling Interest	Total Equity
		Number	Stated Value					
		<i>[in millions]</i>						
Balance, June 30, 2023		286.2	\$ 3,323	\$ 113	\$ 8,907	\$ (1,055)	\$ 368	\$ 11,656
Net income					394		23	417
Other comprehensive loss						(194)	(2)	(196)
Shares issued on exercise of stock options		0.2	10	(2)				8
Stock-based compensation expense				12				12
Dividends paid to non-controlling interests							(17)	(17)
Dividends paid					(128)			(128)
Balance, September 30, 2023		286.4	\$ 3,333	\$ 123	\$ 9,173	\$ (1,249)	\$ 372	\$ 11,752

[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, 2022								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[i]	Non- controlling Interest	Total Equity
		Number	Stated Value					
		<i>[in millions]</i>						
Balance, December 31, 2021		297.9	\$ 3,403	\$ 102	\$ 9,231	\$ (900)	\$ 389	\$ 12,225
Net income					497		33	530
Other comprehensive loss						(741)	(47)	(788)
Shares issued on exercise of stock options		0.1	6	(1)				5
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	12	(12.4)	(140)		(644)	9		(775)
Stock-based compensation expense Business Combinations				22			47	22 47
Contribution by non-controlling interests							5	5
Dividends paid to non-controlling interests							(22)	(22)
Dividends paid			7		(395)			(388)
Balance, September 30, 2022		285.9	\$ 3,294	\$ 103	\$ 8,676	\$ (1,632)	\$ 405	\$ 10,846

Three months ended September 30, 2022								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[i]	Non- controlling Interest	Total Equity
		Number	Stated Value					
		<i>[in millions]</i>						
Balance, June 30, 2022		289.0	\$ 3,326	\$ 96	\$ 8,662	\$ (1,124)	\$ 384	\$ 11,344
Net income					289		7	296
Other comprehensive loss						(511)	(23)	(534)
Shares issued on exercise of stock options			1					1
Repurchase and cancellation under normal course issuer bid	12	(3.1)	(36)		(147)	3		(180)
Stock-based compensation expense Business Combinations				7			47	7 47
Dividends paid to non-controlling interests							(10)	(10)
Dividends paid			3		(128)			(125)
Balance, September 30, 2022		285.9	\$ 3,294	\$ 103	\$ 8,676	\$ (1,632)	\$ 405	\$ 10,846

[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 consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2022 audited consolidated financial statements and notes thereto included in the Company's 2022 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 September 30, 2023 and the results of operations, changes in equity, and cash flows for the three and nine-month periods ended September 30, 2023 and 2022.

For the three and nine months ended September 30, 2022, \$11 million and \$35 million has been reclassified from Depreciation and amortization to Amortization of acquired intangible assets on the consolidated statements of income to conform with current period presentation.

[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 (INCOME) EXPENSE, NET

		Three months ended		Nine months ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Operations in Russia	[a]	\$ 16	\$ —	\$ 16	\$ 376
Restructuring	[b]	(1)	—	82	—
Investments	[c]	(19)	9	103	120
Veoneer Active Safety Business transaction costs	[d]	—	—	23	—
Impairments	[e]	—	14	—	14
		\$ (4)	\$ 23	\$ 224	\$ 510

[a] Operations in Russia

During the second quarter of 2022, the Company recorded a \$376 million [\$361 million after tax] impairment charge related to its investment in Russia as a result of the expected lack of future cashflows and the uncertainties connected with the Russian economy. This included net asset impairments of \$173 million and a \$203 million reserve against the related foreign currency translation losses that were included in accumulated other comprehensive loss. The net asset impairments consisted of \$163 million and \$10 million in its Body Exteriors & Structures and Seating Systems segments, respectively.

During the third quarter of 2023, the Company completed the sale of all of its investments in Russia resulting in a loss of \$16 million [\$16 million after tax] including a net cash outflow of \$23 million.

[b] Restructuring

For the three months ended September 30, 2023, the Company recorded restructuring charges of \$7 million [\$5 million after tax] and an \$8 million [\$7 million after tax] gain on the sale of a building as a result of restructuring activities in its Power & Vision segment.

For the nine months ended September 30, 2023, the Company recorded restructuring charges of \$60 million [\$46 million after tax] in its Power & Vision segment, and \$22 million [\$18 million after tax] in its Body Exteriors & Structures segment, respectively.

