



Magna International Inc.

Management's Discussion and Analysis of Results of Operations and Financial Position

December 31, 2017

MAGNA INTERNATIONAL INC.

Management's Discussion and Analysis of Results of Operations and Financial Position

Unless otherwise noted, all amounts in this Management's Discussion and Analysis of Results of Operations and Financial Position ("MD&A") are in U.S. dollars and all tabular amounts are in millions of U.S. dollars, except per share figures, which are in U.S. dollars. When we use the terms "we", "us", "our" or "Magna", we are referring to Magna International Inc. and its subsidiaries and jointly controlled entities, unless the context otherwise requires.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

This MD&A contains statements that are forward looking. Refer to the "Forward-Looking Statements" section in this MD&A for a more detailed discussion of our use of forward-looking statements.

This MD&A has been prepared as at March 6, 2018.

Non-GAAP Financial Measures

This MD&A includes the use of Gross margin, Gross margin as a percentage of sales, Adjusted EBIT, Adjusted EBIT as a percentage of sales, Adjusted diluted earnings per share, Return on Invested Capital and Return on Equity (collectively, the "Non-GAAP Measures"), calculated as follows:

- Gross margin is calculated by subtracting Cost of goods sold from Sales.
- Gross margin as a percentage of sales is calculated as Gross margin divided by Sales.
- Adjusted EBIT is calculated by taking net income and adding back income taxes, interest expense, net, and other expense, net, as presented on the Consolidated Statements of Income.
- Adjusted EBIT as a percentage of sales is calculated as Adjusted EBIT divided by Sales.
- Adjusted diluted earnings per share is calculated as net income attributable to Magna International Inc. and adding back other expense, net, the tax effect of other expense, net, and US tax reform divided by the diluted weighted average number of Common Shares outstanding during the period.
- Return on Invested Capital is calculated as After-tax operating profits divided by average Invested Capital for the period.
 - After-tax operating profits is calculated as Income from operations before income taxes and Interest expense, net less income taxes calculated by applying Magna's effective income tax rate for the period.
 - Invested Capital is calculated as the difference between (a) Total Assets excluding Cash and cash equivalents and Deferred tax assets and (b) Current Liabilities excluding Short-term borrowings and Long-term debt due within one year.
- Return on Equity is calculated as Net income attributable to Magna divided by average Shareholders' Equity for the period.

Non-GAAP Measures have no standardized meaning under U.S. GAAP and accordingly may not be comparable to the calculation of similar measures by other companies. We believe that Gross margin, Gross margin as a percentage of sales, Return on Invested Capital and Return on Equity are useful to both management and investors in their analysis of our results of operations and reflect our ability to generate returns. Similarly, we believe that Adjusted EBIT, Adjusted EBIT as a percentage of sales and Adjusted diluted earnings per share provide useful information to our investors for measuring our operational performance as they exclude certain items that are not reflective of ongoing operating profit or loss and facilitate a comparison of our performance with prior periods. The presentation of the Non-GAAP Measures should not be considered in isolation or as a substitute for the Company's related financial results prepared in accordance with U.S. GAAP.

HIGHLIGHTS

- We posted new records in total sales, income from continuing operations before income taxes, net income attributable to Magna, equity income and diluted earnings per share in 2017.
- Total sales increased 7% to \$38.95 billion in 2017, compared to \$36.45 billion in 2016. The 7% increase far surpassed the 2% growth in global light vehicle production in 2017.
 - North American production sales increased 1% to a record \$19.57 billion, compared to North American light vehicle production which declined 4%.
 - European production sales increased 11% to a record of \$10.12 billion, compared to a 4% increase in European light vehicle production.
 - Asian production sales increased 6% to a record \$2.36 billion, compared to Asian light vehicle production which rose 3%.
 - Complete vehicle assembly sales increased 34% to \$2.94 billion.
 - Tooling, engineering and other sales increased 10% to \$3.40 billion.
- Diluted earnings per share were a record \$5.90, an increase of 14% compared to 2016.
- Adjusted Diluted earnings per share were a record \$5.96, an increase of 14% compared to 2016.
- We also generated record cash from operating activities of \$3.33 billion in 2017, surpassing a record level from 2016.
- We made further investments for our future, including:
 - \$1.86 billion in fixed asset spending; and
 - \$651 million in investment and other asset spending.
- We returned \$1.67 billion to shareholders in 2017, through \$1.27 billion in share repurchases and \$400 million in dividends.

OVERVIEW

Our Business⁽¹⁾

We have more than 168,000 entrepreneurial-minded employees dedicated to delivering mobility solutions. We are a technology company and one of the world's largest automotive suppliers with 335 manufacturing operations and 96 product development, engineering and sales centres in 28 countries. Our competitive capabilities include body exteriors and structures, power and vision technologies, seating systems and complete vehicle solutions. Our common shares trade on the Toronto Stock Exchange (MG) and the New York Stock Exchange (MGA). For further information about Magna, visit www.magna.com.

INDUSTRY TRENDS AND RISKS

A number of general trends which have been impacting the automotive industry and our business in recent years are expected to continue, including the following:

- increased automobile manufacturer focus on reducing vehicle fuel consumption and carbon dioxide/greenhouse gas emissions, which is being driven in large part by governmental regulation;
- the growing importance of electronics in the automotive value chain;
- growing demand for vehicle safety features, as well as features relating to increased comfort and convenience, which are leading to accelerated development of autonomous systems;
- evolving concepts of mobility, including shared mobility, particularly in urban areas;
- the consolidation of vehicle platforms and proliferation of high-volume platforms supporting multiple vehicles and produced in multiple locations; and
- the long-term growth of the automotive industry in China, India and other markets outside of North America and Western Europe, including accelerated movement of component and vehicle design, development, engineering and manufacturing to certain of these markets;

The following are the more significant risks that could affect our ability to achieve our desired results:

Risks Related to the Automotive Industry

- **Economic Cyclicity:** The global automotive industry is cyclical, with the potential for regional differences in timing of expansion and contraction of economic cycles. A worsening of economic or political conditions in North America, Europe or Asia, may result in lower consumer confidence, which typically translates into lower vehicle sales and production levels. A significant decline in vehicle production volumes from current levels could have a material adverse effect on our profitability.
- **Intense Competition:** The automotive supply industry is highly competitive and becoming more so. Some of our competitors have higher or more rapidly growing market share than we do in certain product or geographic areas. Additionally, a number of established electronics and semiconductor companies have entered or expanded their presence in the automotive industry, while disruptive technology innovators have been introducing novel product and service solutions which traditional automotive suppliers may not be able to match. Failure to successfully compete with existing or new competitors, including failure to grow sales of our electronics products or services at or above the rate of growth of electronics content, could have an adverse effect on our operations and profitability.
- **Trade Agreements:** The global growth of the automotive industry has been aided by the free movement of goods, services, people and capital through bilateral and regional trade agreements, particularly in North America and Europe. Introduction of measures which impede free trade could have a material adverse effect on our operations and profitability.

¹ Manufacturing operations, product development, engineering and sales centres and employee figures include certain equity-accounted operations.

Customer and Supplier Related Risks

- **Customer Concentration:** Although we supply parts to all of the leading OEMs, a significant majority of our sales are to six customers: General Motors, Ford, Fiat Chrysler, Daimler, BMW and Volkswagen. In light of the amount of business we currently have with these six customers, our opportunities for incremental growth with them in North America and Europe may be limited. While we continue to diversify our business, there is no assurance we will be successful. Shifts in market share away from our top customers could have a material adverse effect on our profitability.
- **Market Shifts:** While we supply parts for a wide variety of vehicles produced globally, we do not supply parts for all vehicles produced, nor is the number or value of parts evenly distributed among the vehicles for which we do supply parts. Shifts in market shares away from vehicles on which we have significant content, as well as vehicle segments in which our sales may be more heavily concentrated, could have a material adverse effect on our profitability.
- **Customer Purchase Orders:** Contracts from our customers consist of blanket purchase orders which generally provide for the supply of a customer's annual requirements rather than a specific quantity of products, and can be terminated by a customer at any time. If a purchase order is terminated, we may have various pre-production, engineering and other costs which we may not recover from our customer and which could have an adverse effect on our profitability.

Manufacturing / Operational Risks

- **Product Launch:** The launch of production is a complex process, the success of which depends on a wide range of factors, including: the timing of design changes by our customers relative to start of production; production readiness of our and our suppliers' manufacturing facilities; robustness of manufacturing processes; quality and production readiness of tooling and equipment; employees; and initial product quality. Our failure to successfully launch material new or takeover business could have a material adverse effect on our profitability.
- **Operational Underperformance:** From time to time, we may have some operating divisions which are not performing at expected levels of profitability. The complexity of automotive manufacturing operations often makes it difficult to achieve a quick turnaround of underperforming divisions. Significant underperformance of one or more operating divisions could have a material adverse effect on our profitability and operations.
- **Restructuring Costs:** We may sell some product lines and/or downsize, close or sell some of our operating divisions. By taking such actions, we may incur restructuring, downsizing and/or other significant non-recurring costs. These costs may be higher in some countries than others and could have a material adverse effect on our profitability.
- **Impairments:** We have in the past recorded significant impairment charges related to goodwill and long-lived assets and may do so again in the future. The early termination, loss, renegotiation of the terms of, or delay in the implementation of, any significant production contract could be indicators of impairment, as may the technological obsolescence of any of our products or production assets. In addition, to the extent that forward-looking assumptions regarding: the impact of turnaround plans on underperforming operations; new business opportunities; program price and cost assumptions on current and future business; the timing and success of new program launches; and forecast production volumes; are not met, any resulting impairment loss could have a material adverse effect on our profitability.
- **Labour Disruptions:** Some of our manufacturing facilities are unionized, as are many manufacturing facilities of our customers and suppliers. While unionized facilities are subject to the risk of labour disruptions from time to time, we cannot predict whether or when any labour disruption may arise, or how long such a disruption could last. A significant labour disruption could lead to a lengthy shutdown of our or our customers' and/or our suppliers' production lines, which could have a material adverse effect on our operations and profitability.
- **Supply Disruptions:** Events attributable to us or our suppliers which prevent us from supplying products to our customers could result in a range of adverse consequences, including penalties or business interruption claims by our customers, loss of business and reputational damage. The inability to promptly resume the supply of products could have a material adverse effect on our operations and profitability.

