



Magna International Inc.

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

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

[Unaudited]

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

	Note	Three months ended		Six months ended	
		June 30,		June 30,	
		2023	2022	2023	2022
Sales	16	\$ 10,982	\$ 9,362	\$ 21,655	\$ 19,004
Costs and expenses					
Cost of goods sold		9,544	8,259	18,960	16,659
Depreciation and amortization		366	360	731	729
Selling, general and administrative		505	410	993	796
Interest expense, net		34	20	54	46
Equity income		(36)	(25)	(69)	(45)
Other expense, net	2	86	426	228	487
Income (loss) from operations before income taxes		483	(88)	758	332
Income taxes	11	129	57	187	98
Net income (loss)		354	(145)	571	234
Income attributable to non-controlling interests		(15)	(11)	(23)	(26)
Net income (loss) attributable to Magna International Inc.		\$ 339	\$ (156)	\$ 548	\$ 208
Earnings (loss) per Common Share:	3				
Basic		\$ 1.18	\$ (0.54)	\$ 1.92	\$ 0.71
Diluted		\$ 1.18	\$ (0.54)	\$ 1.91	\$ 0.70
Cash dividends paid per Common Share		\$ 0.46	\$ 0.45	\$ 0.92	\$ 0.90
Weighted average number of Common Shares outstanding during the period [in millions]:	3				
Basic		286.2	291.1	286.1	293.8
Diluted		286.3	291.1	286.4	295.0

See accompanying notes

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

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Net income (loss)		\$ 354	\$ (145)	\$ 571	\$ 234
Other comprehensive (loss) income, net of tax:	13				
Net unrealized loss on translation of net investment in foreign operations		(79)	(348)	(34)	(446)
Net unrealized gain (loss) on cash flow hedges		48	(50)	89	5
Reclassification of net gain on cash flow hedges to net income		(14)	(13)	(17)	(19)
Reclassification of net loss on pensions to net income		—	1	1	2
Reserve for cumulative translation losses		—	203	—	203
Pension and post retirement benefits		1	—	(4)	1
Other comprehensive (loss) income		(44)	(207)	35	(254)
Comprehensive income (loss)		310	(352)	606	(20)
Comprehensive loss (income) attributable to non-controlling interests		11	11	1	(2)
Comprehensive income (loss) attributable to Magna International Inc.		\$ 321	\$ (341)	\$ 607	\$ (22)

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

[Unaudited]

[U.S. dollars in millions]

	Note	As at June 30, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 1,281	\$ 1,234
Accounts receivable		8,556	6,791
Inventories	6	4,664	4,180
Income taxes receivable		14	—
Prepaid expenses and other		455	320
		14,970	12,525
Investments	7	1,287	1,429
Fixed assets, net		8,646	8,173
Operating lease right-of-use assets		1,667	1,595
Intangible assets, net		823	452
Goodwill		2,771	2,031
Deferred tax assets		535	491
Other assets	8	1,139	1,093
		\$ 31,838	\$ 27,789
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings		\$ 150	\$ 8
Accounts payable		7,984	6,999
Other accrued liabilities		2,637	2,118
Accrued salaries and wages		858	850
Income taxes payable		—	93
Long-term debt due within one year		1,426	654
Current portion of operating lease liabilities		303	276
		13,358	10,998
Long-term debt		4,159	2,847
Operating lease liabilities		1,345	1,288
Long-term employee benefit liabilities		579	548
Other long-term liabilities		448	461
Deferred tax liabilities		293	312
		20,182	16,454
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 286,163,296; December 31, 2022 – 285,931,816]	12	3,323	3,299
Contributed surplus		113	111
Retained earnings		8,907	8,639
Accumulated other comprehensive loss	13	(1,055)	(1,114)
		11,288	10,935
Non-controlling interests		368	400
		11,656	11,335
		\$ 31,838	\$ 27,789