[c] Investments

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Non-cash impairment charge ^[i]	\$ —	\$ —	\$ 85	\$ —
Revaluation of public company warrants	(18)	7	17	96
Revaluation of public and private equity investments	(1)	2	1	27
Gain on sale of public equity investments	—	—	—	(3)
Other (income) expense, net	(19)	9	103	120
Tax effect	5	(2)	(4)	(27)
Net (income) loss attributable to Magna	\$ (14)	\$ 7	\$ 99	\$ 93

[i] The non-cash impairment charge relates to impairment of a private equity investment and related long-term receivables within Other assets.

[d] Veoneer Active Safety Business transaction costs

During 2023, the Company incurred \$23 million [\$22 million after tax] of transaction costs related to the acquisition of the Veoneer Active Safety Business ["Veoneer AS"]. Refer to Note 5, "Business Combination", in these consolidated financial statements.

[e] Impairments

During the third quarter of 2022, the Company recorded a provision against its assets related to the closure of a customer in China of \$10 million [\$9 million after tax] in its Body Exteriors & Structures segment and \$4 million [\$3 million after tax] in its Power & Vision segment, 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]

3. EARNINGS PER SHARE

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Basic earnings per Common Share:				
Net income attributable to Magna International Inc.	\$ 394	\$ 289	\$ 942	\$ 497
Weighted average number of Common Shares outstanding	286.3	287.9	286.1	291.9
Basic earnings per Common Share	\$ 1.37	\$ 1.01	\$ 3.29	\$ 1.70
Diluted earnings per Common Share [a]:				
Net income attributable to Magna International Inc.	\$ 394	\$ 289	\$ 942	\$ 497
Weighted average number of Common Shares outstanding	286.3	287.9	286.1	291.9
Adjustments				
Stock options and restricted stock	0.5	0.6	0.5	0.9
	286.8	288.5	286.6	292.8
Diluted earnings per Common Share	\$ 1.37	\$ 1.00	\$ 3.29	\$ 1.70

[a] For the three and nine months ended September 30, 2023, diluted earnings per Common Share excluded 1.4 million and 2.3 million [2022 – 1.4 million and 1.3 million] Common Shares, respectively, issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money". The dilutive effect of participating securities using the two-class method was excluded from the calculation of earnings per share because the effect would be immaterial.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

4. DETAILS OF CASH FROM OPERATING ACTIVITIES

Cash from operating activities

[a] Cash, and cash equivalents:

	September 30, 2023	December 31, 2022
Bank term deposits and bankers' acceptances	\$ 407	\$ 720
Cash	615	514
	\$ 1,022	\$ 1,234

[b] Items not involving current cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Depreciation	\$ 358	\$ 330	\$ 1,064	\$ 1,035
Amortization of acquired intangible assets	32	11	57	35
Amortization of other assets and intangible assets included in cost of goods sold	53	49	171	127
Deferred revenue amortization	(42)	(54)	(131)	(163)
Dividends received in excess of equity income	(11)	(26)	26	(16)
Deferred tax expense (recovery)	28	(22)	(44)	(141)
Other non-cash charges (recoveries)	2	(2)	31	12
Non-cash portion of Other (income) expense, net [note 2]	(16)	9	21	120
Impairment Charges	—	—	85	361
	\$ 404	\$ 295	\$ 1,280	\$ 1,370

[c] Changes in operating assets and liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Accounts receivable	\$ (35)	\$ (601)	\$ (1,616)	\$ (1,339)
Inventories	(160)	(208)	(438)	(527)
Prepaid expenses and other	25	(7)	32	6
Accounts payable	33	427	832	680
Accrued salaries and wages	61	78	27	33
Other accrued liabilities	(14)	(5)	542	180
Income taxes payable	66	(37)	(76)	(94)
	\$ (24)	\$ (353)	\$ (697)	\$ (1,061)

Cash from investment activities

During the fourth quarter of 2022, the Company entered into an agreement to sell a European Power & Vision operation. Under the terms of the arrangement, the Company is contractually obligated to provide the buyer with up to \$42 million of funding. During the first quarter of 2023, the Company completed the sale of this operation which resulted in a net cash outflow of \$25 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]

5. BUSINESS COMBINATION

On June 1, 2023, the Company completed the acquisition of 100% of the common shares and voting interests of the entities holding the Veoneer AS. Veoneer AS supplies active safety products globally including active safety integration systems, radar, camera systems, internal cabin sensing, thermal sensing, and light detection. The purchase price was \$1,475 million [net of \$111 million cash acquired] and is subject to working capital and other customary purchase price adjustments.