IT Security

- **IT / Cybersecurity Breach:** Although we have established and continue to enhance security controls intended to protect our IT systems and infrastructure, there is no guarantee that such security measures will be effective in preventing unauthorized physical access or cyber-attacks. A significant breach of our IT systems could: cause disruptions in our manufacturing operations; lead to the loss, destruction or inappropriate use of sensitive data; or result in theft of our, our customers' or our suppliers' intellectual property or confidential information. The occurrence of any of the foregoing could adversely affect our operations and/or reputation, and could lead to claims against us that could have a material adverse effect on our profitability.

Pricing Risks

- **Quote / Pricing Assumptions:** The time between award of new production business and start of production typically ranges between two and four years. Since product pricing is determined at the time of award, we are subject to significant pricing risk due to changes in input costs and quote assumptions between the time of award and start of production. The inability to quote effectively, or a material change in input cost or other quote assumptions between program award and production, could have an adverse effect on our profitability.
- **Customer Pricing Pressure:** We face ongoing pricing pressure from OEMs, including through: long-term supply agreements with mutually agreed price reductions over the life of the agreement; incremental annual price concession demands; pressure to absorb costs related to product design, engineering and tooling; and refusal to fully offset inflationary price increases. OEMs possess significant leverage over their suppliers due to their purchasing power and the highly competitive nature of the automotive supply industry. As a result of the broad portfolio of parts we supply to our six largest OEM customers, such customers may be able to exert greater leverage over us as compared to our competitors. We attempt to offset price concessions and costs in a number of ways, including through negotiations with our customers, improved operating efficiencies and cost reduction efforts. Our inability to fully offset price concessions and/or absorb design, engineering and tooling costs, could have a material adverse effect on our profitability.
- **Commodity Price Volatility:** Prices for certain key raw materials and commodities used in our parts, including steel and resin, can be volatile. To the extent we are unable to offset commodity price increases by passing such increases to our customers, by engineering products with reduced commodity content, through hedging strategies, or otherwise, such additional commodity costs could have an adverse effect on our profitability.
- **Scrap Steel Price Volatility:** Some of our manufacturing facilities generate a significant amount of scrap steel in their manufacturing processes, but recover some of the value through the sale of such scrap steel. Scrap steel prices can also be volatile and don't necessarily move in the same direction as steel prices. Declines in scrap steel prices from time to time could have an adverse effect on our profitability.

Warranty / Recall Risks

- **Repair / Replacement Costs:** We are responsible for repair and replacement costs of defective products we supply to our customers. The obligation to repair or replace defective products could have an adverse effect on our operations and profitability.
- **Warranty Provisions:** Warranty provisions for our powertrain systems and complete vehicle programs are established on the basis of the terms in the applicable award agreements and our or our customers' warranty experience with the applicable type of product. Warranty provisions for our other products are based on our best estimate of the amounts necessary to settle existing or probable claims related to product defects. Actual warranty experience which results in costs that exceed our warranty provisions, could have an adverse effect on our profitability.
- **Recall Costs:** Our customers are required by law to recall vehicles where there is an unreasonable safety risk or non-compliance with legislative safety standards. In the event of a recall related to products we have supplied, we may be held responsible for a range of costs including the customer's administrative costs of the recall, dealerships' charges for removal of the defective product and reinstallation of the replacement product, as well as the cost of manufacturing and delivering such replacement product. A significant recall could have a material adverse effect on our profitability, operations and reputation.

Acquisition Risks

- **Heightened Risk Profile Due to Acquisitions:** Acquisitions are subject to a range of inherent risks, including through the assumption of incremental regulatory/compliance, pricing, supply chain, commodities, labour relations, litigation, environmental, pensions, warranty, recall, IT, tax or other risks. Although we seek to conduct appropriate levels of due diligence on our acquisition targets, these efforts may not always prove to be sufficient in identifying all risks and liabilities related to the acquisition, including as a result of: limited access to information; time constraints for conducting due diligence; inability to access target company facilities and/or personnel; or other limitations in the due diligence process. Additionally, we may identify risks and liabilities that we are not able to sufficiently mitigate through appropriate contractual or other protections. The realization of any such risks could have a material adverse effect on our profitability.
- **Acquisition Integration and Synergies:** We may not be able to successfully integrate or achieve anticipated synergies from those acquisitions which we do complete and/or such acquisitions may be dilutive in the short to medium term. Either of these outcomes could have a material adverse effect on our profitability.

Other Business Risks

- **Joint Ventures:** We conduct certain of our operations through joint ventures under contractual arrangements under which we share management responsibilities with one or more partners. Joint venture operations carry a range of risks, including those relating to: failure of our joint venture partner(s) to satisfy contractual obligations; potential conflicts between us and our joint venture partner(s); strategic objectives of joint venture partner(s) that may differ from our own; potential delays in decision-making; a more limited ability to control legal and regulatory compliance on the part of our joint venture partner(s); and other risks inherent to non-wholly-owned operations. The likelihood of such occurrences and their potential effect on us vary depending on the joint venture arrangement, however, the occurrence of any such risks could have an adverse effect on our operations and profitability.
- **Technology and Innovation:** While we continue to invest in technology and innovation which we believe will be critical to our long-term growth, the automotive industry is experiencing rapid technological change and significant disruption. Our ability to anticipate changes in technology and to successfully develop and introduce new and enhanced products and/or manufacturing processes on a timely basis will be a significant factor in our ability to remain competitive. If we are unsuccessful or are less successful than our competitors in consistently developing innovative products and/or processes, we may be placed at a competitive disadvantage, which could have a material adverse effect on our profitability and financial condition.
- **Changing Business Risk Profile:** The risk profile of our business is changing with the increasing importance to us of product areas such as powertrain and electronics. As our business evolves, we may face new or heightened risks, including: challenges in quoting for profitable returns on products with leading-edge technologies for which we may not have significant quoting experience; increased warranty and recall risks on new products and leading-edge technologies; increased product liability risks on safety-related products or systems; heightened risk of technological obsolescence of some of our products, processes and/or assets; and difficulties in attracting or retaining employees with critical skills in high-demand areas. Realization of one or more such risks could have a material adverse effect on our profitability, financial condition or operations.
- **Risks of Doing Business in Foreign Countries:** The establishment of manufacturing operations in new markets carries a number of risks, including those relating to: political, civil and economic instability and uncertainty; corruption risks; high inflation and our ability to recover inflation-related cost increases; trade, customs and tax risks; expropriation risks; currency exchange rates; currency controls; limitations on the repatriation of funds; insufficient infrastructure; competition to attract and retain qualified employees; and other risks associated with conducting business internationally. Expansion of our business in non-traditional markets is an important element of our long-term strategy and, as a result, our exposure to the risks described above may be greater in the future. The likelihood of such occurrences and their potential effect on us vary from country to country and are unpredictable, however, the occurrence of any such risks could have an adverse effect on our operations, financial condition and profitability.
- **Relative Foreign Exchange Rates:** Our profitability is affected by movements of our U.S. dollar reporting currency against the Canadian dollar, the euro, the British pound and other currencies in which we generate revenues and incur expenses. Significant long-term fluctuations in relative currency values, in particular a significant change in the relative values of the U.S. dollar, Canadian dollar or euro, could have an adverse effect on our profitability and financial condition and any sustained change in such relative currency values could adversely impact our competitiveness in certain geographic regions.
- **Tax Risks:** At any given time, we may face tax exposures arising out of changes in tax or transfer pricing laws, tax reassessments or otherwise. To the extent we cannot implement measures to offset these exposures, they may have an adverse effect on our profitability. We have incurred losses in some countries which we may not be able to fully or partially offset against income we have earned in those countries. In some cases, we may not be able to utilize these losses at all if we cannot generate profits in those countries and/or if we have ceased conducting business in those countries altogether. Our inability to utilize tax losses could adversely affect our profitability.
- **Credit Ratings Changes:** There is no assurance that any credit rating currently assigned to us will remain in effect for any period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future. A downgrade in the credit ratings assigned to us by one or more agencies could increase our cost of borrowing or impact our ability to negotiate loans made to us, which could have an adverse effect on our profitability and financial condition.
- **Stock Price Fluctuation:** Trading prices of our Common Shares cannot be predicted and may fluctuate significantly due to a variety of factors, many of which are outside our control.

Legal, Regulatory and Other Risks

- **Antitrust Proceedings:** The automotive industry has in recent years been the subject of increased government enforcement of antitrust and competition laws. Where wrongful conduct is found, the relevant antitrust authority can, depending on the jurisdiction, initiate administrative or criminal legal proceedings and impose administrative or criminal fines, penalties or restitution payments. OEMs, car dealers and consumers may also be able to claim against antitrust violators through civil lawsuits. The Company's policy is to comply with all applicable laws, including antitrust and competition laws, and has implemented a robust compliance training program to mitigate against the risk of an antitrust violation. However, in the event of an antitrust violation, Magna could suffer reputational damage and be subject to criminal or administrative fines or penalties, restitution settlements, or civil damages that could have a material adverse effect on Magna's profitability.
- **Legal and Regulatory Proceedings:** From time to time, we 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. Depending on the nature or duration of any potential proceedings or claims, we may incur substantial costs and expenses and may be required to devote significant management time and resources to the matters. On an ongoing basis, we attempt to assess the likelihood of any adverse judgments or outcomes to these proceedings or claims, although it is difficult to predict final outcomes with any degree of certainty. Except as disclosed from time to time in our consolidated financial statements and/or our MD&A, we do not believe that any of the proceedings or claims to which we are party will have a material adverse effect on our profitability; however, we cannot provide any assurance to this effect.
- **Changes in Laws:** A significant change in the current regulatory environment in our principal markets, including changes in tax and other laws which impose additional costs on automotive manufacturers or consumers, could have an adverse effect on our profitability.

RESULTS OF OPERATIONS

Average Foreign Exchange

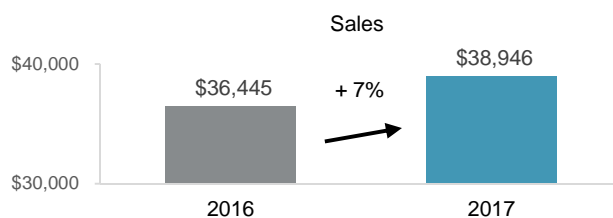
	For the year ended December 31,		
	2017	2016	Change
1 Canadian dollar equals U.S. dollars	0.771	0.755	+ 2%
1 euro equals U.S. dollars	1.130	1.107	+ 2%
1 Chinese renminbi equals U.S. dollars	0.148	0.151	- 2%
1 Brazilian real equals U.S. dollars	0.313	0.288	+ 9%

The preceding table reflects the average foreign exchange rates between the most common currencies in which we conduct business and our U.S. dollar reporting currency. The changes in these foreign exchange rates for the year ended December 31, 2017 impacted the reported U.S. dollar amounts of our sales, expenses and income.

