



Magna International Inc.

**Interim Financial Statements for the three months
ended March 31, 2023**

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF INCOME

[Unaudited]

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

	Note	Three months ended	
		March 31,	
		2023	2022
Sales	14	\$ 10,673	\$ 9,642
Costs and expenses			
Cost of goods sold		9,416	8,400
Depreciation and amortization		365	369
Selling, general and administrative		488	386
Interest expense, net		20	26
Equity income		(33)	(20)
Other expense, net	2	142	61
Income from operations before income taxes		275	420
Income taxes		58	41
Net income		217	379
Income attributable to non-controlling interests		(8)	(15)
Net income attributable to Magna International Inc.		\$ 209	\$ 364
Earnings per Common Share:	3		
Basic		\$ 0.73	\$ 1.23
Diluted		\$ 0.73	\$ 1.22
Cash dividends paid per Common Share		\$ 0.46	\$ 0.45
Weighted average number of Common Shares outstanding during the period [in millions]:	3		
Basic		286.1	296.6
Diluted		286.6	298.1

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended	
		March 31,	
		2023	2022
Net income		\$ 217	\$ 379
Other comprehensive income (loss), net of tax:	11		
Net unrealized gain (loss) on translation of net investment in foreign operations		45	(98)
Net unrealized gain on cash flow hedges		41	55
Reclassification of net gain on cash flow hedges to net income		(3)	(6)
Pension and post retirement benefits		(5)	1
Reclassification of net loss on pensions to net income		1	1
Other comprehensive income (loss)		79	(47)
Comprehensive income		296	332
Comprehensive income attributable to non-controlling interests		(10)	(13)
Comprehensive income attributable to Magna International Inc.		\$ 286	\$ 319

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS

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

	Note	As at March 31, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 2,429	\$ 1,234
Accounts receivable		7,959	6,791
Inventories	5	4,421	4,180
Prepaid expenses and other		367	320
		15,176	12,525
Investments	6	1,390	1,429
Fixed assets, net		8,304	8,173
Operating lease right-of-use assets		1,638	1,595
Intangible assets, net		441	452
Goodwill		2,049	2,031
Deferred tax assets		506	491
Other assets	7	1,150	1,093
		\$ 30,654	\$ 27,789
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowing		\$ 4	\$ 8
Accounts payable		7,731	6,999
Other accrued liabilities	8	2,526	2,118
Accrued salaries and wages		822	850
Income taxes payable		9	93
Long-term debt due within one year		668	654
Current portion of operating lease liabilities		285	276
		12,045	10,998
Long-term debt	9	4,500	2,847
Operating lease liabilities		1,318	1,288
Long-term employee benefit liabilities		563	548
Other long-term liabilities		451	461
Deferred tax liabilities		288	312
		19,165	16,454
Shareholders' equity			
Capital stock			
Common Shares			
[issued: 286,095,777; December 31, 2022 – 285,931,816]	10	3,319	3,299
Contributed surplus		104	111
Retained earnings		8,699	8,639
Accumulated other comprehensive loss	11	(1,036)	(1,114)
		11,086	10,935
Non-controlling interests		403	400
		11,489	11,335
		\$ 30,654	\$ 27,789

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	Three months ended	
		March 31,	
		2023	2022
Cash provided from (used for):			
OPERATING ACTIVITIES			
Net income		\$ 217	\$ 379
Items not involving current cash flows	4	351	370
		568	749
Changes in operating assets and liabilities	4	(341)	(569)
Cash provided from operating activities		227	180
INVESTMENT ACTIVITIES			
Fixed asset additions		(424)	(238)
Increase in investments, other assets and intangible assets		(101)	(64)
Proceeds from dispositions		19	23
Increase in public and private equity investments		—	(2)
Disposal of facilities	4	(25)	6
Cash used for investing activities		(531)	(275)
FINANCING ACTIVITIES			
Issues of debt	9	1,641	28
Repayments of debt		(2)	(357)
(Decrease) increase in short-term borrowings		(3)	1
Issues of Common Shares on exercise of stock options		6	4
Repurchase of Common Shares	10	(9)	(383)
Tax withholdings on vesting of equity awards		(9)	(14)
Dividends paid to non-controlling interests		(7)	—
Dividends		(132)	(133)
Cash provided by (used for) financing activities		1,485	(854)
Effect of exchange rate changes on cash and cash equivalents		14	(3)
Net increase (decrease) in cash and cash equivalents during the period		1,195	(952)
Cash and cash equivalents, beginning of period		1,234	2,948
Cash and cash equivalents, end of period	4	\$ 2,429	\$ 1,996