The acquisition of Veoneer AS was accounted for as a business combination and is recorded in the Company's Power & Vision segment. The Company recorded a purchase price allocation for the assets acquired and liabilities assumed based on their estimated fair values as of June 1, 2023. The following table summarizes the preliminary purchase price allocation:

Non-cash working capital	\$	170
Fixed assets		204
Other assets		79
Intangible assets		395
Goodwill		728
Other liabilities		(84)
Deferred tax liabilities		(17)
Net cash outflow	\$	1,475

The estimated fair values of the assets acquired and liabilities assumed are based on the Company's preliminary estimates and assumptions. The preliminary purchase price allocation is subject to change within the measurement period and will be subsequently adjusted to reflect final valuation results and other adjustments, primarily related to measurement of fixed assets, and identification and measurement of intangible assets and goodwill.

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition.

6. INVENTORIES

Inventories consist of:

	September 30, 2023	December 31, 2022
Raw materials and supplies	\$ 1,854	\$ 1,640
Work-in-process	475	427
Finished goods	566	537
Tooling and engineering	1,856	1,576
	\$ 4,751	\$ 4,180

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

7. INVESTMENTS

	September 30, 2023	December 31, 2022
Equity method investments	\$ 950	\$ 997
Public and private equity investments	229	290
Warrants	125	142
Debt investments	7	—
	\$ 1,311	\$ 1,429

Cumulative unrealized gains and losses on equity securities held as at September 30, 2023 were \$49 million and \$230 million [\$74 million and \$205 million as at December 31, 2022], 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]

8. OTHER ASSETS

Other assets consist of:

	September 30, 2023	December 31, 2022
Preproduction costs related to long-term supply agreements	\$ 762	\$ 679
Long-term receivables	306	262
Pension overfunded status	40	41
Unrealized gain on cash flow hedges	4	26
Other, net	102	85
	\$ 1,214	\$ 1,093

9. WARRANTY

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

	2023	2022
Balance, beginning of period	\$ 257	\$ 247
Expense, net	49	17
Settlements	(23)	(4)
Foreign exchange and other	1	(5)
Balance, March 31	284	255
Expense, net	5	7
Settlements	(20)	(14)
Acquisition	3	—
Foreign exchange and other	22	(9)
Balance, June 30	294	239
Expense, net	14	30
Settlements	(11)	(34)
Foreign exchange and other	(11)	(8)
Balance, September 30	\$ 286	\$ 227

MAGNA INTERNATIONAL INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

10. DEBT

- [a] During the second quarter of 2023, the Company drew \$100 million from the 3-year tranche and \$300 million from the 5-year tranche of its unsecured, delayed draw term loan (the "Term Loan"). The remaining balance of the facility was subsequently cancelled. The amounts are drawn in advances of 1,3 or 6-month loans and may be rolled over until the end of the 3 and 5 year terms.
- [b] On May 26, 2023, the Company extended the maturity date from June 24, 2023 to June 24, 2024 of its \$800 million 364-day syndicated revolving credit facility. The Company had not borrowed any funds under this credit facility.
- [c] On April 27, 2023, the Company amended its \$2.7 billion syndicated revolving credit facility, including to: (i) extend the maturity date from June 24, 2027 to June 24, 2028, and (ii) cancel the \$150 million Asian tranche and allocate the equivalent amount to the Canadian tranche. The Company had limited borrowing under this credit facility.
- [d] During the first quarter of 2023, the Company issued the following Senior Notes:

	Issuance Date	Amount in USD at Issuance Date	Maturity Date
Cdn\$350 million Senior Notes at 4.950% ^[i]	March 10, 2023	\$258 million	January 31, 2031
€550 million Senior Notes at 4.375% ^[ii]	March 17, 2023	\$591 million	March 17, 2032
\$300 million Senior Notes at 5.980% ^[i]	March 21, 2023	\$300 million	March 21, 2026
\$500 million Senior Notes at 5.500% ^[i]	March 21, 2023	\$500 million	March 21, 2033

The total cash proceeds received from the Senior Note issuances was \$1,637 million, which consists of \$1,649 million of Senior Notes less debt issuance costs of \$12 million.