The results of operations for which the functional currency is not the U.S. dollar are translated into U.S. dollars using the average exchange rates in the table above for the relevant period. Throughout this MD&A, reference is made to the impact of translation of foreign operations on reported U.S. dollar amounts where relevant.

RESULTS OF OPERATIONS – FOR THE YEAR ENDED December 31, 2017

Sales



	2017	2016	Change
Sales			
External Production			
North America	\$ 19,571	\$ 19,381	+ 1%
Europe	10,115	9,140	+ 11%
Asia	2,357	2,217	+ 6%
Rest of World	562	439	+ 28%
Complete Vehicle Assembly	2,944	2,190	+ 34%
Tooling, Engineering and Other	3,397	3,078	+ 10%
Total Sales	\$ 38,946	\$ 36,445	+ 7%

External Production Sales and Complete Vehicle Assembly Sales

The changes in external production sales and complete vehicle assembly sales are discussed in the "Segment Analysis" section of this MD&A.

Tooling, Engineering and Other Sales

Tooling, engineering and other sales increased 10% or \$319 million to \$3.40 billion for 2017 compared to \$3.08 billion for 2016.

In 2017, the major programs for which we recorded tooling, engineering and other sales were the:

- Chevrolet Silverado and GMC Sierra;
- Jaguar E-Pace and I-Pace;
- Chevrolet Equinox and GMC Terrain;
- BMW X3;
- GMC Acadia, Buick Enclave and Chevrolet Traverse;
- Audi A8;
- BMW 5-Series;
- Porsche Panamera and Macan; and
- Mercedes-Benz GLE.

In 2016, the major programs for which we recorded tooling, engineering and other sales were the:

- Chrysler Pacifica;
- Chevrolet Cruze;
- Chevrolet Equinox and GMC Terrain;
- GMC Acadia, Buick Enclave and Chevrolet Traverse;
- BMW 5-Series;
- Mercedes-Benz E-Class;
- Chevrolet Malibu;
- Chevrolet Silverado and GMC Sierra; and
- Jeep Renegade.

The strengthening of the euro and Canadian dollar each against the U.S. dollar had a net favourable impact of \$54 million on our reported tooling, engineering and other sales.

Cost of Goods Sold and Gross Margin

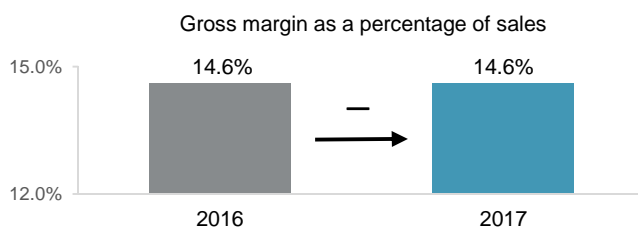
	2017	2016	Change
Sales	\$ 38,946	\$ 36,445	\$ 2,501
Cost of goods sold			
Material	24,349	22,740	1,609
Direct labour	2,743	2,543	200
Overhead	6,166	5,840	326
	33,258	31,123	2,135
Gross margin	\$ 5,688	\$ 5,322	\$ 366
Gross margin as a percentage of sales	14.6%	14.6%	—

Cost of goods sold increased \$2.14 billion to \$33.26 billion for 2017 compared to \$31.12 billion for 2016 primarily as a result of higher material, overhead and direct labour costs associated with the increase in sales. In addition, the following factors also increased cost of goods sold:

- a \$342 million net increase in reported U.S. dollar cost of goods sold primarily due to the strengthening of the euro and Canadian dollar each against the U.S. dollar;
- acquisitions subsequent to 2016 which increased cost of goods sold by \$119 million;
- higher commodity costs; and
- higher pre-operating costs incurred at new facilities.

These factors were partially offset by:

- higher scrap steel recoveries; and
- lower warranty costs of \$50 million.



Gross margin increased \$366 million to \$5.69 billion for 2017 compared to \$5.32 billion for 2016 while gross margin as a percentage of sales was 14.6% for both 2017 and 2016. The primary factors impacting gross margin as a percentage of sales were:

- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements;
- higher scrap steel recoveries;
- lower warranty costs; and
- net favourable impact of customer price increases in our Rest of World segment.

These factors were partially offset by:

- reduced margins on our complete vehicle assembly sales primarily due to:
 - lower margins earned on programs during 2017 compared to programs during 2016; and
 - launch costs incurred during 2017 relating to the Jaguar E-Pace partially offset by launch costs incurred during 2016 relating to the BMW 5-Series;
- a decrease in the proportion of production sales generated in North America which have a higher margin than our consolidated average relative to total production sales and an increase in the proportion of production sales generated in Europe which have a lower margin than our consolidated average relative to total production sales;
- higher commodity costs;
- higher pre-operating costs incurred at new facilities; and
- operational inefficiencies and launch costs incurred at a body and chassis facility in Europe.

Depreciation and Amortization

Depreciation and amortization costs increased \$117 million to \$1.17 billion for 2017 compared to \$1.06 billion for 2016. The higher depreciation and amortization was primarily a result of increased capital deployed at existing facilities related to the launch of new programs during or subsequent to 2016 and a \$16 million net increase in reported U.S. dollar depreciation and amortization mainly due to the strengthening of the euro, Canadian dollar and Russian Ruble each against the U.S. dollar.

Selling, General and Administrative ("SG&A")

SG&A expense as a percentage of sales was 4.3% for 2017 compared to 4.4% for 2016. SG&A expense increased \$67 million to \$1.67 billion for 2017 compared to \$1.60 billion for 2016 primarily as a result of:

- a general increase in SG&A expense to support the growth in sales;
- a \$19 million net increase in the reported U.S. dollar SG&A expense due to the strengthening of the euro and Canadian dollar each against the U.S. dollar;
- an insurance recovery in 2016, net of costs incurred, related to a fire at a body and chassis facility in Europe;
- a favourable intellectual property infringement settlement in relation to our electronics business in 2016;
- increased costs incurred at new facilities; and
- higher labour and benefit costs.

These factors were partially offset by:

- lower costs to support our global compliance programs as a result of the substantial completion of our global review focused on antitrust risk; and
- lower foreign exchange losses partially offset by lower foreign exchange gains.

Interest Expense, net

During 2017, we recorded net interest expense of \$70 million compared to \$88 million for 2016. The \$18 million decrease is primarily as a result of decreased interest expense due to lower average debt balances in Asia and Rest of World and increased interest income earned on higher average cash balances.

Equity Income

Equity income increased \$28 million to \$261 million for 2017 compared to \$233 million for 2016, primarily due to earnings on higher sales at a certain facility in China.

This factor was partially offset by:

- higher launch and related costs incurred at certain facilities in Europe; and
- a reduction in tax benefit due to our inability to benefit losses incurred at a certain facility in Europe.

Other Expense, net

During the years ended December 31, 2017 and 2016, we recorded other expense, net items as follows:

	2017			2016		
	Operating Income	Net Income Attributable to Magna	Diluted Earnings per Share	Operating Income	Net Income Attributable to Magna	Diluted Earnings per Share
Restructuring ⁽¹⁾	\$ 29	\$ 25	\$ 0.06	\$ 17	\$ 17	\$ 0.05
Impairment of long-lived assets ⁽²⁾	64	64	0.17	—	—	—
Impairment of investment ⁽³⁾	17	17	0.05	—	—	—
Gain on formation of a new venture ⁽⁴⁾	(45)	(34)	(0.09)	—	—	—
Gain on sale of investment ⁽⁵⁾	(26)	(26)	(0.07)	—	—	—
Pension settlement ⁽⁶⁾	—	—	—	13	9	0.02
Full year other expense, net	\$ 39	\$ 46	\$ 0.12	\$ 30	\$ 26	\$ 0.07

(1) Restructuring

During 2017, we recorded net restructuring charges of \$14 million (\$14 million after tax) related to our powertrain systems operations in Germany and \$15 million (\$11 million after tax) in North America for one of our body and chassis systems operations.

During 2016, we recorded net restructuring charges of \$17 million (\$17 million after tax) in Germany at a powertrain systems facility.

(2) Impairment of long-lived investments

We recorded fixed asset impairment charges during 2017 of \$64 million (\$64 million after tax) in Europe related to two body and chassis systems facilities.

(3) Impairment of investment

During 2017, we recorded an impairment charge of \$17 million (\$17 million after tax) on one of our European investments, which was accounted for under the equity method.

(4) Gain on formation of a new venture

We formed a new venture in China with Hubei Aviation Precision Machinery Co., Ltd during 2017. The transaction resulted in a gain of \$45 million (\$34 million after tax). Refer to Note 8. Investments in Affiliated Companies of our audited consolidated financial statements.

(5) Gain on sale of investment

Our investment in Argus Cyber Security Ltd. was sold during 2017 for proceeds of \$33 million. A gain of \$26 million (\$26 million after tax) was recognized on the sale of the investment, which was accounted for under the cost method.

(6) Pension settlement

We offered a limited lump-sum payout to certain terminated vested plan participants of our U.S. defined benefit pension plans during 2016. As a result of the partial settlement, we recognized a \$13 million (\$9 million after tax) non-cash settlement charge.

Income from Operations before Income Taxes

Income from operations before income taxes increased \$219 million to \$3.0 billion for 2017 compared to \$2.78 billion for 2016. The increase in income from operations before income taxes is primarily the result of:

- earnings on higher production sales;
- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements;
- higher scrap steel recoveries;
- lower warranty costs of \$50 million;
- net customer price increases in our Rest of World segment; and
- a \$28 million increase in equity income, as discussed above.