See accompanying notes

MAGNA INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Unaudited]

[U.S. dollars in millions]

	Note	<u>Common Shares</u> Number	<u>Stated</u> Value	<u>Contri- buted</u> Surplus	<u>Retained</u> Earnings	<u>AOCL</u> ⁽ⁱ⁾	<u>Non- controlling</u> Interest	<u>Total</u> Equity
		<i>[in millions]</i>						
Balance, December 31, 2022		285.9	\$ 3,299	\$ 111	\$ 8,639	\$ (1,114)	\$ 400	\$ 11,335
Net income					209		8	217
Other comprehensive income						77	2	79
Shares issued on exercise of stock options		0.1	7	(1)				6
Release of stock and stock units		0.3	15	(15)				—
Tax withholdings on vesting of Equity awards		(0.1)	(2)		(7)			(9)
Repurchase and cancellation under normal course issuer bid	10	(0.1)	(2)		(8)	1		(9)
Stock-based compensation expense				9				9
Dividends paid			2		(134)			(132)
Dividends paid to non-controlling interests							(7)	(7)
Balance, March 31, 2023		286.1	\$ 3,319	\$ 104	\$ 8,699	\$ (1,036)	\$ 403	\$ 11,489

	Note	<u>Common Shares</u> Number	<u>Stated</u> Value	<u>Contri- buted</u> Surplus	<u>Retained</u> Earnings	<u>AOCL</u> ⁽ⁱ⁾	<u>Non- controlling</u> Interest	<u>Total</u> Equity
		<i>[in millions]</i>						
Balance, December 31, 2021		297.9	\$ 3,403	\$ 102	\$ 9,231	\$ (900)	\$ 389	\$ 12,225
Net income					364		15	379
Other comprehensive loss						(45)	(2)	(47)
Shares issued on exercise of stock options		0.1	5	(1)				4
Release of stock and stock units		0.3	14	(14)				—
Tax withholdings on vesting of Equity awards		(0.2)	(2)		(12)			(14)
Repurchase and cancellation under normal course issuer bid	10	(5.8)	(64)		(322)	3		(383)
Stock-based compensation expense				8				8
Dividends paid			2		(135)			(133)
Balance, March 31, 2022		292.3	\$ 3,358	\$ 95	\$ 9,126	\$ (942)	\$ 402	\$ 12,039

(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, 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 March 31, 2023 and the results of operations, changes in equity, and cash flows for the three-month periods ended March 31, 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.

2. OTHER EXPENSE, NET

		Three months ended March 31,	
		2023	2022
Restructuring and impairments	[a]	\$ 118	\$ —
Net losses on investments	[b]	24	61
		\$ 142	\$ 61

[a] Restructuring and impairments

In the first quarter of 2023, the Company initiated restructuring plans to right-size its business in an effort to optimize its footprint. These restructuring plans include plant closures and workforce reductions in the amount of \$118 million [\$92 million after tax]. Of the total charges, \$105 million [\$82 million after tax] was recorded in its Power & Vision segment, and \$13 million [\$10 million after tax] in its Body Exteriors & Structures segment.

[b] Net losses on investments

		Three months ended March 31,	
		2023	2022
Revaluation of public company warrants		\$ 22	\$ 38
Revaluation of public and private equity investments		2	21
Net loss on sale of public equity investments		—	2
Other expense, net		24	61
Tax effect		(6)	(13)
Net loss attributable to Magna		\$ 18	\$ 48

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	
	March 31,	
	2023	2022
Basic earnings per Common Share:		
Net income attributable to Magna International Inc.	\$ 209	\$ 364
Weighted average number of Common Shares outstanding	286.1	296.6
Basic earnings per Common Share	\$ 0.73	\$ 1.23
Diluted earnings per Common Share [a]:		
Net income attributable to Magna International Inc.	\$ 209	\$ 364
Weighted average number of Common Shares outstanding	286.1	296.6
Stock options and restricted stock	0.5	1.5
	286.6	298.1
Diluted earnings per Common Share	\$ 0.73	\$ 1.22

[a] For the three months ended March 31, 2023, diluted earnings per Common Share excluded 1.4 million [2022 – 1.0 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.

