



**Magna International Inc.**

**Interim Financial Statements for the three months  
ended March 31, 2021**

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

[Unaudited]

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

	Note	Three months ended March 31,	
		2021	2020
<b>Sales</b>	14	<b>\$ 10,179</b>	\$ 8,657
<b>Costs and expenses</b>			
Cost of goods sold		8,662	7,567
Depreciation and amortization		364	336
Selling, general and administrative		430	381
Interest expense, net		23	17
Equity income		(47)	(30)
Other income, net	2	(58)	—
Income from operations before income taxes		805	386
Income taxes		183	134
<b>Net income</b>		<b>622</b>	252
(Income) loss attributable to non-controlling interests		(7)	9
<b>Net income attributable to Magna International Inc.</b>		<b>\$ 615</b>	\$ 261
Earnings per Common Share:	3		
Basic		\$ 2.04	\$ 0.86
Diluted		\$ 2.03	\$ 0.86
Cash dividends paid per Common Share		\$ 0.430	\$ 0.400
Weighted average number of Common Shares outstanding during the period [in millions]:	3		
Basic		301.0	302.1
Diluted		303.6	302.7

See accompanying notes

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

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended	
		March 31,	
		2021	2020
<b>Net income</b>		<b>\$ 622</b>	<b>\$ 252</b>
Other comprehensive income, net of tax:	11		
Net unrealized loss on translation of net investment in foreign operations		(108)	(320)
Net unrealized gain (loss) on cash flow hedges		13	(184)
Reclassification of net gain on cash flow hedges to net income		(8)	(8)
Reclassification of net loss on pensions to net income		3	2
<b>Other comprehensive loss</b>		<b>(100)</b>	<b>(510)</b>
Comprehensive income (loss)		<b>522</b>	(258)
Comprehensive (income) loss attributable to non-controlling interests		(4)	15
<b>Comprehensive income (loss) attributable to Magna International Inc.</b>		<b>\$ 518</b>	<b>\$ (243)</b>

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED BALANCE SHEETS**

[Unaudited]

[U.S. dollars in millions]

	Note	As at March 31, 2021	As at December 31, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 3,464	\$ 3,268
Accounts receivable		7,176	6,394
Inventories	6	3,645	3,444
Prepaid expenses and other		290	260
		<b>14,575</b>	<b>13,366</b>
Investments	7	960	947
Fixed assets, net		8,305	8,475
Operating lease right-of-use assets		1,869	1,906
Intangible assets, net	5	538	481
Goodwill	5	2,153	2,095
Deferred tax assets		382	372
Other assets	8	923	963
		<b>\$ 29,705</b>	<b>\$ 28,605</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 6,787	\$ 6,266
Other accrued liabilities	9	2,298	2,254
Accrued salaries and wages		897	815
Income taxes payable		109	38
Long-term debt due within one year		137	129
Current portion of operating lease liabilities		244	241
		<b>10,472</b>	<b>9,743</b>
Long-term debt		3,935	3,973
Operating lease liabilities		1,613	1,656
Long-term employee benefit liabilities		733	729
Other long-term liabilities		414	332
Deferred tax liabilities		486	452
		<b>17,653</b>	<b>16,885</b>
<b>Shareholders' equity</b>			
Capital stock			
Common Shares			
[issued: 300,614,178; December 31, 2020 – 300,527,416]	10	3,366	3,271
Contributed surplus		107	128
Retained earnings		9,034	8,704
Accumulated other comprehensive loss	11	(829)	(733)
		<b>11,678</b>	<b>11,370</b>
Non-controlling interests		374	350
		<b>12,052</b>	<b>11,720</b>
		<b>\$ 29,705</b>	<b>\$ 28,605</b>

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[Unaudited]

[U.S. dollars in millions]