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
Cash provided from (used for):					
OPERATING ACTIVITIES					
Net income (loss)		\$ 354	\$ (145)	\$ 571	\$ 234
Items not involving current cash flows	4	525	705	876	1,075
		879	560	1,447	1,309
Changes in operating assets and liabilities	4	(332)	(139)	(673)	(708)
Cash provided from operating activities		547	421	774	601
INVESTMENT ACTIVITIES					
Acquisitions		(1,475)	—	(1,475)	—
Fixed asset additions		(502)	(329)	(926)	(567)
Increase in public and private equity investments		(3)	(2)	(3)	(4)
Increase in investments, other assets and intangible assets		(96)	(80)	(197)	(144)
Proceeds from dispositions		44	40	63	63
Disposal of facilities		—	—	(25)	6
Cash used for investing activities		(2,032)	(371)	(2,563)	(646)
FINANCING ACTIVITIES					
Issues of debt		402	3	2,043	31
Increase in short-term borrowings		143	—	140	1
Repayments of debt		(1)	(34)	(3)	(391)
Issues of Common Shares on exercise of stock options		—	—	6	4
Tax withholdings on vesting of equity awards		(1)	(1)	(10)	(15)
Contributions to subsidiaries by non-controlling interests		—	5	—	5
Repurchase of Common Shares	12	(2)	(212)	(11)	(595)
Dividends paid to non-controlling interests		(24)	(12)	(31)	(12)
Dividends		(129)	(130)	(261)	(263)
Cash provided from (used for) financing activities		388	(381)	1,873	(1,235)
Effect of exchange rate changes on cash and cash equivalents		(51)	(1)	(37)	(4)
Net (decrease) increase in cash, cash equivalents during the period		(1,148)	(332)	47	(1,284)
Cash and cash equivalents, beginning of period		2,429	1,996	1,234	2,948
Cash and cash equivalents, end of period	4	\$ 1,281	\$ 1,664	\$ 1,281	\$ 1,664

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Six months ended June 30, 2023								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[1]	Non- controlling Interest	Total Equity
		Number	Stated Value					
[in millions]								
Balance, December 31, 2022		285.9	\$ 3,299	\$ 111	\$ 8,639	\$ (1,114)	\$ 400	\$ 11,335
Net income					548		23	571
Other comprehensive income (loss)						59	(24)	35
Shares issued on exercise of stock options		0.2	7	(1)				6
Release of stock and stock units		0.4	19	(19)				
Tax withholdings on vesting of equity awards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	12	(0.2)	(2)		(9)			(11)
Stock-based compensation expense				22				22
Dividends paid to non-controlling interests							(31)	(31)
Dividends paid		0.1	2		(263)			(261)
Balance, June 30, 2023		286.2	\$ 3,323	\$ 113	\$ 8,907	\$ (1,055)	\$ 368	\$ 11,656

Three months ended June 30, 2023								
	Note	Common Shares		Contri- buted Surplus	Retained Earnings	AOCL ^[1]	Non- controlling Interest	Total Equity
		Number	Stated Value					
[in millions]								
Balance, March 31, 2023		286.1	\$ 3,319	\$ 104	\$ 8,699	\$ (1,036)	\$ 403	\$ 11,489
Net income					339		15	354
Other comprehensive loss						(18)	(26)	(44)
Release of stock and stock units		0.1	4	(4)				
Tax withholdings on vesting of equity awards					(1)			(1)
Repurchase and cancellation under normal course issuer bid	12				(1)	(1)		(2)
Stock-based compensation expense				13				13
Dividends paid to non-controlling interests							(24)	(24)
Dividends paid					(129)			(129)
Balance, June 30, 2023		286.2	\$ 3,323	\$ 113	\$ 8,907	\$ (1,055)	\$ 368	\$ 11,656

^[1] 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, 2022							
	Common Shares		Contri-	Retained	AOCL ^[1]	Non-	Total
Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	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 awards	(0.2)	(2)		(13)			(15)
Repurchase and cancellation under							
normal course issuer bid	12	(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							
	Common Shares		Contri-	Retained	AOCL ^[1]	Non-	Total
Note	Number	Stated Value	buted Surplus	Earnings		controlling Interest	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 awards				(1)			(1)
Repurchase and cancellation under							
normal course issuer bid	12	(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

^[1] 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, 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 June 30, 2023 and the results of operations, changes in equity, and cash flows for the three and six-month periods ended June 30, 2023 and 2022.

[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, NET

		Three months ended		Six months ended	
		June 30,		June 30,	
		2023	2022	2023	2022
Restructuring	[a]	\$ (35)	\$ —	\$ 83	\$ —
Impairments	[b]	—	376	—	376
Investments	[c]	98	50	122	111
Veoneer Active Safety Business transaction costs	[d]	23	—	23	—
		\$ 86	\$ 426	\$ 228	\$ 487

[a] Restructuring

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Power & Vision ⁽ⁱ⁾	\$ (44)	\$ —	\$ 61	\$ —
Body Exteriors & Structures	9	—	22	—
Other expense, net	(35)	—	83	—
Tax effect	9	—	(17)	—
Net loss attributable to Magna	\$ (26)	\$ —	\$ 66	\$ —

⁽ⁱ⁾ During the second quarter of 2023, the Company's Power & Vision segment reversed \$39 million of charges due to a change in the restructuring plans related to a plant closure, and recorded a \$10 million gain on the sale of two buildings as a result of restructuring activities.

[b] Impairments

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 our Body Exteriors & Structures and Seating Systems segments, respectively. Refer to Note 17, "Subsequent Event", in these financial statements.