These factors were partially offset by:

- reduced earnings on our complete vehicle assembly sales primarily due to:
 - lower margins earned on programs during 2017 compared to programs during 2016; and
 - launch costs incurred during 2017 relating to the Jaguar E-Pace partially offset by launch costs incurred during 2016 relating to the BMW 5-Series;
- a \$117 million increase in depreciation and amortization, as discussed above;
- a decrease in the proportion of production sales generated in North America which have a higher margin than our consolidated average relative to total production sales and an increase in the proportion of production sales generated in Europe which have a lower margin than our consolidated average relative to total production sales;
- a \$67 million increase in SG&A, as discussed above;
- higher commodity costs;
- higher pre-operating costs incurred at new facilities;
- operational inefficiencies and launch costs incurred at a body and chassis facility in Europe; and
- net customer price concessions subsequent to 2016.

Income Taxes

	2017		2016	
	\$	%	\$	%
Income taxes as reported	\$ 744	24.8	\$ 706	25.4
Tax effect on Other Expense, net	(7)	(0.6)	4	(0.1)
US Tax Reform	23	0.8	—	—
	\$ 760	25.0	\$ 710	25.3

On December 22, 2017, the United States enacted the Tax Cuts and Jobs Act (the "US Tax Reform"), which reduces the U.S. federal corporate tax rate from 35% to 21% beginning in 2018, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. At December 31, 2017, we have not completed our accounting for the tax effects of the US Tax Reform; however, we have made a reasonable estimate of its effects on our existing deferred tax balances and the one-time transition tax, recognizing a provisional \$23 million net reduction in income tax expense.

Excluding Other Expense, net, after tax, and the effects of US Tax Reform, the effective income tax rate decreased to 25.0% for 2017 compared to 25.3% for 2016 primarily as a result of:

- a decrease in non-deductible foreign exchange losses related to the re-measurement of financial statement balances of foreign subsidiaries that are maintained in a currency other than their functional currency; and
- a change in our reserves for uncertain tax positions.

These factors were partially offset by:

- a higher accrued tax on undistributed foreign earnings; and
- valuation allowance releases in Europe, Asia and North America that were recorded in 2016.

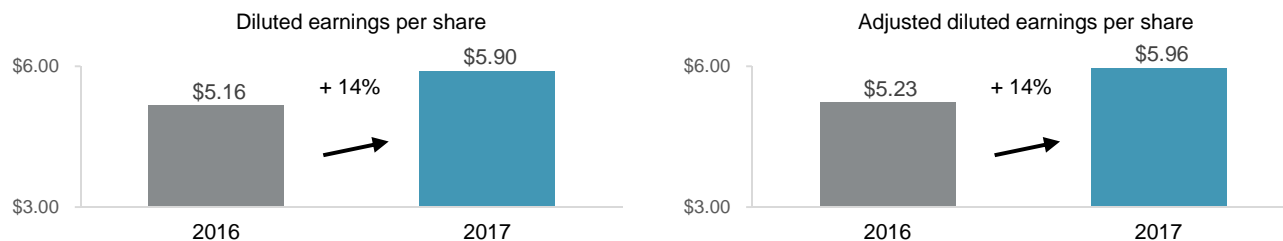
Income Attributable to Non-Controlling Interests

Income attributable to non-controlling interests increased \$6 million to \$49 million for 2017 compared to \$43 million for 2016 primarily due to increased profits at a powertrain operation in China, partially offset by decreased profits at a body and chassis operation in China, each in which we have a non-controlling interest.

Net Income Attributable to Magna International Inc.

Net income attributable to Magna International Inc. increased \$175 million to \$2.21 billion for 2017 compared to \$2.03 billion in 2016, as a result of an increase in income from operations before income taxes of \$219 million and partially offset by higher income taxes of \$38 million and an increase in income attributable to non-controlling interests of \$6 million, each as discussed above.

Earnings per Share



	2017	2016	Change
Earnings per Common Share			
Basic	\$ 5.93	\$ 5.19	+ 14%
Diluted	\$ 5.90	\$ 5.16	+ 14%
Weighted average number of Common Shares outstanding (millions)			
Basic	371.8	391.0	- 5%
Diluted	373.9	393.2	- 5%
Adjusted diluted earnings per share	\$ 5.96	\$ 5.23	+ 14%

Diluted earnings per share increased \$0.74 to \$5.90 for 2017 compared to \$5.16 for 2016 as a result of the increase in net income attributable to Magna International Inc. as discussed above and a decrease in the weighted average number of diluted shares outstanding during 2017. The decrease in the weighted average number of diluted shares outstanding was primarily due to the purchase and cancellation of Common Shares, during or subsequent to 2016, pursuant to our normal course issuer bids.

Other Expense, net, after tax, and U.S. Tax Reform negatively impacted diluted earnings per share by \$0.06 in 2017 and negatively impacted diluted earnings per share by \$0.07 in 2016, as discussed in the "Other Expense, net" and "Income Taxes" sections.

Adjusted diluted earnings per share, as reconciled in the "Non-GAAP Performance Measures" section, increased \$0.73 to \$5.96 for 2017 compared to \$5.23 for 2016.

SEGMENT ANALYSIS

Given the differences between the regions in which we operate, our operations are segmented on a geographic basis. Consistent with the above, our internal financial reporting separately segments key internal operating performance measures between North America, Europe, Asia and Rest of World for purposes of presentation to the chief operating decision maker to assist in the assessment of operating performance, the allocation of resources, and our long-term strategic direction and future global growth.

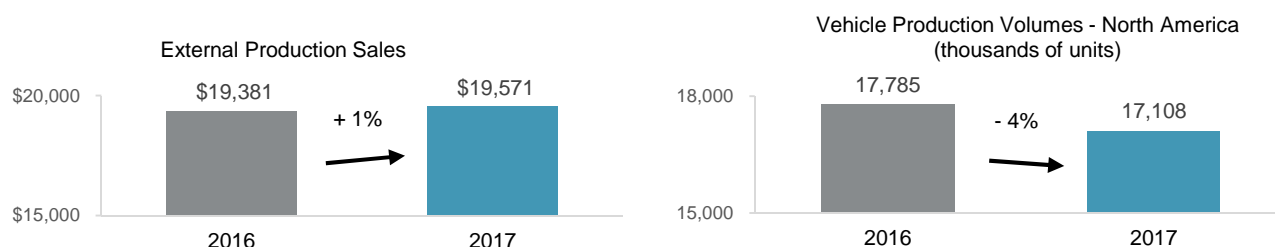
Our chief operating decision maker uses Adjusted EBIT as the measure of segment profit or loss, since we believe Adjusted EBIT is the most appropriate measure of operational profitability or loss for our reporting segments. Adjusted EBIT has been reconciled in the "Non-GAAP Performance Measures" section included in this MD&A.

	Total Sales			Adjusted EBIT		
	2017	2016	Change	2017	2016	Change
North America	\$ 20,905	\$ 20,744	\$ 161	\$ 2,064	\$ 2,061	\$ 3
Europe	15,177	13,080	2,097	596	543	53
Asia	2,791	2,674	117	366	266	100
Rest of World	584	465	119	12	(17)	29
Corporate and Other	(511)	(518)	7	70	45	25
Total reportable segments	\$ 38,946	\$ 36,445	\$ 2,501	\$ 3,108	\$ 2,898	\$ 210

North America

	2017	2016	Change	
Vehicle Production Volumes (thousands of units)	17,108	17,785	(677)	- 4%
Sales				
External Production	\$ 19,571	\$ 19,381	\$ 190	+ 1%
Tooling, Engineering and Other	1,334	1,363	(29)	- 2%
Total Sales	20,905	20,744	161	+ 1%
Adjusted EBIT	\$ 2,064	\$ 2,061	\$ 3	—
Adjusted EBIT as a percentage of sales	9.9%	9.9%		—

External Production Sales – North America



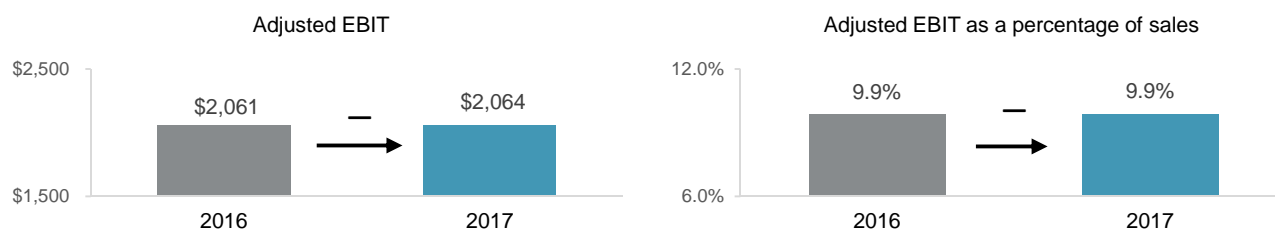
External production sales in North America increased 1% or \$190 million to \$19.57 billion for 2017 compared to \$19.38 billion for 2016, primarily as a result of:

- the launch of new programs during or subsequent to 2016, including the:
 - Chevrolet Equinox and GMC Terrain;
 - Jeep Compass;
 - Volkswagen Atlas;
 - Ford F-Series SuperDuty; and
 - Chevrolet Bolt; and
- a \$102 million increase in reported U.S. dollar sales as a result of the strengthening of the Canadian dollar against the U.S. dollar.

These factors were partially offset by:

- lower production volumes on certain existing programs;
- the end of production of certain programs including the Chrysler 200 and Mercedes-Benz R-Class; and
- customer price concessions subsequent to 2016.

Adjusted EBIT – North America



Adjusted EBIT in North America was relatively unchanged at \$2.06 billion for 2017 compared to \$2.06 billion for 2016. The primary factors that had a favourable impact on Adjusted EBIT were:

- higher scrap steel recoveries;
- lower warranty costs of \$23 million;
- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements;
- lower foreign exchange losses; and
- a \$9 million increase in reported U.S. dollar Adjusted EBIT primarily due to the strengthening of the Canadian dollar against the U.S. dollar.

These factors were offset by:

- an increase in depreciation and amortization as a result of increased capital deployed at existing facilities primarily related to the launch of new programs during or subsequent to 2016;
- higher pre-operating costs incurred at new facilities;
- a favourable intellectual property infringement settlement in relation to our electronics business in 2016;
- lower equity income of \$12 million;
- higher commodity costs; and
- net customer price concessions subsequent to 2016.

Adjusted EBIT as a percentage of sales in North America of 9.9% for 2017 was unchanged compared to 9.9% for 2016. The primary factors having a favourable impact on Adjusted EBIT as a percentage of sales in North America were:

- higher scrap steel recoveries;
- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements;
- lower warranty costs; and
- lower foreign exchange losses.