	Note	Three months ended	
		March 31,	
		2021	2020
<b>Cash provided from (used for):</b>			
<b>OPERATING ACTIVITIES</b>			
Net income		\$ 622	\$ 252
Items not involving current cash flows	4	411	363
		<b>1,033</b>	615
Changes in operating assets and liabilities	4	(372)	24
<b>Cash provided from operating activities</b>		<b>661</b>	639
<b>INVESTMENT ACTIVITIES</b>			
Fixed asset additions		(212)	(203)
Increase in private equity investments		(3)	(100)
Increase in investments, other assets and intangible assets		(104)	(93)
Settlement of long-term receivable from non-consolidated joint venture		50	—
Proceeds from dispositions		19	23
Business combinations	5	39	(7)
<b>Cash used for investing activities</b>		<b>(211)</b>	(380)
<b>FINANCING ACTIVITIES</b>			
Issues of debt		9	8
Decrease in short-term borrowings		(101)	(1)
Repayments of debt		(34)	(13)
Issues of Common Shares on exercise of stock options		83	1
Tax withholdings on vesting of equity awards		(12)	(10)
Repurchase of Common Shares	10	(162)	(201)
Dividends		(130)	(121)
Dividends paid to non-controlling interests		—	(3)
<b>Cash used for financing activities</b>		<b>(347)</b>	(340)
Effect of exchange rate changes on cash, cash equivalents and restricted cash equivalents		(13)	(52)
Net increase (decrease) in cash, cash equivalents and restricted cash equivalents during the period		90	(133)
Cash, cash equivalents and restricted cash equivalents, beginning of period		3,374	1,392
<b>Cash, cash equivalents and restricted cash equivalents, end of period</b>	4	<b>\$ 3,464</b>	\$ 1,259

See accompanying notes

**MAGNA INTERNATIONAL INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

[Unaudited]

[U.S. dollars in millions]

	Note	<u>Common Shares</u> Number	<u>Stated</u> Value	<u>Contri- buted</u> Surplus	<u>Retained</u> Earnings	<u>AOCL</u> <sup>(i)</sup>	<u>Non- controlling</u> Interest	<u>Total</u> Equity
		<i>[in millions]</i>						
<b>Balance, December 31, 2020</b>		<b>300.5</b>	<b>\$ 3,271</b>	<b>\$ 128</b>	<b>\$ 8,704</b>	<b>\$ (733)</b>	<b>\$ 350</b>	<b>\$ 11,720</b>
Net income					615		7	622
Other comprehensive loss						(97)	(3)	(100)
Business combinations	5						20	20
Shares issued on exercise of stock options		1.7	101	(18)				83
Release of stock and stock units		0.3	14	(14)				—
Tax withholdings on vesting of equity rewards		(0.2)	(2)		(10)			(12)
Repurchase and cancellation under normal course issuer bid	10	(1.8)	(20)		(143)	1		(162)
Stock-based compensation expense				11				11
Dividends paid		0.1	2		(132)			(130)
<b>Balance, March 31, 2021</b>		<b>300.6</b>	<b>\$ 3,366</b>	<b>\$ 107</b>	<b>\$ 9,034</b>	<b>\$ (829)</b>	<b>\$ 374</b>	<b>\$ 12,052</b>

	Note	<u>Common Shares</u> Number	<u>Stated</u> Value	<u>Contri- buted</u> Surplus	<u>Retained</u> Earnings	<u>AOCL</u> <sup>(i)</sup>	<u>Non- controlling</u> Interest	<u>Total</u> Equity
		<i>[in millions]</i>						
<b>Balance, December 31, 2019</b>		<b>303.2</b>	<b>\$ 3,198</b>	<b>\$ 127</b>	<b>\$ 8,596</b>	<b>\$ (1,090)</b>	<b>\$ 300</b>	<b>\$ 11,131</b>
Net income					261		(9)	252
Other comprehensive loss						(504)	(6)	(510)
Shares issued on exercise of stock options			1					1
Release of stock and stock units		0.4	13	(13)				—
Tax withholdings on vesting of equity rewards		(0.2)	(2)		(8)			(10)
Repurchase and cancellation under normal course issuer bid	10	(5.0)	(53)		(155)	7		(201)
Stock-based compensation expense				3				3
Dividends paid		0.1	2		(123)			(121)
Dividends paid to non-controlling interests							(3)	(3)
<b>Balance, March 31, 2020</b>		<b>298.5</b>	<b>\$ 3,159</b>	<b>\$ 117</b>	<b>\$ 8,571</b>	<b>\$ (1,587)</b>	<b>\$ 282</b>	<b>\$ 10,542</b>