The Senior Notes are unsecured obligations and do not include any financial covenants. The Company may redeem the notes in whole or in part at any time, and from time to time, at specified redemption prices determined in accordance with the terms of the indenture governing the Senior Notes.

- [i] The Cdn\$350 million Senior Notes, \$300 million Senior Notes, and \$500 million Senior Notes were issued to both finance a portion of the cost of the acquisition of Veoneer AS and to pay related fees and expenses, and for general corporate purposes.
- [ii] The €550 million Senior Notes were issued for general corporate purposes, which may include the repayment of the Company's existing indebtedness of €550 million in Senior Notes coming due in November 2023.

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. INCOME TAX

For the three and nine months ended September 30, 2022, the Company's effective income tax rate does not reflect the customary rate due to losses not benefited in Europe. The nine-month rate is also adversely affected by impairment charges offset by a partial release of valuation allowances against deferred tax assets resulting from a tax reorganization.

12. CAPITAL STOCK

[a] During the nine month period ended September 30, 2023, the Company repurchased 0.2 million shares under a normal course issuer bid for cash consideration of \$11 million to settle certain equity compensation plans.

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at November 3, 2023 were exercised or converted:

Common Shares	286,361,423
Stock options ^[i]	6,132,439
	<hr/>
	292,493,862

[i] Options to purchase Common Shares are exercisable by the holder in accordance with the vesting provisions and upon payment of the exercise price as may be determined from time to time pursuant to the Company's stock option plans.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	2023	2022
Accumulated net unrealized loss on translation of net investment in foreign operations		
Balance, beginning of period	\$ (1,018)	\$ (735)
Net unrealized gain (loss)	43	(96)
Repurchase of shares under normal course issuer bid	1	3
Balance, March 31	(974)	(828)
Repurchase of shares under normal course issuer bid	(1)	3
Reserve for cumulative translation losses	—	203
Net unrealized loss	(53)	(326)
Balance, June 30	(1,028)	(948)
Net unrealized loss	(151)	(451)
Repurchase of shares under normal course issuer bid	—	3
Balance, September 30	(1,179)	(1,396)
Accumulated net unrealized gain (loss) on cash flow hedges ^[i]		
Balance, beginning of period	5	24
Net unrealized gain	41	55
Reclassification of net gain to net income	(3)	(6)
Balance, March 31	43	73
Net unrealized gain (loss)	48	(50)
Reclassification of net gain to net income	(14)	(13)
Balance, June 30	77	10
Net unrealized loss	(23)	(56)
Reclassification of net gain to net income	(21)	(6)
Balance, September 30	33	(52)
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(101)	(189)
Revaluation	(5)	1
Reclassification of net loss to net income	1	1
Balance, March 31	(105)	(187)
Revaluation	1	—
Reclassification of net loss to net income	—	1
Balance, June 30	(104)	(186)
Reclassification of net loss to net income	1	2
Balance, September 30	(103)	(184)
Total accumulated other comprehensive loss	\$ (1,249)	\$ (1,632)

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

	2023	2022
Balance, beginning of period	\$ —	\$ (8)
Net unrealized loss	(15)	(18)
Reclassifications of net gain to net income	1	2
Balance, March 31	(14)	(24)
Net unrealized (loss) gains	(17)	17
Reclassifications of net gain to net income	4	4
Balance, June 30	(27)	(3)
Net unrealized loss	7	20
Reclassifications of net gain to net income	7	2
Balance, September 30	\$ (13)	\$ 19

The amount of other comprehensive gain that is expected to be reclassified to net income over the next 12 months is \$65 million.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

14. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	September 30, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	\$ 1,022	\$ 1,234
Accounts receivable	8,477	6,791
Warrants and public and private equity investments	354	432
Long-term receivables included in other assets	306	262
	\$ 10,159	\$ 8,719
Financial liabilities		
Short-term borrowing	\$ 2	\$ 8
Long-term debt (including portion due within one year)	5,533	3,501
Accounts payable	7,911	6,999
	\$ 13,446	\$ 10,508
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 99	\$ 65
Other assets	4	26
Other accrued liabilities	(31)	(43)
Other long-term liabilities	(16)	(31)
	\$ 56	\$ 17

[b] Supplier financing program

The Company has a supplier financing program with third-party financial institutions that provides financing to suppliers who provide tooling related materials. This arrangement allows these suppliers to elect to be paid by a financial institution at a discount earlier than the maturity date of the receivable, which may extend from 6 to 18 months. The Company will pay the full amount owing to the financial institution on the maturity dates. Amounts outstanding under this program as at September 30, 2023 were \$117 million [\$135 million at December 31, 2022] and are presented within accounts payable.