These factors were partially offset by:

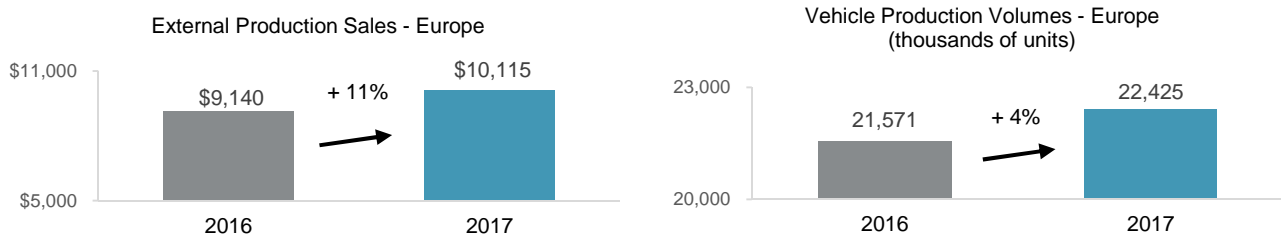
- an increase in depreciation and amortization as a result of increased capital deployed at existing facilities primarily related to the launch of new programs during or subsequent to 2016;
- higher pre-operating costs incurred at new facilities;
- a favourable intellectual property infringement settlement in relation to our electronics business in 2016;
- lower equity income;
- higher commodity costs; and
- net customer price concessions subsequent to 2016.

Europe

	2017	2016	Change	
Volumes (thousands of units)⁽ⁱ⁾				
Vehicle Production	22,425.0	21,571.0	854.0	+ 4%
Magna Complete Vehicle Assembly	77.9	75.0	2.9	+ 4%
Sales				
External Production	\$ 10,115	\$ 9,140	\$ 975	+ 11%
Complete Vehicle Assembly	2,944	2,190	754	+ 34%
Tooling, Engineering and Other	2,118	1,750	368	+ 21%
Total Sales	15,177	13,080	2,097	+ 16%
Adjusted EBIT	\$ 596	\$ 543	\$ 53	+ 10%
Adjusted EBIT as a percentage of sales	3.9%	4.2%		- 0.3%

(i) Vehicles produced at our Complete Vehicle Assembly operations are included in Vehicle Production volumes.

External Production Sales – Europe



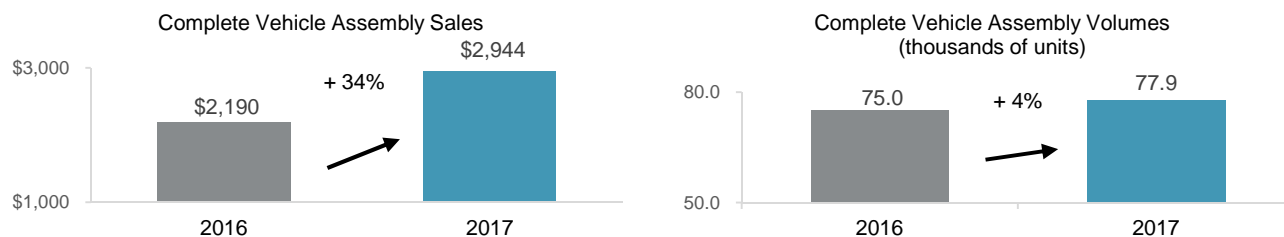
External production sales in Europe increased 11% or \$975 million to \$10.12 billion for 2017 compared to \$9.14 billion for 2016, primarily as a result of:

- the launch of new programs during or subsequent to 2016, including the;
 - BMW 5-Series;
 - Audi Q2;
 - Mercedes-Benz GLC and GLC Coupe;
 - Mercedes-Benz E-Class Coupe and E-Class Cabriolet; and
 - Alfa Romeo Stelvio; and
- a \$141 million increase in reported U.S. dollar sales as a result of the strengthening of foreign currencies against the U.S. dollar, including the euro and Russian ruble partially offset by the weakening of the Turkish lira and British pound each against the U.S. dollar; and
- acquisitions during or subsequent to 2016, which positively impacted production sales by \$111 million.

These factors were partially offset by:

- lower production volumes on certain existing programs;
- lower production sales on the MINI Countryman and Paceman as a result of substantially lower production content on the current generation of these programs; and
- customer price concessions subsequent to 2016.

Complete Vehicle Assembly Sales - Europe

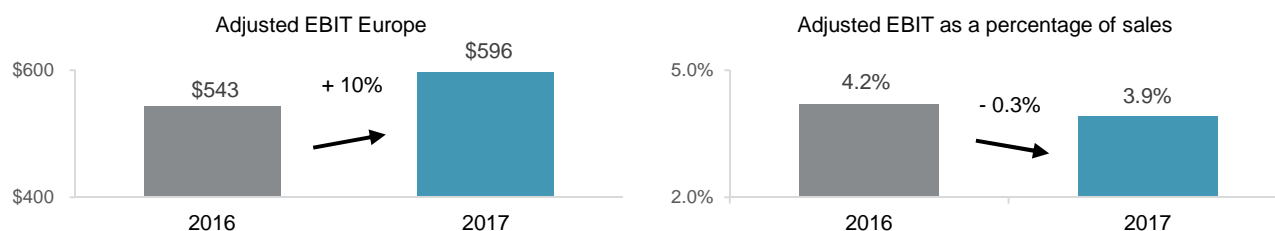


Complete vehicle assembly sales increased 34% or \$754 million to \$2.94 billion for 2017 compared to \$2.19 billion for 2016 and assembly volumes increased 4% or 2.9 thousand units.

The increase in complete vehicle assembly sales is primarily due to:

- the launch of the BMW 5-Series which started production during the first quarter of 2017 and which has a relatively higher average unit price compared to the MINI Countryman and Paceman, which ended production during the fourth quarter of 2016;
- the launch of the Jaguar E-Pace program which started production during the third quarter of 2017; and
- an \$88 million increase in reported U.S. dollar sales as a result of the strengthening of the euro against the U.S. dollar.

Adjusted EBIT – Europe



Adjusted EBIT in Europe increased \$53 million to \$596 million for 2017 compared to \$543 million for 2016 primarily as a result of:

- earnings on higher production sales;
- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements; and
- lower warranty costs of \$22 million.

These factors were partially offset by:

- reduced earnings on our complete vehicle assembly sales primarily due to:
 - lower margins earned on programs during 2017 compared to programs during 2016; and
 - launch costs incurred during 2017 relating to the Jaguar E-Pace partially offset by launch costs incurred during 2016 relating to the BMW 5-Series;
- operational inefficiencies and launch costs incurred at a body and chassis facility in Europe;
- lower equity income of \$35 million as a result of higher launch and related costs and a reduction in tax benefit due to our inability to benefit losses incurred at a certain facility in Europe;
- higher commodity costs;
- higher pre-operating costs incurred at new facilities;
- an insurance recovery in 2016, net of costs incurred, related to a fire at a body and chassis facility in Europe;
- higher affiliation fees paid to corporate; and
- net customer price concessions subsequent to 2016.

Adjusted EBIT as a percentage of sales in Europe decreased 0.3% to 3.9% for 2017 compared to 4.2% for 2016 primarily as a result of:

- reduced earnings on our complete vehicle assembly sales primarily due to:
 - lower margins earned on programs during 2017 compared to programs during 2016; and
 - launch costs incurred during 2017 relating to the Jaguar E-Pace partially offset by launch costs incurred during 2016 relating to the BMW 5-Series;
- lower equity income as a result of higher launch and related costs and a reduction in tax benefit due to our inability to benefit losses incurred at a certain facility in Europe;
- higher commodity costs;
- higher pre-operating costs incurred at new facilities;
- operational inefficiencies and launch costs incurred at a body and chassis facility in Europe;
- an insurance recovery in 2016, net of costs incurred, related to a fire at a body and chassis facility in Europe; and
- higher affiliation fees paid to corporate.

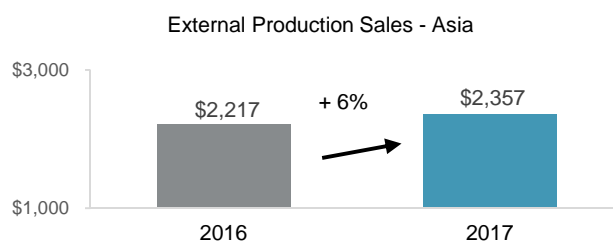
These factors were partially offset by:

- higher production sales at margins higher than our European average;
- lower warranty costs; and
- generally higher margins as a percentage of sales at certain manufacturing facilities including through net productivity and efficiency improvements.

Asia

	2017	2016	Change	
Sales				
External Production	\$ 2,357	\$ 2,217	\$ 140	+ 6%
Tooling, Engineering and Other	434	457	(23)	- 5%
Total Sales	2,791	2,674	117	+ 4%
Adjusted EBIT	\$ 366	\$ 266	\$ 100	+ 38%
Adjusted EBIT as a percentage of sales	13.1%	9.9%		+ 3.2%

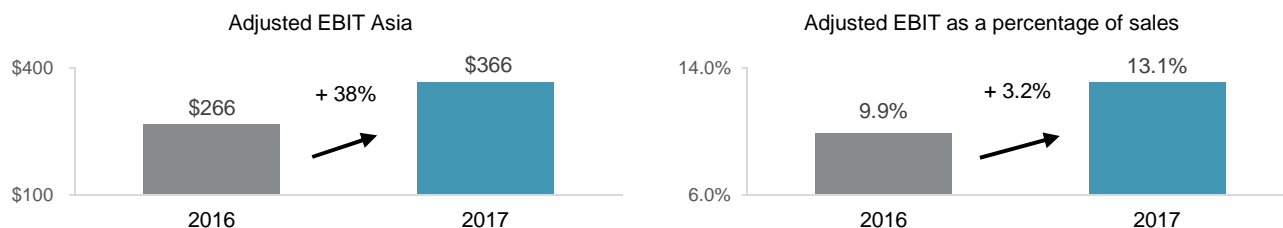
External Production Sales – Asia



External production sales in Asia increased 6% or \$140 million to \$2.36 billion for 2017 compared to \$2.22 billion for 2016, primarily as a result of the launch of new programs during or subsequent to 2016 in China.