(i) AOCL is Accumulated Other Comprehensive Loss.

See accompanying notes

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### [a] Basis of presentation

The unaudited interim consolidated financial statements of Magna International Inc. and its subsidiaries [collectively "Magna" or the "Company"] have been prepared in U.S. dollars following accounting principles generally accepted in the United States of America ["GAAP"]. The unaudited interim consolidated financial statements do not conform in all respects to the requirements of GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the December 31, 2020 audited consolidated financial statements and notes thereto included in the Company's 2020 Annual Report.

The unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at March 31, 2021 and the results of operations, changes in equity and cash flows for the three-months ended March 31, 2021 and 2020.

### 2. OTHER INCOME, NET

		<b>Three months ended March 31,</b>	<b>2021</b>
Gain on business combinations	[a]	\$	(40)
Gains on investments	[b]		(33)
Restructuring	[c]		15
		\$	(58)

#### [a] Gain on business combinations

During the first quarter of 2021, the Company acquired a 65% equity interest and a controlling financial interest in Chongqing Hongli Zhixin Scientific Technology Development Group LLC. ["Hongli"]. The acquisition included an additional 15% equity interest in two entities that were previously equity accounted for by the Company. On the change in basis of accounting, the Company recognized a \$22 million gain [\$22 million after tax] [note 5].

The Company also recorded a gain of \$18 million [\$18 million after tax] in connection with the distribution of substantially all of the assets of the Company's European joint venture, Getrag Ford Transmission GmbH ["GFT"] [note 5].

#### [b] Gains on investments

During the first quarter of 2021, the Company recorded unrealized gains of \$18 million [\$13 million after tax] on the revaluation of certain private equity investments and \$15 million [\$11 million after tax] related to the revaluation of certain public company warrants [note 7].

#### [c] Restructuring

During the first quarter of 2021, the Company recorded restructuring charges of \$15 million [\$15 million after tax] for its Power & Vision operations.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

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

**3. EARNINGS PER SHARE**

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Basic earnings per Common Share:</b>		
Net income attributable to Magna International Inc.	<b>\$ 615</b>	\$ 261
Weighted average number of Common Shares outstanding	<b>301.0</b>	302.1
Basic earnings per Common Share	<b>\$ 2.04</b>	\$ 0.86
<b>Diluted earnings per Common Share [a]:</b>		
Net income attributable to Magna International Inc.	<b>\$ 615</b>	\$ 261
Weighted average number of Common Shares outstanding	<b>301.0</b>	302.1
Stock options and restricted stock	<b>2.6</b>	0.6
	<b>303.6</b>	302.7
Diluted earnings per Common Share	<b>\$ 2.03</b>	\$ 0.86

[a] For the three months ended March 31, 2021, diluted earnings per Common Share excluded 0.3 million [2020 - 5.0 million] Common Shares issuable under the Company's Incentive Stock Option Plan because these options were not "in-the-money". The dilutive effect of participating securities using the two-class method was excluded from the calculation of earnings per share because the effect would be immaterial.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**4. DETAILS OF CASH FROM OPERATING ACTIVITIES**

[a] Cash, cash equivalents and restricted cash equivalents:

	<b>March 31, 2021</b>	December 31, 2020
Bank term deposits and bankers' acceptances	<b>\$ 2,276</b>	\$ 1,987
Cash	<b>1,188</b>	1,281
Cash and cash equivalents	<b>3,464</b>	3,268
Restricted cash equivalents included in prepaid expenses	<b>—</b>	106
	<b>\$ 3,464</b>	\$ 3,374

[b] Items not involving current cash flows:

	<b>Three months ended March 31,</b>	
	<b>2021</b>	2020
Depreciation and amortization	<b>\$ 364</b>	\$ 336
Amortization of other assets included in cost of goods sold	<b>68</b>	53
Other non-cash charges	<b>36</b>	(4)
Deferred income taxes	<b>14</b>	(4)
Equity income in excess of dividends received	<b>—</b>	(18)
Dividends received in excess of equity income	<b>2</b>	—
Non-cash portion of Other income, net <i>[note 2]</i>	<b>(73)</b>	—
	<b>\$ 411</b>	\$ 363

[c] Changes in operating assets and liabilities:

	<b>Three months ended March 31,</b>	
	<b>2021</b>	2020
Accounts receivable	<b>\$ (648)</b>	\$ 93
Inventories	<b>(213)</b>	(277)
Prepaid expenses and other	<b>(23)</b>	(28)
Accounts payable	<b>337</b>	109
Accrued salaries and wages	<b>77</b>	72
Other accrued liabilities	<b>38</b>	21
Income taxes payable	<b>60</b>	34
	<b>\$ (372)</b>	\$ 24

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**5. BUSINESS COMBINATIONS**

- [i] On March 1, 2021, substantially all of the assets of the Company's European joint venture with Ford Motor Company ["Ford"], GFT, were distributed to either Ford or the Company, which resulted in the Company recording an \$18 million gain [note 2]. As part of the distribution, the Company received GFT's non-controlling interest in a Chinese joint venture controlled by the Company, a facility in Europe and net cash of \$94 million.
- [ii] On January 1, 2021, the Company acquired a 65% equity interest and a controlling financial interest in Hongli, a China-based supplier of seat structures and related systems. The acquisition included an additional 15% equity interest in two entities that were previously equity accounted for by the Company. On the change in basis of accounting, the Company recognized a \$22 million gain [note 2]. The total purchase price was \$92 million [net of \$17 million cash acquired] and is subject to working capital and other customary purchase price adjustments.

The net effect of the business combinations on the Company's consolidated balance sheet is as follows:

	<b>Hongli Acquisition</b>
Cash	\$ 17
Non-cash working capital	11
Fixed assets	82
Goodwill	104
Intangible assets	49
Debt	(45)
Other liabilities assumed, net	(7)
Non-controlling interests	(74)
Fair value of net assets	137
Less: Carrying value of Magna's equity accounted investment	(6)
Gain on re-measurement [note 2]	(22)
Net consideration paid	109
Less: Cash acquired	(17)
Remaining amount payable to Seller	(37)
Net cash outflow	\$ 55

The preliminary purchase price allocations are subject to change and may be subsequently adjusted to reflect final valuation results and other adjustments.

Recognized goodwill is attributable to the assembled workforce, expected synergies and other intangible assets that do not qualify for separate recognition and was assigned to the Company's Seating Systems segment.

Intangible assets consist primarily of amounts recognized for the fair value of customer contracts and are being amortized on a straight-line basis over an eleven-year estimated useful life.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**6. INVENTORIES**

Inventories consist of:

	March 31, 2021	December 31, 2020
Raw materials and supplies	\$ 1,340	\$ 1,226
Work-in-process	378	340
Finished goods	497	470
Tooling and engineering	1,430	1,408
	<b>\$ 3,645</b>	<b>\$ 3,444</b>