MAGNA INTERNATIONAL INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

14. FINANCIAL INSTRUMENTS (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, accounts payable and short-term borrowings

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 Loan

The Company's Term Loan consists of advances, which are rolled over until repayment for up to 3 years and 5 years, respectively. Due to the short-term maturity of each loan, the carrying value as presented in the consolidated balance sheets is a reasonable estimate of its fair value.

Senior Notes

At September 30, 2023, the net book value of the Company's Senior Notes was \$5.0 billion and the estimated fair value was \$4.8 billion. The net book value of the Company's Senior Notes due within one year is \$1.3 billion. 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.

[d] 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.

The Company is exposed to interest rate risk on its Term Loan as the interest rate is variable, however the Company is not exposed to interest rate risk on Senior Notes as the interest rates are fixed.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

14. FINANCIAL INSTRUMENTS (CONTINUED)

[e] Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, accounts receivable, long-term receivables, 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.

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 months ended September 30, 2023, sales to the Company's six largest customers represented 75% and 77%, respectively, of the Company's total sales; and substantially all of its sales are to customers in which the Company has ongoing contractual relationships. The Company continues to develop and conduct business with newer electric vehicle-focused customers, which poses incremental credit risk due to their relatively short operating histories; limited financial resources; less mature product development and validation processes; uncertain market acceptance of their products/services; and untested business models. These factors may elevate our risks in dealing with such customers, particularly with respect to recovery of: pre-production (including tooling, engineering, and launch) and production receivables; inventory; fixed assets and capitalized preproduction expenditures; as well as other third party obligations related to such items. As at September 30, 2023, the Company's balance sheet exposure related to newer electric vehicle-focused customers was approximately \$450 million, the majority of which related to Fisker. 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.

[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, 2023, 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	22	0.78548	6,638	0.04316	35	0.85911	2,535	0.03695
(Sell)	(869)	1.28374	(8)	0.00113	(80)	1.12672	—	—

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]

15. CONTINGENCIES

From time to time, the Company may become involved in regulatory proceedings, or become liable for legal, contractual and other claims by various parties, including customers, suppliers, former employees, class action plaintiffs and others. On an ongoing basis, the Company attempts to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, together with potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The required provision may change in the future due to new developments in each matter or changes in approach such as a change in settlement strategy in dealing with these matters.

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 and a June 2022 settlement with Brazil's federal competition authority involving in both cases 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.

16. SEGMENTED INFORMATION

Magna is a global automotive supplier which has complete vehicle engineering and contract manufacturing expertise, as well as product capabilities which include body, chassis, exterior, seating, powertrain, active driver assistance, electronics, mirrors & lighting, mechatronics, and roof systems. Magna also has electronic and software capabilities across many of these areas.

The Company is organized under four operating segments: Body Exteriors & Structures, Power & Vision, Seating Systems, and Complete Vehicles. These segments have been determined on the basis of technological opportunities, product similarities, and market and operating factors, and are also the Company's reportable segments.

The Company's chief operating decision maker uses Adjusted Earnings before Interest and Income Taxes ["Adjusted EBIT"] as the measure of segment profit or loss, since management believes Adjusted EBIT is the most appropriate measure of operational profitability or loss for its reporting segments. Adjusted EBIT is calculated by taking Net income and adding back Amortization of acquired intangible assets, Income taxes, Interest expense, net and Other (income) expense, net.

Effective July 1, 2023, the Company revised its calculation of Adjusted EBIT to exclude the amortization of acquired intangible assets. The Company believes that excluding the amortization of acquired intangible assets from Adjusted EBIT helps management and investors in understanding its underlying performance and improves comparability between its segmented results of operations and its peers. The Adjusted EBIT presented in the tables below, including for the prior period, have been updated to reflect the revised calculation.