This increase was partially offset by lower production volumes on certain existing programs and a \$21 million decrease in reported U.S. dollar sales primarily as a result of the weakening the Chinese renminbi against the U.S. dollar.

Adjusted EBIT – Asia



Adjusted EBIT in Asia increased \$100 million to \$366 million for 2017 compared to \$266 million for 2016 primarily as a result of:

- higher equity income of \$81 million primarily related to higher net income at a certain equity investment as a result of an increase in sales;
- earnings on higher production sales; and
- generally higher margins at certain manufacturing facilities.

Adjusted EBIT as a percentage of sales in Asia increased 3.2% to 13.1% for 2017 compared to 9.9% for 2016 primarily as a result of higher equity income and generally higher margins as a percentage of sales at certain manufacturing facilities.

Rest of World

	2017	2016	Change	
Sales				
External Production	\$ 562	\$ 439	\$ 123	+ 28%
Tooling, Engineering and Other	22	26	(4)	- 15%
Total Sales	584	465	119	+ 26%
Adjusted EBIT	\$ 12	\$ (17)	\$ 29	—

External Production Sales – Rest of World

External production sales in Rest of World increased 28% or \$123 million to \$562 million for 2017 compared to \$439 million for 2016, primarily as a result of:

- net customer price increases subsequent to 2016;
- higher production volumes on certain existing programs;
- the launch of new programs during or subsequent to 2016; and
- a \$21 million increase in reported U.S. dollar sales primarily as a result of the strengthening of the Brazilian real against the U.S. dollar partially offset by the weakening of the Argentine peso against the U.S. dollar.

Adjusted EBIT – Rest of World

Adjusted EBIT in Rest of World increased \$29 million to \$12 million for 2017 compared to a loss of \$17 million for 2016, primarily as a result of net customer price increases subsequent to 2016 and earnings on higher sales.

Corporate and Other

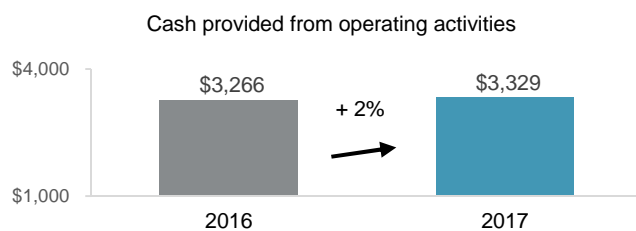
Adjusted EBIT in Corporate and Other increased \$25 million to \$70 million for 2017 compared to \$45 million for 2016, primarily as a result of:

- lower costs to support our global compliance programs;
- an increase in affiliation fees earned from our divisions; and
- lower net foreign exchange losses.

These factors were partially offset by higher incentive compensation.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations



	2017	2016	Change
Net income	\$ 2,255	\$ 2,074	
Items not involving current cash flows	1,306	1,231	
	3,561	3,305	\$ 256
Changes in operating assets and liabilities	(232)	(39)	(193)
Cash provided from operating activities	\$ 3,329	\$ 3,266	\$ 63

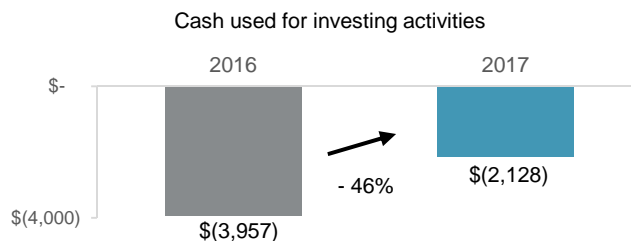
Cash provided from operating activities increased \$63 million for 2017 compared to 2016 primarily as a result of:

- a \$2.69 billion increase in cash received from customers;
- higher dividends received from equity investments of \$31 million; and
- lower net interest expense of \$19 million as discussed in the Interest Expense, net section above.

These factors were partially offset by:

- a \$1.83 billion increase in cash paid for material and overhead;
- a \$742 million increase in cash paid for labour; and
- a \$102 million increase in cash paid for taxes.

Capital and Investing Spending



	2017	2016	Change
Fixed asset additions	\$ (1,858)	\$ (1,807)	
Investments, other assets and intangible assets	(651)	(478)	
Fixed assets, investments, other assets and intangible assets additions	(2,509)	(2,285)	
Purchase of subsidiaries	—	(1,810)	
Proceeds from disposition	332	138	
Proceeds on disposal of facilities	49	—	
Cash used for investing activities	\$ (2,128)	\$ (3,957)	\$ 1,829

Fixed assets, investments, other assets and intangible assets additions

In 2017, we invested \$1.86 billion in fixed assets. While investments were made to refurbish or replace assets consumed in the normal course of business and for productivity improvements, a large portion of the investment in 2017 was for manufacturing equipment and buildings for programs that will be launching subsequent to 2017.

We invested \$482 million in other assets related primarily to fully reimbursable tooling, planning, and engineering costs for programs that launched during 2017 or will be launching subsequent to 2017, and we invested a further \$169 million in equity-accounted investments.

Proceeds from disposition

In 2017, we received \$332 million of proceeds including:

- \$115 million primarily relating to normal course fixed and other asset disposals;
- \$61 million relating to the cash received on maturity of our investment in Canadian third party asset-backed commercial paper ["ABCP"];
- \$52 million relating to the sale of certain leasehold improvements to a lessor in connection with the extension and renewal of certain leases;
- \$41 million relating to a repayment of an intercompany loan by a non-consolidated subsidiary;
- \$34 million relating to cash received on the sale of an equity accounted investment, which was sold at an amount approximating its carrying amount; and
- \$29 million relating to the cash received on the sale of our investment in Argus Cyber Security Ltd., as discussed in the "Other Expense, net" section.

Proceeds on disposal of facilities

In 2017, we received \$49 million of proceeds on disposal of facilities related to the contribution of a facility as part of the formation of a new venture in China with Hubei Aviation Precision Machinery Co., Ltd., as discussed in the "Other Expense, net" section.

Financing

	2017	2016	Change
Issues of debt	\$ 752	\$ 282	
(Decrease) increase in short-term borrowings	(530)	386	
Repayments of debt	(110)	(417)	
Issue of Common Shares on exercise of stock options	44	33	
Shares repurchased for tax withholdings on vesting of equity awards	(11)	(9)	
Repurchase of Common Shares	(1,271)	(904)	
Contributions to subsidiaries by non-controlling interests	10	—	
Dividends paid to non-controlling interests	(38)	(6)	
Dividends paid	(400)	(385)	
Cash used for financing activities	\$ (1,554)	\$ (1,020)	\$ (534)

The increase in issues of debt relates primarily to the issuance of €600 million of 1.500% fixed-rate Senior Notes [the "Senior Notes"] on September 25, 2017. The Senior Notes, which mature on September 25, 2027, have interest payable on September 25th of each year and are senior unsecured obligations that do not include any financial covenants. We may redeem the Senior Notes in whole or in part at any time, determined in accordance with the terms of the indenture governing the Senior Notes.

The decrease in short-term borrowings relates primarily to a \$219 million decrease in euro-commercial paper [the "euro-Program"], a \$225 million decrease in U.S. commercial paper [the "U.S. Program"] and a \$101 million decrease in our euro credit facility during 2017.

Repurchases of Common Shares during 2017 are related to 26.2 million Common Shares repurchased for aggregate cash consideration of \$1.27 billion.

Cash dividends paid per Common Share were \$1.10 for 2017, for a total of \$400 million compared to cash dividends paid per Common Share of \$1.00 for 2016, for a total of \$385 million.

Financing Resources

	As at December 31, 2017	As at December 31, 2016	Change
Liabilities			
Short-term borrowings	\$ 259	\$ 623	
Long-term debt due within one year	108	139	
Long-term debt	3,195	2,394	
	3,562	3,156	\$ 406
Non-controlling interests	504	451	53
Shareholders' equity	11,228	9,768	1,460
Total capitalization	\$ 15,294	\$ 13,375	\$ 1,919

Total capitalization increased by \$1.92 billion to \$15.29 billion as at December 31, 2017 compared to \$13.38 billion at December 31, 2016, primarily as a result of a \$1.46 billion increase in shareholders' equity, a \$406 million increase in liabilities and a \$53 million increase in non-controlling interests.

The increase in liabilities relates primarily to the issuance of the €600 million Senior Notes partially offset by a \$219 million decrease in the euro-Program and a \$225 million decrease in the U.S. Program during 2017. This issuance allowed us to reduce short-term borrowings and increase overall liquidity under these programs.

The increase in shareholders' equity was primarily as a result of:

- the \$2.26 billion of net income earned in 2017;
- a \$657 million net unrealized gain on translation of our net investment in foreign operations whose functional currency is not U.S. dollars; and
- a \$114 million net unrealized gain on cash flow hedges.

These factors were partially offset by the \$1.28 billion repurchase and cancellation of 26.4 million Common Shares during 2017 and \$400 million of dividends paid during 2017.

The increase in non-controlling interest was primarily as a result of the increase in income attributable to non-controlling interests in 2017.

Cash Resources

During 2017, our cash resources including restricted cash equivalents decreased by \$329 million to \$839 million as a result of the cash used for investing and financing activities, partially offset by cash provided from operating activities, as discussed above. In addition to our cash resources at December 31, 2017, we had term and operating lines of credit totalling \$2.93 billion, of which \$2.50 billion was unused and available.

The Company maintains a revolving credit facility of \$2.75 billion with a maturity date of June 22, 2022. The facility includes a \$200 million Asian tranche, a \$100 million Mexican tranche and a tranche for Canada, U.S. and Europe, which is fully transferable between jurisdictions and can be drawn in U.S. dollars, Canadian dollars or euros.

Maximum Number of Shares Issuable

The following table presents the maximum number of shares that would be outstanding if all of the outstanding options at March 6, 2018 were exercised:

Common Shares	358,395,997
Stock options ⁽ⁱ⁾	7,661,769
	<hr/>
	366,057,766

(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 our stock option plans.

Contractual Obligations and Off-Balance Sheet Financing

A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Consistent with our customer obligations, substantially all of our purchases are made under purchase orders with our suppliers which are requirements based and accordingly do not specify minimum quantities. Other long-term liabilities are defined as long-term liabilities that are recorded on our consolidated balance sheet. Based on this definition, the following table includes only those contracts which include fixed or minimum obligations.