[c] Investments

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Non-cash impairment charge ⁽ⁱⁱ⁾	\$ 85	\$ —	\$ 85	\$ —
Revaluation of public company warrants	13	51	35	89
Revaluation of public and private equity investments	—	2	2	23
Gain on sale of public equity investments	—	(3)	—	(1)
Other expense, net	98	50	122	111
Tax effect	(3)	(12)	(9)	(25)
Net loss attributable to Magna	\$ 95	\$ 38	\$ 113	\$ 86

⁽ⁱⁱ⁾ 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 financial statements.

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,	
	2023	2022	2023	2022
Basic earnings (loss) per Common Share:				
Net income (loss) attributable to Magna International Inc.	\$ 339	\$ (156)	\$ 548	\$ 208
Weighted average number of Common Shares outstanding	286.2	291.1	286.1	293.8
Basic earnings (loss) per Common Share	\$ 1.18	\$ (0.54)	\$ 1.92	\$ 0.71
Diluted earnings (loss) per Common Share [a]:				
Net income (loss) attributable to Magna International Inc.	\$ 339	\$ (156)	\$ 548	\$ 208
Weighted average number of Common Shares outstanding	286.3	291.1	286.4	295.0
Diluted earnings (loss) per Common Share	\$ 1.18	\$ (0.54)	\$ 1.91	\$ 0.70

[a] For the three and six months ended June 30, 2023, diluted earnings per Common Share excluded 4.2 million [2022 – 6.0 million] and 2.8 million [2022 – 1.2 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 FLOWS

Cash from operating activities

[a] Cash and cash equivalents:

	June 30, 2023	December 31, 2022
Bank term deposits and bankers' acceptances	\$ 542	\$ 720
Cash	739	514
	\$ 1,281	\$ 1,234

[b] Items not involving current cash flows:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Depreciation and amortization	\$ 366	\$ 360	\$ 731	\$ 729
Amortization of other assets included in cost of goods sold	53	31	118	78
Deferred revenue amortization	(14)	(50)	(89)	(109)
Other non-cash charges	28	7	29	14
Deferred tax recovery	(35)	(29)	(72)	(119)
Dividends received in excess of equity income	29	(25)	37	10
Non-cash portion of Other expense, net [note 2]	98	411	122	472
	\$ 525	\$ 705	\$ 876	\$ 1,075

[c] Changes in operating assets and liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Accounts receivable	\$ (411)	\$ 24	\$ (1,581)	\$ (738)
Inventories	(43)	31	(278)	(319)
Prepaid expenses and other	11	18	7	13
Accounts payable	106	(188)	799	253
Accrued salaries and wages	(13)	(83)	(34)	(45)
Other accrued liabilities	65	100	556	185
Income taxes payable	(47)	(41)	(142)	(57)
	\$ (332)	\$ (139)	\$ (673)	\$ (708)

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 Active Safety Business. 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.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

6. INVENTORIES

Inventories consist of:

	June 30, 2023	December 31, 2022
Raw materials and supplies	\$ 1,770	\$ 1,640
Work-in-process	463	427
Finished goods	536	537
Tooling and engineering	1,895	1,576
	\$ 4,664	\$ 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

	June 30, 2023	December 31, 2022
Equity method investments	\$ 953	\$ 997
Public and private equity investments	224	290
Warrants	110	142
	\$ 1,287	\$ 1,429

Cumulative unrealized gains and losses on equity securities held as at June 30, 2023 were \$46 million and \$246 million [\$74 million and \$205 million as at December 31, 2022], respectively.

8. OTHER ASSETS

Other assets consist of:

	June 30, 2023	December 31, 2022
Preproduction costs related to long-term supply agreements	\$ 692	\$ 679
Long-term receivables	293	262
Pension overfunded status	40	41
Unrealized gain on cash flow hedges	8	26
Other, net	106	85
	\$ 1,139	\$ 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

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] 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.

11. INCOME TAXES

For the three and six months ended June 30, 2022 and 2023, the Company's effective income tax rate does not reflect the customary rate primarily due to the impairment charges described in note 2.

For the three months ended June 30, 2022, the Company's effective income tax rate is also adversely affected by losses not benefited in Europe and the six-months ended June 30, 2022, the Company's income tax rate is favourably affected by a partial release of valuation allowances against deferred tax assets resulting from a tax reorganization.