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

**7. INVESTMENTS**

	March 31, 2021	December 31, 2020
Equity method investments	\$ 552	\$ 677
Private equity investments	292	267
Warrants <sup>[a]</sup>	113	—
Other	3	3
	<b>\$ 960</b>	<b>\$ 947</b>

[a] In October 2020, the Company signed agreements that provide a framework with Fisker Inc. ["Fisker"] for the platform sharing, engineering and manufacturing of the Fisker Ocean SUV. In connection with the arrangement, Fisker issued approximately 19.5 million penny warrants to the Company to purchase common stock, which vest based on specified milestones. During the first quarter of 2021, 33% of these warrants with a value of \$98 million vested. The initial value attributable to the warrants was deferred within other accrued liabilities and other long-term liabilities on the consolidated balance sheet and will be recognized in the consolidated statement of income as services are performed. The Company also recorded an unrealized gain of \$15 million related to the revaluation of the vested warrants [note 2].

Cumulative unrealized gains on equity securities still held at the reporting date were \$99 million and \$65 million as at March 31, 2021 and December 31, 2020, respectively.

**8. OTHER ASSETS**

Other assets consist of:

	March 31, 2021	December 31, 2020
Preproduction costs related to long-term supply agreements	\$ 681	\$ 694
Long-term receivables	156	209
Pension overfunded status	4	4
Unrealized gain on cash flow hedges	19	16
Other, net	63	40
	<b>\$ 923</b>	<b>\$ 963</b>

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

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

**9. WARRANTY**

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

	2021	2020
Balance, beginning of period	\$ 284	\$ 252
Expense, net	27	22
Settlements	(28)	(73)
Business combinations <i>[note 5]</i>	2	—
Foreign exchange and other	(6)	(2)
Balance, March 31	\$ 279	\$ 199

**10. CAPITAL STOCK**

[a] During the first quarter of 2021, the Company repurchased 1.8 million shares under a normal course issuer bid for cash consideration of \$162 million.

[b] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at May 5, 2021 were exercised or converted:

Common Shares	301,513,395
Stock options <sup>(i)</sup>	5,867,496
	307,380,891

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

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**11. ACCUMULATED OTHER COMPREHENSIVE LOSS**

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

	2021	2020
Accumulated net unrealized loss on translation of net investment in foreign operations		
Balance, beginning of period	\$ (551)	\$ (907)
Net unrealized loss	(105)	(314)
Repurchase of shares under normal course issuer bid	1	7
Balance, March 31	<b>(655)</b>	(1,214)
Accumulated net unrealized gain (loss) on cash flow hedges <sup>(i)</sup>		
Balance, beginning of period	42	38
Net unrealized gain (loss)	13	(184)
Reclassification of net gain to net income	(8)	(8)
Balance, March 31	47	(154)
Accumulated net unrealized loss on pensions		
Balance, beginning of period	(224)	(221)
Reclassification of net loss to net income	3	2
Balance, March 31	<b>(221)</b>	(219)
<b>Total accumulated other comprehensive loss</b>	<b>\$ (829)</b>	<b>\$ (1,587)</b>

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

	2021	2020
<i>Balance, beginning of period</i>	<i>\$ (15)</i>	<i>\$ (14)</i>
<i>Net unrealized (gain) loss</i>	<i>(4)</i>	<i>66</i>
<i>Reclassification of net gain to net income</i>	<i>3</i>	<i>3</i>
<i>Balance, March 31</i>	<i>\$ (16)</i>	<i>\$ 55</i>

The amount of other comprehensive loss that is expected to be reclassified to net income over the next 12 months is \$48 million.