At December 31, 2017, we had contractual obligations requiring annual payments as follows:

	2018	2019- 2020	2021- 2022	Thereafter	Total
Operating leases	\$ 316	\$ 511	\$ 401	\$ 769	\$ 1,997
Long-term debt	108	60	367	2,768	3,303
Unconditional purchase obligations:					
Materials and services	3,857	574	629	272	5,332
Capital	1,277	313	140	2	1,732
Total contractual obligations	\$ 5,558	\$ 1,458	\$ 1,537	\$ 3,811	\$ 12,364

Our unfunded obligations with respect to employee future benefit plans, which have been actuarially determined, were \$655 million at December 31, 2017. These obligations are as follows:

	Pension Liability	Retirement Liability	Termination and Long Service Arrangements	Total
Projected benefit obligation	\$ 687	\$ 33	\$ 378	\$ 1,098
Less plan assets	(443)	—	—	(443)
Unfunded amount	\$ 244	\$ 33	\$ 378	\$ 655

Our off-balance sheet financing arrangements are limited to operating lease contracts.

We have facilities that are subject to operating leases. Operating lease payments in 2017 for facilities were \$272 million. Operating lease commitments in 2018 for facilities are expected to be \$260 million. A majority of our existing lease agreements generally provide for periodic rent escalations based either on fixed-rate step increases, or on the basis of a consumer price index adjustment (subject to certain caps).

We also have operating lease commitments for equipment. These leases are generally of shorter duration. Operating lease payments for equipment were \$72 million for 2017 and are expected to be \$56 million in 2018.

Although our consolidated contractual annual lease commitments decline year by year, we expect that existing leases will either be renewed or replaced, or alternatively, we will incur capital expenditures to acquire equivalent capacity.

Foreign Currency Activities

Our North American operations negotiate sales contracts with OEMs for payment in both U.S. and Canadian dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. Our North American operations use labour and materials which are paid for in both U.S. and Canadian dollars. Our Mexican operations generally use the U.S. dollar as the functional currency.

Our European operations negotiate sales contracts with OEMs for payment principally in euros and British pounds. The European operations' material, equipment and labour are paid for principally in euros and British pounds.

We employ hedging programs, primarily through the use of foreign exchange forward contracts, in an effort to manage our foreign exchange exposure, which arises when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in foreign currencies. These commitments represent our contractual obligations to deliver products over the duration of the product programs, which can last a number of years. The amount and timing of the forward contracts will be dependent upon a number of factors, including anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency. In addition, we enter into foreign exchange contracts to manage foreign exchange exposure with respect to internal funding arrangements. Despite these measures, significant long-term fluctuations in relative currency values, in particular a significant change in the relative values of the U.S. dollar, Canadian dollar, euro or British pound, could have an adverse effect on our profitability and financial condition (as discussed throughout this MD&A).

NON-GAAP PERFORMANCE MEASURES - FOR THE YEAR ENDED DECEMBER 31, 2017

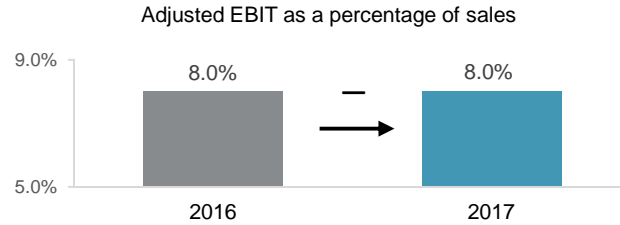
Adjusted EBIT has been discussed in the "Segment Analysis" section. The following table reconciles net income to Adjusted EBIT:

	2017	2016
Net income	\$ 2,255	\$ 2,074
Add:		
Interest expense, net	70	88
Other Expense, net	39	30
Income taxes	744	706
Adjusted EBIT	\$ 3,108	\$ 2,898

Adjusted diluted earnings per share has been discussed in the "Earnings per Share" section. The following table reconciles net income attributable to Magna International Inc. to Adjusted diluted earnings per share:

	2017	2016
Net income attributable to Magna International Inc.	\$ 2,206	\$ 2,031
Add:		
Other Expense, net	39	30
Tax effect on Other Expense, net	7	(4)
US Tax Reform	(23)	—
Adjusted net income attributable to Magna International Inc.	\$ 2,229	\$ 2,057
Diluted weighted average number of Common Shares outstanding during the year (millions):	373.9	393.2
Adjusted diluted earnings per share	\$ 5.96	\$ 5.23

Adjusted EBIT as a percentage of sales



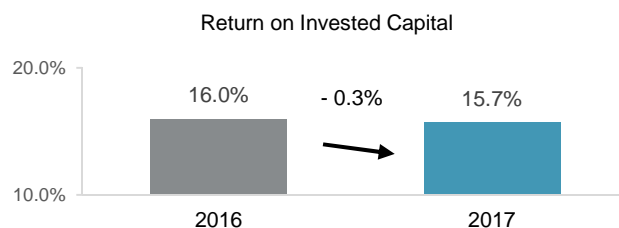
Adjusted EBIT as a percentage of sales of 8.0% for 2017 was unchanged compared to 8.0% for 2016. The primary factors positively impacting Adjusted EBIT as a percentage of sales were:

- generally higher margins at certain manufacturing facilities including through net productivity and efficiency improvements;
- higher scrap steel recoveries;
- lower warranty costs;
- net customer price increases in our Rest of World segment;
- a decrease in SG&A expense as a percentage of sales, as discussed above; and
- higher equity income.

These factors were partially offset by:

- a decrease in the proportion of production sales generated in North America which have a higher margin than our consolidated average relative to total production sales and an increase in the proportion of production sales generated in Europe which have a lower margin than our consolidated average relative to total production sales;
- reduced margins on our complete vehicle assembly sales primarily due to:
 - lower margins earned on programs during 2017 compared to programs during 2016; and
 - launch costs incurred during 2017 relating to the Jaguar E-Pace partially offset by launch costs incurred during 2016 relating to the BMW 5-Series;
- higher commodity costs;
- higher pre-operating costs incurred at new facilities;
- an increase in depreciation and amortization; and
- operational inefficiencies and launch costs incurred at a body and chassis facility in Europe.

Return on Invested Capital



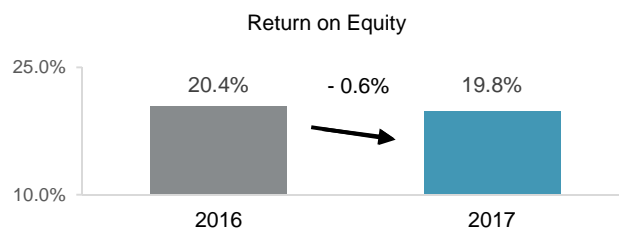
	2017	2016	Change	
After-tax operating profits	\$ 2,308	\$ 2,140	\$ 168	+ 8%
Average Invested Capital	\$ 14,694	\$ 13,403	\$ 1,291	+ 10%
Return on Invested Capital	15.7%	16.0%		- 0.3%

Return on Invested Capital decreased 0.3% to 15.7% for 2017 compared to 16.0% for 2016, primarily as a result of higher Average Invested Capital partially offset by an increase in After-tax operating profits.

Average Invested Capital increased \$1.29 billion to \$14.69 billion for 2017 compared to \$13.40 billion for 2016, primarily as a result of our investment in fixed assets to refurbish or replace assets consumed in the normal course of business and for manufacturing equipment for programs that will be launching subsequent to 2017.

After-tax operating profits increased primarily as a result of higher gross margin and equity income partially offset by higher depreciation and amortization, higher SG&A, and higher income taxes, each as discussed above.

Return on Equity



	2017	2016	Change	
Net income attributable to Magna	\$ 2,206	\$ 2,031	\$ 175	+ 9%
Average Shareholders' Equity	\$ 11,122	\$ 9,962	\$ 1,160	+ 12%
Return on Equity	19.8%	20.4%		- 0.6%

Return on Equity decreased 0.6% to 19.8% for 2017 compared to 20.4% for 2016 as a result of an increase in shareholders' equity partially offset by an increase in net income attributable to Magna, each as discussed above.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies are more fully described in Note 1, "Significant Accounting Policies," to the consolidated financial statements included in this Report. The preparation of the audited consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements. These estimates and assumptions are based on our historical experience, and various other assumptions we believe to be reasonable in the circumstances. Since these estimates and assumptions are subject to an inherent degree of uncertainty, actual results in these areas may differ significantly from our estimates.

We believe the following critical accounting policies and estimates affect the more subjective or complex judgments and estimates used in the preparation of our consolidated financial statements and accompanying notes. Management has discussed the development and selection of the following critical accounting policies with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed our disclosure relating to critical accounting policies in this MD&A.

Goodwill and Other Long-lived Assets - Impairment Assessments

We review goodwill at the reporting unit level for impairment in the fourth quarter of each year or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The Company performs a goodwill impairment review at the reporting unit level. Goodwill impairment is assessed based on a comparison of the fair value of a reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If a reporting unit's carrying amount exceeds its fair value, an impairment is recognized based on that difference. The fair value of a reporting unit is determined using the estimated discounted future cash flows of the reporting unit.

In addition to our review of goodwill, we evaluate fixed assets and other long-lived assets for impairment whenever indicators of impairment exist. Indicators of impairment include the bankruptcy of a significant customer or the early termination, loss, renegotiation of the terms of, or delay in the implementation of, any significant production contract. If the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges, is less than the reported value of the asset, an asset impairment would be recognized in the consolidated financial statements. The amount of impairment to be recognized is calculated by subtracting the fair value of the asset from the reported value of the asset.

We believe that accounting estimates related to goodwill and long-lived asset impairment assessments are "critical accounting estimates" because: (i) they are subject to significant measurement uncertainty and are susceptible to change as management is required to make forward-looking assumptions regarding the impact of improvement plans on current operations, in-sourcing and other new business opportunities, program pricing and cost assumptions on current and future business, the timing of new program launches and future forecasted production volumes; and (ii) any resulting impairment loss could have a material impact on our consolidated net income and on the amount of assets reported in our consolidated balance sheet.

Investments in Affiliates – Impairment Assessments

As of December 31, 2017 and 2016, we had aggregate investments in affiliates of \$2.03 billion and \$1.77 billion, respectively. We monitor our investments in affiliates for indicators of other-than-temporary declines in value on an ongoing basis in accordance with U.S. GAAP. If we determine that an other-than-temporary decline in value has occurred, we recognize an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows. A deterioration in the operating results of our non-consolidated affiliates could result in the impairment of our investments.