12. CAPITAL STOCK

- [a] During the six month period ended June 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 August 3, 2023 were exercised or converted:

Common Shares	286,309,052
Stock options ^[i]	6,148,812
	<u>292,457,864</u>

^[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)
Accumulated net unrealized gain 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
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(101)	(189)
Revaluation	(5)	1
Reclassifications to net income	1	1
Balance, March 31	(105)	(187)
Revaluation	1	—
Reclassifications to net income	—	1
Balance, June 30	(104)	(186)
Total accumulated other comprehensive loss	\$ (1,055)	\$ (1,124)

[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)
Reclassification 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)

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$111 million.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

14. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	June 30, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	\$ 1,281	\$ 1,234
Accounts receivable	8,556	6,791
Warrants and public and private equity investments	334	432
Long-term receivables included in other assets	293	262
	\$ 10,464	\$ 8,719
Financial liabilities		
Short-term borrowings	\$ 150	\$ —
Long-term debt (including portion due within one year)	5,585	3,501
Accounts payable	7,984	6,999
	\$ 13,719	\$ 10,508
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 132	\$ 65
Other assets	8	26
Other accrued liabilities	(21)	(43)
Other long-term liabilities	(13)	(31)
	\$ 107	\$ 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 June 30, 2023 were \$135 million [\$135 million at December 31, 2022] and are presented within accounts payable.

[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.]

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)

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 June 30, 2023, the net book value of the Company's Senior Notes was \$5.0 billion and the estimated fair value was \$4.9 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] 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 six months ended June 30, 2023, sales to the Company's six largest customers represented 76% and 78%, 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 June 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.

[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.

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 on these instruments 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)

[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, 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	23	0.77560	8,532	0.04336	52	0.86421	3,425	0.03713
(Sell)	(1,053)	1.28473	(8)	0.00088	(102)	1.13424	—	—

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.

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 Income taxes, Interest expense, net, and Other expense, net.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

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 (loss):

	Three months ended June 30, 2023					
	Total sales	External sales	Adjusted EBIT ⁽ⁱ⁾	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 4,540	\$ 4,468	\$ 392	\$ 177	\$ 1	\$ 310
Power & Vision	3,462	3,396	116	135	(28)	153
Seating Systems	1,603	1,598	66	22	(4)	20
Complete Vehicles	1,526	1,517	34	26	(1)	13
Corporate & Other ⁽ⁱ⁾	(149)	3	(5)	6	(4)	6
Total Reportable Segments	\$ 10,982	\$ 10,982	\$ 603	\$ 366	\$ (36)	\$ 502

	Three months ended June 30, 2022					
	Total sales	External sales	Adjusted EBIT ⁽ⁱ⁾	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

	Six months ended June 30, 2023					
	Total sales	External sales	Adjusted EBIT ⁽ⁱ⁾	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 8,979	\$ 8,786	\$ 662	\$ 364	\$ 1	\$ 581
Power & Vision	6,785	6,651	200	261	(62)	266
Seating Systems	3,089	3,077	102	45	(8)	40
Complete Vehicles	3,152	3,134	86	51	(2)	24
Corporate & Other ⁽ⁱ⁾	(350)	7	(10)	10	2	15
Total Reportable Segments	\$ 21,655	\$ 21,655	\$ 1,040	\$ 731	\$ (69)	\$ 926

	Six months ended June 30, 2022					
	Total sales	External sales	Adjusted EBIT ⁽ⁱ⁾	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

⁽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 (loss) to Adjusted EBIT:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 354	\$ (145)	\$ 571	\$ 234
Add:				
Interest expense, net	34	20	54	46
Other expense, net	86	426	228	487
Income taxes	129	57	187	98
Adjusted EBIT	\$ 603	\$ 358	\$ 1,040	\$ 865

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

	June 30, 2023	December 31, 2022
Body Exteriors & Structures	\$ 447	\$ 448
Power & Vision	1,943	1,198
Seating Systems	254	260
Complete Vehicles	107	105
Corporate & Other	20	20
Total Reportable Segments	\$ 2,771	\$ 2,031

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

	June 30, 2023	December 31, 2022
Body Exteriors & Structures	\$ 7,825	\$ 7,168
Power & Vision	7,770	6,104
Seating Systems	1,375	1,377
Complete Vehicles	590	632
Corporate & Other	955	802
Total Reportable Segments	\$ 18,515	\$ 16,083

The following table reconciles Total Assets to Net Assets:

	June 30, 2023	December 31, 2022
Total Assets	\$ 31,838	\$ 27,789
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(1,281)	(1,234)
Deferred tax assets	(535)	(491)
Income taxes receivable	(14)	—
Long-term receivables from joint venture partners	(14)	(14)
Deduct liabilities included in segment net assets:		
Accounts payable	(7,984)	(6,999)
Accrued salaries and wages	(858)	(850)
Other accrued liabilities	(2,637)	(2,118)
Segment Net Assets	\$ 18,515	\$ 16,083

17. SUBSEQUENT EVENT

On August 1, 2023, the Company completed the sale of all of its investments in Russia for approximately \$15 million, resulting in a loss of approximately \$15 million.