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**12. FINANCIAL INSTRUMENTS**

**[a] Financial assets and liabilities**

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

	March 31, 2021	December 31, 2020
<b>Financial assets</b>		
Cash, cash equivalents and restricted cash equivalents	\$ 3,464	\$ 3,374
Accounts receivable	7,176	6,394
Warrants and private equity investments	405	267
Long-term receivables included in other assets	156	209
	<b>\$ 11,201</b>	<b>\$ 10,244</b>
<b>Financial liabilities</b>		
Long-term debt (including portion due within one year)	\$ 4,072	\$ 4,102
Accounts payable	6,787	6,266
	<b>\$ 10,859</b>	<b>\$ 10,368</b>
<b>Derivatives designated as effective hedges, measured at fair value</b>		
Foreign currency contracts		
Prepaid expenses	\$ 54	\$ 52
Other assets	19	16
Other accrued liabilities	(12)	(11)
Other long-term liabilities	(8)	(5)
	<b>\$ 53</b>	<b>\$ 52</b>

**[b] Derivatives designated as effective hedges, measured at fair value**

The Company presents derivatives that are designated as effective hedges at gross fair values in the consolidated balance sheets. However, master netting and other similar arrangements allow net settlements under certain conditions. The following table shows the Company's derivative foreign currency contracts at gross fair value as reflected in the consolidated balance sheets and the unrecognized impacts of master netting arrangements:

	Gross amounts presented in consolidated balance sheets	Gross amounts not offset in consolidated balance sheets	Net amounts
<b>March 31, 2021</b>			
Assets	\$ 73	\$ 16	\$ 57
Liabilities	\$ (20)	\$ (16)	\$ (4)
<b>December 31, 2020</b>			
Assets	\$ 68	\$ 13	\$ 55
Liabilities	\$ (16)	\$ (13)	\$ (3)

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Unaudited]

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

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### 12. FINANCIAL INSTRUMENTS (CONTINUED)

#### [c] Fair value

The Company determined the estimated fair values of its financial instruments based on valuation methodologies it believes are appropriate; however, considerable judgment is required to develop these estimates. Accordingly, these estimated fair values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of financial instruments are described below:

*Cash and cash equivalents, accounts receivable and accounts payable.*

Due to the short period to maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair values.

*Private equity securities*

The Company estimates the value of its private equity securities based on valuation methods using the observable transaction price at the transaction date and other observable inputs including rights and obligations of the securities held by the Company. [Level 3 input based on the GAAP fair value hierarchy.]

*Warrants*

The Company estimates the value of its warrants based on the quoted prices in the active market for Fisker's common shares. [Level 2 inputs based on the GAAP fair value hierarchy.]

*Term debt*

The Company's term debt includes \$137 million due within one year. Due to the short period to maturity of this debt, the carrying value as presented in the consolidated balance sheets is a reasonable estimate of its fair value.

*Senior Notes*

The fair value of our Senior Notes are classified as Level 1 when we use quoted prices in active markets and Level 2 when the quoted prices are from less active markets or when other observable inputs are used to determine fair value. At March 31, 2021, the net book value of the Company's Senior Notes was \$3.8 billion and the estimated fair value was \$4.1 billion.

#### [d] Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents, restricted cash equivalents [net of the euro drawn amount], accounts receivable, and foreign exchange forward contracts with positive fair values.

Cash and cash equivalents and restricted cash equivalents which consists of short-term investments, are only invested in bank term deposits and bank commercial paper with primarily an investment grade credit rating. Credit risk is further reduced by limiting the amount which is invested in any major financial institution.

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

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the automotive industry and are subject to credit risks associated with the automotive industry. For the three month period ended March 31, 2021, sales to the Company's six largest customers represented 78% of the Company's sales, and substantially all of the Company's sales are to customers with which it has ongoing contractual relationships. The Company continues to closely monitor its customers as a result of the current economic uncertainty. In determining the allowance for expected credit losses, the Company considers changes in customer's credit ratings, liquidity, customer's historical payments and loss experience, current economic conditions and the Company's expectations of future economic conditions.

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**12. FINANCIAL INSTRUMENTS (CONTINUED)**

**[e] Interest rate risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. In particular, the amount of interest income earned on cash and cash equivalents is impacted more by investment decisions made and the demands to have available cash on hand, than by movements in interest rates over a given period.