Income Taxes

We are subject to income taxes in Canada and other non-Canadian jurisdictions. Significant judgement and estimates are required in determining our provision for income taxes, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits.

The determination of our tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

At December 31, 2017, we had gross unrecognized tax benefits of \$243 million excluding interest and penalties, of which \$222 million, if recognized, would affect our effective tax rate. The gross unrecognized tax benefits differ from the amount that would affect our effective tax rate due primarily to the impact of the valuation allowance on deferred tax assets.

Deferred tax assets and liabilities are recognized for the estimated future tax effects attributable to temporary differences between financial statement carrying value of existing assets and liabilities and their respective tax bases and tax loss and credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Accounting standards require that we assess whether valuation allowances should be established or maintained against our deferred income tax assets, based on consideration of all available evidence, using a "more-likely-than-not" standard. The factors used to assess the likelihood of realization are: history of losses, forecasts of future pre-tax income and tax planning strategies that could be implemented to realize the deferred tax assets. On a quarterly basis, we evaluate the realizability of deferred tax assets by assessing our valuation allowances and by adjusting the amount of such allowances as necessary. We use tax planning strategies to realize deferred tax assets to avoid the potential loss of benefits.

At December 31, 2017, we had recorded deferred tax assets (net of related valuation allowances) in respect of loss carryforwards and other deductible temporary differences of \$118 million and \$197 million, respectively. The deferred tax assets in respect of loss carryforwards relate primarily to operations in Germany, the United Kingdom, Canada, Mexico and the United States. We had domestic and foreign operating loss carryforwards of \$2.60 billion and tax credit carryforwards of \$59 million, which relate primarily to operations in Germany, Austria, the United States, Brazil, the United Kingdom, Spain and China. Approximately \$1.87 billion of the operating losses can be carried forward indefinitely. The remaining operating losses and tax credit carryforwards expire between 2018 and 2037.

The US Tax Reform reduces the US federal corporate tax rate from 35% to 21% beginning in 2018, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred and creates new taxes on certain foreign-sourced earnings. At December 31, 2017, we have not yet completed our analysis of the tax effects of the US Tax Reform. In accordance with SEC Staff Accounting Bulletin No. 118 ("SAB 118"), we have determined provisional estimates for these effects, recording a \$61 million tax benefit on the remeasurement of certain deferred tax assets and liabilities and \$38 million of current tax expense related to the transition tax on deferred foreign earnings. We expect to complete our assessment of the impact in 2018 and any change to the provisional amounts will be included as an adjustment to income tax expense or benefit in the period the amounts are determined.

Warranty

We record product warranty liabilities based on individual customer agreements. Under most customer agreements, we only account for existing or probable claims on product default issues when amounts related to such issues are probable and reasonably estimable. Under certain complete vehicle engineering and assembly contracts, we record an estimate of future warranty-related costs based on the terms of the specific customer agreements and the specific customers' warranty experience.

Product liability provisions are established based on our best estimate of the amounts necessary to settle existing claims on product default issues. Recall costs are costs incurred when government regulators and/or our customers decide to recall a product due to a known or suspected performance issue, and we are required to participate either voluntarily or involuntarily. Costs typically include the cost of the product being replaced, the customer's cost of the recall and labour to remove and replace the defective part. When a decision to recall a product has been made or is probable, our estimated cost of the recall is recorded as a charge to income in that period. In making this estimate, judgment is required as to the number of units that may be returned as a result of the recall, the total cost of the recall campaign, the ultimate negotiated sharing of the cost between us, the customer and, in some cases a supplier.

We monitor our warranty activity on an ongoing basis and adjust our reserve estimates when it is probable that future warranty costs will be different than those estimates.

Employee Future Benefit Plans

The determination of the obligation and expense for defined benefit pension, termination and long service arrangements and other post-retirement benefits, such as retiree healthcare and medical benefits, is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate, expected long-term rate of return on plan assets and rates of increase in compensation costs. Actual results that differ from the assumptions used are accumulated and amortized over future periods and therefore impact the recognized expense in future periods. Significant changes in assumptions or significant plan amendments could materially affect our future employee benefit obligations and future expense.

At December 31, 2017, we had past service costs and actuarial experience losses of \$199 million included in accumulated other comprehensive income that will be amortized to future employee benefit expense over the expected average remaining service life of employees or over the expected average life expectancy of retired employees, depending on the status of the plan.

FUTURE CHANGES IN ACCOUNTING POLICIES

Refer to Note 2. Accounting Standards to the audited consolidated financial statements included in this report for the impact of recently issued accounting pronouncements.

COMMITMENTS AND CONTINGENCIES

From time to time, we may be contingently liable for litigation, legal and/or regulatory actions and proceedings and other claims.

Refer to note 22 of our audited consolidated financial statements for the year ended December 31, 2017, which describes these claims.

For a discussion of risk factors relating to legal and other claims/actions against us, refer to "Item 3. Description of the Business – Risk Factors" in our Annual Information Form and Annual Report on Form 40-F, each in respect of the year ended December 31, 2016.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") are designed to ensure that material information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and that such information is accumulated and communicated to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to enable them to make timely decisions regarding required disclosure of such information. We have conducted an evaluation of our disclosure controls and procedures as of December 31, 2017 under the supervision, and with the participation of, our Chief Executive Officer and our Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures (as this term is defined in the rules adopted by Canadian securities regulatory authorities and the United States Securities and Exchange Commission ("SEC")) are effective as of December 31, 2017.

Management's Annual Report on Internal Control over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Additionally, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework (2013) to evaluate the effectiveness of internal control over financial reporting. Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer have assessed the effectiveness of our internal control over financial reporting and concluded that, as at December 31, 2017, such internal control over financial reporting is effective. The Company's internal control over financial reporting as of December 31, 2017 has been audited by Deloitte LLP, Independent Registered Public Accounting Firm who also audited the Company's consolidated financial statements for the year ended December 31, 2017. Deloitte LLP expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. This report precedes our audited consolidated financial statements for the year ended December 31, 2017.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SELECTED QUARTERLY CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been prepared in accordance with U.S. GAAP.

	For the three month periods ended			
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
Sales	\$ 9,372	\$ 9,684	\$ 9,499	\$ 10,391
Net income	\$ 597	\$ 574	\$ 512	\$ 572
Earnings per Common Share				
Basic	\$ 1.54	\$ 1.49	\$ 1.37	\$ 1.54
Diluted	\$ 1.53	\$ 1.48	\$ 1.36	\$ 1.53

	For the three month periods ended			
	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Sales	\$ 8,900	\$ 9,443	\$ 8,849	\$ 9,253
Net income	\$ 503	\$ 561	\$ 514	\$ 496
Earnings per Common Share				
Basic	\$ 1.23	\$ 1.42	\$ 1.30	\$ 1.25
Diluted	\$ 1.22	\$ 1.41	\$ 1.29	\$ 1.24

The third quarter of the year is generally affected by the normal seasonal effects of lower vehicle production volumes as a result of OEM summer shutdowns.

Included in the quarterly net income attributable to Magna International Inc. are the following Other Expense, net items that have been discussed above:

	For the three month periods ended			
	Mar 31, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017
Restructuring	\$ 6	\$ 3	\$ 2	\$ 18
Impairment of long-lived asset	—	—	—	64
Impairment of investment	—	—	—	17
Gain on formation of a new venture	—	—	—	(45)
Gain on sale of investment	—	—	—	(26)
	\$ 6	\$ 3	\$ 2	\$ 28

	For the three month periods ended			
	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016
Restructuring	\$ —	\$ —	\$ —	\$ 17
Pension settlement	—	—	—	13
	\$ —	\$ —	\$ —	\$ 30

For more information regarding our quarter over quarter results, please refer to our first, second and third quarter 2017 quarterly reports which are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

FORWARD-LOOKING STATEMENTS

We disclose "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") to provide information about management's current expectations and plans. Such forward-looking statements may not be appropriate for other purposes.

Forward-looking statements may include financial and other projections, as well as statements regarding our future plans, objectives or economic performance, or the assumptions underlying any of the foregoing, and other statements that are not recitations of historical fact. We use words such as "may", "would", "could", "should", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "aim", "forecast", "outlook", "project", "estimate", "target" and similar expressions suggesting future outcomes or events to identify forward-looking statements.

Our forward-looking statements are based on information currently available to us, and are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate in the circumstances.

While we believe we have a reasonable basis for making such forward-looking statements, they are not a guarantee of future performance or outcomes. Whether actual results and developments conform to our expectations and predictions is subject to a number of risks, assumptions and uncertainties, many of which are beyond our control, and the effects of which can be difficult to predict, including, without limitation:

Risks Related to the Automotive Industry

- economic cyclicalities;
- intense competition;
- potential restrictions on free trade;

Customer and Supplier Related Risks

- concentration of sales with six customers;
- shifts in market shares among vehicles or vehicle segments;
- potential loss of a material purchase order;

Manufacturing / Operational Risks

- product launch risks;
- operational underperformance;
- restructuring costs;
- impairment charges;
- labour disruptions;
- supply disruptions;

IT Security Risk

- IT/Security breach;

Pricing Risks

- pricing risks between time of quote and start of production;
- price concessions;
- commodity costs;
- declines in scrap steel prices;

Warranty / Recall Risks

- costs to repair or replace defective products;
- warranty costs that exceed our warranty provision;
- costs related to a significant recall;

Acquisition Risks

- an increase in our risk profile as a result of completed acquisitions;
- acquisition integration risk;

Other Business Risks

- risks related to conducting business through joint ventures;
- our ability to consistently develop innovative products or processes; changing risk profile;
- risks of conducting business in foreign markets;
- fluctuations in relative currency values;
- tax risks;
- changes in credit ratings assigned to us;
- the unpredictability of, and fluctuation in, the trading price of our Common Shares;

Legal, Regulatory and Other Risks

- antitrust and compliance risk;
- legal claims and/or regulatory actions against us; and
- changes in laws.

In evaluating forward-looking statements or forward-looking information, we caution readers not to place undue reliance on any forward-looking statement, and readers should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements, including the risks, assumptions and uncertainties above which are discussed in greater detail in this document under the section titled "Industry Trends and Risks" and set out in our Annual Information Form filed with securities commissions in Canada and our annual report on Form 40-F filed with the United States Securities and Exchange Commission, and subsequent filings.