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:

	March 31, 2023	December 31, 2022
Bank term deposits and bankers' acceptances	\$ 1,750	\$ 720
Cash	679	514
	\$ 2,429	\$ 1,234

[b] Items not involving current cash flows:

	Three months ended March 31,	
	2023	2022
Depreciation and amortization	\$ 365	\$ 369
Amortization of other assets included in cost of goods sold	65	47
Deferred revenue amortization	(75)	(59)
Dividends received in excess of equity income	8	35
Deferred tax recovery	(37)	(90)
Other non-cash charges	1	7
Non-cash portion of Other expense, net [note 2]	24	61
	\$ 351	\$ 370

[c] Changes in operating assets and liabilities:

	Three months ended March 31,	
	2023	2022
Accounts receivable	\$ (1,170)	\$ (762)
Inventories	(235)	(350)
Prepaid expenses and other	(4)	(5)
Accounts payable	693	441
Accrued salaries and wages	(21)	38
Other accrued liabilities	491	85
Income taxes payable	(95)	(16)
	\$ (341)	\$ (569)

Cash from investment activities

During the fourth quarter of 2022, the Company entered into an agreement to sell a European Power & Vision operation in early 2023. Under the terms of the arrangement, the Company is contractually obligated to provide the buyer with up to \$42 million of funding, resulting in a loss of \$58 million [\$57 million after tax] recognized in 2022. 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. INVENTORIES

Inventories consist of:

	March 31, 2023	December 31, 2022
Raw materials and supplies	\$ 1,641	\$ 1,640
Work-in-process	431	427
Finished goods	523	537
Tooling and engineering	1,826	1,576
	\$ 4,421	\$ 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.

6. INVESTMENTS

	March 31, 2023	December 31, 2022
Equity method investments	\$ 982	\$ 997
Public and private equity investments	288	290
Warrants	120	142
	\$ 1,390	\$ 1,429

Cumulative unrealized gains and losses on equity securities held as at March 31, 2023 were \$73 million and \$228 million [\$74 million and \$205 million as at December 31, 2022], respectively.

7. OTHER ASSETS

Other assets consist of:

	March 31, 2023	December 31, 2022
Preproduction costs related to long-term supply agreements	\$ 700	\$ 679
Long-term receivables	284	262
Pension overfunded status	40	41
Unrealized gain on cash flow hedges	22	26
Other, net	104	85
	\$ 1,150	\$ 1,093

8. WARRANTY

The following is a continuity of the Company's warranty accruals:

	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

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

[a] Senior notes

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 [collectively, the “Cdn and USD Senior Notes”] were issued to both finance a portion of the cost of the proposed acquisition of the Veoneer Active Safety Business [“the Veoneer Acquisition”] and to pay related fees and expenses, and for general corporate purposes. In the event either the Veoneer Acquisition is not consummated on or prior to December 19, 2023 or a later date as agreed to by the parties to transaction, or the acquisition is terminated, the Company shall redeem the Cdn and USD Senior Notes then outstanding at specified redemption prices determined in accordance with the terms of the indenture governing the Cdn and USD Senior Notes.

[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.

[b] Term loan facilities

On March 6, 2023, the Company entered into a syndicated, unsecured, delayed draw term loan (the “Term Loan”) with a 3-year tranche of \$800 million and 5-year tranche of \$600 million. The purpose of the Term Loan was to back stop our access to Debt Capital Markets in the event of disruptions that could restrict access to markets and to finance a portion of the Veoneer Acquisition and pay related fees and expenses. As at March 31, 2023, nothing has been drawn.

On April 21, 2023, the Company reduced the 3-year tranche to \$300 million and the 5-year tranche to \$400 million.

10. CAPITAL STOCK

[a] During the first quarter of 2023, the Company repurchased 0.1 million shares under a normal course issuer bid for cash consideration of \$9 million.

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at May 4, 2023 were exercised or converted:

Common Shares	286,121,944
Stock options ⁽ⁱ⁾	6,320,552
	292,442,496

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

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	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)
Accumulated net unrealized gain on cash flow hedges ⁽ⁱ⁾		
Balance, beginning of period	5	24
Net unrealized gain	41	55
Reclassification of net loss to net income	(3)	(6)
Balance, March 31	43	73
Accumulated net unrealized loss on other long-term liabilities		
Balance, beginning of period	(101)	(189)
Net unrealized (loss) gain	(5)	1
Reclassification of net loss to net income	1	1
Balance, March 31	(105)	(187)
Total accumulated other comprehensive loss	\$ (1,036)	\$ (942)

(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)