In addition, the Company is not exposed to interest rate risk on its term debt and Senior Notes as the interest rates on these instruments are fixed.

**[f] Currency risk and foreign exchange contracts**

The Company is exposed to fluctuations in foreign exchange rates when manufacturing facilities have committed to the delivery of products, and/or the purchase of materials and equipment in currencies other than the facilities' functional currency. In an effort to manage this net foreign exchange exposure, the Company employs hedging programs, primarily through the use of foreign exchange forward contracts.

At March 31, 2021, the Company had outstanding foreign exchange forward contracts representing commitments to buy and sell various foreign currencies. Significant commitments are as follows:

	For Canadian dollars		For U.S. dollars		For Euros			
	U.S. dollar amount	Weighted average rate	Peso amount	Weighted average rate	U.S. dollar amount	Weighted average rate	Czech Koruna Amount	Weighted average rate
Buy	131	0.77259	10,917	0.04605	225	0.82658	8,104	0.03774
(Sell)	(1,304)	1.30509	—	—	(186)	1.20045	—	—

Forward contracts mature at various dates through 2025. Foreign currency exposures are reviewed quarterly.

**[g] Equity price risk**

*Warrants*

The Company's warrants are subject to market price risk due to the risk of loss in value that would result from a decline in the market price of Fisker's underlying common shares.

# MAGNA INTERNATIONAL INC.

## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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### 13. CONTINGENCIES

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

- [a] In September 2020, the European Commission [the "Commission"] announced that it had reached a settlement with Magna and its competitors in connection with two separate bilateral cartels concerning supplies of closure systems, where the parties coordinated pricing and exchanged commercially sensitive information in certain instances between 2009 and 2012. As the leniency applicant that revealed the existence of the cartels to the Commission, Magna received full immunity and was not fined.

In September 2014, the Conselho Administrativo de Defesa Economica ["CADE"], Brazil's Federal competition authority, attended at one of the Company's operating divisions in Brazil to obtain information in connection with an ongoing antitrust investigation relating to suppliers of automotive door latches and related products ["access mechanisms"].

In May 2019, CADE informed the Company that it completed its preliminary investigation and, based on a review of the evidence, had commenced a formal administrative proceeding into alleged anticompetitive behaviour relating to access mechanisms involving the Company.

Administrative proceedings of this nature can often continue for several years. At this time, management is unable to predict the duration or outcome of the Brazilian administrative proceeding, including whether any operating divisions of the Company will be found liable for any violation of law or the extent or magnitude of any liability, if any. In the event that wrongful conduct is found, CADE may impose administrative penalties or fines taking into account several mitigating and aggravating factors. Administrative fines are tied to the sales in Brazil of the applicable Magna companies in the fiscal year prior to the commencement of the formal administrative proceeding.

The Company's policy is to comply with all applicable laws, including antitrust and competition laws. Based on a previously completed global review of legacy antitrust risks, Magna does not currently anticipate any material liabilities. However, we could be subject to restitution settlements, civil proceedings, reputational damage and other consequences, including as a result of the matters specifically referred to above.

- [b] The Company is at risk for product warranty costs, which include product liability and recall costs, and is currently experiencing increased customer pressure to assume greater warranty responsibility. For most types of products, the Company only accounts for existing or probable product warranty claims. However, for certain complete vehicle assembly, powertrain systems and electronics contracts, the Company records an estimate of future warranty-related costs based on the terms of the specific customer agreements and/or the Company's warranty experience. Product liability and recall provisions are established based on the Company's best estimate of the amounts necessary to settle existing claims, which typically take into account: the number of units that may be returned; the cost of the product being replaced; labour to remove and replace the defective part; and the customer's administrative costs relating to the recall. Where applicable, such provisions are booked net of recoveries from sub-suppliers and along with related insurance recoveries. Due to the uncertain nature of the net costs, actual product liability costs could be materially different from the Company's best estimates of future costs [note 9].