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]

16. SEGMENTED INFORMATION (CONTINUED)

[a] The following tables show segment information for the Company's reporting segments and a reconciliation of Adjusted EBIT to the Company's consolidated net income:

Three months ended September 30, 2023						
	Total sales	External sales	Adjusted EBIT ⁽ⁱⁱ⁾	Depreciation	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 4,354	\$ 4,297	\$ 358	\$ 178	\$ 2	\$ 424
Power & Vision	3,745	3,685	221	133	(46)	156
Seating Systems	1,529	1,526	70	20	5	24
Complete Vehicles	1,185	1,176	(5)	24	(1)	21
Corporate & Other ⁽ⁱ⁾	(125)	4	(29)	3	—	5
Total Reportable Segments	\$ 10,688	\$ 10,688	\$ 615	\$ 358	\$ (40)	\$ 630

Three months ended September 30, 2022						
	Total sales	External sales	Adjusted EBIT ⁽ⁱⁱ⁾	Depreciation	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 3,976	\$ 3,918	\$ 227	\$ 169	\$ 5	\$ 184
Power & Vision	2,911	2,852	124	115	(31)	140
Seating Systems	1,295	1,292	37	18	(5)	24
Complete Vehicles	1,213	1,203	65	25	(1)	16
Corporate & Other ⁽ⁱ⁾	(127)	3	(1)	3	5	—
Total Reportable Segments	\$ 9,268	\$ 9,268	\$ 452	\$ 330	\$ (27)	\$ 364

Nine months ended September 30, 2023						
	Total sales	External sales	Adjusted EBIT ⁽ⁱⁱ⁾	Depreciation	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 13,333	\$ 13,083	\$ 1,024	\$ 538	\$ 3	\$ 1,005
Power & Vision	10,530	10,336	437	378	(108)	422
Seating Systems	4,618	4,603	174	62	(3)	64
Complete Vehicles	4,337	4,310	81	75	(3)	45
Corporate & Other ⁽ⁱ⁾	(475)	11	(36)	11	2	20
Total Reportable Segments	\$ 32,343	\$ 32,343	\$ 1,680	\$ 1,064	\$ (109)	\$ 1,556

Nine months ended September 30, 2022						
	Total sales	External sales	Adjusted EBIT ⁽ⁱⁱ⁾	Depreciation	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 12,000	\$ 11,818	\$ 652	\$ 528	\$ 10	\$ 487
Power & Vision	8,845	8,675	386	356	(72)	341
Seating Systems	3,924	3,908	90	60	(9)	59
Complete Vehicles	3,891	3,862	178	79	(3)	41
Corporate & Other ⁽ⁱ⁾	(388)	9	35	12	2	3
Total Reportable Segments	\$ 28,272	\$ 28,272	\$ 1,341	\$ 1,035	\$ (72)	\$ 931

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

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]

16. SEGMENTED INFORMATION (CONTINUED)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net income	\$ 417	\$ 296	\$ 988	\$ 530
Add:				
Amortization of acquired intangible assets	32	11	57	35
Interest expense, net	49	18	103	64
Other (income) expense, net	(4)	23	224	510
Income taxes	121	104	308	202
Adjusted EBIT	\$ 615	\$ 452	\$ 1,680	\$ 1,341

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

	September 30, 2023	December 31, 2022
Body Exteriors & Structures	\$ 441	\$ 448
Power & Vision	1,915	1,198
Seating Systems	253	260
Complete Vehicles	104	105
Corporate and Other	20	20
Total Reportable Segments	\$ 2,733	\$ 2,031

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

	September 30, 2023	December 31, 2022
Body Exteriors & Structures	\$ 8,089	\$ 7,168
Power & Vision	7,740	6,104
Seating Systems	1,343	1,377
Complete Vehicles	566	632
Corporate & Other	1,003	802
Total Reportable Segments	\$ 18,741	\$ 16,083

The following table reconciles Total Assets to Net Assets:

	September 30, 2023	December 31, 2022
Total Assets	\$ 31,675	\$ 27,789
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(1,022)	(1,234)
Deferred tax assets	(527)	(491)
Long-term receivables from joint venture partners	(37)	(14)
Deduct liabilities included in segment net assets:		
Accounts payable	(7,911)	(6,999)
Accrued salaries and wages	(900)	(850)
Other accrued liabilities	(2,537)	(2,118)
Segment Net Assets	\$ 18,741	\$ 16,083