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

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

12. FINANCIAL INSTRUMENTS

[a] Financial assets and liabilities

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

	March 31, 2023	December 31, 2022
Financial assets		
Cash and cash equivalents	\$ 2,429	\$ 1,234
Accounts receivable	7,959	6,791
Warrants and public and private equity investments	408	432
Long-term receivables included in other assets	284	262
	\$ 11,080	\$ 8,719
Financial liabilities		
Bank Indebtedness	\$ 4	\$ 8
Long-term debt (including portion due within one year)	5,168	3,501
Accounts payable	7,731	6,999
	\$ 12,903	\$ 10,508
Derivatives designated as effective hedges, measured at fair value		
Foreign currency contracts		
Prepaid expenses	\$ 108	\$ 65
Other assets	22	26
Other accrued liabilities	(35)	(43)
Other long-term liabilities	(27)	(31)
	\$ 68	\$ 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 of tooling related materials 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 March 31, 2023 were \$109 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 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.

MAGNA INTERNATIONAL INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

12. FINANCIAL INSTRUMENTS (CONTINUED)

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 \$70 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

At March 31, 2023, the net book value of the Company's Senior Notes was \$5.1 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 \$598 million. 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, 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 months ended March 31, 2023, sales to the Company's six largest customers represented 79% 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 March 31, 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.

MAGNA INTERNATIONAL INC.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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12. FINANCIAL INSTRUMENTS (CONTINUED)

[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 March 31, 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	26	0.78384	10,490	0.04358	72	0.85548	4,353	0.03724
(Sell)	(1,222)	1.28465	(8)	0.00071	(137)	1.13779	—	—

Forward contracts mature at various dates through 2026. 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.

13. CONTINGENCIES

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

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.

MAGNA INTERNATIONAL INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

14. SEGMENTED INFORMATION

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.

[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 March 31, 2023						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity (income) loss	Fixed asset additions
Body Exteriors & Structures	\$ 4,439	\$ 4,318	\$ 270	\$ 187	\$ —	\$ 271
Power & Vision	3,323	3,255	84	126	(34)	113
Seating Systems	1,486	1,479	36	23	(4)	20
Complete Vehicles	1,626	1,617	52	25	(1)	11
Corporate & Other [i]	(201)	4	(5)	4	6	9
Total Reportable Segments	\$ 10,673	\$ 10,673	\$ 437	\$ 365	\$ (33)	\$ 424

Three months ended March 31, 2022						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 4,077	\$ 4,014	\$ 229	\$ 183	\$ 1	\$ 118
Power & Vision	3,046	2,989	154	132	(16)	89
Seating Systems	1,376	1,370	49	22	(2)	18
Complete Vehicles	1,275	1,266	50	27	(1)	11
Corporate & Other [i]	(132)	3	25	5	(2)	2
Total Reportable Segments	\$ 9,642	\$ 9,642	\$ 507	\$ 369	\$ (20)	\$ 238

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

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

	Three months ended March 31,	
	2023	2022
Net income	\$ 217	\$ 379
Add:		
Interest expense, net	20	26
Other expense, net	142	61
Income taxes	58	41
Adjusted EBIT	\$ 437	\$ 507

MAGNA INTERNATIONAL INC.
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[Unaudited]

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

14. SEGMENTED INFORMATION (CONTINUED)

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

	March 31, 2023	December 31, 2022
Body Exteriors & Structures	\$ 451	\$ 448
Power & Vision	1,210	1,198
Seating Systems	261	260
Complete Vehicles	107	105
Corporate & Other	20	20
Total Reportable Segments	\$ 2,049	\$ 2,031

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

	March 31, 2023	December 31, 2022
Body Exteriors & Structures	\$ 7,643	\$ 7,168
Power & Vision	6,166	6,104
Seating Systems	1,385	1,377
Complete Vehicles	498	632
Corporate & Other	935	802
Total Reportable Segments	\$ 16,627	\$ 16,083

The following table reconciles Total Assets to Net Assets:

	March 31, 2023	December 31, 2022
Total Assets	\$ 30,654	\$ 27,789
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(2,429)	(1,234)
Deferred tax assets	(506)	(491)
Long-term receivables from joint venture partners	(13)	(14)
Deduct liabilities included in segment net assets:		
Accounts payable	(7,731)	(6,999)
Accrued salaries and wages	(822)	(850)
Other accrued liabilities	(2,526)	(2,118)
Segment Net Assets	\$ 16,627	\$ 16,083

15. SUBSEQUENT EVENTS

Reduction of term loan facility

Refer to *Note 9* in these financial statements.

Amendment to credit facility

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 dollar tranche.