# **MAGNA INTERNATIONAL INC.**

## **NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*[Unaudited]*

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

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### **14. SEGMENTED INFORMATION**

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

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

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

**MAGNA INTERNATIONAL INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

[Unaudited]

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

**14. SEGMENTED INFORMATION (CONTINUED)**

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

Three months ended March 31, 2021						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 4,025	\$ 3,951	\$ 327	\$ 181	\$ 2	\$ 94
Power & Vision	3,156	3,097	297	133	(44)	98
Seating Systems	1,303	1,292	55	22	(2)	10
Complete Vehicles	1,850	1,837	80	23	(1)	8
Corporate & Other [i]	(155)	2	11	5	(2)	2
<b>Total Reportable Segments</b>	<b>\$ 10,179</b>	<b>\$ 10,179</b>	<b>\$ 770</b>	<b>\$ 364</b>	<b>\$ (47)</b>	<b>\$ 212</b>

Three months ended March 31, 2020						
	Total sales	External sales	Adjusted EBIT [ii]	Depreciation and amortization	Equity loss (income)	Fixed asset additions
Body Exteriors & Structures	\$ 3,676	\$ 3,610	\$ 199	\$ 179	\$ —	\$ 102
Power & Vision	2,523	2,480	135	115	(34)	81
Seating Systems	1,261	1,256	40	17	3	15
Complete Vehicles	1,321	1,311	50	20	—	4
Corporate & Other [i]	(124)	—	(21)	5	1	1
<b>Total Reportable Segments</b>	<b>\$ 8,657</b>	<b>\$ 8,657</b>	<b>\$ 403</b>	<b>\$ 336</b>	<b>\$ (30)</b>	<b>\$ 203</b>

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

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

	Three months ended March 31,	
	2021	2020
<b>Net income</b>	<b>\$ 622</b>	<b>\$ 252</b>
Add:		
Interest expense, net	23	17
Other income, net	(58)	—
Income taxes	183	134
<b>Adjusted EBIT</b>	<b>\$ 770</b>	<b>\$ 403</b>

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[Unaudited]

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

**14. SEGMENTED INFORMATION (CONTINUED)**

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

	March 31, 2021	December 31, 2020
Body Exteriors & Structures	\$ 472	\$ 483
Power & Vision	1,289	1,315
Seating Systems	276	176
Complete Vehicles	116	121
<b>Total Reportable Segments</b>	<b>\$ 2,153</b>	<b>\$ 2,095</b>

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

	March 31, 2021	December 31, 2020
Body Exteriors & Structures	\$ 7,521	\$ 7,536
Power & Vision	5,595	5,529
Seating Systems	1,269	1,118
Complete Vehicles	662	671
Corporate & Other	815	710
<b>Total Reportable Segments</b>	<b>\$ 15,862</b>	<b>\$ 15,564</b>

The following table reconciles Total Assets to Net Assets:

	March 31, 2021	December 31, 2020
<b>Total Assets</b>	<b>\$ 29,705</b>	<b>\$ 28,605</b>
Deduct assets not included in segment net assets:		
Cash and cash equivalents	(3,464)	(3,268)
Deferred tax assets	(382)	(372)
Long-term receivables from joint venture partners	(15)	(66)
Deduct liabilities included in segment net assets:		
Accounts payable	(6,787)	(6,266)
Accrued salaries and wages	(897)	(815)
Other accrued liabilities	(2,298)	(2,254)
<b>Segment Net Assets</b>	<b>\$ 15,862</b>	<b>\$ 15,564</b>

**15. SUBSEQUENT EVENT**

**Credit Facility Amendment**

On April 28, 2021, the Company amended its revolving credit facility, including an extension of the maturity date for \$2.6 billion from June 24, 2024 to June 24, 2026.